



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

SINGLE AUDIT REPORT



FOR THE YEAR ENDED JUNE 30, 2007



ANNUAL FINANCIAL REPORT
WARREN COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2007

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

WARREN COUNTY, TENNESSEE

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Audit Highlights

Annual Financial Report
Warren County, Tennessee
For the Year Ended June 30, 2007

Scope

We have audited the basic financial statements of Warren County as of and for the year ended June 30, 2007.

Results

Our report on the aggregate discretely presented component units expresses an adverse opinion because the component units are omitted. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.

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

Findings

The following are summaries of the audit findings:

OFFICE OF COUNTY EXECUTIVE

- ◆ The actual fund balances of the General, Drug Control, and General Debt Service Funds at July 1, 2006, exceeded the estimated fund balances reflected in the county's budget by \$670,192, \$40,102, and \$1,688,682, respectively.
- ◆ The write-off policy for uncollectible accounts of the Ambulance Service Authority gives sole authority to one individual without oversight by management.

OFFICE OF SHERIFF

- ◆ Several deficiencies in the operations of the commissary were noted. Official prenumbered receipts were not issued for some collections, some commissary funds were not deposited within three days of collection, and prenumbered checks were not issued for some disbursements.
-

OTHER FINDINGS

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

INTRODUCTORY SECTION

Warren County Officials

June 30, 2007

Officials

John Pelham, County Executive
Harold Glenn, Superintendent of Roads
Darlene Bryant, Trustee
Carolyn Miller, Assessor of Property
Lesa Scott, County Clerk
Bernadette Morris, Circuit, General Sessions, and Juvenile Courts Clerk
Trenena Wilcher, Clerk and Master
Terry Smith, Register
Jackie Matheny, Sheriff
Linda Hillis, Director of Accounts

Board of County Commissioners

John Pelham, Chairman	
Terry Bell	Ken Martin
Morris Bond	Michael Martin
Carl Bouldin	Gary Prater
M. A. Bouldin	George Smartt
Teddy Boyd	Bessie Smithson
Sally Brock	Diane Starkey
Bryan Denton	Danice Taylor
David Grissom	Les Trotman
Clinton Hill	Bobby Turner
Carl Hulett	Herschel Wells
Harold Hyatt	Bill Yancy
Earl Jones	William Zechman

Purchasing Commission

Linda Hillis, Chairperson
John Pelham
Carl Hulett
George Smartt

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

September 13, 2007

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

To the County Executive and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Warren County, Tennessee, as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of Warren County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements referred to above include only the primary government of Warren County, Tennessee, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component units (the Warren County School Department and the Warren County Emergency

Communications District) which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government's financial statements do not purport to, and do not, present fairly the financial position of Warren County, Tennessee, as of June 30, 2007, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of Warren County, Tennessee, as of June 30, 2007, and the respective changes in financial position and 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 September 13, 2007, on our consideration of the Warren County primary government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

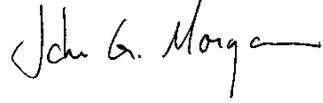
As described in Note V.B., Warren County has implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. For the first time, the financial statements include the government-wide financial statements.

The management's discussion and analysis on pages 13 through 20 and the budgetary comparison and pension information on pages 61 through 67 are not required parts of the basic financial statements but they do provide supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the primary government of Warren County, Tennessee. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, and the miscellaneous schedules have been subjected to the auditing

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

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan" with a long horizontal flourish extending to the right.

John G. Morgan
Comptroller of the Treasury

JGM/rc

**Warren County, Tennessee
Management's Discussion and Analysis
For the Year Ended June 30, 2007**

As management of Warren County, we offer readers of the Warren County financial statements this narrative overview and analysis of the financial activities of the county for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the county's financial performance as a whole.

