

**ANNUAL FINANCIAL REPORT**  
**WHITE COUNTY, TENNESSEE**



**FOR THE YEAR ENDED JUNE 30, 2006**

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

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

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Comptroller of the Treasury*

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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  
White County, Tennessee  
For the Year Ended June 30, 2006

## ***Scope***

We have audited the basic financial statements of White County as of and for the year ended June 30, 2006.

## ***Results***

Our report on White County's financial statements is unqualified.

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

## ***Findings***

The following are summaries of the audit findings:

### **OFFICE OF FINANCE DIRECTOR**

- ◆ Purchase orders were not issued in some required instances, and some purchase orders were issued after purchases were made. In several instances, invoices were paid without documentation that goods had been received or services had been rendered. Also, bids were not solicited for some applicable purchases.
- ◆ Landfill closure and postclosure care costs of \$391,325 were not determined and recorded on the financial statements of the Solid Waste Disposal Fund.

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

- ◆ Bank statements were not reconciled properly.
  - ◆ Execution docket trial balances prepared by the clerk did not reconcile with cash journal accounts.
  - ◆ Investment and short-term account activities were not posted to the office cash journals.
  - ◆ Annual financial reports were not filed with the county mayor and county clerk as required by state statute.
-

## **OFFICE OF SHERIFF**

- ◆ The office had a cash shortage of \$1,108 at June 30, 2006.
  - ◆ Confidential drug transactions were not reflected on the office cash journal. Forms documenting payments to confidential informants did not have the required signatures of two officers.
  - ◆ Commissary transactions were not reflected on the office cash journal.
- 

## **OTHER FINDINGS**

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

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# INTRODUCTORY SECTION

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# White County Officials

## June 30, 2006

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### **Officials**

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

### **Board of County Commissioners**

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

### **Financial Management Committee**

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

### **Board of Education**

Barbara Jared, Chairperson	
Kimberly Danson	Terry Messenger
Mark Farley	Kenneth Robinson
Ray Maples	Rebecca Tubb

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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**

January 23, 2007

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of White County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise White County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of White County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented White County Emergency Communications District, which represent 1.9 percent and 1.8 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. These financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the White County Emergency Communications District is based on the report of other auditors.

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

as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of White County, Tennessee, as of June 30, 2006, and the respective changes in financial position or cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 23, 2007, on our consideration of White County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not 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.

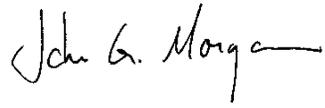
The management of White County did not prepare the management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The budgetary comparison information on pages 67 through 73 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise White County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the White County School Department (a discretely presented component unit), 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, combining and individual fund financial statements of the White County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, 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 by us 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/rc

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

White County, Tennessee  
Statement of Net Assets  
June 30, 2006

	Primary Government			Component Units	
	Governmental	Business-type	Total	White	White
	Activities	Activities		School	County
			Department	Emergency	Communications
				District	
<u>ASSETS</u>					
Cash	\$ 20,357	\$ 250	\$ 20,607	\$ 91	\$ 246,304
Equity in Pooled Cash and Investments	4,462,507	325,449	4,787,956	14,521,309	0
Accounts Receivable	1,038,736	160,668	1,199,404	0	20,898
Allowance for Uncollectibles	(307,231)	0	(307,231)		
Due from Other Governments	635,801	0	635,801	479,779	37,729
Property Taxes Receivable	3,988,452	0	3,988,452	3,115,979	0
Allowance for Uncollectible Property Taxes	(143,506)	0	(143,506)	(112,115)	0
Notes Receivable	353,858	0	353,858	0	0
Prepaid Items	3,129	0	3,129	0	986
Other Assets	0	0	0	0	350
Capital Assets:					
Assets Not Depreciated:					
Land	106,178	550,078	656,256	683,842	16,577
Construction in Progress	1,094,972	998,964	2,093,936	0	0
Assets Net of Accumulated Depreciation:					
Buildings and Improvements	7,122,628	29,759	7,152,387	13,633,506	71,629
Other Capital Assets	551,125	585,319	1,136,444	817,241	245,665
Infrastructure	1,960,089	0	1,960,089	0	0
Total Assets	\$ 20,887,095	\$ 2,650,487	\$ 23,537,582	\$ 33,139,632	\$ 640,138
<u>LIABILITIES</u>					
Accounts Payable	\$ 206,388	\$ 23,333	\$ 229,721	\$ 279	\$ 13,695
Payroll Deductions Payable	806	1,464	2,270	217,658	0
Contracts Payable	0	58,394	58,394	0	0
Accrued Interest Payable	74,784	0	74,784	0	0
Deferred Revenue - Current Property Taxes	3,704,743	0	3,704,743	2,894,330	0
Noncurrent Liabilities:					
Due Within One Year	978,333	166,367	1,144,700	1,482	0
Due in More Than One Year	15,647,083	3,775,153	19,422,236	28,161	0
Total Liabilities	\$ 20,612,137	\$ 4,024,711	\$ 24,636,848	\$ 3,141,910	\$ 13,695

(Continued)

Exhibit A

White County, Tennessee  
Statement of Net Assets (Cont.)

	Primary Government			Component Units	
	Governmental	Business-type	Total	White	White
	Activities	Activities		County	County
				School	Emergency
				Department	Communications
					District
<u>NET ASSETS</u>					
Invested in Capital Assets, Net of Related Debt	\$ 2,700,576	782,254	3,482,830	\$ 0	\$ 333,871
Invested in Capital Assets	0	0	0	15,134,589	0
Restricted for:					
Central Cafeteria	0	0	0	391,688	0
Debt Service	2,000,875	0	2,000,875	0	0
Industrial/Economic Development	518,384	0	518,384	7,931,174	0
Local Purpose Tax	728,932	0	728,932	0	0
Drug Control	27,055	0	27,055	0	0
Highway/Public Works	991,478	0	991,478	0	0
Other Purposes	585,213	0	585,213	0	0
Unrestricted	<u>(7,277,555)</u>	<u>(2,156,478)</u>	<u>(9,434,033)</u>	<u>6,540,271</u>	<u>292,573</u>
Total Net Assets	<u>\$ 274,958</u>	<u>\$ (1,374,224)</u>	<u>\$ (1,099,266)</u>	<u>\$ 29,997,722</u>	<u>\$ 626,444</u>

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

Exhibit B

White County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2006

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets									
	Program Revenues				Primary Government			Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Business-type Activities	Total	White County School Department	White County Emergency Communications District	
Primary Government:										
Governmental Activities:										
General Government	\$ 649,779	\$ 228,517	\$ 206,753	\$ 0	\$ (214,509)	\$ 0	\$ (214,509)	\$ 0	\$ 0	\$ 0
Finance	732,456	433,383	12,883	0	(286,190)	0	(286,190)	0	0	0
Administration of Justice	599,137	449,074	0	0	(150,063)	0	(150,063)	0	0	0
Public Safety	3,124,933	394,679	1,502	0	(2,728,752)	0	(2,728,752)	0	0	0
Public Health and Welfare	1,154,430	1,256,861	0	0	102,431	0	102,431	0	0	0
Social, Cultural, and Recreational Services	139,578	0	295,918	82,424	238,764	0	238,764	0	0	0
Agriculture and Natural Resources	76,438	0	0	0	(76,438)	0	(76,438)	0	0	0
Other Operations	604,296	55,000	1,154	84,279	(463,863)	0	(463,863)	0	0	0
Highways/Public Works	1,394,036	196	1,633,404	135,773	375,337	0	375,337	0	0	0
Interest on Long-term Debt	799,786	0	450,000	0	(349,786)	0	(349,786)	0	0	0
Other Debt Service	19,671	0	0	0	(19,671)	0	(19,671)	0	0	0
<b>Total Governmental Activities</b>	<b>\$ 9,294,540</b>	<b>\$ 2,817,710</b>	<b>\$ 2,601,614</b>	<b>\$ 302,476</b>	<b>\$ (3,572,740)</b>	<b>\$ 0</b>	<b>\$ (3,572,740)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
Business-type Activities:										
Solid Waste Disposal	\$ 1,128,579	\$ 1,157,961	\$ 0	\$ 18,236	\$ 0	\$ 47,618	\$ 47,618	\$ 0	\$ 0	\$ 0
<b>Total Primary Government</b>	<b>\$ 10,423,119</b>	<b>\$ 3,975,671</b>	<b>\$ 2,601,614</b>	<b>\$ 320,712</b>	<b>\$ (3,572,740)</b>	<b>\$ 47,618</b>	<b>\$ (3,525,122)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
Component Units:										
White County School Department	\$ 24,147,968	\$ 737,990	\$ 3,471,342	\$ 0	\$ 0	\$ 0	\$ 0	\$ (19,938,636)	\$ 0	\$ 0
Emergency Communications District	484,943	310,821	140,000	0	0	0	0	0	(34,122)	0
<b>Total Component Units</b>	<b>\$ 24,632,911</b>	<b>\$ 1,048,811</b>	<b>\$ 3,611,342</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (19,938,636)</b>	<b>\$ (34,122)</b>	<b>\$ 0</b>

(Continued)

Exhibit B

White County, Tennessee  
Statement of Activities (Cont.)

		Net (Expense) Revenue and Changes in Net Assets							
		Program Revenues			Primary Government			Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Business- type Activities	Total	White County School Department	White County Emergency Communica- tions District
General Revenues:									
Taxes:									
Property Taxes Levied for General Purposes					\$ 3,516,706	\$ 0	\$ 3,516,706	\$ 2,986,893	\$ 0
Property Taxes Levied for Debt Service					237,298	0	237,298	0	0
Local Option Sales Tax					1,870,734	0	1,870,734	1,379,691	0
Other Local Taxes					488,216	0	488,216	7,396	0
Grants and Contributions Not Restricted for Specific Programs					410,801	0	410,801	16,615,729	0
Unrestricted Investment Earnings					577,771	0	577,771	3,363	3,950
Sale of Property					0	0	0	1,725	0
Miscellaneous					59,256	0	59,256	104,087	0
Total General Revenues					\$ 7,160,782	\$ 0	\$ 7,160,782	\$ 21,098,884	\$ 3,950
Change in Net Assets					\$ 3,588,042	\$ 47,618	\$ 3,635,660	\$ 1,160,248	\$ (30,172)
Prior Period Adjustment					0	(818,224)	(818,224)	0	0
Net Assets, July 1, 2005					(3,313,084)	(603,618)	(3,916,702)	28,837,474	656,616
Net Assets, June 30, 2006					\$ 274,958	\$ (1,374,224)	\$ (1,099,266)	\$ 29,997,722	\$ 626,444

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

Exhibit C-1

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

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 3,267	\$ 150	\$ 0	\$ 16,940	\$ 20,357
Equity in Pooled Cash and Investments	1,039,960	689,028	1,926,593	806,926	4,462,507
Accounts Receivable	1,019,763	0	0	18,973	1,038,736
Allowance for Uncollectibles	(307,231)	0	0	0	(307,231)
Due from Other Governments	74,086	299,921	148,151	113,643	635,801
Due from Other Funds	35,913	0	0	0	35,913
Property Taxes Receivable	3,676,855	0	311,597	0	3,988,452
Allowance for Uncollectible Property Taxes	(132,295)	0	(11,211)	0	(143,506)
Prepaid Items	0	3,129	0	0	3,129
Notes Receivable - Long-Term	0	0	0	353,858	353,858
<b>Total Assets</b>	<b>\$ 5,410,318</b>	<b>\$ 992,228</b>	<b>\$ 2,375,130</b>	<b>\$ 1,310,340</b>	<b>\$ 10,088,016</b>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 206,388	\$ 0	\$ 0	\$ 0	\$ 206,388
Payroll Deductions Payable	0	750	0	56	806
Due to Other Funds	0	0	0	35,913	35,913
Deferred Revenue - Current Property Taxes	3,415,310	0	289,433	0	3,704,743
Deferred Revenue - Delinquent Property Taxes	118,446	0	10,038	0	128,484
Other Deferred Revenues	481,805	145,562	80,698	23,704	731,769
<b>Total Liabilities</b>	<b>\$ 4,221,949</b>	<b>\$ 146,312</b>	<b>\$ 380,169</b>	<b>\$ 59,673</b>	<b>\$ 4,808,103</b>
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 190,389	\$ 40,820	\$ 0	\$ 0	\$ 231,209
Reserved for Purchase of Electronic Fingerprint Imaging System	0	0	0	1,615	1,615
Reserved for Alcohol and Drug Treatment	389	0	0	0	389
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	45,976	0	0	0	45,976
Reserved for Drug Court	7,962	0	0	0	7,962
Reserved for Computer System - Register	33,773	0	0	0	33,773
Reserved for Automation Purposes - Circuit Court	489	0	0	0	489
Reserved for Automation Purposes - General Sessions Court	13,470	0	0	0	13,470
Reserved for Automation Purposes - Sheriff	1,349	0	0	0	1,349
Reserved for Loan Program	0	0	0	518,384	518,384
Reserved for Capital Outlay	0	215,000	0	0	215,000
Unreserved, Reported In:					
General Fund	894,572	0	0	0	894,572
Special Revenue Funds	0	590,096	0	730,668	1,320,764
Debt Service Funds	0	0	1,994,961	0	1,994,961
<b>Total Fund Balances</b>	<b>\$ 1,188,369</b>	<b>\$ 845,916</b>	<b>\$ 1,994,961</b>	<b>\$ 1,250,667</b>	<b>\$ 5,279,913</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,410,318</b>	<b>\$ 992,228</b>	<b>\$ 2,375,130</b>	<b>\$ 1,310,340</b>	<b>\$ 10,088,016</b>

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

Exhibit C-2

White County, Tennessee  
Reconciliation of the Balance Sheet of Governmental  
Funds to the Statement of Net Assets  
June 30, 2006

Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	5,279,913
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	106,178	
Add: construction in progress		1,094,972	
Add: infrastructure net of accumulated depreciation		1,960,089	
Add: buildings and improvements net of accumulated depreciation		7,122,628	
Add: other capital assets net of accumulated depreciation		<u>551,125</u>	10,834,992
(2) Long-term liabilities are not due in the current period and therefore are not reported in the funds.			
Less: bonds payable	\$	(1,000,000)	
Less: notes payable		(866,666)	
Less: other loans payable		(14,758,750)	
Less: accrued interest on bonds, notes, other loans, and capital leases		<u>(74,784)</u>	(16,700,200)
(3) Certain earned amounts are not available to pay for current-period expenditures and therefore are deferred in the funds.			<u>860,253</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>274,958</u></u>

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

## Exhibit D-1

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

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<b>Revenues</b>					
Local Taxes	\$ 4,124,122	\$ 77,371	\$ 1,081,369	\$ 1,045,081	\$ 6,327,943
Licenses and Permits	25,388	0	0	0	25,388
Fines, Forfeitures, and Penalties	176,053	0	0	42,518	218,571
Charges for Current Services	688,390	0	0	1,690	690,080
Other Local Revenues	169,543	641	565,607	16,007	751,798
Fees Received from County Officials	811,239	0	0	0	811,239
State of Tennessee	990,551	1,763,343	16,026	1,502	2,771,422
Federal Government	156,504	0	0	0	156,504
Other Governments and Citizens Groups	298,918	0	450,000	0	748,918
<b>Total Revenues</b>	<b>\$ 7,440,708</b>	<b>\$ 1,841,355</b>	<b>\$ 2,113,002</b>	<b>\$ 1,106,798</b>	<b>\$ 12,501,863</b>
<b>Expenditures</b>					
Current:					
General Government	\$ 1,036,711	\$ 0	\$ 0	\$ 1,690	\$ 1,038,401
Finance	699,032	0	0	0	699,032
Administration of Justice	592,357	0	0	0	592,357
Public Safety	2,937,488	0	0	78,363	3,015,851
Public Health and Welfare	1,103,004	0	0	0	1,103,004
Social, Cultural, and Recreational Services	1,306,525	0	0	0	1,306,525
Agricultural and Natural Resources	76,438	0	0	0	76,438
Other Operations	847,193	0	0	870,718	1,717,911
Highways	0	2,195,754	0	0	2,195,754
Debt Service:					
Principal on Debt	0	0	1,012,500	0	1,012,500
Interest on Debt	0	0	793,627	0	793,627
Other Debt Service	0	0	19,671	0	19,671
<b>Total Expenditures</b>	<b>\$ 8,598,748</b>	<b>\$ 2,195,754</b>	<b>\$ 1,825,798</b>	<b>\$ 950,771</b>	<b>\$ 13,571,071</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,158,040)	\$ (354,399)	\$ 287,204	\$ 156,027	\$ (1,069,208)
<b>Other Financing Sources (Uses)</b>					
Notes Issued	\$ 0	\$ 200,000	\$ 0	\$ 0	\$ 200,000
Transfers In	10,400	100,000	0	0	110,400
Transfers Out	0	(10,400)	0	(100,000)	(110,400)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 10,400</b>	<b>\$ 289,600</b>	<b>\$ 0</b>	<b>\$ (100,000)</b>	<b>\$ 200,000</b>
Net Change in Fund Balances	\$ (1,147,640)	\$ (64,799)	\$ 287,204	\$ 56,027	\$ (869,208)
Fund Balance, July 1, 2005	2,336,009	910,715	1,707,757	1,194,640	6,149,121
Fund Balance, June 30, 2006	\$ 1,188,369	\$ 845,916	\$ 1,994,961	\$ 1,250,667	\$ 5,279,913

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

Exhibit D-2

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

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit D-1)		\$ (869,208)
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 3,638,338	
Less: current year depreciation	<u>(368,148)</u>	3,270,190
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.</p>		
Add: deferred delinquent property taxes/other deferred June 30, 2006	\$ 417,552	
Less: deferred delinquent property taxes/other deferred June 30, 2005	<u>(36,833)</u>	380,719
<p>(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:</p>		
Less: note proceeds	\$ (200,000)	
Add: principal payment on notes	682,500	
Add: principal payment on other loans	<u>330,000</u>	812,500
<p>(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Change in accrued interest on bonds	\$ (3,027)	
Change in accrued interest on notes	<u>(3,132)</u>	<u>(6,159)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 3,588,042</u>

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

Exhibit E-1

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

	<u>Major Fund</u> <u>Business-type</u> <u>Activities -</u> <u>Enterprise</u> <u>Fund</u> <u>Solid Waste</u> <u>Disposal Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash in Bank	\$ 250
Equity in Pooled Cash and Investments	325,449
Accounts Receivable	160,668
Total Current Assets	<u>\$ 486,367</u>
Noncurrent Assets:	
Capital Assets (Net of Accumulated Depreciation):	
Land	\$ 550,078
Buildings and Improvements	29,759
Other Capital Assets	585,319
Construction in Progress	998,964
Total Noncurrent Assets	<u>\$ 2,164,120</u>
Total Assets	<u>\$ 2,650,487</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 23,333
Payroll Deductions Payable	1,464
Contracts Payable	58,394
Total Current Liabilities	<u>\$ 83,191</u>
Noncurrent Liabilities:	
Due Within One Year	\$ 166,367
Due in More Than One Year	3,775,153
Total Noncurrent Liabilities	<u>\$ 3,941,520</u>
Total Liabilities	<u>\$ 4,024,711</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 782,254
Unrestricted	<u>(2,156,478)</u>
Total Net Assets	<u>\$ (1,374,224)</u>

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

Exhibit E-2

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

	<u>Major Fund</u> Business-type Activities - Enterprise Fund <hr/> Solid Waste Disposal Fund <hr/>
<u>Operating Revenues</u>	
Charges for Current Services	\$ 1,129,135
Other Local Revenues	28,826
Total Operating Revenues	<u>\$ 1,157,961</u>
<u>Operating Expenses</u>	
Public Health and Welfare	\$ 958,050
Depreciation	92,457
Miscellaneous	9,840
Total Operating Expenses	<u>\$ 1,060,347</u>
Operating Income (Loss)	<u>\$ 97,614</u>
<u>Nonoperating Revenues (Expenses)</u>	
Grants	\$ 18,236
Interest on Notes	(68,232)
Total Nonoperating Revenues (Expenses)	<u>\$ (49,996)</u>
Net Income	\$ 47,618
Net Assets, July 1, 2005	(603,618)
Prior Period Adjustment	<u>(818,224)</u>
Net Assets, June 30, 2006	<u><u>\$ (1,374,224)</u></u>

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

Exhibit E-3

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

	Major Fund
	Business-type Activities - Enterprise Fund
	Solid Waste Disposal Fund
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 1,136,247
Payments to Suppliers	(854,736)
Payments to Employees	(386,316)
Other Payments	(9,840)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (114,645)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Grants Received	\$ 18,236
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ 18,236</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of Capital Assets	\$ (91,040)
Interest Paid on Capital Outlay Notes	(45,679)
Principal Paid on Capital Outlay Notes	(184,191)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (320,910)</u>
Net Increase (Decrease) in Cash	\$ (417,319)
Cash, July 1, 2005	<u>743,018</u>
Cash, June 30, 2006	<u><u>\$ 325,699</u></u>
<u>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</u>	
Operating Income (Loss)	\$ 97,614
Adjustment to Reconcile Net Operating Income	
To Net Cash Provided By (Used In) Operating Activities:	
Depreciation	92,457
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(21,714)
Increase (Decrease) in Payroll Deductions Payable	1,462
Increase (Decrease) in Contracts Payable	(284,464)
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ (114,645)</u></u>

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

Exhibit F

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 415,784
Investments	1,053,312
Accounts Receivable	1,976
Due from Other Governments	263,298
Cash Shortage	<u>1,108</u>
Total Assets	<u>\$ 1,735,478</u>
<u>LIABILITIES</u>	
Due to Other Funds	\$ 592
Due to Other Taxing Units	263,298
Due to Litigants, Heirs, and Others	<u>1,471,588</u>
Total Liabilities	<u>\$ 1,735,478</u>

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

White County's financial statements are 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 following are the more significant accounting policies of White County:

**A. Reporting Entity**

White County is a public municipal corporation governed by an elected 14-member board. As required by GAAP, these financial statements present White County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

**Discretely Presented Component Units** – The following entities meet the criteria for discretely presented component units of the county. They are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the county.