Financial Highlights

- The assets of Warren County Primary Governmental Activities exceeded its liabilities at the close of the most recent fiscal year by \$46,899,285 (net assets).
- As of the close of the current fiscal year, Warren County's governmental funds reported combined ending fund balances of \$16,215,907. Approximately 82 percent of this total amount, \$13,262,378, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$2,517,735, or 29 percent of total General Fund expenditures.
- Warren County's total long-term debt increased by \$3,811,027 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Warren County's basic financial statements. The county's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of Warren County's finances in a manner similar to a private-sector business.

The **statement of net assets** presents information on all of Warren County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the county is improving or deteriorating.

The **statement of activities** presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, **regardless of the timing of related cash flows**. Thus, revenues and expenses are reported in this statement for some

items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the county that are principally supported by taxes and intergovernmental revenues (**governmental activities**) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (**business-type activities**). The governmental activities of the county include general government; finance; administration of justice; public safety; public health and welfare; social, cultural, and recreational services; agriculture and natural resources; other operations; highways and streets; sanitation; ambulance service; drug control; education; and debt service. The Warren County Government has no business-type activities.

The government-wide financial statements include only Warren County (known as the primary government). The financial statements of the discretely presented component units, the Warren County School Department and the Warren County Emergency Communications District, are not included in the government-wide statements. Financial information for the Warren County School Department is reported separately from the financial information presented for the primary government. The Warren County Emergency Communications District also meets the criteria for a discretely presented component unit; however, its financial statements were not available from other auditors for inclusion in the government-wide statements.

Fund financial statements. A **fund** is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Warren County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Warren County can be divided into three categories: governmental, proprietary, and fiduciary.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Warren County and the Warren County School Department maintain a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and

changes in fund balances for the General Fund, Ambulance Service Fund, Highway/Public Works Fund, General Debt Service Fund, and the Education Capital Projects Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Warren County adopts annual appropriated budgets for its General Fund, Ambulance Service Fund, and Highway/Public Works Fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the budgets.

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the county's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found elsewhere in this report.

Notes to the financial statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the financial statements in this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The information included in this section is stipulated by the Governmental Accounting Standards Board (GASB) Statement 34.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Warren County, assets exceeded liabilities by \$46,899,285 at the close of the most recent fiscal year.

The Constitution for the State of Tennessee only allows the local legislative body authorization to issue debt. Therefore, whenever the Warren County Board of Education requires additional money to fund school construction and equipment, the related debt must be issued by Warren County Government.

As of June 30, 2007, Warren County had outstanding debt totaling \$15,289,360 for capital purposes for the Warren County Board of Education, with the capital assets being reported in the financial statements of the Warren County Board of Education. However, Warren

County has incurred the related liability, significantly decreasing its unrestricted net assets without a corresponding increase in the county's capital assets.

A large portion of Warren County's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. Warren County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Warren County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following schedules provide a summary of Warren County's Net Assets and Statement of Activities for fiscal year ending June 30, 2007 (Tables 1 and 2):

Table 1

WARREN COUNTY, TENNESSEE	
NET ASSETS	
June 30, 2007	
<hr/>	
Current and Other Assets	\$ 31,546,795
Capital Assets	49,003,409
Total Assets	<hr/> \$ 80,550,204 <hr/>
Long-Term Liabilities O/S	\$ 23,267,983
Other Liabilities	10,382,936
Total Liabilities	<hr/> \$ 33,650,919 <hr/>
 Net Assets:	
Invested in Capital Assets,	
Net of Related Debt	\$ 26,012,938
Restricted	18,033,929
Unrestricted	2,852,418
	<hr/>
Total Net Assets	<hr/> \$ 46,899,285 <hr/>

Table 2

WARREN COUNTY, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Revenues:

Program Revenues:

Charges for Services	\$ 4,674,665
Operating Grants and Contributions	2,893,585
Capital Grants and Contributions	1,066,995

Table 2 (Cont.)