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

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

The White County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the White County School Department are included in this report as listed in the table of contents. Complete financial statements of the White County

Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

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

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The White County School Department component unit only reports governmental activities in the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

White County issues all debt for the discretely presented White County School Department.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and the individual major enterprise fund are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary funds financial statements, except for agency

funds which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

White County reports the following major governmental funds:

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

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

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

White County reports the following major proprietary fund:

**Solid Waste Disposal Fund** – This fund accounts for solid waste disposal operations of the White County landfill.

Additionally, White County reports the following fund type:

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

The discretely presented White County School Department reports the following major governmental fund:

**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.

Additionally, the White County School Department reports the following fund type:

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

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

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has one proprietary fund, a major enterprise fund, used to account for the operations of the county landfill. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the county's enterprise fund is charges for services.

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.

**D. Assets, Liabilities, and Net Assets or 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 funds and the discretely presented White County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund. White County and the White County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at

cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value.

## **2. Receivables and Payables**

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

All property taxes receivable are shown net of an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.91 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. Prepaid Items**

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

**4. Capital Assets**

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental and business-type columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$20,000 or more and an estimated useful life exceeding five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure of the primary government and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20-40
Other Capital Assets	5-15
Infrastructure:	
Roads	40

**5. Compensated Absences**

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

County employees may accumulate up to 60 days of sick leave. The granting of sick leave generally has no guaranteed payment attached and is not required to be accrued or recorded. However, county policy allows employees who retire with 30 years of continuous service to receive payment for 100 percent of their accumulated sick days based on their ending daily wage. The county did not determine and record the dollar value of these guaranteed payments for sick leave. Dollar values for compensated absences should be reported in the government-wide statements; however, due to the limited terms under which payment will be required for this leave, the amount would be immaterial to the financial statements of White County.

The general policy of the discretely presented School Department does not allow for the accumulation of vacation days beyond year-end for non-professional personnel. Professional personnel (teachers) receive two vacation days per year which they are allowed to accumulate beyond year-end. The granting of vacation leave for professional personnel has no guaranteed payment attached and therefore is not required to be accrued or recorded.

The School Department's policy allows employees to accumulate sick days at varying rates depending upon their position. All professional personnel (teachers) of the School Department are allowed to accumulate unlimited sick leave days. The granting of sick leave for professional personnel has no guaranteed payment attached and therefore is not required to be accrued or recorded. Nonteaching personnel may accumulate up to 60 days sick leave. Based on their daily wage, nonteaching personnel resigning or retiring with ten or more years of service are paid for 50 percent of their accumulated sick leave, while those resigning or retiring with 30 or more years of service receive 100 percent of their accumulated sick leave. All sick days for nonteaching personnel are accrued when incurred in the government-wide statements for the School Department.

A liability for vacation leave is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

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

## **6. Long-term Obligations**

In the government-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other

long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types 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.

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

## **7. Net Assets and Fund Equity**

In the government-wide financial statements 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.

On the government-wide statement of net assets (Exhibit A), the account Restricted for Other Purposes for the primary government consists of various restrictions totaling \$124,367, with the primary restrictions being for: (1) courthouse and jail maintenance (\$45,976),

(2) computer system – register (\$33,773), (3) automation – general sessions court (\$13,470), and (5) drug court (\$7,962).

As of June 30, 2006, White County has \$8,491,000 in outstanding debt for capital purposes for the discretely presented White County School Department. This debt is a liability of White County; however, the capital assets acquired are reported in the financial statements of the School Department. Therefore, White County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**8. Prior-period Adjustment**

The beginning fund balance of the Solid Waste Disposal Fund was restated and decreased by \$818,224. This adjustment was necessary to correct the beginning balance of estimated closure and postclosure care costs (\$366,000) for a cell not included in the prior year liability estimate and to correct the beginning balance of capital assets (\$452,224) to bring them in line with the county's capital asset policy.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

Primary Government

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

Discretely Presented White County School Department

Exhibit K-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

Primary Government

Exhibit D-2 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total

governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

Discretely Presented White County School Department

Exhibit K-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

**III. 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 District Attorney General Fund (special revenue fund) and the Constitutional Officers – Fees Fund (special revenue fund) which are not budgeted, and the capital projects funds, which adopt project length budgets. All annual appropriations lapse at fiscal year end.

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

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

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

**B. Net Assets Deficit**

The Solid Waste Disposal Fund (enterprise fund) had an unrestricted net assets deficit of \$2,156,478 and a total net assets deficit of \$1,374,224 at June 30, 2006. This deficit primarily resulted from the recognition of a liability (\$2,559,654) in the financial statements of the Solid Waste Disposal Fund for costs associated with closing the county's landfill and monitoring the landfill for 30 years after its closure. Generally accepted accounting

principles and state statutes require that such costs be reflected in the financial statements.

**C. Cash Shortage**

The Sheriff's Office had a cash shortage of \$1,108 on June 30, 2006. This shortage was a result of not properly accounting for funds received from the Finance Department for undercover drug operations. The cash shortage was liquidated in January 2007. Details of this cash shortage are discussed in the Schedule of Findings and Questioned Costs section of this report.

**D. Expenditures and Encumbrances Exceeded Appropriations**

Expenditures and encumbrances exceeded appropriations approved by the County Commission in the following major appropriation categories (the legal level of control) of the General Fund and the General Debt Service Fund:

<u>Fund/Major Category</u>	<u>Amount</u>
General:	
Election Commission	\$ 163,022
Jail	24,823
Juvenile Services	948
General Debt Service:	
General Government	6,671

Also, expenditures exceeded total appropriations approved by the County Commission in the Local Purpose Tax Fund by \$436. Such overexpenditures are a violation of state statutes. In each of the above funds, the overexpenditures were funded by available fund balance.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

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

**Deposits**

**Legal Provisions.** All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at

least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

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

### Investments

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

**Investment Balances.** As of June 30, 2006, White County had the following investments carried at fair value or cost. The agency fund investments were made on behalf of litigants at the direction of a court order and are held in the Circuit Court Clerk's Office.

Investments	Maturities	Fair Value or Cost
Fiduciary Fund:		
Wachovia Bank Deposit Account	On Demand	\$ 49,547
Wachovia Fixed Income Securities	On Demand	774,253
Wachovia Open End Mutual Funds	On Demand	229,512
Total		\$ 1,053,312

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

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. White County has no investment policy that would further limit its investment choices. As of June 30, 2006, White County's investments in Wachovia Bank Deposits, Wachovia Fixed Income Securities, and Wachovia Open End Mutual Funds were unrated.

**Custodial Credit Risk.** Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. White County does not have a formal policy that limits custodial credit risk for investments. Of the \$1,053,312 in mutual funds and money market accounts, the underlying securities for \$1,053,312 were uninsured and held by the investment's counterparty, not in the name of the county. However, it should be noted that these amounts are invested on behalf of litigants at the order of the court and the county has no custodial credit risk for these investments.

**B. Notes Receivable**

Notes receivable in the Industrial/Economic Development Fund represent the outstanding balances of loans due White County from local industries at June 30, 2006.

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2006, was as follows:

Primary Government

**Governmental Activities:**

	Balance 7-1-05	Increases	Balance 6-30-06
Capital Assets			
Not Depreciated:			
Land	\$ 106,178	\$ 0	\$ 106,178
Construction in Progress	0	1,094,972	1,094,972
Total Capital Assets			
Not Depreciated	\$ 106,178	\$ 1,094,972	\$ 1,201,150

**Governmental Activities (Cont.):**

	Balance 7-1-05	Increases	Balance 6-30-06
Capital Assets Depreciated:			
Buildings and Improvements	\$ 7,511,121	\$ 1,591,369	\$ 9,102,490
Infrastructure	1,268,598	761,912	2,030,510
Other Capital Assets	1,688,275	190,085	1,878,360
Total Capital Assets Depreciated	<u>\$ 10,467,994</u>	<u>\$ 2,543,366</u>	<u>\$ 13,011,360</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 1,752,302	\$ 227,560	\$ 1,979,862
Infrastructure	34,833	35,588	70,421
Other Capital Assets	1,222,235	105,000	1,327,235
Total Accumulated Depreciation	<u>\$ 3,009,370</u>	<u>\$ 368,148</u>	<u>\$ 3,377,518</u>
Total Capital Assets Depreciated, Net	<u>\$ 7,458,624</u>	<u>\$ 2,175,218</u>	<u>\$ 9,633,842</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,564,802</u>	<u>\$ 3,270,190</u>	<u>\$ 10,834,992</u>

Depreciation expense was charged to functions of the primary government as follows:

**Governmental Activities:**

General Government	\$ 227,560
Public Health and Welfare	39,159
Highways/Public Works	<u>101,429</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 368,148</u></u>

**Discretely Presented White County School Department****Governmental Activities:**

	Balance 7-1-05	Increases	Balance 6-30-06
Capital Assets Not Depreciated:			
Land	\$ 638,842	\$ 0	\$ 638,842
Total Capital Assets Not Depreciated	<u>\$ 638,842</u>	<u>\$ 0</u>	<u>\$ 638,842</u>

**Governmental Activities (Cont.):**

	Balance 7-1-05	Increases	Balance 6-30-06
Capital Assets Depreciated:			
Buildings and Improvements	\$ 19,754,612	\$ 0	\$ 19,754,612
Other Capital Assets	1,456,419	114,860	1,571,279
Total Capital Assets Depreciated	<u>\$ 21,211,031</u>	<u>\$ 114,860</u>	<u>\$ 21,325,891</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 5,630,185	\$ 490,921	\$ 6,121,106
Other Capital Assets	625,681	128,357	754,038
Total Accumulated Depreciation	<u>\$ 6,255,866</u>	<u>\$ 619,278</u>	<u>\$ 6,875,144</u>
Total Capital Assets Depreciated, Net	<u>\$ 14,955,165</u>	<u>\$ (504,418)</u>	<u>\$ 14,450,747</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 15,594,007</u></u>	<u><u>\$ (504,418)</u></u>	<u><u>\$ 15,089,589</u></u>

Depreciation expense was charged to functions of the discretely presented White County School Department as follows:

## Governmental Activities:

Instruction	\$ 490,921
Support Services	<u>128,357</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 619,278</u></u>

**D. Construction Commitments**

At June 30, 2006, the Solid Waste Disposal Fund had an uncompleted construction contract of approximately \$58,394 for the construction of a new landfill cell. Funding has been received for these future expenditures.

**E. Interfund Receivables, Payables, and Transfers**

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

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 35,913

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

**Interfund Transfers:**

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

**Primary Government**

<u>Transfers Out</u>	<u>Transfers In</u>	
	General Fund	Highway/ Public Works Fund
Nonmajor governmental funds	\$ 0	\$ 100,000
Highway/Public Works Fund	10,400	0

**Discretely Presented White County School Department**

<u>Transfers Out</u>	<u>Transfers In</u>
	General Purpose School Fund
Nonmajor governmental fund	<u>\$ 24,105</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**F. Long-term Debt**

Primary Government

General Obligation Bonds, Notes, and Other Loans

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

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

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

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
General Obligation Bonds	4 to 4.4 %	\$ 1,000,000	\$ 1,000,000
Capital Outlay Notes	3.49 to 4.18	1,000,000	866,666
Other Loans - Synthetic			
Fixed by Swap	5.72	9,000,000	9,000,000
Other Loans	variable	8,275,000	5,758,750

White County has entered into various loan agreements with the Sevier County Public Building Authority and the Blount County Public Building Authority (PBAs) to finance various capital projects for the county and the White County School Department. Under the loan agreements, the PBAs issued revenue bonds and loaned the proceeds to White County. In addition to repaying the loans, the county pays various other fees (trustee, debt remarketing, etc.). The following table summarizes loan agreements between the county and the PBAs outstanding at June 30, 2006:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-06	Interest Type	Interest Rates as of 6-30-06	Approximate Fee Rates as of 6-30-06	
Sevier County PBA:						
Series G	\$ 7,000,000	\$ 4,483,750	Variable	4 %	0.5	%
Series IV-A-3	9,000,000	9,000,000	Synthetic Fixed by Swap	5.72	0.5	
Blount County PBA:						
Series A-9-C	1,275,000	1,275,000	Variable	4	0.45	
		<u>\$ 14,758,750</u>				

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

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 40,000	\$ 41,545	\$ 233,333	\$ 29,300
2008	40,000	39,945	233,333	20,467
2009	40,000	38,345	133,333	11,633
2010	40,000	36,745	133,333	6,980
2011	45,000	35,145	133,334	2,327
2012-2016	235,000	148,525	0	0
2017-2021	285,000	96,688		
2022-2025	275,000	30,825	0	0
Total	<u>\$ 1,000,000</u>	<u>\$ 467,763</u>	<u>\$ 866,666</u>	<u>\$ 70,707</u>

Year Ending June 30	Other Loan (\$7,000,000)			
	Principal	Interest	Other Fees	Total
2007	\$ 300,000	\$ 179,350	\$ 22,419	\$ 501,769
2008	370,000	167,350	20,919	558,269
2009	390,000	152,550	19,069	561,619
2010	410,000	136,950	17,119	564,069
2011	435,000	120,550	15,069	570,619
2012-2016	2,578,750	321,150	40,143	2,940,043
Total	<u>\$ 4,483,750</u>	<u>\$ 1,077,900</u>	<u>\$ 134,738</u>	<u>\$ 5,696,388</u>

Year Ending June 30	Other Loan (\$9,000,000)			
	Principal	Interest	Other Fees	Total
2007	\$ 405,000	\$ 514,800	\$ 45,000	\$ 964,800
2008	470,000	491,634	42,975	1,004,609
2009	495,000	464,750	40,625	1,000,375
2010	520,000	436,436	38,150	994,586
2011	550,000	406,692	35,550	992,242
2012-2016	3,235,000	1,526,096	133,400	4,894,496
2017-2020	3,325,000	489,346	42,775	3,857,121
Total	\$ 9,000,000	\$ 4,329,754	\$ 378,475	\$ 13,708,229

Year Ending June 30	Other Loan (\$1,275,000)			
	Principal	Interest	Other Fees	Total
2007	\$ 0	\$ 51,000	\$ 5,738	\$ 56,738
2008	0	51,000	5,738	56,738
2009	0	51,000	5,738	56,738
2010	0	51,000	5,738	56,738
2011	0	51,000	5,738	56,738
2012-2016	0	255,000	28,690	283,690
2017-2020	1,275,000	132,000	14,845	1,421,845
Total	\$ 1,275,000	\$ 642,000	\$ 72,225	\$ 1,989,225

There is \$1,994,961 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$43, based on the 2000 federal census. Debt per capita, including bonds, notes, and other loans totaled \$720, based on the 2000 federal census.

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

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

**Terms.** Under the swap, the authority pays the counterparty a fixed payment of 5.72 percent and receives a variable payment computed as 100 percent of the rate paid on the outstanding variable rate bond associated to the swap. The swap has a notional amount of \$9 million and the associated variable-rate bond has a \$9 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series IV-A-3 Bonds. The bonds' variable-rates have historically approximated the Bond Market Association Municipal Index™ (BMA). The bonds, and the related swap agreement, mature on June 1, 2020. As of June 30, 2006, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	5.72 %
Variable payment from counterparty		<u>-3.91</u>
Net interest rate swap payments		1.81 %
Variable-rate bond coupon payment		<u>3.91</u>
Synthetic interest rate on bonds		<u><u>5.72 %</u></u>

**Fair value.** As of June 30, 2006, the swap had a negative fair value of \$717,921. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the coupons on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

**Credit risk.** As of June 30, 2006, the county was not exposed to credit risk because the swap had a negative fair value. However, if interest rates change and the fair value of the swap becomes positive, the county would be exposed to credit risk of the derivative's fair value. The swap counterparty was unrated at the time of the swap. In order to mitigate the potential for credit risk, the authority, on behalf of the county, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, who was rated AAA by Standard and Poor's and Fitch and Aaa by Moody's Investor Service as of June 30, 2006. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

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

**Termination risk.** The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master

Agreement includes an “additional termination provision.” The authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the authority would be liable to the counterparty for a payment equal to the swap’s fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the authority for a payment equal to the swap’s fair value.

**Swap payments and associated debt.** As of June 30, 2006, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	<u>Variable Rate Bonds</u>		Net Interest Rate Swap		Total
	Principal	Interest	Payment		
2007	\$ 405,000	\$ 351,900	\$ 162,900	\$	919,800
2008	470,000	336,065	155,570		961,635
2009	495,000	317,688	147,063		959,751
2010	520,000	298,333	138,103		956,436
2011	550,000	278,001	128,691		956,692
2012-2016	3,235,000	1,043,188	482,908		4,761,096
2017-2020	3,325,000	334,500	154,844		3,814,344
Total	<u>\$ 9,000,000</u>	<u>\$ 2,959,675</u>	<u>\$ 1,370,079</u>	<u>\$</u>	<u>13,329,754</u>

#### Changes in Long-term Liabilities

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

Governmental Activities:	Bonds	Notes	Other Loans
Balance, July 1, 2005	\$ 1,000,000	\$ 1,349,166	\$ 15,088,750
Additions	0	200,000	0
Deductions	0	(682,500)	(330,000)
Balance, June 30, 2006	<u>\$ 1,000,000</u>	<u>\$ 866,666</u>	<u>\$ 14,758,750</u>
Balance Due Within One Year	<u>\$ 40,000</u>	<u>\$ 233,333</u>	<u>\$ 705,000</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2006	\$ 16,625,416
Less: Balance Due Within One Year	<u>(978,333)</u>
Noncurrent Liabilities - Due in More than One Year - Exhibit A	<u>\$ 15,647,083</u>

White County Solid Waste Disposal Fund (Enterprise Fund)

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

Year Ending June 30	Notes	
	Principal	Interest
2007	\$ 141,967	\$ 59,642
2008	141,967	53,275
2009	141,967	46,907
2010	141,967	40,539
2011	141,967	34,172
2012-2016	<u>672,031</u>	<u>75,343</u>
Total	<u>\$ 1,381,866</u>	<u>\$ 309,878</u>

Changes in Long-term Liabilities

Long-term liability activity for the Solid Waste Disposal Fund (enterprise fund) for the year ended June 30, 2006, was as follows:

Business-type Activities:	Notes	Closure/ Postclosure Care Costs
Balance, July 1, 2005	\$ 1,566,057	\$ 2,193,654
Deductions	(184,191)	0
Prior Period Adjustment	<u>0</u>	<u>366,000</u>
Balance, June 30, 2006	<u>\$ 1,381,866</u>	<u>\$ 2,559,654</u>
Balance Due Within One Year	<u>\$ 141,967</u>	<u>\$ 24,400</u>

Debt per capita of the enterprise fund, for the notes, totaled \$59, based on the 2000 federal census.