**WARREN COUNTY, TENNESSEE
STATEMENT OF ACTIVITIES (CONT.)**

Revenues (Cont.):	
General Revenues:	
Property Taxes	\$ 8,871,298
Other Taxes	2,135,644
Grants and Contributions Not	
Restricted for Specific Purposes	1,168,844
Miscellaneous	50,303
Unrestricted Investment Earnings	911,565
Total Revenues	<u>\$ 21,772,899</u>
Expenses:	
General Government	\$ 1,263,858
Finance	968,125
Administration of Justice	1,262,243
Public Safety	4,547,757
Public Health and Welfare	3,185,534
Social, Cultural, and Recreational	135,750
Agriculture and Natural Resources	167,299
Other Operations	942,950
Highways/Public Works	2,567,069
Education (Self-Insurance)	456,890
Education (Contributions to Component Units)	6,257,016
Interest on Long-term Debt	1,043,178
Other Debt Service	115,638
Total Expenses	<u>\$ 22,913,307</u>
Increase (Decrease) in Net Assets	\$ (1,140,408)
Net Assets, July 1, 2006	<u>48,039,693</u>
Net Assets, June 30, 2007	<u><u>\$ 46,899,285</u></u>

A portion of Warren County's net assets (\$18,033,929) represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.

Financial Analysis of the Government's Funds

As noted earlier, Warren County uses fund accounting to ensure and demonstrate compliance with finance-relegated legal requirements.

Governmental funds. The focus of Warren County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Warren County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Warren County's governmental funds reported combined ending fund balances of \$16,215,907. Approximately 82 percent of this total amount (\$13,262,378) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders, 2) to pay debt service, or 3) for a variety of other restricted purposes.

The General Fund is the chief operating fund of Warren County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$2,517,735 while total fund balance was \$2,691,559. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 29 percent of total General Fund expenditures, while total fund balance represents 31 percent of that same amount.

The fund balance of Warren County's General Fund increased by \$411,549 during the current fiscal year.

The General Debt Service Fund has a total fund balance of \$11,369,633, which is reserved for the payment of debt service.

General Fund Budgetary Highlights

The difference between the original budget expenditures and the final amended budget expenditures in the General Fund was a \$399,770 increase in appropriations and can be briefly summarized as follows:

- \$12,650 in increases allocated to General Administration
- \$10,000 in decreases allocated to Finance
- \$20,000 in increases allocated to Administration of Justice
- \$4,995 in increases allocated to Public Safety
- \$62,000 in increases allocated to Public Health and Welfare
- \$310,125 in increases allocated to Other Operations

Of this increase, \$270,912 was to be funded from miscellaneous increases in various revenue accounts including but not limited to charges for services, grant proceeds, and accrued interest. The remaining \$128,858 was to be budgeted from available fund

balances. During the year, revenues exceeded budgetary estimates, and expenditures were less than budgetary estimates; therefore, the ending fund balance at June 30, 2007, exceeded the budgeted estimated fund balance.

Capital Asset and Debt Administration

Capital assets. The investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, roads, highways, and bridges. Warren County’s investment in capital assets for its governmental activities as of June 30, 2007, is \$49,003,409 (net of accumulated depreciation and related debt). The Warren County’s School Department’s investment in capital assets was not made available to auditors by Warren County School Department management. The related debt for schools is carried in governmental activities.

For more detailed information on capital asset activity, please see the relevant disclosures in the notes to the financial statements.

At the end of the current fiscal year, Warren County had total long-term debt outstanding of \$23,267,983. This amount comprises debt backed by the full faith and credit of the government. In addition to the loan agreements, county long-term obligations include compensated absences.

Warren County’s total debt increased by \$3,811,027 during the current fiscal year.

For more detailed information on long-term debt activity, please see the relevant disclosures in the notes to the financial statements.

Warren County maintains an A3 rating from Moody’s for general obligation debt.

A schedule of all outstanding debt as of June 30, 2007, for Warren County follows:

Table 3

**WARREN COUNTY, TENNESSEE
LONG-TERM DEBT
JUNE 30, 2007**

	General County	County Schools	Total
Notes	\$ 171,112	\$ 259,360	\$ 430,472
Other Loans	6,500,000	6,150,000	12,650,000
Bonds	1,030,000	8,880,000	9,910,000
Total Notes, Loans and Bonds	\$ 7,701,112	\$ 15,289,360	\$ 22,990,472
Compensated Absences	\$ 277,511	\$ 0	\$ 277,511
Total Long-term Debt	\$ 7,978,623	\$ 15,289,360	\$ 23,267,983

Request for Information

This financial report is designed to provide a general overview of the county's finances for all those with an interest in the government's finances. For questions concerning any of the information provided in this report, please contact the Director of Accounts Office at 201 Locust Street, Suite 2, McMinnville, Tennessee 37110.

BASIC FINANCIAL STATEMENTS

Exhibit A

Warren County, Tennessee
Statement of Net Assets
June 30, 2007

	<u>Primary Government Governmental Activities</u>
<u>ASSETS</u>	
Cash	\$ 265,179
Equity in Pooled Cash and Investments	17,849,932
Accounts Receivable	575,875
Allowance for Uncollectibles	(147,600)
Due from Other Governments	1,048,576
Due from Component Units	30,909
Property Taxes Receivable	9,463,382
Allowance for Uncollectible Property Taxes	(269,045)
Prepaid Items	85,182
Notes Receivable - Current	322,290
Notes Receivable - Long-term	2,322,115
Assets Not Depreciated:	
Land	1,604,000
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	8,487,539
Infrastructure	35,493,471
Other Capital Assets	3,418,399
Total Assets	<u>\$ 80,550,204</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 142,229
Accrued Payroll	21,961
Payroll Deductions Payable	21,930
Claims and Judgments Payable	1,221,819
Accrued Interest Payable	86,026
Deferred Revenue - Current Property Taxes	8,888,971
Noncurrent Liabilities:	
Due Within One Year	2,609,508
Due in More Than One Year	20,658,475
Total Liabilities	<u>\$ 33,650,919</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 26,012,938
Restricted for:	
Solid Waste/Sanitation	346,392
Ambulance Service	746,998
Drug Control	186,238
District Attorney General	502
Highway/Public Works	973,842
Debt Service	11,283,607
General Capital Projects	30,863
Other Capital Projects	8,419
Self-Insurance	4,283,244
Other Purposes	173,824
Unrestricted	<u>2,852,418</u>
Total Net Assets	<u>\$ 46,899,285</u>

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

Exhibit B

Warren County, Tennessee
 Statement of Activities
 For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 1,263,858	\$ 309,619	\$ 8,907	\$ 127,746	\$ (817,586)
Finance	968,125	1,040,239	15,013	2,610	89,737
Administration of Justice	1,262,243	1,092,351	9,390	51,137	(109,365)
Public Safety	4,547,757	601,723	196,779	8,160	(3,741,095)
Public Health and Welfare	3,185,534	890,823	402,166	0	(1,892,545)
Social, Cultural, and Recreational Services	135,750	0	0	0	(135,750)
Agriculture and Natural Resources	167,299	-	0	0	(167,299)
Other Operations	942,950	300,646	99,004	0	(543,300)
Highways/Public Works	2,567,069	0	1,786,887	877,342	97,160
Education (Self-Insurance)	456,890	439,264	0	0	(17,626)
Education (Payments to Component Unit)	6,257,016	0	375,439	0	(5,881,577)
Interest on Long-term Debt	1,043,178	0	0	0	(1,043,178)
Other Debt Service	115,638	0	0	0	(115,638)
Total Primary Government	\$ 22,913,307	\$ 4,674,665	\$ 2,893,585	\$ 1,066,995	\$ (14,278,062)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 6,116,131
Property Taxes Levied for Debt Service					2,755,167
Local Option Sales Tax					218,641
Other Local Taxes					1,917,003
Grants and Contributions Not Restricted to Specific Programs					1,168,844
Unrestricted Investment Earnings					911,565
Miscellaneous					50,303
Total General Revenues					\$ 13,137,654
Change in Net Assets					\$ (1,140,408)
Net Assets, July 1, 2006					48,039,693
Net Assets, June 30, 2007					\$ 46,899,285