Discretely Presented White County School Department

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented White County School Department for the year ended June 30, 2006, was as follows:

Governmental Activities:	<u>Compensated Absences</u>
Balance, July 1, 2005	\$ 16,333
Additions	<u>13,310</u>
Balance, June 30, 2006	<u>\$ 29,643</u>
Balance Due Within One Year	<u>\$ 1,482</u>

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

**G. Short-term Debt**

White County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund. These notes were necessary to provide temporary operating funds before current tax collections. Short-term debt activity for the year ended June 30, 2006, was as follows:

	Balance 7-1-05	Issued	Redeemed	Balance 6-30-06
Tax Anticipation Notes	\$ 0	\$ 2,000,000	\$ (2,000,000)	\$ 0

**V. OTHER INFORMATION**

**A. Risk Management**

White County's and the discretely presented White County School Department's risks of loss relating to general liability, property, casualty, and workers' compensation are covered by participation in a public entity risk pool. The county and the School Department are members of the Tennessee School Boards Risk Management Trust, a public entity risk pool established by the Tennessee School Boards Association. The county and School Department pay annual premiums to the pool for the risk coverage noted

above. The creation of the pool provides for it to be self-sustaining through member premiums.

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

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

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

**C. Subsequent Events**

On August 31, 2006, Henry Foster left the Office of Circuit and General Sessions Courts Clerk and was succeeded by Beverly Templeton, and James O'Conner left the Office of Sheriff and was succeeded by Oddie Shoupe.

On September 21, 2006, the county issued \$400,000 in capital outlay notes at 4.31 percent interest for highway and solid waste infrastructure.

**D. Contingent Liabilities**

The county is involved in several pending lawsuits. Attorneys representing the county estimate that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the financial statements of the county.

**E. Landfill Closure and Postclosure Care Costs**

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. These closure and postclosure care costs generally are paid near or after the date that the landfill stops accepting waste. The \$2,559,654 reported as landfill closure and postclosure care liability at June 30, 2006, represents the net amount reported to date based on the use of approximately 100 percent of the estimated capacity of the old landfill cell (\$1,631,296), approximately 50 percent of the Class III/IV cell (\$366,000), and approximately 32 percent of the estimated capacity of the current landfill cell (\$562,358). The landfill will recognize the remaining closure/postclosure care cost liability of \$1,561,012 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2006. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**F. Joint Venture**

The Upper Cumberland Regional Airport was established as a joint venture between White County, Putnam County, the City of Cookeville, and the City of Sparta. The Upper Cumberland Regional Airport operates the regional airport for the two-county area. The five-member board of the airport is comprised of one member appointed by each of the four participating governments with the fifth member of the board being the chief executive of one of the participating governments. This fifth board position will serve a one-year term and will rotate among the four participating governments in a prescribed order. Each participant retains a 25 percent ownership in the airport; however, the participant does not retain an equity interest in the airport. During the year ended June 30, 2006, the county contributed \$128,000 to the operations of the airport. Complete financial statements for the Upper Cumberland Regional Airport can be obtained from the Upper Cumberland Regional Airport's administrative office at 750 Airport Road, Sparta, Tennessee 38583-8077, or from the County Clerk's Office at the White County Courthouse.

**G. Jointly Governed Organization**

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

**H. Retirement Commitments**

**Plan Description**

Employees of White County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us](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**

White County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was 3.4 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for White County is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ending June 30, 2006, White County's annual pension cost of \$253,160 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), and (c) projected 3.5 percent annual increase in the Social Security wage base. The actuarial

value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. White County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was ten years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

### Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$253,160	100%	\$0
6-30-05	239,045	100	0
6-30-04	194,627	100	0

### Schedule of Funding Progress

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-05	\$9,962	\$10,216	\$254	97.51%	\$6,856	3.70%
6-30-03	8,954	9,240	286	96.90	6,461	4.43
6-30-01	8,019	8,506	487	94.27	5,546	8.78

## SCHOOL TEACHERS

### Plan Description

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

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us](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 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 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 \$672,614, \$652,797, and \$376,977, respectively, equal to the required contributions for each year.

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

In addition to the retirement commitments described above, the White County School Department provides post-retirement benefits, in accordance with contract provisions, to certified employees who retire from the School Department. The School Department pays each retiree \$1,500 per year until the retiree is eligible for Medicare or Medicaid. This benefit is available to employees who retire after July 1, 1998, with a minimum of 30 years service. During the year examined, 22 retirees met those eligibility requirements. During the year, expenditures totaling \$31,836 were recognized for post-employment health care.

#### **J. Office of Central Accounting and Budgeting**

##### **Office of Director of Finance**

White County operates under the County Financial Management System of 1981. This act provides for a central system of accounting, budgeting, and

purchasing for all county departments. The act provides for the creation of a Finance Department operated under the direction of the finance director.

**K. Purchasing Law**

Purchasing procedures for all offices are governed by provisions of the County Financial Management System of 1981, Section 5-21-119, Tennessee Code Annotated. Pursuant to provisions of this statute, the Financial Management Committee, together with the finance director, established purchasing procedures for White County. These procedures require a purchase order system and competitive bids for all purchases exceeding \$5,000 (\$10,000 for the Highway Department).

**VI. OTHER NOTES – DISCRETELY PRESENTED WHITE COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**A. Summary of Significant Accounting Policies**

The White County Emergency Communications District was established on January 21, 1991, by a resolution of the Board of Commissioners of White County, Tennessee, in accordance with the Emergency Communications District Law (9-1-1 Law), Tennessee Code Annotated, Section 7-86-101. The resolution was passed after the voters of White County approved the establishment of such a district on November 6, 1990. The jurisdiction of the district includes all of White County, Tennessee. The White County Emergency Communications District has adopted the following accounting policies:

**1. Reporting Entity**

The White County Emergency Communications District is a component unit of White County, Tennessee. The Board of Directors of the district is appointed by White County's Board of Commissioners and the Mayor of the City of Sparta in the same proportion as each entity contributor to the funding of the district. Any short fall between the district's budgeted revenues and operating expenses are subsidized by White County and the City of Sparta, Tennessee, 75 percent and 25 percent, respectively. Also, the district must obtain the approval of the Board of Commissioners before the issuance of most debt instruments.

**2. Basis of Accounting**

The district uses the accrual method of accounting to prepare its financial statements.

The district has elected under Government Accounting Standards Board (GASB) Statement Number 20 to adopt all FASB pronouncements applicable to local governments and GASB pronouncements issued through November 30, 1989, and only GASB pronouncements issued after November 30, 1989.

The activities of the district are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The accounting and financial reporting treatment applied to the district is determined by its measurement focus. The transactions of the district are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the balance sheet. Net assets (i.e. total assets net of total liabilities) are segregated into invested in capital assets, net of related debt; restricted for capital activity and debt service; and unrestricted components.

**3. Capital Assets**

Property and equipment in service is carried at cost and is depreciated over the estimated useful life of the asset using the straight-line method of depreciation. Cost consists of all direct costs related to construction or acquisition of capital assets. In addition, the district capitalizes interest costs related to qualified expenditures for projects under development.

Maintenance and repairs that do not significantly extend the value or life of the property or equipment are expensed as incurred.

Capital policy for the district is items purchased or betterment, not repairs, in excess of \$1,000 and having a useful life of one year or more will be capitalized.

Assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment	3-10
Buildings	10-40
Vehicles	5-10
Furniture and Fixtures	10

**4. Provision for Uncollectible Accounts**

Management has not made an allowance for uncollectible accounts receivable as losses; however, if any are recognized they are reported on the direct charge-off method.

5. **Cash Equivalents**

For purposes of the statement of cash flows, all highly liquid investments with a maturity date of three months or less when purchased are considered to be cash equivalents.

6. **Compensated Absences**

The district does not have a policy for accruing vested or accumulated vacation leave when it is incurred. However, these amounts would be immaterial to the financial statements of the district.

7. **Restricted Assets**

Restricted assets represent cash and investments maintained in accordance with bond resolutions, loan agreements, grant awards, and other resolutions and formal actions of the district or by agreement for the purpose of funding certain debt service payments, depreciation and contingency activities, and improvements and extensions to the system. Restricted assets are generally not available for current operating expenses. The district had no restricted assets at June 30, 2006.

8. **Receivables and Revenues**

Revenues from Ben Lomand Rural Telephone Cooperative, Inc., and Citizens Utilities Company are received monthly. Revenues not received by June 30 are accrued.

Operating revenue consists of monies received from Ben Lomand and Citizens, shared wireless charge from the State Emergency Communications Board, and other miscellaneous income.

Nonoperating revenue consists of interest income earned on cash investments.

9. **Expenses**

Operating expenses consist of salaries, wages, and the related employee benefits; the fees charged by the telephone companies; materials and supplies and other general and administrative expenses.

10. **Contributions**

Contributions are recognized in the Statement of Revenues, Expenses, and Changes in Net Assets when earned. Contributions include capacity and support by other districts and federal, state, and local grants in support of district operations.

11. **Net Assets**

Net assets contain the various net earnings from operating and non-operating revenues, expenses, and contributions of capital. Net

assets are classified as invested in capital assets, net of related debt; restricted for capital activity and debt service; and unrestricted net assets. Invested in capital assets, net of related debt, is all capital assets, net of accumulated depreciation and outstanding debt attributable to the acquisition, construction, or improvement of the assets; debt related to unspent proceeds or other restricted cash and investments is not included in this determination. Restricted for capital activity and debt service includes net assets restricted by external parties such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates. Unrestricted are the net assets that do not meet the definition of capital assets, net of related debt or restricted for capital activity and debt service.

## **12. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other accounts. Actual results may vary from those estimates.

## **B. Bank Deposits**

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 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 district.

**C. Capital Assets**

Capital assets activity during the year was as follows:

	Balance 7-1-05	Increases	Balance 6-30-06
Capital Assets			
Not Depreciated:			
Land	\$ 16,577	\$ 0	\$ 16,577
Total Capital Assets Not Depreciated	\$ 16,577	\$ 0	\$ 16,577
Capital Assets Depreciated:			
Buildings	\$ 96,569	\$ 0	\$ 96,569
Equipment	554,391	2,390	556,781
Vehicles	20,690	0	20,690
Furniture and Fixtures	7,927	0	7,927
Total Capital Assets Depreciated	\$ 679,577	\$ 2,390	\$ 681,967
Less Accumulated Depreciation For:			
Buildings	\$ 22,454	\$ 2,486	\$ 24,940
Equipment	271,479	42,666	314,145
Vehicles	16,995	3,031	20,026
Furniture and Fixtures	5,107	455	5,562
Total Accumulated Depreciation	\$ 316,035	\$ 48,638	\$ 364,673
Total Capital Assets Depreciated, Net	\$ 363,542	\$ (46,248)	\$ 317,294
Business-type Activities Capital Assets, Net	\$ 380,119	\$ (46,248)	\$ 333,871

**D. Risk Financing Activities**

The White County Emergency Communications District's risks of loss related to general liability, errors and omissions, and workers' compensation are covered by participation in the Tennessee Municipal League's Risk Management Pool, which is a public entity risk pool. The district pays annual premiums to the pool for its coverage. The creation of the pool provides for it to be self-sustaining through member premiums. The Risk Management Pool reinsures through commercial insurance companies for claims in excess of \$500,000 for general liability claims and \$250,000 for workers' compensation claims.

The district carries commercial insurance to cover the district's vehicles and commercial property. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

## **E. Retirement Plan**

### **Plan Description**

Employees of the White County Emergency Communications District 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 the Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the White County Emergency Communications District 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, Tennessee 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**

The White County Emergency Communications District requires employees to contribute five percent of earnable compensation. The White County Emergency Communications District is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was 3.65 percent of annual covered payroll. The contribution requirements by plan members are set by state statute. The contribution requirement for the White County Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ended June 30, 2006, the White County Emergency Communications District's annual pension cost of \$4,855 to TCRS was equal to the district'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), and (c) projected 3.5 percent annual increase in the Social Security wage base. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The White County Emergency Communications District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was ten years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

#### Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$ 4,855	100 %	\$ 0
6-30-05	7,009	100	0
6-30-04	12,478	100	0

#### Schedule of Funding Progress

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL Percentage of Covered Payroll ((b/a)/c)
6-30-05	\$170	\$179	\$9	94.97 %	\$155	5.81 %
6-30-03	127	137	10	92.70	187	5.35
6-30-01	80	115	35	69.57	177	19.77

#### **F. Litigation**

There were no lawsuits pending in which the district is involved that could result in any liability to the district.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit G-1

White County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Fund  
For the Year Ended June 30, 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	\$ 4,124,122	\$ 0	\$ 0	\$ 4,124,122	\$ 4,023,013	\$ 4,023,013	\$ 101,109
Licenses and Permits	25,388	0	0	25,388	26,000	26,000	(612)
Fines, Forfeitures, and Penalties	176,053	0	0	176,053	147,000	147,000	29,053
Charges for Current Services	688,390	0	0	688,390	754,000	754,000	(65,610)
Other Local Revenues	169,543	0	0	169,543	205,000	209,000	(39,457)
Fees Received from County Officials	811,239	0	0	811,239	747,000	747,000	64,239
State of Tennessee	990,551	0	0	990,551	1,402,165	1,403,319	(412,768)
Federal Government	156,504	0	0	156,504	0	0	156,504
Other Governments and Citizens Groups	298,918	0	0	298,918	229,500	242,500	56,418
<b>Total Revenues</b>	<b>\$ 7,440,708</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 7,440,708</b>	<b>\$ 7,533,678</b>	<b>\$ 7,551,832</b>	<b>\$ (111,124)</b>
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 34,138	\$ 0	\$ 0	\$ 34,138	\$ 36,395	\$ 36,395	\$ 2,257
Beer Board	725	0	0	725	1,620	1,620	895
County Mayor/Executive	119,328	0	0	119,328	120,142	120,142	814
County Attorney	17,312	0	0	17,312	25,000	25,000	7,688
Election Commission	283,941	0	327	284,268	121,246	121,246	(163,022)
Register of Deeds	142,892	(6,373)	0	136,519	153,625	153,625	17,106
Development	10,529	0	0	10,529	8,000	10,530	1
County Buildings	382,822	(1,460)	78	381,440	357,402	382,402	962
Other General Administration	26,417	(2,668)	0	23,749	55,000	55,000	31,251
Preservation of Records	18,607	0	0	18,607	20,531	20,531	1,924
<u>Finance</u>							
Accounting and Budgeting	204,757	(449)	500	204,808	208,732	208,732	3,924
Property Assessor's Office	173,123	0	0	173,123	182,309	182,309	9,186
Reappraisal Program	22,009	0	0	22,009	35,065	35,065	13,056

(Continued)

Exhibit G-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	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>Finance (Cont.)</u>							
County Trustee's Office	\$ 129,929	\$ 0	\$ 0	\$ 129,929	\$ 132,646	\$ 132,646	\$ 2,717
County Clerk's Office	169,214	(983)	0	168,231	170,481	170,481	2,250
<u>Administration of Justice</u>							
Circuit Court	271,485	(45)	0	271,440	289,831	289,831	18,391
General Sessions Court	158,709	0	0	158,709	159,259	159,259	550
Chancery Court	104,898	0	0	104,898	109,906	109,906	5,008
Judicial Commissioners	38,248	(220)	900	38,928	40,890	40,890	1,962
Other Administration of Justice	19,017	0	0	19,017	22,600	22,600	3,583
<u>Public Safety</u>							
Sheriff's Department	1,119,895	(10,263)	711	1,110,343	1,128,039	1,128,039	17,696
Special Patrols	43,761	0	0	43,761	48,011	48,011	4,250
Jail	1,463,458	(7,836)	470	1,456,092	1,431,269	1,431,269	(24,823)
Juvenile Services	45,319	0	0	45,319	44,371	44,371	(948)
Fire Prevention and Control	123,810	0	0	123,810	131,200	131,200	7,390
Civil Defense	33,425	(37)	1,162	34,550	34,589	34,589	39
Rescue Squad	9,000	0	0	9,000	9,000	9,000	0
County Coroner/Medical Examiner	11,871	0	0	11,871	10,000	15,000	3,129
Other Public Safety	86,949	0	0	86,949	86,950	86,950	1
<u>Public Health and Welfare</u>							
Local Health Center	69,439	0	0	69,439	69,390	73,390	3,951
Ambulance/Emergency Medical Services	988,878	(350)	0	988,528	1,204,985	1,204,985	216,457
Crippled Children Services	4,720	0	0	4,720	4,720	4,720	0
Other Local Health Services	1,250	0	0	1,250	1,250	1,250	0
General Welfare Assistance	7,200	0	0	7,200	4,800	9,600	2,400
Other Local Welfare Services	0	0	0	0	1,250	1,250	1,250
Sanitation Education/Information	31,517	0	0	31,517	36,274	38,576	7,059

(Continued)

Exhibit G-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	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>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	\$ 115,656	\$ 0	\$ 0	\$ 115,656	\$ 138,770	\$ 138,770	\$ 23,114
Libraries	1,135,161	0	186,241	1,321,402	1,396,364	1,396,364	74,962
Parks and Fair Boards	42,708	(1,861)	0	40,847	39,650	54,000	13,153
Other Social, Cultural, and Recreational	13,000	0	0	13,000	13,000	13,000	0
<u>Agriculture &amp; Natural Resources</u>							
Agriculture Extension Service	58,242	0	0	58,242	76,428	76,428	18,186
Forest Service	2,000	0	0	2,000	2,000	2,000	0
Soil Conservation	16,196	0	0	16,196	20,185	20,185	3,989
<u>Other Operations</u>							
Tourism	9,000	0	0	9,000	9,000	9,000	0
Industrial Development	137,603	0	0	137,603	258,070	268,070	130,467
Housing and Urban Development	118,833	0	0	118,833	166,666	166,666	47,833
Airport	128,000	0	0	128,000	128,000	128,000	0
Veterans' Services	30,076	0	0	30,076	33,543	34,697	4,621
Other Charges	269,753	(3,077)	0	266,676	294,088	294,088	27,412
Contributions to Other Agencies	34,941	0	0	34,941	40,860	42,360	7,419
Employee Benefits	31,521	0	0	31,521	10,000	31,522	1
Miscellaneous	87,466	0	0	87,466	80,000	88,478	1,012
<b>Total Expenditures</b>	<b>\$ 8,598,748</b>	<b>\$ (35,622)</b>	<b>\$ 190,389</b>	<b>\$ 8,753,515</b>	<b>\$ 9,203,402</b>	<b>\$ 9,304,038</b>	<b>\$ 550,523</b>
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (1,158,040)	\$ 35,622	\$ (190,389)	\$ (1,312,807)	\$ (1,669,724)	\$ (1,752,206)	\$ 439,399
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 250,000	\$ 250,000	\$ (250,000)
Transfers In	10,400	0	0	10,400	23,400	10,400	0
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 10,400</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 10,400</b>	<b>\$ 273,400</b>	<b>\$ 260,400</b>	<b>\$ (250,000)</b>

(Continued)

Exhibit G-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Net Change in Fund Balance	\$ (1,147,640)	\$ 35,622	\$ (190,389)	\$ (1,302,407)	\$ (1,396,324)	\$ (1,491,806)	\$ 189,399
Fund Balance, July 1, 2005	2,336,009	(35,622)	0	2,300,387	2,258,160	2,258,160	42,227
Fund Balance, June 30, 2006	\$ 1,188,369	\$ 0	\$ (190,389)	\$ 997,980	\$ 861,836	\$ 766,354	\$ 231,626