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

Exhibit C-1

Warren County, Tennessee
 Balance Sheet
 Governmental Funds
 June 30, 2007

	Major Funds				Nonmajor	Total
	General	Ambulance Service	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>						
Cash	\$ 325	\$ 0	\$ 0	\$ 0	\$ 255,785	\$ 256,110
Equity in Pooled Cash and Investments	2,536,652	397,047	322,322	8,619,798	563,301	12,439,120
Accounts Receivable	32,935	498,454	0	41,415	3,071	575,875
Allowance for Uncollectibles	0	(147,600)	0	0	0	(147,600)
Due from Other Governments	341,643	3,541	649,276	37,091	17,025	1,048,576
Due from Other Funds	2,578	0	0	27,153	0	29,731
Due from Component Units	30,909	0	0	0	0	30,909
Property Taxes Receivable	4,763,064	855,436	545,170	2,840,622	459,090	9,463,382
Allowance for Uncollectible Property Taxes	(136,149)	(22,993)	(15,583)	(81,197)	(13,123)	(269,045)
Notes Receivable - Current	0	0	0	322,290	0	322,290
Notes Receivable - Long-Term	0	0	0	2,322,115	0	2,322,115
Total Assets	<u>\$ 7,571,957</u>	<u>\$ 1,583,885</u>	<u>\$ 1,501,185</u>	<u>\$ 14,129,287</u>	<u>\$ 1,285,149</u>	<u>\$ 26,071,463</u>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 121,340	\$ 7,318	\$ 1,244	\$ 0	\$ 12,327	\$ 142,229
Accrued Payroll	21,961	0	0	0	0	21,961
Payroll Deductions Payable	18,778	1,899	0	0	1,253	21,930
Due to Other Funds	27,153	0	0	0	2,578	29,731
Deferred Revenue - Current Property Taxes	4,471,422	808,088	511,789	2,666,692	430,980	8,888,971
Deferred Revenue - Delinquent Property Taxes	125,024	19,582	14,310	74,562	12,050	245,528
Other Deferred Revenues	94,720	240,820	151,266	18,400	0	505,206
Total Liabilities	<u>\$ 4,880,398</u>	<u>\$ 1,077,707</u>	<u>\$ 678,609</u>	<u>\$ 2,759,654</u>	<u>\$ 459,188</u>	<u>\$ 9,855,556</u>
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 0	\$ 0	\$ 135,000	\$ 0	\$ 0	\$ 135,000
Reserved for Alcohol and Drug Treatment	132,451	0	0	0	0	132,451
Reserved for Litter Enforcement Awards	7,290	0	0	0	0	7,290
Reserved for Drug Court	29,013	0	0	0	0	29,013
Reserved for Sexual Offender Registration	5,070	0	0	0	0	5,070
Reserved for Long-Term Notes Receivable	0	0	0	2,644,405	0	2,644,405

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor	Total
	General	Ambulance Service	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>LIABILITIES AND FUND BALANCES (Cont.)</u>						
<u>Fund Balances (Cont.)</u>						
Unreserved, Reported In:						
General Fund	\$ 2,517,735	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,517,735
Special Revenue Funds	0	506,178	687,576	0	786,679	1,980,433
Debt Service Funds	0	0	0	8,725,228	0	8,725,228
Capital Projects Funds	0	0	0	0	39,282	39,282
Total Fund Balances	<u>\$ 2,691,559</u>	<u>\$ 506,178</u>	<u>\$ 822,576</u>	<u>\$ 11,369,633</u>	<u>\$ 825,961</u>	<u>\$ 16,215,907</u>
Total Liabilities and Fund Balances	<u>\$ 7,571,957</u>	<u>\$ 1,583,885</u>	<u>\$ 1,501,185</u>	<u>\$ 14,129,287</u>	<u>\$ 1,285,149</u>	<u>\$ 26,071,463</u>