Exhibit G-2

White County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 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	\$ 77,371	\$ 0	\$ 0	\$ 77,371	\$ 90,000	\$ 90,000	\$ (12,629)
Other Local Revenues	641	0	0	641	70,000	70,000	(69,359)
State of Tennessee	1,763,343	0	0	1,763,343	3,630,612	3,630,612	(1,867,269)
<b>Total Revenues</b>	<b>\$ 1,841,355</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,841,355</b>	<b>\$ 3,790,612</b>	<b>\$ 3,790,612</b>	<b>\$ (1,949,257)</b>
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 120,541	\$ 0	\$ 0	\$ 120,541	\$ 125,135	\$ 125,135	\$ 4,594
Highway and Bridge Maintenance	1,246,199	0	0	1,246,199	1,281,702	1,281,702	35,503
Operation and Maintenance of Equipment	197,739	0	0	197,739	181,000	216,000	18,261
Quarry Operations	148,832	0	0	148,832	233,250	233,250	84,418
Other Charges	99,156	0	0	99,156	101,300	101,300	2,144
Employee Benefits	10,528	0	0	10,528	4,000	14,000	3,472
Capital Outlay	372,759	(39,211)	40,820	374,368	2,488,600	2,529,700	2,155,332
<b>Total Expenditures</b>	<b>\$ 2,195,754</b>	<b>\$ (39,211)</b>	<b>\$ 40,820</b>	<b>\$ 2,197,363</b>	<b>\$ 4,414,987</b>	<b>\$ 4,501,087</b>	<b>\$ 2,303,724</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (354,399)	\$ 39,211	\$ (40,820)	\$ (356,008)	\$ (624,375)	\$ (710,475)	\$ 354,467
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 200,000	\$ 0	\$ 0	\$ 200,000	\$ 300,000	\$ 200,000	\$ 0
Transfers In	100,000	0	0	100,000	0	100,000	0
Transfers Out	(10,400)	0	0	(10,400)	(10,400)	(10,400)	0
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 289,600</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 289,600</b>	<b>\$ 289,600</b>	<b>\$ 289,600</b>	<b>\$ 0</b>
Net Change in Fund Balance	\$ (64,799)	\$ 39,211	\$ (40,820)	\$ (66,408)	\$ (334,775)	\$ (420,875)	\$ 354,467
Fund Balance, July 1, 2005	910,715	(39,211)	0	871,504	956,478	956,478	(84,974)
<b>Fund Balance, June 30, 2006</b>	<b>\$ 845,916</b>	<b>\$ 0</b>	<b>\$ (40,820)</b>	<b>\$ 805,096</b>	<b>\$ 621,703</b>	<b>\$ 535,603</b>	<b>\$ 269,493</b>

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

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

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

**B. EXPENDITURES AND ENCUMBRANCES EXCEEDED APPROPRIATIONS**

Expenditures and encumbrances exceeded appropriations approved by the County Commission in the Election Commission (\$163,022), Jail (\$24,823), and Juvenile Services (\$948) major appropriation categories (the legal level of control) of the General Fund. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

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

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

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

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

Exhibit H-1

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

	<u>Special Revenue Funds</u>				
	Industrial / Economic Development	Local Purpose Tax	Drug Control	Constitu - tional Officers - Fees	Total Nonmajor Governmental Funds
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 16,940	\$ 16,940
Equity in Pooled Cash and Investments	164,526	615,289	27,111	0	806,926
Accounts Receivable	0	0	0	18,973	18,973
Due from Other Governments	0	113,643	0	0	113,643
Notes Receivable - Long-Term	353,858	0	0	0	353,858
Total Assets	<u>\$ 518,384</u>	<u>\$ 728,932</u>	<u>\$ 27,111</u>	<u>\$ 35,913</u>	<u>\$ 1,310,340</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Payroll Deductions Payable	\$ 0	\$ 0	\$ 56	\$ 0	\$ 56
Due to Other Funds	0	0	0	35,913	35,913
Other Deferred Revenues	0	23,704	0	0	23,704
Total Liabilities	<u>\$ 0</u>	<u>\$ 23,704</u>	<u>\$ 56</u>	<u>\$ 35,913</u>	<u>\$ 59,673</u>
<u>Fund Balances</u>					
Reserved for Purchase of Electronic Fingerprint Imaging System	\$ 0	\$ 0	\$ 1,615	\$ 0	\$ 1,615
Reserved for Loan Program	518,384	0	0	0	518,384
Unreserved	0	705,228	25,440	0	730,668
Total Fund Balances	<u>\$ 518,384</u>	<u>\$ 705,228</u>	<u>\$ 27,055</u>	<u>\$ 0</u>	<u>\$ 1,250,667</u>
Total Liabilities and Fund Balances	<u>\$ 518,384</u>	<u>\$ 728,932</u>	<u>\$ 27,111</u>	<u>\$ 35,913</u>	<u>\$ 1,310,340</u>

Exhibit H-2

White 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				Total Nonmajor Governmental Funds
	Industrial / Economic Development	Local Purpose Tax	Drug Control	Constitu - tional Officers - Fees	
<u>Revenues</u>					
Local Taxes	\$ 0	\$ 1,045,081	\$ 0	\$ 0	\$ 1,045,081
Fines, Forfeitures, and Penalties	0	0	42,518	0	42,518
Charges for Current Services	0	0	0	1,690	1,690
Other Local Revenues	12,164	0	3,843	0	16,007
State of Tennessee	0	0	1,502	0	1,502
Total Revenues	\$ 12,164	\$ 1,045,081	\$ 47,863	\$ 1,690	\$ 1,106,798
<u>Expenditures</u>					
Current:					
General Government	\$ 0	\$ 0	\$ 0	\$ 1,690	\$ 1,690
Public Safety	0	0	78,363	0	78,363
Other Operations	0	870,436	282	0	870,718
Total Expenditures	\$ 0	\$ 870,436	\$ 78,645	\$ 1,690	\$ 950,771
Excess (Deficiency) of Revenues Over Expenditures	\$ 12,164	\$ 174,645	\$ (30,782)	\$ 0	\$ 156,027
<u>Other Financing Sources (Uses)</u>					
Transfers Out	\$ 0	\$ (100,000)	\$ 0	\$ 0	\$ (100,000)
Total Other Financing Sources (Uses)	\$ 0	\$ (100,000)	\$ 0	\$ 0	\$ (100,000)
Net Change in Fund Balances	\$ 12,164	\$ 74,645	\$ (30,782)	\$ 0	\$ 56,027
Fund Balance, July 1, 2005	506,220	630,583	57,837	0	1,194,640
Fund Balance, June 30, 2006	\$ 518,384	\$ 705,228	\$ 27,055	\$ 0	\$ 1,250,667

Exhibit H-3

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 12,164	\$ 11,001	\$ 11,001	\$ 1,163
Total Revenues	\$ 12,164	\$ 11,001	\$ 11,001	\$ 1,163
<u>Expenditures</u>				
Total Expenditures	\$ 0	\$ 0	\$ 0	\$ 0
Excess (Deficiency) of Revenues Over Expenditures	\$ 12,164	\$ 11,001	\$ 11,001	\$ 1,163
Net Change in Fund Balance	\$ 12,164	\$ 11,001	\$ 11,001	\$ 1,163
Fund Balance, July 1, 2005	506,220	511,785	511,785	(5,565)
Fund Balance, June 30, 2006	\$ 518,384	\$ 522,786	\$ 522,786	\$ (4,402)

Exhibit H-4

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,045,081	\$ 1,000,000	\$ 1,000,000	\$ 45,081
Total Revenues	\$ 1,045,081	\$ 1,000,000	\$ 1,000,000	\$ 45,081
<u>Expenditures</u>				
<u>Other Operations</u>				
Contributions to Other Agencies	\$ 860,000	\$ 0	\$ 860,000	\$ 0
Miscellaneous	10,436	10,000	10,000	(436)
Total Expenditures	\$ 870,436	\$ 10,000	\$ 870,000	\$ (436)
Excess (Deficiency) of Revenues Over Expenditures	\$ 174,645	\$ 990,000	\$ 130,000	\$ 44,645
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (100,000)	\$ (960,000)	\$ (100,000)	\$ 0
Total Other Financing Sources (Uses)	\$ (100,000)	\$ (960,000)	\$ (100,000)	\$ 0
Net Change in Fund Balance	\$ 74,645	\$ 30,000	\$ 30,000	\$ 44,645
Fund Balance, July 1, 2005	630,583	630,582	630,582	1
Fund Balance, June 30, 2006	\$ 705,228	\$ 660,582	\$ 660,582	\$ 44,646

Exhibit H-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 42,518	\$ 35,000	\$ 49,388	\$ (6,870)
Other Local Revenues	3,843	0	1,000	2,843
State of Tennessee	1,502	0	1,503	(1)
Total Revenues	<u>\$ 47,863</u>	<u>\$ 35,000</u>	<u>\$ 51,891</u>	<u>\$ (4,028)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 78,363	\$ 67,139	\$ 84,030	\$ 5,667
<u>Other Operations</u>				
Miscellaneous	282	400	400	118
Total Expenditures	<u>\$ 78,645</u>	<u>\$ 67,539</u>	<u>\$ 84,430</u>	<u>\$ 5,785</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (30,782)</u>	<u>\$ (32,539)</u>	<u>\$ (32,539)</u>	<u>\$ 1,757</u>
Net Change in Fund Balance	\$ (30,782)	\$ (32,539)	\$ (32,539)	\$ 1,757
Fund Balance, July 1, 2005	<u>57,837</u>	<u>78,172</u>	<u>78,172</u>	<u>(20,335)</u>
Fund Balance, June 30, 2006	<u>\$ 27,055</u>	<u>\$ 45,633</u>	<u>\$ 45,633</u>	<u>\$ (18,578)</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, long-term debt principal, interest, and related costs.

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Exhibit I

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,081,369	\$ 1,013,500	\$ 1,013,500	\$ 67,869
Other Local Revenues	565,607	200,000	200,000	365,607
State of Tennessee	16,026	4,500	4,500	11,526
Other Governments and Citizens Groups	450,000	50,000	450,000	0
Total Revenues	<u>\$ 2,113,002</u>	<u>\$ 1,268,000</u>	<u>\$ 1,668,000</u>	<u>\$ 445,002</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 331,833	\$ 444,168	\$ 433,168	\$ 101,335
Highways and Streets	350,667	400,000	400,000	49,333
Education	330,000	330,000	330,000	0
<u>Interest on Debt</u>				
General Government	361,334	395,342	395,342	34,008
Highways and Streets	12,967	13,326	13,326	359
Education	419,326	472,440	472,440	53,114
<u>Other Debt Service</u>				
General Government	19,671	2,000	13,000	(6,671)
Total Expenditures	<u>\$ 1,825,798</u>	<u>\$ 2,057,276</u>	<u>\$ 2,057,276</u>	<u>\$ 231,478</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 287,204</u>	<u>\$ (789,276)</u>	<u>\$ (389,276)</u>	<u>\$ 676,480</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 400,000	\$ 0	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 400,000</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 287,204	\$ (389,276)	\$ (389,276)	\$ 676,480
Fund Balance, July 1, 2005	1,707,757	1,706,862	1,706,862	895
Fund Balance, June 30, 2006	<u>\$ 1,994,961</u>	<u>\$ 1,317,586</u>	<u>\$ 1,317,586</u>	<u>\$ 677,375</u>

# Fiduciary Funds

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Agency Funds are used to account for assets held by the county in a trustee capacity or 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.

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

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

Exhibit J-1

White 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	\$ 415,784	\$ 415,784
Investments	0	1,053,312	1,053,312
Accounts Receivable	0	1,976	1,976
Due from Other Governments	263,298	0	263,298
Cash Shortage	0	1,108	1,108
Total Assets	<u>\$ 263,298</u>	<u>\$ 1,472,180</u>	<u>\$ 1,735,478</u>
<u>LIABILITIES</u>			
Due to Other Funds	\$ 0	\$ 592	\$ 592
Due to Other Taxing Units	263,298	0	263,298
Due to Litigants, Heirs, and Others	0	1,471,588	1,471,588
Total Liabilities	<u>\$ 263,298</u>	<u>\$ 1,472,180</u>	<u>\$ 1,735,478</u>

Exhibit J-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,521,785	\$ 1,521,785	\$ 0
Due from Other Governments	253,030	263,298	253,030	263,298
Total Assets	\$ 253,030	\$ 1,785,083	\$ 1,774,815	\$ 263,298
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 253,030	\$ 1,785,083	\$ 1,774,815	\$ 263,298
Total Liabilities	\$ 253,030	\$ 1,785,083	\$ 1,774,815	\$ 263,298
<u>Community Development - Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 282,900	\$ 282,900	\$ 0
Total Assets	\$ 0	\$ 282,900	\$ 282,900	\$ 0
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 0	\$ 282,900	\$ 282,900	\$ 0
Total Liabilities	\$ 0	\$ 282,900	\$ 282,900	\$ 0
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 559,051	\$ 4,767,319	\$ 4,910,586	\$ 415,784
Investments	1,041,808	11,504	0	1,053,312
Accounts Receivable	0	1,976	0	1,976
Cash Shortage	0	1,108	0	1,108
Total Assets	\$ 1,600,859	\$ 4,781,907	\$ 4,910,586	\$ 1,472,180
<u>Liabilities</u>				
Due to Other Funds	\$ 0	\$ 592	\$ 0	\$ 592
Due to Litigants, Heirs, and Others	1,600,859	4,781,315	4,910,586	1,471,588
Total Liabilities	\$ 1,600,859	\$ 4,781,907	\$ 4,910,586	\$ 1,472,180
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,804,685	\$ 1,804,685	\$ 0
Cash	559,051	4,767,319	4,910,586	415,784
Investments	1,041,808	11,504	0	1,053,312
Accounts Receivable	0	1,976	0	1,976
Due from Other Governments	253,030	263,298	253,030	263,298
Cash Shortage	0	1,108	0	1,108
Total Assets	\$ 1,853,889	\$ 6,849,890	\$ 6,968,301	\$ 1,735,478

(Continued)

Exhibit J-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Totals - All Agency Funds (Cont.)</u>				
<u>Liabilities</u>				
Due to Other Funds	\$ 0	\$ 592	\$ 0	\$ 592
Due to Other Taxing Units	253,030	1,785,083	1,774,815	263,298
Due to Litigants, Heirs, and Others	1,600,859	5,064,215	5,193,486	1,471,588
Total Liabilities	<u>\$ 1,853,889</u>	<u>\$ 6,849,890</u>	<u>\$ 6,968,301</u>	<u>\$ 1,735,478</u>

# White County School Department

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This section presents combining and individual fund financial statements for the White County School Department, a discretely presented component unit. The White County School Department uses a General Fund and two Special Revenue Funds.

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General Purpose School Fund – The General Purpose School Fund is used to account for general operations of the School Department.

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

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

Exhibit K-1

White County, Tennessee  
Statement of Activities  
Discretely Presented White County School Department  
For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Component Unit:					
Governmental Activities:					
Instruction	\$ 15,226,466	\$ 300	\$ 2,408,963	\$ 0	\$ (12,817,203)
Support Services	6,303,215	83,810	0	0	(6,219,405)
Operation of Noninstructional Services	2,218,287	653,880	1,062,379	0	(502,028)
Capital Outlay	400,000	0	0	0	(400,000)
<b>Total Governmental Activities</b>	<b>\$ 24,147,968</b>	<b>\$ 737,990</b>	<b>\$ 3,471,342</b>	<b>\$ 0</b>	<b>\$ (19,938,636)</b>
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 2,986,893
Local Option Sales Tax					1,379,691
Other Local Taxes					7,396
Grants and Contributions not Restricted for Specific Programs					16,615,729
Unrestricted Investment Earnings					3,363
Miscellaneous					103,943
Sale of Land and Equipment					1,725
Special Items					144
<b>Total General Revenues</b>					<b>\$ 21,098,884</b>
Change in Net Assets					\$ 1,160,248
Net Assets, July 1, 2005					28,837,474
Net Assets, June 30, 2006					<b>\$ 29,997,722</b>

Exhibit K-2

White County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented White County School Department  
June 30, 2006

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total Govern- mental Funds</u>
	General Purpose School	Other Govern- mental Funds	
<b><u>ASSETS</u></b>			
Cash	\$ 91	\$ 0	\$ 91
Equity in Pooled Cash and Investments	13,930,512	590,797	14,521,309
Due from Other Governments	346,912	132,867	479,779
Due from Other Funds	1,904	0	1,904
Property Taxes Receivable	3,115,979	0	3,115,979
Allowance for Uncollectible Property Taxes	(112,115)	0	(112,115)
<b>Total Assets</b>	<b>\$ 17,283,283</b>	<b>\$ 723,664</b>	<b>\$ 18,006,947</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b><u>Liabilities</u></b>			
Accounts Payable	\$ 279	\$ 0	\$ 279
Payroll Deductions Payable	214,640	3,018	217,658
Due to Other Funds	0	1,904	1,904
Deferred Revenue - Current Property Taxes	2,894,330	0	2,894,330
Deferred Revenue - Delinquent Property Taxes	100,378	0	100,378
Other Deferred Revenues	126,491	0	126,491
<b>Total Liabilities</b>	<b>\$ 3,336,118</b>	<b>\$ 4,922</b>	<b>\$ 3,341,040</b>
<b><u>Fund Balances</u></b>			
Reserved for Encumbrances	\$ 414,360	\$ 0	\$ 414,360
Reserved for Driver Education	17,447	0	17,447
Reserved for Career Ladder - Extended Contract	48,864	0	48,864
Reserved for Basic Education Program	7,146,121	0	7,146,121
Reserved for Title I Grants to Local Education Agencies	0	89,539	89,539
Reserved for Special Education - Grants to States	0	237,315	237,315
Other Federal Reserves	0	200	200
Unreserved, Reported In:			
General Fund	6,320,373	0	6,320,373
Special Revenue Funds	0	391,688	391,688
<b>Total Fund Balances</b>	<b>\$ 13,947,165</b>	<b>\$ 718,742</b>	<b>\$ 14,665,907</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 17,283,283</b>	<b>\$ 723,664</b>	<b>\$ 18,006,947</b>

Exhibit K-3

White County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets  
Discretely Presented White County School Department  
June 30, 2006

Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit K-2)		\$ 14,665,907
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: buildings and improvements net of accumulated depreciation	\$ 14,317,348	
Add: other capital assets net of accumulated depreciation	<u>817,241</u>	15,134,589
(2) Long-term liabilities are not due in the current period and therefore are not reported in the funds.		(29,643)
(3) Certain earned amounts are not available to pay for current-period expenditures and therefore are deferred in the funds.		<u>226,869</u>
Net assets of governmental activities (Exhibit A)		<u><u>\$ 29,997,722</u></u>

Exhibit K-4

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

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 3,497,616	\$ 0	\$ 3,497,616
Licenses and Permits	3,135	0	3,135
Charges for Current Services	126,137	601,429	727,566
Other Local Revenues	117,234	4,987	122,221
State of Tennessee	16,316,523	24,443	16,340,966
Federal Government	430,984	3,210,495	3,641,479
Other Governments and Citizens Groups	860,000	0	860,000
Total Revenues	<u>\$ 21,351,629</u>	<u>\$ 3,841,354</u>	<u>\$ 25,192,983</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 12,851,084	\$ 1,741,067	\$ 14,592,151
Support Services	5,933,133	491,363	6,424,496
Operation of Non-Instructional Services	343,116	1,569,833	1,912,949
Capital Outlay	172,656	0	172,656
Debt Service:			
Other Debt Service	400,000	0	400,000
Total Expenditures	<u>\$ 19,699,989</u>	<u>\$ 3,802,263</u>	<u>\$ 23,502,252</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,651,640</u>	<u>\$ 39,091</u>	<u>\$ 1,690,731</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 24,105	\$ 0	\$ 24,105
Transfers Out	0	(24,105)	(24,105)
Total Other Financing Sources (Uses)	<u>\$ 24,105</u>	<u>\$ (24,105)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 1,675,745	\$ 14,986	\$ 1,690,731
Fund Balance, July 1, 2005	<u>12,271,420</u>	<u>703,756</u>	<u>12,975,176</u>
Fund Balance, June 30, 2006	<u>\$ 13,947,165</u>	<u>\$ 718,742</u>	<u>\$ 14,665,907</u>