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

Warren County, Tennessee
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Assets
June 30, 2007

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)		\$	16,215,907
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,604,000	
Add: buildings and improvements net of accumulated depreciation		8,487,539	
Add: infrastructure net of accumulated depreciation		35,493,471	
Add: other capital assets net of accumulated depreciation		<u>3,418,399</u>	49,003,409
(2) The internal service fund is used by management to charge the cost of liability and workers' compensation insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.			4,283,244
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(430,472)	
Less: bonds payable		(9,910,000)	
Less: other loans payable		(12,650,000)	
Less: compensated absences payable		(277,511)	
Less: accrued interest on bonds		(35,880)	
Less: accrued interest on other loans		<u>(50,146)</u>	(23,354,009)
(4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>750,734</u>
Net assets of governmental activities (Exhibit A)		\$	<u>46,899,285</u>

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

Exhibit C-3

Warren County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	Major Funds					Nonmajor Funds	Total Governmental Funds
	General	Ambulance Service	Highway / Public Works	General Debt Service	Education Capital Projects	Other Govern- mental Funds	
Revenues							
Local Taxes	\$ 5,417,573	\$ 718,989	\$ 601,084	\$ 4,248,690	\$ 0	\$ 582,073	\$ 11,568,409
Licenses and Permits	93,812	5,000	0	0	0	0	98,812
Fines, Forfeitures, and Penalties	311,100	0	0	0	0	196,508	507,608
Charges for Current Services	55,208	1,101,573	0	0	0	958,324	2,115,105
Other Local Revenues	567,811	7,012	26,989	522,157	0	67,468	1,191,437
Fees Received from County Officials	1,022,594	0	0	0	0	0	1,022,594
State of Tennessee	1,123,219	0	2,649,345	0	0	373,673	4,146,237
Federal Government	227,515	46,557	69,487	0	0	1,339	344,898
Other Governments and Citizens Groups	117,294	2,500	0	375,439	0	2,600	497,833
Total Revenues	\$ 8,936,126	\$ 1,881,631	\$ 3,346,905	\$ 5,146,286	\$ 0	\$ 2,181,985	\$ 21,492,933
Expenditures							
Current:							
General Government	\$ 1,198,257	\$ 0	\$ 0	\$ 0	\$ 0	\$ 143,584	\$ 1,341,841
Finance	411,479	0	0	0	0	402,767	814,246
Administration of Justice	555,449	0	0	0	0	480,962	1,036,411
Public Safety	4,123,012	104,623	0	0	0	94,401	4,322,036
Public Health and Welfare	635,993	1,656,772	0	0	0	846,300	3,139,065
Social, Cultural, and Recreational Services	135,750	0	0	0	0	0	135,750
Agricultural and Natural Resources	167,615	0	0	0	0	0	167,615
Other Operations	1,407,022	0	0	0	0	0	1,407,022
Highways	0	0	2,855,033	0	0	0	2,855,033
Debt Service:							
Principal on Debt	0	0	0	2,438,013	0	0	2,438,013
Interest on Debt	0	0	0	1,050,323	0	0	1,050,323
Other Debt Service	0	0	0	115,638	0	0	115,638
Capital Projects	0	0	0	0	0	126,384	126,384
Capital Projects - Donated	0	0	0	0	6,257,016	0	6,257,016
Total Expenditures	\$ 8,634,577	\$ 1,761,395	\$ 2,855,033	\$ 3,603,974	\$ 6,257,016	\$ 2,094,398	\$ 25,206,393
Excess (Deficiency) of Revenues Over Expenditures	\$ 301,549	\$ 120,236	\$ 491,872	\$ 1,542,312	\$ (6,257,016)	\$ 87,587	\$ (3,713,460)
Other Financing Sources (Uses)							
Notes Issued	\$ 110,000	\$ 0	\$ 0	\$ 0	\$ 389,040	\$ 0	\$ 499,040