Exhibit K-5

White County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Discretely Presented White County School Department  
For the Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit K-4)		\$	1,690,731
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$	114,860	
Less: current year depreciation		<u>(619,278)</u>	(504,418)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.			
Add: deferred delinquent property taxes/other deferred June 30, 2006	\$	14,339	
Less: deferred delinquent property taxes/other deferred June 30, 2005		<u>(27,094)</u>	(12,755)
(3) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Change in compensated absences			<u>(13,310)</u>
Change in net assets of governmental activities (Exhibit B)		\$	<u><u>1,160,248</u></u>

Exhibit K-6

White County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Discretely Presented White County School Department  
June 30, 2006

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 196,092	\$ 394,705	\$ 590,797
Due from Other Governments	132,867	0	132,867
Total Assets	<u>\$ 328,959</u>	<u>\$ 394,705</u>	<u>\$ 723,664</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Payroll Deductions Payable	\$ 1	\$ 3,017	\$ 3,018
Due to Other Funds	1,904	0	1,904
Total Liabilities	<u>\$ 1,905</u>	<u>\$ 3,017</u>	<u>\$ 4,922</u>
<u>Fund Balances</u>			
Reserved for Title I Grants to Local Education Agencies	\$ 89,539	\$ 0	\$ 89,539
Reserved for Special Education - Grants to States	237,315	0	237,315
Other Federal Reserves	200	0	200
Unreserved	0	391,688	391,688
Total Fund Balances	<u>\$ 327,054</u>	<u>\$ 391,688</u>	<u>\$ 718,742</u>
Total Liabilities and Fund Balances	<u>\$ 328,959</u>	<u>\$ 394,705</u>	<u>\$ 723,664</u>

Exhibit K-7

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

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 601,429	\$ 601,429
Other Local Revenues	0	4,987	4,987
State of Tennessee	0	24,443	24,443
Federal Government	2,300,547	909,948	3,210,495
Total Revenues	<u>\$ 2,300,547</u>	<u>\$ 1,540,807</u>	<u>\$ 3,841,354</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,741,067	\$ 0	\$ 1,741,067
Support Services	491,363	0	491,363
Operation of Non-Instructional Services	0	1,569,833	1,569,833
Total Expenditures	<u>\$ 2,232,430</u>	<u>\$ 1,569,833</u>	<u>\$ 3,802,263</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 68,117</u>	<u>\$ (29,026)</u>	<u>\$ 39,091</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (24,105)	\$ 0	\$ (24,105)
Total Other Financing Sources (Uses)	<u>\$ (24,105)</u>	<u>\$ 0</u>	<u>\$ (24,105)</u>
Net Change in Fund Balances	\$ 44,012	\$ (29,026)	\$ 14,986
Fund Balance, July 1, 2005	<u>283,042</u>	<u>420,714</u>	<u>703,756</u>
Fund Balance, June 30, 2006	<u>\$ 327,054</u>	<u>\$ 391,688</u>	<u>\$ 718,742</u>

Exhibit K-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 3,497,616	\$ 0	\$ 0	\$ 3,497,616	\$ 3,402,000	\$ 3,402,000	\$ 95,616
Licenses and Permits	3,135	0	0	3,135	3,500	3,500	(365)
Charges for Current Services	126,137	0	0	126,137	124,970	124,970	1,167
Other Local Revenues	117,234	0	0	117,234	30,100	30,100	87,134
State of Tennessee	16,316,523	0	0	16,316,523	15,983,035	16,252,943	63,580
Federal Government	430,984	0	0	430,984	301,000	377,898	53,086
Other Governments and Citizens Groups	860,000	0	0	860,000	0	860,000	0
Total Revenues	\$ 21,351,629	\$ 0	\$ 0	\$ 21,351,629	\$ 19,844,605	\$ 21,051,411	\$ 300,218
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 10,854,632	\$ (33,340)	\$ 147,295	\$ 10,968,587	\$ 11,916,600	\$ 11,917,600	\$ 949,013
Special Education Program	1,235,863	0	0	1,235,863	1,281,450	1,281,450	45,587
Vocational Education Program	614,691	0	0	614,691	626,340	626,340	11,649
Adult Education Program	145,898	0	175	146,073	127,475	194,043	47,970
<u>Support Services</u>							
Attendance	73,675	0	0	73,675	75,020	75,020	1,345
Health Services	88,019	0	0	88,019	90,850	90,850	2,831
Other Student Support	527,230	0	0	527,230	580,075	580,075	52,845
Regular Instruction Program	586,162	(168)	168	586,162	610,775	617,705	31,543
Special Education Program	83,421	0	0	83,421	84,156	84,156	735
Vocational Education Program	79,288	0	0	79,288	78,029	83,029	3,741
Adult Programs	127,468	0	0	127,468	130,300	132,700	5,232
Board of Education	296,651	0	0	296,651	358,990	358,990	62,339
Director of Schools	115,101	0	0	115,101	122,105	122,105	7,004
Office of the Principal	1,040,144	0	0	1,040,144	1,063,265	1,063,265	23,121

(Continued)

Exhibit K-8

White County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented White 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	\$ 92,525	\$ (1,982)	\$ 3,811	\$ 94,354	\$ 95,080	\$ 95,080	\$ 726
Operation of Plant	1,605,441	0	125	1,605,566	1,742,715	1,742,715	137,149
Maintenance of Plant	271,961	0	61,370	333,331	347,750	347,750	14,419
Transportation	946,047	0	0	946,047	1,018,515	1,018,515	72,468
<u>Operation of Non-Instructional Services</u>							
Community Services	134,439	0	550	134,989	169,555	169,555	34,566
Early Childhood Education	208,677	0	53,368	262,045	0	264,908	2,863
<u>Capital Outlay</u>							
Regular Capital Outlay	172,656	(45,435)	147,498	274,719	300,705	300,705	25,986
<u>Other Debt Service</u>							
Education	400,000	0	0	400,000	250,000	400,000	0
Total Expenditures	\$ 19,699,989	\$ (80,925)	\$ 414,360	\$ 20,033,424	\$ 21,069,750	\$ 21,566,556	\$ 1,533,132
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 1,651,640	\$ 80,925	\$ (414,360)	\$ 1,318,205	\$ (1,225,145)	\$ (515,145)	\$ 1,833,350
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 24,105	\$ 0	\$ 0	\$ 24,105	\$ 860,000	\$ 0	\$ 24,105
Total Other Financing Sources (Uses)	\$ 24,105	\$ 0	\$ 0	\$ 24,105	\$ 860,000	\$ 0	\$ 24,105
Net Change in Fund Balance							
Fund Balance, July 1, 2005	\$ 12,271,420	(80,925)	0	12,190,495	12,134,393	12,134,393	56,102
Fund Balance, June 30, 2006	\$ 13,947,165	\$ 0	\$ (414,360)	\$ 13,532,805	\$ 11,769,248	\$ 11,619,248	\$ 1,913,557

Exhibit K-9

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 2,300,547	\$ 2,642,023	\$ 2,642,023	\$ (341,476)
Total Revenues	\$ 2,300,547	\$ 2,642,023	\$ 2,642,023	\$ (341,476)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,083,809	\$ 1,235,932	\$ 1,235,921	\$ 152,112
Special Education Program	556,874	737,181	753,378	196,504
Vocational Education Program	100,384	100,245	100,384	0
<u>Support Services</u>				
Other Student Support	19,115	20,536	20,408	1,293
Regular Instruction Program	246,283	507,830	507,830	261,547
Special Education Program	184,042	237,393	228,338	44,296
Vocational Education Program	3,783	3,900	3,900	117
Transportation	38,140	51,222	42,867	4,727
Total Expenditures	\$ 2,232,430	\$ 2,894,239	\$ 2,893,026	\$ 660,596
Excess (Deficiency) of Revenues Over Expenditures	\$ 68,117	\$ (252,216)	\$ (251,003)	\$ 319,120
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (24,105)	\$ (30,626)	\$ (31,839)	\$ 7,734
Total Other Financing Sources (Uses)	\$ (24,105)	\$ (30,626)	\$ (31,839)	\$ 7,734
Net Change in Fund Balance	\$ 44,012	\$ (282,842)	\$ (282,842)	\$ 326,854
Fund Balance, July 1, 2005	283,042	282,842	282,842	200
Fund Balance, June 30, 2006	\$ 327,054	\$ 0	\$ 0	\$ 327,054

Exhibit K-10

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 601,429	\$ 0	\$ 601,429	\$ 609,000	\$ 609,000	\$ (7,571)
Other Local Revenues	4,987	0	4,987	2,000	2,000	2,987
State of Tennessee	24,443	0	24,443	24,000	24,000	443
Federal Government	909,948	0	909,948	885,000	885,000	24,948
Total Revenues	<u>\$ 1,540,807</u>	<u>\$ 0</u>	<u>\$ 1,540,807</u>	<u>\$ 1,520,000</u>	<u>\$ 1,520,000</u>	<u>\$ 20,807</u>
<u>Expenditures</u>						
<u>Operation of Non-Instructional Services</u>						
Food Service	\$ 1,569,833	\$ (12,752)	\$ 1,557,081	\$ 1,590,323	\$ 1,590,323	\$ 33,242
Total Expenditures	<u>\$ 1,569,833</u>	<u>\$ (12,752)</u>	<u>\$ 1,557,081</u>	<u>\$ 1,590,323</u>	<u>\$ 1,590,323</u>	<u>\$ 33,242</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (29,026)</u>	<u>\$ 12,752</u>	<u>\$ (16,274)</u>	<u>\$ (70,323)</u>	<u>\$ (70,323)</u>	<u>\$ 54,049</u>
Net Change in Fund Balance	\$ (29,026)	\$ 12,752	\$ (16,274)	\$ (70,323)	\$ (70,323)	\$ 54,049
Fund Balance, July 1, 2005	<u>420,714</u>	<u>(12,752)</u>	<u>407,962</u>	<u>400,306</u>	<u>400,306</u>	<u>7,656</u>
Fund Balance, June 30, 2006	<u>\$ 391,688</u>	<u>\$ 0</u>	<u>\$ 391,688</u>	<u>\$ 329,983</u>	<u>\$ 329,983</u>	<u>\$ 61,705</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit L-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
<b>NOTES PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
Rescue Squad Truck/Ambulances/Medical Equipment/ Police Vehicles/Building and Highway Improvements	\$ 1,047,500	2.65 %	10-10-02	10-10-05	\$ 349,166	\$ 0	\$ 349,166	\$ 0
Road Improvements	300,000	2	10-1-03	6-30-06	200,000	0	200,000	0
Vehicles/Ambulances/Computers/Roads	800,000	3.49	11-29-04	11-29-10	800,000	0	133,334	666,666
Road Improvements	200,000	4.18	11-23-05	11-23-07	0	200,000	0	200,000
Total Notes Payable					<u>\$ 1,349,166</u>	<u>\$ 200,000</u>	<u>\$ 682,500</u>	<u>\$ 866,666</u>
<b>OTHER LOANS PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
Public Building Authority Loan Agreement - Sevier County: School Building Project	7,000,000	Variable	8-1-1996	6-1-16	\$ 4,813,750	\$ 0	\$ 330,000	\$ 4,483,750
School/Judicial Complex Building Project Series IV-A-3	9,000,000	(1) 5.72	12-9-1999	6-1-20	9,000,000	0	0	9,000,000
Public Building Authority Loan Agreement - Blount County: School/Judicial Complex Building Project Series A-9-C	1,275,000	Variable	6-29-04	6-30-20	1,275,000	0	0	1,275,000
Total Other Loans Payable					<u>\$ 15,088,750</u>	<u>\$ 0</u>	<u>\$ 330,000</u>	<u>\$ 14,758,750</u>
<b>BONDS PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
Library	1,000,000	4 to 4.4	6-15-05	6-15-25	\$ 1,000,000	\$ 0	\$ 0	\$ 1,000,000

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

Exhibit L-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2007	\$ 40,000	\$ 41,545	\$ 81,545
2008	40,000	39,945	79,945
2009	40,000	38,345	78,345
2010	40,000	36,745	76,745
2011	45,000	35,145	80,145
2012	45,000	33,345	78,345
2013	45,000	31,545	76,545
2014	45,000	29,745	74,745
2015	50,000	27,945	77,945
2016	50,000	25,945	75,945
2017	55,000	23,945	78,945
2018	55,000	21,745	76,745
2019	55,000	19,408	74,408
2020	60,000	17,070	77,070
2021	60,000	14,520	74,520
2022	65,000	11,970	76,970
2023	65,000	9,175	74,175
2024	70,000	6,380	76,380
2025	75,000	3,300	78,300
Total	<u>\$ 1,000,000</u>	<u>\$ 467,763</u>	<u>\$ 1,467,763</u>

Exhibit L-3

White County, Tennessee  
Schedule of Notes Receivable  
For the Year Ended June 30, 2006

Description	Debtor	Original Amount of Note	Interest Rate	Date of Issue	Date of Maturity	Balance 6-30-06
<u>Industrial/Economic Development Fund</u>						
Industrial Development	Norcom, Inc.	\$ 50,000	5 %	5-1997 (1)	5-04	\$ 9,168
Industrial Development	Roaring and Cumberland	150,000	5	6-01	6-08	51,126
Industrial Development	Norcom, Inc., II	30,000	5	2-03	2-10	17,366
Industrial Development	Casual Apparel	80,288	2	10-03	9-10	50,078
Industrial Development	TLT, Inc.	37,500	2	11-03	11-10	23,829
Industrial Development	Bell Fashions	82,397	2	1-04	11-09	47,178
Industrial Development	K & V Automotive	80,000	2	5-04	5-11	57,348
Industrial Development	Precision Tooling	35,000	2	6-04	6-11	25,494
Industrial Development	Dunn & Bybee	90,000	3	11-04	11-12	72,271
Total						<u>\$ 353,858</u>

(1) Norcom Inc., is in bankruptcy at June 30, 2006. The county continues to receive payments; however, the payments are only those authorized by the court.

Exhibit L-4

White County, Tennessee  
Schedule of Transfers  
Primary Government and Discretely Presented White County School Department  
For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>Primary Government</u>			
Local Purpose Tax	Highway/Public Works	Road improvements	\$ 100,000
Highway/Public Works	General	Finance Department services	<u>10,400</u>
Total Transfers Primary Government			<u>\$ 110,400</u>
<u>Discretely Presented White County School Department</u>			
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 24,105</u>
Total Transfers Discretely Presented White County School Department			<u>\$ 24,105</u>

Exhibit L-5

White County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented White County School Department  
For the Year Ended June 30, 2006

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 62,424	\$ 50,000	Auto Owners Insurance Company
Road Superintendent	Section 8-24-102, <u>TCA</u>	59,452	100,000	"
Director of Schools	State Board of Education and and White County Board of Education	85,400 (1)	50,000	"
Trustee	Section 8-24-102, <u>TCA</u>	54,048	638,300	RLI Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	54,048	10,000	Auto Owners Insurance Company
Finance Director	County Commission	54,048	50,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	54,048	50,000	AMCO Insurance Company
Circuit Court Clerk Clerk and Master	Section 8-24-102, <u>TCA</u>	54,048	50,000	"
	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	54,548 (2)	75,000	Auto Owners Insurance Company
Register	Section 8-24-102, <u>TCA</u>	54,048	25,000	AMCO Insurance Company
Sheriff	Section 8-24-102, <u>TCA</u>	59,971 (3)	50,000	Nationwide Mutual Insurance Company
Employee Dishonesty Bond Coverage:				
	General County and Highway Employees		150,000	Tennessee Schools Boards Risk Management Trust
	School Department Employees		150,000	"

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

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

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

Exhibit L-6

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Industrial / Economic Development	Local Purpose Tax	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 3,256,146	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 275,941	\$ 3,532,087
Trustee's Collections - Prior Year	152,412	0	0	0	0	0	4,515	156,927
Circuit/Clerk & Master Collections - Prior Years	75,049	0	0	0	0	0	1,906	76,955
Interest and Penalty	24,045	0	0	0	0	0	823	24,868
Payments in-Lieu-of Taxes - T.V.A.	16,476	0	0	0	0	0	0	16,476
Payments in-Lieu-of Taxes - Other	21,573	0	0	0	0	0	1,828	23,401
<u>County Local Option Taxes</u>								
Local Option Sales Tax	91,979	0	1,045,081	0	0	0	783,793	1,920,853
Hotel/Motel Tax	6,328	0	0	0	0	0	5,676	12,004
Litigation Tax - General	2,937	0	0	0	0	0	0	2,937
Litigation Tax - Special Purpose	85,403	0	0	0	0	0	0	85,403
Litigation Tax - Jail, Workhouse, or Courthouse	30,293	0	0	0	0	0	0	30,293
Business Tax	150,918	0	0	0	0	0	0	150,918
Mineral Severance Tax	0	0	0	0	0	77,371	0	77,371
<u>Statutory Local Taxes</u>								
Bank Excise Tax	81,273	0	0	0	0	0	6,887	88,160
Wholesale Beer Tax	129,290	0	0	0	0	0	0	129,290
Total Local Taxes	\$ 4,124,122	\$ 0	\$ 1,045,081	\$ 0	\$ 0	\$ 77,371	\$ 1,081,369	\$ 6,327,943
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Cable TV Franchise	\$ 22,776	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,776
<u>Permits</u>								
Beer Permits	2,612	0	0	0	0	0	0	2,612
Total Licenses and Permits	\$ 25,388	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,388
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 14,823	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,823
Officers Costs	7,567	0	0	0	0	0	0	7,567
Drug Control Fines	1,637	0	0	0	0	0	0	1,637
Drug Court Fees	1,983	0	0	0	0	0	0	1,983

(Continued)

Exhibit L-6

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Industrial / Economic Development	Local Purpose Tax	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>								
<u>Circuit Court (Cont.)</u>								
DUI Treatment Fines	\$ 209	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	209
Data Entry Fee - Circuit Court	489	0	0	0	0	0	0	489
<u>General Sessions Court</u>								
Fines	28,491	0	0	0	0	0	0	28,491
Officers Costs	41,846	0	0	0	0	0	0	41,846
Game and Fish Fines	191	0	0	0	0	0	0	191
Drug Control Fines	2,641	0	0	0	0	0	0	2,641
Drug Court Fees	2,138	0	0	0	0	0	0	2,138
DUI Treatment Fines	180	0	0	0	0	0	0	180
Data Entry Fee - General Sessions Court	6,914	0	0	0	0	0	0	6,914
<u>Chancery Court</u>								
Officers Costs	45,356	0	0	0	0	0	0	45,356
<u>Other Courts - In-county</u>								
Drug Control Fines	0	0	0	28,130	0	0	0	28,130
Jail Fees	21,588	0	0	0	0	0	0	21,588
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	0	0	0	14,388	0	0	0	14,388
Total Fines, Forfeitures, and Penalties	\$ 176,053	\$ 0	\$ 0	\$ 42,518	\$ 0	\$ 0	\$ 0	218,571
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Past Due Collections - Ambulance	\$ 673,931	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	673,931
<u>Fees</u>								
Constitutional Officers' Fees and Commissions	0	0	0	0	1,690	0	0	1,690
Data Processing Fee - Register	11,690	0	0	0	0	0	0	11,690
Data Processing Fee - Sheriff	1,349	0	0	0	0	0	0	1,349
Sexual Offender Registration Fees - Sheriff	1,420	0	0	0	0	0	0	1,420
Total Charges for Current Services	\$ 688,390	\$ 0	\$ 0	\$ 0	\$ 1,690	\$ 0	\$ 0	690,080
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 0	\$ 12,164	\$ 0	\$ 0	\$ 0	\$ 0	\$ 565,607	577,771

(Continued)

Exhibit L-6

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Industrial / Economic Development	Local Purpose Tax	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Other Local Revenues (Cont.)</u>								
<u>Recurring Items (Cont.)</u>								
Lease/Rentals	\$ 5,200	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	5,200
Commissary Sales	5,711	0	0	0	0	0	0	5,711
Sale of Maps	55,000	0	0	0	0	0	0	55,000
Sale of Recycled Materials	821	0	0	0	0	196	0	1,017
Miscellaneous Refunds	58,811	0	0	0	0	445	0	59,256
<u>Nonrecurring Items</u>								
Contributions & Gifts	44,000	0	0	3,843	0	0	0	47,843
Total Other Local Revenues	\$ 169,543	\$ 12,164	\$ 0	\$ 3,843	\$ 0	\$ 641	\$ 565,607	\$ 751,798
<u>Fees Received from County Officials</u>								
<u>Fees-In-Lieu of Salary</u>								
County Clerk	\$ 166,288	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	166,288
Circuit Court Clerk	147,356	0	0	0	0	0	0	147,356
General Sessions Court Clerk	27,557	0	0	0	0	0	0	27,557
Clerk and Master	60,132	0	0	0	0	0	0	60,132
Register	141,186	0	0	0	0	0	0	141,186
Sheriff	2,215	0	0	0	0	0	0	2,215
Trustee	266,505	0	0	0	0	0	0	266,505
Total Fees Received from County Officials	\$ 811,239	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 811,239
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	9,000
<u>Health and Welfare Grants</u>								
Health Department Programs	3,250	0	0	0	0	0	0	3,250
<u>Public Works Grants</u>								
State Aid Program	0	0	0	0	0	135,773	0	135,773
Litter Program	24,862	0	0	0	0	0	0	24,862
<u>Other State Revenues</u>								
Income Tax	40,394	0	0	0	0	0	0	40,394
Beer Tax	17,212	0	0	0	0	0	0	17,212
Alcoholic Beverage Tax	34,964	0	0	0	0	0	0	34,964

(Continued)

Exhibit L-6

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Industrial / Economic Development	Local Purpose Tax	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>State of Tennessee (Cont.)</u>								
<u>Other State Revenues (Cont.)</u>								
State Revenue Sharing - T.V.A.	\$ 173,177	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	16,026	\$ 189,203
Contracted Prisoner Boarding	303,199	0	0	0	0	0	0	303,199
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,606,548	0	1,606,548
Petroleum Special Tax	0	0	0	0	0	20,968	0	20,968
Reappraisal Program Reimbursement	9,883	0	0	0	0	0	0	9,883
Registrar's Salary Supplement	20,475	0	0	0	0	0	0	20,475
Other State Grants	166,703	0	0	0	0	0	0	166,703
Other State Revenues	187,432	0	0	1,502	0	54	0	188,988
Total State of Tennessee	\$ 990,551	\$ 0	\$ 0	\$ 1,502	\$ 0	\$ 1,763,343	\$ 16,026	\$ 2,771,422
<u>Federal Government</u>								
<u>Federal Through State</u>								
Community Development	\$ 118,834	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 118,834
Disaster Relief	15,094	0	0	0	0	0	0	15,094
Homeland Security Grants	22,576	0	0	0	0	0	0	22,576
Total Federal Government	\$ 156,504	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 156,504
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Contributions	\$ 203,741	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	450,000	\$ 653,741
<u>Citizens Groups</u>								
Donations	8,768	0	0	0	0	0	0	8,768
<u>Other</u>								
Other	86,409	0	0	0	0	0	0	86,409
Total Other Governments and Citizens Groups	\$ 298,918	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	450,000	\$ 748,918
Total	\$ 7,440,708	\$ 12,164	\$ 1,045,081	\$ 47,863	\$ 1,690	\$ 1,841,355	\$ 2,113,002	\$ 12,501,863

Exhibit L-7

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 2,768,603	\$ 0	\$ 0	\$ 2,768,603
Trustee's Collections - Prior Year	120,006	0	0	120,006
Circuit/Clerk & Master Collections - Prior Years	63,568	0	0	63,568
Interest and Penalty	20,377	0	0	20,377
Payments in-Lieu-of Taxes - Other	18,283	0	0	18,283
<u>County Local Option Taxes</u>				
Local Option Sales Tax	430,507	0	0	430,507
<u>Statutory Local Taxes</u>				
Bank Excise Tax	68,876	0	0	68,876
Interstate Telecommunications Tax	7,396	0	0	7,396
Total Local Taxes	\$ 3,497,616	\$ 0	\$ 0	\$ 3,497,616
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 2,384	\$ 0	\$ 0	\$ 2,384
<u>Permits</u>				
Other Permits	751	0	0	751
Total Licenses and Permits	\$ 3,135	\$ 0	\$ 0	\$ 3,135
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Summer School	\$ 300	\$ 0	\$ 0	\$ 300
Lunch Payments - Children	0	0	322,290	322,290
Lunch Payments - Adults	0	0	43,429	43,429
Income from Breakfast	0	0	36,950	36,950
A la carte Sales	0	0	198,760	198,760
Receipts from Individual Schools	41,967	0	0	41,967
Community Service Fees - Adults	360	0	0	360
TBI Criminal Background Fees	4,176	0	0	4,176
<u>Other Charges for Services</u>				
Other Charges for Services	79,334	0	0	79,334
Total Charges for Current Services	\$ 126,137	\$ 0	\$ 601,429	\$ 727,566
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 3,363	\$ 3,363
Lease/Rentals	300	0	0	300
Miscellaneous Refunds	102,319	0	1,624	103,943
<u>Nonrecurring Items</u>				
Sale of Equipment	1,725	0	0	1,725
Damages Recovered from Individuals	144	0	0	144
Contributions & Gifts	2,622	0	0	2,622
<u>Other Local Revenues</u>				
Other Local Revenues	10,124	0	0	10,124
Total Other Local Revenues	\$ 117,234	\$ 0	\$ 4,987	\$ 122,221

(Continued)

Exhibit L-7

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 15,358,660	\$ 0	\$ 0	\$ 15,358,660
Early Childhood Education	261,993	0	0	261,993
School Food Service	0	0	24,443	24,443
Driver Education	1,246	0	0	1,246
Other State Education Funds	1,133	0	0	1,133
Career Ladder Program	254,599	0	0	254,599
Career Ladder - Extended Contract	157,010	0	0	157,010
Other Vocational	10,000	0	0	10,000
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	159,396	0	0	159,396
Other State Grants	112,486	0	0	112,486
Total State of Tennessee	\$ 16,316,523	\$ 0	\$ 24,443	\$ 16,340,966
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 730,485	\$ 730,485
Breakfast	0	0	162,633	162,633
USDA - Other	0	0	16,830	16,830
Adult Education State Grant Program	129,169	0	0	129,169
Vocational Education - Basic Grants to States	0	105,945	0	105,945
Title I Grants to Local Education Agencies	0	729,907	0	729,907
Innovative Education Program Strategies	0	12,857	0	12,857
Special Education - Grants to States	45,319	894,758	0	940,077
Special Education Preschool Grants	0	19,776	0	19,776
Eisenhower Professional Development State Grants	0	227,634	0	227,634
Job Training Partnership Act	18,600	0	0	18,600
Other Federal through State	185,570	309,670	0	495,240
<u>Direct Federal Revenue</u>				
ROTC Reimbursement	52,326	0	0	52,326
Total Federal Government	\$ 430,984	\$ 2,300,547	\$ 909,948	\$ 3,641,479
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 860,000	\$ 0	\$ 0	\$ 860,000
Total Other Governments and Citizens Groups	\$ 860,000	\$ 0	\$ 0	\$ 860,000
Total	\$ 21,351,629	\$ 2,300,547	\$ 1,540,807	\$ 25,192,983

Exhibit L-8

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

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	16,975	
Other Per Diem & Fees		1,200	
Social Security		1,127	
State Retirement		93	
Employer Medicare		264	
Audit Services		8,264	
Dues and Memberships		1,679	
Travel		719	
Other Supplies and Materials		3,817	
Total County Commission			\$ 34,138

Beer Board

Board and Committee Members Fees	\$	679	
Social Security		37	
Employer Medicare		9	
Total Beer Board			725

County Mayor/Executive

County Official/Administrative Officer	\$	62,424	
Assistant(s)		27,766	
Part-time Personnel		492	
Social Security		5,551	
State Retirement		3,066	
Employer Medicare		1,298	
Communication		2,113	
Dues and Memberships		2,643	
Postal Charges		2,290	
Travel		5,832	
Office Supplies		2,420	
Office Equipment		3,433	
Total County Mayor/Executive			119,328

County Attorney

County Official/Administrative Officer	\$	17,312	
Total County Attorney			17,312

Election Commission

County Official/Administrative Officer	\$	43,238	
Deputy(ies)		18,196	
Overtime Pay		536	

(Continued)

Exhibit L-8

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Election Commission	\$	3,908	
Election Workers		8,690	
Social Security		4,056	
State Retirement		2,107	
Employer Medicare		948	
Audit Services		625	
Communication		1,215	
Legal Notices, Recording, and Court Costs		1,770	
Maintenance & Repair Services - Office Equipment		281	
Postal Charges		1,603	
Travel		2,093	
Office Supplies		1,167	
Other Supplies and Materials		3,617	
Data Processing Equipment		3,606	
Furniture and Fixtures		99	
Office Equipment		186	
Voting Machines		186,000	
Total Election Commission			\$ 283,941

Register of Deeds

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		25,577	
Clerical Personnel		21,504	
Part-time Personnel		9,755	
Social Security		6,875	
State Retirement		3,438	
Employer Medicare		1,608	
Communication		969	
Dues and Memberships		463	
Maintenance & Repair Services - Office Equipment		10,394	
Postal Charges		493	
Travel		2,081	
Office Supplies		5,687	
Total Register of Deeds			142,892

Development

Other Contracted Services	\$	10,529	
Total Development			10,529

(Continued)

Exhibit L-8

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

General Fund (Cont.)

General Government (Cont.)

County Buildings

Other Salaries & Wages	\$	43,931	
Social Security		2,734	
State Retirement		1,499	
Employer Medicare		639	
Maintenance & Repair Services - Buildings		64,806	
Maintenance & Repair Services - Equipment		8,299	
Rentals		4,200	
Utilities		64,581	
Other Supplies and Materials		15,230	
Building and Contents Insurance		116,616	
Workers' Compensation Insurance		60,287	
Total County Buildings			\$ 382,822

Other General Administration

Building Improvements	\$	26,417	
Total Other General Administration			26,417

Preservation of Records

Other Salaries & Wages	\$	15,470	
Social Security		959	
State Retirement		526	
Employer Medicare		224	
Communication		1,012	
Other Supplies and Materials		416	
Total Preservation of Records			18,607

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	54,048	
Assistant(s)		88,358	
Social Security		8,818	
State Retirement		4,777	
Employer Medicare		2,062	
Accounting Services		1,364	
Advertising		2,311	
Communication		2,539	
Postal Charges		9,804	
Travel		1,596	
Other Contracted Services		6,568	
Office Supplies		11,563	

(Continued)

Exhibit L-8

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

General Fund (Cont.)

Finance (Cont.)

Accounting and Budgeting (Cont.)

Data Processing Equipment	\$	9,657	
Office Equipment		1,292	
Total Accounting and Budgeting			\$ 204,757

Property Assessor's Office

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		15,646	
Secretary(ies)		51,091	
Temporary Personnel		2,015	
Board and Committee Members Fees		949	
Social Security		8,024	
State Retirement		4,043	
Employer Medicare		1,879	
Communication		1,240	
Data Processing Services		8,330	
Dues and Memberships		1,071	
Postal Charges		1,286	
Travel		4,771	
Other Contracted Services		17,128	
Office Supplies		1,152	
Premiums on Corporate Surety Bonds		60	
In-Service/Staff Development		300	
Office Equipment		90	
Total Property Assessor's Office			173,123

Reappraisal Program

Secretary(ies)	\$	14,745	
Social Security		461	
State Retirement		276	
Employer Medicare		105	
Data Processing Services		2,726	
Postal Charges		2,020	
Other Contracted Services		1,181	
Office Supplies		495	
Total Reappraisal Program			22,009

County Trustee's Office

County Official/Administrative Officer	\$	54,048
Deputy(ies)		26,329
Clerical Personnel		22,145

(Continued)

Exhibit L-8

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Overtime Pay	\$	1,260	
Social Security		6,410	
State Retirement		3,514	
Employer Medicare		1,499	
Communication		1,166	
Dues and Memberships		483	
Postal Charges		4,318	
Travel		722	
Office Supplies		2,516	
Data Processing Equipment		5,428	
Office Equipment		91	
Total County Trustee's Office			\$ 129,929

County Clerk's Office

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		26,330	
Clerical Personnel		62,449	
Social Security		8,855	
State Retirement		4,856	
Employer Medicare		2,071	
Communication		1,585	
Dues and Memberships		348	
Postal Charges		2,057	
Office Supplies		4,080	
Data Processing Equipment		2,159	
Office Equipment		376	
Total County Clerk's Office			169,214

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	54,048
Deputy(ies)		159,703
Social Security		13,253
State Retirement		5,792
Employer Medicare		3,099
Communication		3,777
Dues and Memberships		348
Maintenance & Repair Services - Office Equipment		3,150
Postal Charges		3,548
Office Supplies		9,041

(Continued)

## Exhibit L-8

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

General Fund (Cont.)Administration of Justice (Cont.)Circuit Court (Cont.)

In-Service/Staff Development	\$	350	
Data Processing Equipment		7,471	
Office Equipment		7,905	
Total Circuit Court			\$ 271,485

General Sessions Court

Judge(s)	\$	110,438	
Secretary(ies)		28,588	
Social Security		7,812	
State Retirement		4,742	
Employer Medicare		2,022	
Communication		1,719	
Travel		1,894	
Office Supplies		1,494	
Total General Sessions Court			158,709

Chancery Court

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		25,469	
Part-time Personnel		2,125	
Social Security		5,051	
State Retirement		2,736	
Employer Medicare		1,181	
Communication		739	
Dues and Memberships		458	
Postal Charges		3,990	
Travel		36	
Other Contracted Services		617	
Office Supplies		1,797	
Premiums on Corporate Surety Bonds		203	
Data Processing Equipment		2,548	
Office Equipment		3,900	
Total Chancery Court			104,898

Judicial Commissioners

County Official/Administrative Officer	\$	33,258	
Social Security		2,062	
Employer Medicare		482	
Other Supplies and Materials		2,446	
Total Judicial Commissioners			38,248

(Continued)

Exhibit L-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Other Administration of Justice

Other Salaries & Wages	\$	371	
Jury and Witness Fees		18,646	
Total Other Administration of Justice			\$ 19,017

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	59,971	
Deputy(ies)		628,288	
Secretary(ies)		1,274	
Other Salaries & Wages		74,481	
Social Security		57,555	
State Retirement		25,770	
Employer Medicare		11,682	
Communication		23,526	
Dues and Memberships		2,800	
Maintenance & Repair Services - Vehicles		17,832	
Travel		1,451	
Other Contracted Services		4,741	
Gasoline		101,730	
Law Enforcement Supplies		696	
Uniforms		5,578	
Other Supplies and Materials		28,973	
Premiums on Corporate Surety Bonds		100	
In Service/Staff Development		7,338	
Other Charges		1,284	
Data Processing Equipment		6,531	
Law Enforcement Equipment		6,760	
Motor Vehicles		51,534	
Total Sheriff's Department			1,119,895

Special Patrols

Other Salaries & Wages	\$	35,054	
Social Security		2,154	
State Retirement		1,009	
Employer Medicare		504	
Communication		356	
Office Supplies		179	
Other Supplies and Materials		768	
Other Charges		3,737	
Total Special Patrols			43,761

(Continued)

Exhibit L-8

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

General Fund (Cont.)

Public Safety (Cont.)

Jail

Guards	\$	680,017	
Clerical Personnel		25,377	
Cafeteria Personnel		42,621	
Other Salaries & Wages		74,418	
Social Security		50,772	
State Retirement		22,311	
Employer Medicare		11,874	
Contracts with Other Public Agencies		5,300	
Maintenance Agreements		8,628	
Medical and Dental Services		235,062	
Food Supplies		137,430	
Uniforms		7,296	
Utilities		113,321	
Other Supplies and Materials		43,453	
In Service/Staff Development		2,767	
Law Enforcement Equipment		2,811	
Total Jail			\$ 1,463,458

Juvenile Services

Other Salaries & Wages	\$	36,915	
Social Security		2,289	
State Retirement		1,255	
Employer Medicare		535	
Communication		413	
Travel		3,712	
Office Supplies		200	
Total Juvenile Services			45,319

Fire Prevention and Control

Contracts with Government Agencies	\$	15,000	
Contributions		107,582	
Other Supplies and Materials		1,228	
Total Fire Prevention and Control			123,810

Civil Defense

Other Contracted Services	\$	1,822	
Sand		594	
Other Supplies and Materials		6,388	
Workers' Compensation Insurance		717	
Other Equipment		2,795	

(Continued)

Exhibit L-8

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

Other Capital Outlay	\$ 21,109	
Total Civil Defense		\$ 33,425

Rescue Squad

Contributions	\$ 9,000	
Total Rescue Squad		9,000

County Coroner/Medical Examiner

Medical Personnel	\$ 11,871	
Total County Coroner/Medical Examiner		11,871

Other Public Safety

Contracts with Other Public Agencies	\$ 75,000	
Road Signs	9,999	
Other Supplies and Materials	1,950	
Total Other Public Safety		86,949

Public Health and Welfare

Local Health Center

Other Salaries & Wages	\$ 2,706	
Social Security	168	
Employer Medicare	39	
Communication	2,560	
Contracts with Government Agencies	37,860	
Maintenance & Repair Services - Buildings	7,950	
Postal Charges	828	
Travel	412	
Utilities	6,561	
Other Supplies and Materials	6,131	
Other Charges	962	
Building Improvements	3,262	
Total Local Health Center		69,439

Ambulance/Emergency Medical Services

County Official/Administrative Officer	\$ 41,340
Paraprofessionals	209,477
Other Salaries & Wages	365,023
Social Security	38,131
State Retirement	20,057
Employer Medicare	8,918

(Continued)

## Exhibit L-8

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

General Fund (Cont.)Public Health and Welfare (Cont.)Ambulance/Emergency Medical Services (Cont.)

Communication	\$	4,437	
Dues and Memberships		250	
Laundry Service		3,336	
Maintenance & Repair Services - Buildings		5,370	
Maintenance & Repair Services - Vehicles		14,239	
Postal Charges		230	
Other Contracted Services		9,066	
Diesel Fuel		30,819	
Drugs and Medical Supplies		43,487	
Office Supplies		2,817	
Uniforms		7,151	
Utilities		6,531	
In Service/Staff Development		7,077	
Motor Vehicles		48,867	
Other Equipment		17,539	
Other Construction		104,716	
Total Ambulance/Emergency Medical Services	\$		988,878

Crippled Children Services

Contracts with Government Agencies	\$	3,500	
Contributions		1,220	
Total Crippled Children Services			4,720

Other Local Health Services

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

General Welfare Assistance

Pauper Burials	\$	7,200	
Total General Welfare Assistance			7,200

Sanitation Education/Information

Other Salaries & Wages	\$	20,184	
Social Security		1,257	
Employer Medicare		294	
Rentals		996	
Kindergarten Textbooks		8,786	
Total Sanitation Education/Information			31,517

(Continued)

Exhibit L-8

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

General Fund (Cont.)

Social, Cultural, and Recreational Services

Senior Citizens Assistance

County Official/Administrative Officer	\$	33,660	
Other Salaries & Wages		37,096	
Social Security		4,387	
State Retirement		1,909	
Employer Medicare		1,026	
Communication		2,481	
Contributions		2,500	
Maintenance & Repair Services - Buildings		6,212	
Postal Charges		234	
Other Contracted Services		4,834	
Office Supplies		342	
Utilities		15,078	
Building and Contents Insurance		5,797	
Other Charges		100	
Total Senior Citizens Assistance			\$ 115,656

Libraries

Librarians	\$	25,589	
Other Salaries & Wages		40,677	
Social Security		4,120	
State Retirement		1,403	
Employer Medicare		964	
Contributions		23,250	
Other Construction		1,039,158	
Total Libraries			1,135,161

Parks and Fair Boards

Part-time Personnel	\$	4,530	
Social Security		281	
State Retirement		154	
Employer Medicare		66	
Contributions		500	
Other Contracted Services		32,895	
Other Supplies and Materials		1,532	
Other Construction		2,750	
Total Parks and Fair Boards			42,708

Other Social, Cultural, and Recreational

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

(Continued)

## Exhibit L-8

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

General Fund (Cont.)Agriculture & Natural ResourcesAgriculture Extension Service

Salary Supplements	\$	42,149	
Other Fringe Benefits		5,975	
Communication		1,538	
Contributions		1,500	
Utilities		5,315	
Data Processing Equipment		871	
Office Equipment		894	
Total Agriculture Extension Service			\$ 58,242

Forest Service

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

Soil Conservation

Secretary(ies)	\$	14,134	
Social Security		876	
State Retirement		481	
Employer Medicare		205	
Contributions		500	
Total Soil Conservation			16,196

Other OperationsTourism

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

Industrial Development

Contributions	\$	32,500	
Other Supplies and Materials		1,852	
Other Charges		7,943	
Other Construction		95,308	
Total Industrial Development			137,603

Housing and Urban Development

Other Construction	\$	118,833	
Total Housing and Urban Development			118,833

Airport

Maintenance Agreements	\$	128,000	
Total Airport			128,000

(Continued)

Exhibit L-8

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services

Supervisor/Director	\$	23,429	
Other Salaries & Wages		1,890	
Social Security		1,570	
State Retirement		797	
Employer Medicare		367	
Communication		885	
Postal Charges		118	
Travel		272	
Office Supplies		748	
Total Veterans' Services			\$ 30,076

Other Charges

Supervisor/Director	\$	37,820	
Clerical Personnel		19,349	
Other Salaries & Wages		72,997	
Social Security		8,037	
State Retirement		4,425	
Employer Medicare		1,880	
Communication		1,740	
Other Contracted Services		4,516	
Equipment Parts - Heavy		73,605	
Garage Supplies		4,001	
Lubricants		6,803	
Office Supplies		448	
Small Tools		2,237	
Tires and Tubes		19,349	
Utilities		9,347	
In Service/Staff Development		903	
Other Equipment		2,296	
Total Other Charges			269,753

Contributions to Other Agencies

Contracts with Parents	\$	2,876	
Contracts with Public Carriers		7,483	
Contracts with Vehicle Owners		1,000	
Contributions		19,002	
Other Contracted Services		4,580	
Total Contributions to Other Agencies			34,941

(Continued)

Exhibit L-8

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits

Unemployment Compensation	\$ 31,521	
Total Employee Benefits		\$ 31,521

Miscellaneous

Trustee's Commission	\$ 87,466	
Total Miscellaneous		<u>87,466</u>

Total General Fund		\$ 8,598,748
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Local Purpose Tax Fund

Other Operations

Contributions to Other Agencies

Contributions	\$ 860,000	
Total Contributions to Other Agencies		\$ 860,000

Miscellaneous

Trustee's Commission	\$ 10,436	
Total Miscellaneous		<u>10,436</u>

Total Local Purpose Tax Fund		870,436
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Drug Control Fund

Public Safety

Drug Enforcement

Deputy(ies)	\$ 27,365	
Overtime Pay	8,062	
Social Security	2,196	
State Retirement	1,204	
Employer Medicare	514	
Confidential Drug Enforcement Payments	28,300	
Other Supplies and Materials	305	
Law Enforcement Equipment	<u>10,417</u>	
Total Drug Enforcement		\$ 78,363

Other Operations

Miscellaneous

Trustee's Commission	\$ 282	
Total Miscellaneous		<u>282</u>

Total Drug Control Fund		78,645
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(Continued)

Exhibit L-8

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

Constitutional Officers - Fees Fund

General Government

Other General Administration

Constitutional Officers' Operating Expenses	\$ 1,690	
Total Other General Administration		\$ 1,690

Total Constitutional Officers - Fees Fund \$ 1,690

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 59,452	
Accountants/Bookkeepers	24,646	
Secretary(ies)	20,468	
Other Salaries & Wages	152	
Social Security	6,470	
State Retirement	3,563	
Employer Medicare	1,513	
Dues and Memberships	2,315	
Postal Charges	88	
Office Supplies	818	
Other Charges	1,056	
Total Administration		\$ 120,541

Highway and Bridge Maintenance

Foremen	\$ 72,031	
Equipment Operators - Heavy	112,469	
Equipment Operators - Light	135,212	
Truck Drivers	119,131	
Laborers	25,798	
Other Salaries & Wages	2,505	
Social Security	28,963	
State Retirement	15,451	
Employer Medicare	6,774	
Asphalt - Hot Mix	615,066	
Asphalt - Liquid	83,642	
General Construction Materials	241	
Pipe - Metal	4,318	
Road Signs	4,471	
Salt	4,822	
Gravel and Chert	15,305	
Total Highway and Bridge Maintenance		1,246,199

(Continued)

Exhibit L-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment

Maintenance & Repair Services - Equipment	\$	62,305	
Maintenance & Repair Services - Vehicles		34,346	
Diesel Fuel		75,305	
Gasoline		25,783	
Total Operation and Maintenance of Equipment			\$ 197,739

Quarry Operations

Equipment Operators - Heavy	\$	94,706	
Laborers		6,202	
Other Salaries & Wages		2,069	
Social Security		6,371	
State Retirement		3,501	
Employer Medicare		1,490	
Maintenance & Repair Services - Equipment		5,548	
Other Contracted Services		9,657	
Electricity		15,353	
Equipment and Machinery Parts		2,903	
Water and Sewer		986	
Other Supplies and Materials		46	
Total Quarry Operations			148,832

Other Charges

Communication	\$	3,526	
Travel		1,322	
Electricity		3,089	
Water and Sewer		177	
Trustee's Commission		17,156	
Vehicle and Equipment Insurance		34,141	
Workers' Compensation Insurance		39,745	
Total Other Charges			99,156

Employee Benefits

Unemployment Compensation	\$	10,528	
Total Employee Benefits			10,528

Capital Outlay

Bridge Construction	\$	14,098	
Communication Equipment		990	
Highway Equipment		184,712	
State Aid Projects		172,959	
Total Capital Outlay			372,759

Total Highway/Public Works Fund \$ 2,195,754

(Continued)

Exhibit L-8

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

<u>General Debt Service Fund</u>		
<u>Principal on Debt</u>		
<u>General Government</u>		
Principal on Notes	\$ 331,833	
Total General Government		\$ 331,833
 <u>Highways and Streets</u>		
Principal on Notes	\$ 350,667	
Total Highways and Streets		350,667
 <u>Education</u>		
Principal on Other Loans	\$ 330,000	
Total Education		330,000
 <u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Notes	\$ 20,975	
Interest on Other Loans	340,359	
Total General Government		361,334
 <u>Highways and Streets</u>		
Interest on Notes	\$ 12,967	
Total Highways and Streets		12,967
 <u>Education</u>		
Interest on Other Loans	\$ 419,326	
Total Education		419,326
 <u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 19,387	
Other Debt Service	284	
Total General Government		19,671
 Total General Debt Service Fund		 \$ 1,825,798
 Total Governmental Funds - Primary Government		 \$ 13,571,071

Exhibit L-9

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 7,423,854	
Career Ladder Program	140,520	
Career Ladder Extended Contracts	102,800	
Homebound Teachers	8,668	
Educational Assistants	359,764	
Other Salaries & Wages	178,528	
Certified Substitute Teachers	60,356	
Non-certified Substitute Teachers	89,523	
Social Security	492,932	
State Retirement	442,943	
Medical Insurance	764,531	
Unemployment Compensation	25,756	
Employer Medicare	115,286	
Maintenance & Repair Services - Equipment	6,007	
Instructional Supplies and Materials	271,367	
Textbooks	190,179	
Other Supplies and Materials	736	
Fee Waivers	2,995	
Other Charges	45,284	
Regular Instruction Equipment	132,603	
Total Regular Instruction Program		\$ 10,854,632

Special Education Program

Teachers	\$ 888,000	
Career Ladder Program	29,500	
Homebound Teachers	28,496	
Educational Assistants	22,829	
Other Salaries & Wages	48,714	
Certified Substitute Teachers	400	
Non-certified Substitute Teachers	535	
Social Security	60,161	
State Retirement	53,880	
Medical Insurance	84,395	
Employer Medicare	14,070	
Instructional Supplies and Materials	4,883	
Total Special Education Program		1,235,863

Vocational Education Program

Teachers	\$ 463,971
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(Continued)

Exhibit L-9

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Career Ladder Program	\$	11,000	
Educational Assistants		9,000	
Non-certified Substitute Teachers		1,632	
Social Security		28,536	
State Retirement		26,534	
Medical Insurance		43,328	
Employer Medicare		6,766	
Maintenance & Repair Services - Equipment		2,524	
Travel		435	
Instructional Supplies and Materials		10,864	
Other Supplies and Materials		10,101	
Total Vocational Education Program			\$ 614,691

Adult Education Program

Teachers	\$	50,438	
Other Salaries & Wages		18,604	
Social Security		4,279	
State Retirement		2,166	
Employer Medicare		1,001	
Instructional Supplies and Materials		18,972	
Other Supplies and Materials		2,525	
Other Charges		1,265	
Other Equipment		46,648	
Total Adult Education Program			145,898

Support Services

Attendance

Supervisor/Director	\$	55,290	
Career Ladder Program		3,000	
Career Ladder Extended Contracts		4,000	
Social Security		3,611	
State Retirement		3,261	
Medical Insurance		3,404	
Employer Medicare		844	
Travel		265	
Total Attendance			73,675

Health Services

Medical Personnel	\$	32,315	
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(Continued)

Exhibit L-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services (Cont.)

Other Salaries & Wages	\$	35,312	
Social Security		3,995	
State Retirement		2,994	
Medical Insurance		4,309	
Employer Medicare		934	
Travel		15	
Other Contracted Services		2,125	
Drugs and Medical Supplies		3,558	
Other Supplies and Materials		2,408	
Other Charges		54	
Total Health Services			\$ 88,019

Other Student Support

Career Ladder Program	\$	8,000	
Guidance Personnel		374,765	
Other Salaries & Wages		6,750	
Social Security		23,152	
State Retirement		21,423	
Medical Insurance		29,687	
Employer Medicare		5,415	
Evaluation and Testing		13,150	
Other Contracted Services		43,506	
Other Supplies and Materials		1,382	
Total Other Student Support			527,230

Regular Instruction Program

Supervisor/Director	\$	61,727	
Career Ladder Program		12,000	
Career Ladder Extended Contracts		8,000	
Librarians		272,520	
Instructional Computer Personnel		50,045	
Educational Assistants		11,900	
Other Salaries & Wages		24,664	
Social Security		27,075	
State Retirement		23,731	
Medical Insurance		21,609	
Employer Medicare		6,332	
Travel		3,535	
Library Books/Media		47,505	

(Continued)

Exhibit L-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Other Supplies and Materials	\$	6,930	
In Service/Staff Development		7,765	
Other Charges		824	
Total Regular Instruction Program			\$ 586,162

Special Education Program

Supervisor/Director	\$	58,975	
Career Ladder Program		1,000	
Clerical Personnel		8,921	
Other Salaries & Wages		1,127	
Social Security		4,253	
State Retirement		3,656	
Medical Insurance		3,587	
Employer Medicare		995	
Travel		907	
Total Special Education Program			83,421

Vocational Education Program

Supervisor/Director	\$	26,535	
Secretary(ies)		16,969	
Social Security		2,750	
State Retirement		2,085	
Medical Insurance		3,430	
Employer Medicare		675	
Travel		2,854	
Other Supplies and Materials		1,808	
In Service/Staff Development		22,182	
Total Vocational Education Program			79,288

Adult Programs

Supervisor/Director	\$	89,419	
Career Ladder Program		2,000	
Clerical Personnel		3,000	
Other Salaries & Wages		1,500	
Social Security		5,530	
State Retirement		5,217	
Medical Insurance		10,453	
Employer Medicare		1,293	
Travel		1,742	

(Continued)

Exhibit L-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs (Cont.)

Other Contracted Services	\$	6,150	
In Service/Staff Development		1,164	
Total Adult Programs			\$ 127,468

Board of Education

Board and Committee Members Fees	\$	8,020	
In-Service Training		6,248	
Social Security		497	
State Retirement		41	
Medical Insurance		31,836	
Employer Medicare		116	
Audit Services		5,500	
Contributions		13,000	
Dues and Memberships		5,106	
Legal Services		812	
Liability Insurance		27,124	
Premiums on Corporate Surety Bonds		1,685	
Trustee's Commission		106,719	
Workers' Compensation Insurance		85,723	
Criminal Investigation of Applicants - TBI		4,224	
Total Board of Education			296,651

Director of Schools

County Official/Administrative Officer	\$	84,400	
Career Ladder Program		1,000	
Social Security		5,296	
State Retirement		4,698	
Medical Insurance		10,199	
Employer Medicare		1,239	
Communication		4,009	
Dues and Memberships		1,567	
Postal Charges		2,340	
Travel		353	
Total Director of Schools			115,101

Office of the Principal

Principals	\$	432,564	
Career Ladder Program		18,500	
Accountants/Bookkeepers		35,058	

(Continued)

Exhibit L-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Career Ladder Extended Contracts	\$	14,000	
Assistant Principals		225,933	
Secretary(ies)		115,200	
Other Salaries & Wages		28,336	
Social Security		52,452	
State Retirement		43,876	
Medical Insurance		49,892	
Employer Medicare		12,267	
Communication		10,966	
Dues and Memberships		1,100	
Total Office of the Principal			\$ 1,040,144

Fiscal Services

Supervisor/Director	\$	32,952	
Accountants/Bookkeepers		2,250	
Secretary(ies)		19,463	
Clerical Personnel		19,463	
Social Security		4,584	
State Retirement		2,520	
Employer Medicare		1,072	
Maintenance & Repair Services - Equipment		2,406	
Travel		47	
Office Supplies		4,252	
In Service/Staff Development		397	
Administration Equipment		3,119	
Total Fiscal Services			92,525

Operation of Plant

Custodial Personnel	\$	568,110	
Other Salaries & Wages		28,595	
Social Security		36,996	
State Retirement		18,759	
Employer Medicare		8,652	
Other Contracted Services		4,673	
Electricity		499,105	
Natural Gas		232,921	
Water and Sewer		58,786	
Other Supplies and Materials		53,520	
Boiler Insurance		4,960	

(Continued)

Exhibit L-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Building and Contents Insurance	\$ 90,364	
Total Operation of Plant		\$ 1,605,441

Maintenance of Plant

Supervisor/Director	\$ 33,616	
Maintenance Personnel	71,385	
Other Salaries & Wages	3,000	
Social Security	6,696	
State Retirement	3,672	
Employer Medicare	1,566	
Other Contracted Services	14,242	
Other Supplies and Materials	123,754	
Other Charges	898	
Maintenance Equipment	13,132	
Total Maintenance of Plant		271,961

Transportation

Supervisor/Director	\$ 33,616	
Mechanic(s)	61,879	
Bus Drivers	361,745	
Other Salaries & Wages	52,750	
Social Security	31,619	
State Retirement	16,907	
Employer Medicare	7,395	
Communication	2,729	
Medical and Dental Services	1,834	
Other Contracted Services	577	
Diesel Fuel	115,000	
Garage Supplies	2,837	
Gasoline	29,995	
Lubricants	3,500	
Tires and Tubes	16,040	
Vehicle Parts	48,199	
Vehicle and Equipment Insurance	27,900	
In Service/Staff Development	800	
Transportation Equipment	130,725	
Total Transportation		946,047

(Continued)

Exhibit L-9

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	31,960	
Educational Assistants		62,169	
Other Salaries & Wages		750	
Social Security		5,554	
State Retirement		1,994	
Medical Insurance		6,879	
Employer Medicare		1,299	
Travel		544	
Other Supplies and Materials		6,988	
Other Charges		16,302	
Total Community Services			\$ 134,439

Early Childhood Education

Teachers	\$	95,205	
Educational Assistants		34,692	
Social Security		7,507	
State Retirement		6,372	
Medical Insurance		13,846	
Employer Medicare		1,756	
Instructional Supplies and Materials		24,883	
Other Supplies and Materials		729	
Other Equipment		23,687	
Total Early Childhood Education			208,677

Capital Outlay

Regular Capital Outlay

Other Contracted Services	\$	12,351	
Building Construction		26,170	
Building Improvements		134,135	
Total Regular Capital Outlay			172,656

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	400,000	
Total Education			400,000

Total General Purpose School Fund \$ 19,699,989

(Continued)

Exhibit L-9

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	701,842	
Educational Assistants		99,567	
Other Salaries & Wages		9,080	
Social Security		47,765	
State Retirement		42,174	
Medical Insurance		62,671	
Employer Medicare		11,171	
Tuition		500	
Instructional Supplies and Materials		69,377	
Other Supplies and Materials		4,655	
Other Charges		1,768	
Regular Instruction Equipment		33,239	
Total Regular Instruction Program			\$ 1,083,809

Special Education Program

Teachers	\$	69,420	
Educational Assistants		326,366	
Other Salaries & Wages		3,854	
Social Security		24,181	
State Retirement		15,001	
Medical Insurance		12,544	
Employer Medicare		5,656	
Other Contracted Services		63,038	
Instructional Supplies and Materials		36,814	
Total Special Education Program			556,874

Vocational Education Program

Educational Assistants	\$	12,235	
Social Security		759	
State Retirement		416	
Employer Medicare		177	
Travel		1,500	
Instructional Supplies and Materials		25,093	
Other Supplies and Materials		9,244	
Vocational Instruction Equipment		50,960	
Total Vocational Education Program			100,384

(Continued)

Exhibit L-9

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

School Federal Projects Fund (Cont.)

Support Services

Other Student Support

Maintenance & Repair Services - Equipment	\$	37	
Travel		1,777	
Other Contracted Services		9,178	
Other Charges		8,123	
Total Other Student Support			\$ 19,115

Regular Instruction Program

Supervisor/Director	\$	35,962	
Clerical Personnel		9,296	
Other Salaries & Wages		37,453	
In-Service Training		1,500	
Social Security		5,856	
State Retirement		4,401	
Employer Medicare		1,370	
Maintenance & Repair Services - Equipment		3,000	
Travel		11,622	
Other Contracted Services		27,926	
Library Books/Media		4,213	
Other Supplies and Materials		25,806	
In Service/Staff Development		69,704	
Other Equipment		8,174	
Total Regular Instruction Program			246,283

Special Education Program

Psychological Personnel	\$	120,395	
Assessment Personnel		12,204	
Social Security		7,512	
State Retirement		7,037	
Medical Insurance		12,663	
Employer Medicare		1,757	
Maintenance & Repair Services - Equipment		2,946	
Travel		6,403	
Other Contracted Services		8,271	
In Service/Staff Development		4,854	
Total Special Education Program			184,042

Vocational Education Program

Travel	\$	289	
In Service/Staff Development		3,494	
Total Vocational Education Program			3,783

(Continued)

Exhibit L-9

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Transportation

Bus Drivers	\$	24,600	
Social Security		1,525	
State Retirement		714	
Employer Medicare		357	
Contracts with Parents		10,944	
Total Transportation			\$ 38,140

Total School Federal Projects Fund \$ 2,232,430

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	34,512	
Clerical Personnel		14,951	
Cafeteria Personnel		527,769	
Other Salaries & Wages		58,780	
Social Security		39,102	
State Retirement		18,936	
Unemployment Compensation		2,545	
Employer Medicare		9,145	
Maintenance & Repair Services - Equipment		17,636	
Travel		649	
Food Preparation Supplies		53,147	
Food Supplies		653,305	
Other Supplies and Materials		93,900	
In Service/Staff Development		2,521	
Other Charges		7,870	
Food Service Equipment		35,065	
Total Food Service			\$ 1,569,833

Total Central Cafeteria Fund 1,569,833

Total Governmental Funds - White County School Department \$ 23,502,252

Exhibit L-10

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

	Business-type Activities - <u>Enterprise Fund</u> Solid Waste Disposal Fund
<u>Revenues</u>	
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
Solid Waste Disposal Fees	\$ 1,129,135
<u>Other Local Revenues</u>	
Sale of Recycled Materials	27,302
Miscellaneous Refunds	1,524
Total Operating Revenues	<u>\$ 1,157,961</u>
<u>Nonoperating Revenues</u>	
Solid Waste Grants	<u>\$ 18,236</u>
Total Revenues	<u>\$ 1,176,197</u>
<u>Expenses</u>	
<u>Operating Expenses</u>	
<u>Public Health and Welfare</u>	
<u>Landfill Operation and Maintenance</u>	
Supervisor/Director	\$ 39,739
Other Salaries and Wages	313,563
Social Security	21,878
State Retirement	6,350
Employer Medicare	5,117
Other Fringe Benefits	1,130
Communciation	8,602
Maintenance and Repair Service - Equipment	52,989
Travel	220
Permits	14,977
Other Contracted Services	42,756
Diesel Fuel	109,402
Gasoline	11,525
Lubricants	10,986
Office Supplies	961
Utilities	20,875
Other Supplies and Materials	23,965
Building and Contents Insurance	18,355
Trustee's Commission	9,840
Workers' Compensation Insurance	16,860
Depreciation	92,457
Other Charges	8,419
Site Development	200,122
Other Equipment	29,259
Total Operating Expenses	<u>\$ 1,060,347</u>
<u>Nonoperating Expenses</u>	
Interest on Notes	<u>\$ 68,232</u>
Total Expenses	<u>\$ 1,128,579</u>

Exhibit L-11

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

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 1,521,785
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,506,567
Trustee's Commission	15,218
Total Cash Disbursements	<u>\$ 1,521,785</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>

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## **SINGLE AUDIT 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

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

January 23, 2007

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of White County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise White County's basic financial statements and have issued our reports thereon dated January 23, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered White County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect White County's 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 06.01(A,B), 06.02, 06.03, 06.05, 06.08, 06.09, and 06.10.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 06.02 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether White County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 06.01(C), 06.04, 06.06, 06.07, and 06.11.

We have also noted certain matters that we reported to the management of White County in separate communications.

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

Very truly yours,



John G. Morgan  
Comptroller of the Treasury

JGM/rc



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

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

January 23, 2007

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of White County 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 its major federal programs for the year ended June 30, 2006. White County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of White County's management. Our responsibility is to express an opinion on White County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about White County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on White County's compliance with those requirements.

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

#### Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the White County School Department's ability to administer major federal programs in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.10 and 06.12.

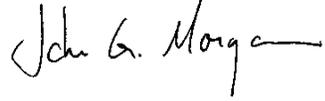
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in 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 the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of White County, Tennessee, as of and for the year ended June 30, 2006, and have issued our reports thereon dated January 23, 2007. 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, management, and federal awarding agencies and pass-through agencies 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/rc

OTHER AUDITORS 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

For the White County Emergency Communications District

To the Board of Directors  
White County Emergency  
Communications District  
Sparta, Tennessee

I have audited the financial statements of the White County Emergency Communications District, a component unit of White County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise the district's basic financial statements and have issued my report thereon. I conducted my 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the White County Emergency Communications District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control of the financial reporting that, in my judgment, could adversely affect the district'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 audit findings and recommendations as item 06-1.

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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. However, I believe the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the White County Emergency Communications District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and

grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards, which is reported in the accompanying schedule of audit findings and recommendations as finding 06-2.

This report is intended solely for the information and use of the management, Board of Directors of the district, and the Tennessee Comptroller's Office, Division of County Audit and is not intended to be and should not be used by anyone other than these specified parties.

THE WHITE COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND RECOMMENDATIONS  
June 30, 2006

**Item 06-1: Financial Reporting (Reportable Condition)**

The district spent in excess of its budget in three different categories which is a violation of Tennessee Code Annotated (TCA) Section 7-86-120.

**Recommendation:** The district should monitor its expenditures more closely to conform to the adopted budget. The commissioners should amend the budget when necessary.

**Management's response:** We concur with the auditor's finding and recommendation. We will monitor our budgeting process more closely in the future.

**Item 06-2: Number of Directors (Compliance)**

The district had only six commissioners at June 30, 2006, and the required number of seven had not been appointed as of the date of this report.

**Recommendation:** TCA Section 7-86-105(b) requires that a district have not less than seven or more than nine directors. The White County Commission approved Resolution 64-12-05 reducing the required number of members to seven, effective December 31, 2005.

**Management's response:** We concur with the auditor's finding and recommendation. We will encourage the White County Commission to appoint the correct number of directors.

White County, Tennessee  
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	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 127,988
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	162,633
National School Lunch Program	10.555	N/A	747,315
Total U.S. Department of Agriculture			<u>\$ 1,037,936</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	GG-05-11648-00	\$ 282,900
HOME Investment Partnership Programs	14.239	Z-04-020159-01	118,834
Total U.S. Department of Housing and Urban Development			<u>\$ 401,734</u>
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
WIA Youth Activities	17.259	06-07-185-011-09-82	\$ 18,600
Passed-through State Department of Education:			
WIA Incentive Grants - Section 503 Grants to States	17.267	(2)	51,109
Total U.S. Department of Labor			<u>\$ 69,709</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	(3)	\$ 129,169
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	801,775
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	817,541
Special Education - Preschool Grants	84.173	N/A	15,902
Vocational Education - Basic Grants to States	84.048	N/A	105,945
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	22,945
Even Start - State Educational Agencies	84.213	(2)	107,216
Fund for the Improvement of Education	84.215	U-215-X040327	119,879
Twenty-First Century Community Learning Centers	84.287	(2)	166,846
State Grants for Innovative Programs	84.298	N/A	12,857
Education Technology State Grants	84.318	(2)	14,957
Improving Teacher Quality State Grants	84.367	N/A	223,207
Hurricane Education Recovery	84.938	(2)	9,756
Total U.S. Department of Education			<u>\$ 2,547,995</u>
U.S. Elections Assistance Commission:			
Passed-through State Office of Secretary of State:			
Help America Vote Act	90.401	(2)	\$ 186,000
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-06-027235-00	\$ 16,489
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-03-017814-00	\$ 22,576
Flood Mitigation Assistance	97.029	(2)	15,094
Total U.S. Department of Homeland Security			<u>\$ 37,670</u>
Total Expenditures of Federal Awards			<u>\$ 4,297,533</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
		Contract Number	
<u>State Grants</u>			
Adult Education - State Department of Labor and Workforce Development	N/A	(4)	\$ 34,336
Families First - State Department of Labor and Workforce Development	N/A	Z-06-027235-00	8,350
Family Resource - State Department of Education	N/A	(2)	45,120
High Schools that Work - State Department of Education	N/A	(2)	10,000
Juvenile Services - State Children's Services Commission	N/A	(2)	9,000
Library and Archives Grant - State Department of Housing and Urban Development	N/A	B-03-SP-TN-0738	80,473
Litter Program - State Department of Transportation	N/A	(2)	24,862
Museum Grant - State Archives	N/A	(2)	1,951
Rural Local Health Services - State Department of Health	N/A	Z-06-025945-00	3,250
Safe Schools Act 2000 - State Department of Education	N/A	(2)	24,680
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	9,883
Tennessee Industrial Infrastructure Program - State Department of Economic and Community Development	N/A	GG-04-10770-00	84,279
Underage Drinking Prevention - State Department of Health	N/A	(2)	1,000
Voluntary PreK for Tennessee - State Department of Education	N/A	(2)	261,993
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-03-011342-00	18,236
Total State Grants			\$ 617,413

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) Z-06-027834-00: \$76,429; Z-05-022281-00: \$52,740
- (4) Z-06-027834-00: \$20,317; Z-05-022281-00: \$14,019

White County, Tennessee  
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 White County, Tennessee, for the year ended June 30, 2005, which have not been corrected.

**FINANCE DEPARTMENT**

Finding Number	Page Number	Subject
05.02(A)	13	Purchase orders were not issued in some required instances, and some purchase orders were issued after purchases were made
05.02(B)	13	Invoices were paid without documentation that goods had been received or services rendered
05.06	18	Landfill closure and postclosure care costs were not determined and recorded on accounting records of the Solid Waste Disposal Fund

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

Finding Number	Page Number	Subject
05.07(A,B,D)	19	Accounting records were not maintained in accordance with generally accepted accounting principles and state statutes

**OFFICE OF SHERIFF**

Finding Number	Page Number	Subject
05.08(B)	20	Commissary transactions were not maintained on the office cash journal
05.09	21	Confidential drug fund transactions were not maintained on the office cash journal

## OTHER FINDINGS

Finding Number	Page Number	Subject
05.10	21	Duties were not segregated adequately in the Offices of Finance Director, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff
05.11	21	The finance director also serves on the Board of Education which appears to be a conflict of interest

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**WHITE COUNTY, TENNESSEE**

**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. Our report on the financial statements of White County is unqualified.
2. The audit of the financial statements of White County disclosed reportable conditions in internal control. One of these conditions was considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of White County.
4. One reportable condition in internal control over major programs was disclosed by the audit.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit disclosed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: the Special Education – Grants to States and the Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. White County did not qualify as a low-risk auditee.

## **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 finance director 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.

### **OFFICE OF FINANCE DEPARTMENT**

#### **FINDING 06.01      **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES****

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

Our examination of purchasing procedures revealed the following deficiencies:

- A. Purchase orders were not issued in some required instances. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments. Also, in several instances, the Finance Department issued purchase orders after purchases were made. This practice defeats the purpose of issuing a purchase order and makes the purchase order an approval for payment rather than an approval for the purchase.
- B. In several instances, invoices were paid without documentation that goods had been received or services had been rendered. This practice weakens controls over the purchasing process. We extended our audit procedures and determined that these goods were received and services were rendered.
- C. Competitive bids were not solicited for the purchase of food at the jail, tables and chairs for a school library (\$5,537), wiring services performed at a local school (\$6,098), and 42 computer monitors purchased with school funds (\$6,155). Purchasing procedures for White County are governed by the County Financial Management System of 1981, Sections 5-21-101 through 5-21-129, Tennessee Code Annotated. This act provides for a central system of purchasing for all county departments. All purchases exceeding \$5,000 (\$10,000 in the Highway Department) are to be competitively bid.

### **RECOMMENDATION**

The Finance Department should improve purchasing procedures by issuing purchase orders for all applicable purchases before purchase are made and by obtaining documentation that goods have been received or services have been rendered before invoices are paid. Also, competitive bids should be solicited for all purchases exceeding bid limits.

MANAGEMENT’S RESPONSE – FINANCE DIRECTOR (DIRECT QUOTE)

The Finance Department will continue to improve the purchasing procedures for White County. We will continue to inform all offices and departments on proper procedures and documentation to be followed before payment is made.

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FINDING 06.02      **LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS WERE NOT DETERMINED AND RECORDED ON ACCOUNTING RECORDS OF THE SOLID WASTE DISPOSAL FUND**  
(Internal Control – Material Weakness Under Governmental Auditing Standards)

County officials did not determine and record landfill closure and postclosure care costs of \$391,325 on the accounting records of the Solid Waste Disposal Fund. Auditors established this amount from information obtained from records on file and discussions with county officials and the county’s landfill engineer. State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after the date that the landfill stops accepting waste. Generally accepted accounting principles require county officials to accrue and report a portion of these closure and postclosure care costs as a liability and as an operating expense in each year of operation based on the estimated landfill capacity used. The total estimated liability for landfill closure and postclosure care costs reflected in the financial statements of the Solid Waste Disposal Fund at June 30, 2006, was \$2,559,654. A retained earnings deficit of \$1,374,224 resulted from recording this estimated liability on the accounting records.

RECOMMENDATION

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

MANAGEMENT’S RESPONSE – FINANCE DIRECTOR (DIRECT QUOTE)

The county is in the process of opening a new cell at the current location. Once the new cell is complete, the county will, with the assistance of engineers and the state, determine the status of all old cells. All old cells were closed to the standard that was in effect at that time.

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

**FINDING 06.03      BANK STATEMENTS WERE NOT RECONCILED PROPERLY  
(Internal Control – Reportable Condition Under Government Auditing Standards)**

Employees of the Circuit and General Sessions Court Clerk’s Office attempted to reconcile bank statements with cash journal controls monthly; however, errors were not identified and corrected timely.

On September 1, 2006, White County hired an independent accountant to reconcile the bank accounts of each court. These reconciliations identified numerous errors which were corrected by the accountant to arrive at a cash balance at June 30, 2006. Our audit resulted in additional adjustments that have been presented to management for approval and posting to properly reflect the cash balances of each court in the financial statements of this report.

**RECOMMENDATION**

Bank statements should be reconciled with the cash journal monthly, and any errors noted should be corrected promptly.

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**FINDING 06.04      EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH CASH JOURNAL ACCOUNTS  
(Noncompliance Under Government Auditing Standards)**

The clerk prepared execution docket trial balances for circuit and general sessions courts at June 30, 2006, as required by Section 18-2-103, Tennessee Code Annotated (TCA). However, these trial balances did not reconcile with circuit and general sessions courts’ cash journal accounts by \$2,181 and \$7,386, respectively. Therefore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-110, TCA. This statute provides that any funds held by the court for one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer's Office.

**RECOMMENDATION**

Execution docket trial balances for circuit and general sessions courts should be reconciled with cash journal accounts. Any funds held by the court for one year and unclaimed by the owner are considered abandoned and should be reported and paid to the state Treasurer’s Office in compliance with state statute.

**FINDING 06.05      THE CASH JOURNAL WAS NOT PROPERLY MAINTAINED**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The clerk maintained subsidiary ledgers for investment and short-term account activity in circuit and general sessions courts; however, this activity was not reflected on the offices' cash journals. An examination of the subsidiary ledgers for each court revealed one investment (\$1,053,312) and several short-term accounts (\$122,779) maintained on behalf of litigants had not been posted to the circuit court's cash journal, and interest earned on short-term accounts totaling \$778 had not been posted to the general sessions court's cash journal. The cash journal is the official cash control record of each office and should reflect all financial activity. Adjustments have been presented to management for approval and posting to correctly reflect these transactions in the financial statements of this report.

**RECOMMENDATION**

The clerk should post all investment and short-term account activity to the offices' cash journals and should reconcile the subsidiary ledgers with cash journal totals on a regular basis.

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**FINDING 06.06      THE OFFICE DID NOT FILE ITS ANNUAL FINANCIAL REPORTS**  
(Noncompliance Under Government Auditing Standards)

The office prepared annual financial reports for circuit and general sessions courts at June 30, 2006; however, these reports were not filed with the county mayor and the county clerk as required by state statute. Section 5-8-505, Tennessee Code Annotated, states, "All appointive or elective county public officials, official county boards, committees and commissions ... having in their charge and custody public funds or moneys are required to file with the county mayor and with the county clerk ... an annual financial report ..."

**RECOMMENDATION**

The office should file its annual financial reports with the county mayor and county clerk as required by state statute.

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**OFFICE OF SHERIFF**

**FINDING 06.07      THE OFFICE HAD A CASH SHORTAGE OF \$1,108**  
(Noncompliance Under Government Auditing Standards)

The Sheriff's Office had a cash shortage of \$1,108 on June 30, 2006. This cash shortage was the result of not properly accounting for funds received from the Finance Department for

undercover drug operations. Confidential undercover drug reports reflected a negative cash balance of \$592 at June 30, 2006. However, our audit revealed that a receipt of \$2,000 had not been reflected on the reports, and another receipt of \$200 had been reflected as \$500. Correcting these errors revealed that the cash balance on hand at June 30, 2006, should have been \$1,108.

On July 20, 2006, the sheriff issued a department check for \$592 to reimburse the drug agent for the negative balance reflected on the confidential drug reports at year-end. The issuance of this check increased the amount of unaccounted cash to \$1,700. On January 16, 2007, the sheriff liquidated the unaccounted cash by depositing a personal check for \$1,700 with the White County Finance Office. These cash discrepancies have been discussed with the district attorney general.

### RECOMMENDATION

Sheriff's Department officials should account for all funds received from the Finance Department for undercover drug operations and should monitor their undercover drug agents' reports monthly.

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**FINDING 06.08      THE OFFICE HAD DEFICIENCIES IN THE ADMINISTRATION OF CONFIDENTIAL DRUG FUNDS**  
(Internal Control – Reportable Conditions Under Government Auditing Standards)

Our examination of confidential drug fund transactions revealed the following deficiencies:

- A.     The office maintained accounting records for confidential drug transactions; however, these transactions were not reflected on the office cash journal. The cash journal is the official cash control record and should reflect all financial activity of the office.
  
- B.     Forms documenting payments to confidential informants did not have the required signatures of two officers. The signature of the first officer is necessary to document that he made the payment, and the signature of the second officer is necessary to document that he witnessed the payment.

### RECOMMENDATION

All accounting transactions of the office should be reflected on the cash journal. Payments to informants should be witnessed by a second officer.

**FINDING 06.09      COMMISSARY OPERATIONS WERE NOT MAINTAINED ON THE OFFICE CASH JOURNAL**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

**RECOMMENDATION**

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

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**OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 06.10      DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF FINANCE DIRECTOR, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**  
(Internal Control – Reportable Condition Under Government Auditing Standards and OMB Circular A-133)

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

**MANAGEMENT’S RESPONSE – FINANCE DIRECTOR (DIRECT QUOTE)**

We believe adequate controls are in place and will be forming a written policy to address this concern.

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**FINDING 06.11      THE FINANCE DIRECTOR ALSO SERVES ON THE BOARD OF EDUCATION WHICH APPEARS TO BE A CONFLICT OF INTEREST**  
(Material Noncompliance Under Government Auditing Standards)

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

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

### RECOMMENDATION

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

### MANAGEMENT'S RESPONSE – FINANCE DIRECTOR (DIRECT QUOTE)

At the time the finance director was hired, this issue was discussed by all parties involved. The state Attorney General's Office was also consulted. According to Opinion No. 05-146, the Tennessee Constitution article VII narrowly defines county officials to the elected offices thus allowing the dual positions. The director of finance understands the importance of the public acknowledgment of his dual roles and will strive to declare any conflict of interest which may arise because of his position.

### REBUTTAL

Declaring to the public that a conflict of interest exists because of the dual roles does not resolve the conflict of interest situation. According to Opinion No. 05-146, state statutes do not prevent someone from being an employee of a governmental entity and a member of the school board at the same time. However, in a county operating under the County Financial Management System of 1981 where a member of the Board of Education appoints the director of schools, and then the director of schools is a member of the Financial Management Committee that appoints the finance director and recommends his salary, it raises concerns about a conflict of interest.

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

Federal/Pass-through Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Agriculture: Passed-through State Department of Education: Child Nutrition Cluster: School Breakfast Program School Lunch Program	06.12		Circular A-133, Section 500(c)(3)	Reportable Condition in Internal Control See Finding 06.10 - Duties were not adequately segregated in the Office of Finance Director	\$           0
U.S. Department of Education: Passed-through State Department of Education: Title 1 Grants to Local Educational Agencies					
Special Education Cluster: Special Education - Grants to States Special Education - Preschool Grants		10.553 10.555  84.010  84.027 84.173			

**WHITE COUNTY, TENNESSEE  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2006**

There were audit findings relative to federal awards presented in the current and prior years' Schedules of Findings and Questioned Costs.

**Finance Director – Corrective Action Plan for Current Year's Finding**

**FINDINGS 06.10 and 06.12**

Contact Person: Mark Farley

Corrective action planned: We are in the process of forming written policies and procedures to address this issue.

Anticipated completion date: Fiscal Year 2006-2007

**Finance Director – Summary Schedule of Prior Year's Findings**

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

During the year, the county revised its purchasing policies for school-level purchases. Also, our testing concluded that purchase orders and adequate documentation were on hand for purchases made from federal funds during the audit period.