(Continued)

Exhibit C-3

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

	Major Funds					Nonmajor Funds	Total Governmental Funds
	General	Ambulance Service	Highway / Public Works	General Debt Service	Education Capital Projects	Other Govern- mental Funds	
<u>Other Financing Sources (Uses) (Cont.)</u>							
Other Loans Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,750,000	\$ 0	\$ 5,750,000
Total Other Financing Sources (Uses)	\$ 110,000	\$ 0	\$ 0	\$ 0	\$ 6,139,040	\$ 0	\$ 6,249,040
Net Change in Fund Balances	\$ 411,549	\$ 120,236	\$ 491,872	\$ 1,542,312	\$ (117,976)	\$ 87,587	\$ 2,535,580
Fund Balance, July 1, 2006	2,280,010	385,942	330,704	9,827,321	117,976	738,374	13,680,327
Fund Balance, June 30, 2007	\$ 2,691,559	\$ 506,178	\$ 822,576	\$ 11,369,633	\$ 0	\$ 825,961	\$ 16,215,907

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

Exhibit C-4

Warren 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, 2007

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ 2,535,580
<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	\$ 1,023,554	
Less: current year depreciation expense	<u>(934,523)</u>	89,031
<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, 2007	\$ 750,734	
Less: deferred delinquent property taxes/other deferred June 30, 2006	<u>(1,102,475)</u>	(351,741)
<p>(3) The issuance of long-term debt (e.g., bonds, other loans) 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	\$ (499,040)	
Less: other loan proceeds	(5,750,000)	
Add: principal payment on notes	368,013	
Add: principal payment on bonds	1,720,000	
Add: principal payment on other loans	<u>350,000</u>	(3,811,027)
<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 payable	\$ 7,145	
Change in compensated absences	<u>29,242</u>	36,387
<p>(5) The internal service fund is used by management to charge the cost of liability and workers' compensation insurance to individual funds. The net revenue of certain activities of the internal service fund is reported with governmental activities in the statement of activities.</p>		
		<u>361,362</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (1,140,408)</u>

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

Exhibit D-1

Warren County, Tennessee
Statement of Net Assets
Proprietary Fund
June 30, 2007

	Governmental Activities - Internal Service Fund
	<u>Self-Insurance Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 9,069
Equity in Pooled Cash and Investments	5,410,812
Prepaid Expenses	85,182
Total Assets	<u>\$ 5,505,063</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Claims and Judgments Payable	<u>\$ 1,221,819</u>
Total Liabilities	<u>\$ 1,221,819</u>
<u>NET ASSETS</u>	
Unrestricted	<u>\$ 4,283,244</u>
Total Net Assets	<u><u>\$ 4,283,244</u></u>

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

Exhibit D-2

Warren County, Tennessee
Statement of Revenues, Expenses, and
Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2007

	Governmental Activities - Internal Service Fund <u>Self-Insurance Fund</u>
<u>Operating Revenues</u>	
Self-Insurance Premiums/Contributions	\$ 859,777
Total Operating Revenues	<u>\$ 859,777</u>
<u>Operating Expenses</u>	
Other Contracted Services	\$ 72,180
Boiler Insurance	7,528
Building and Contents Insurance	121,614
Liability Insurance	116,092
Workers' Compensation Insurance	84,182
Other Self-Insured Claims	284,737
Other Charges	4,525
Total Operating Expenses	<u>\$ 690,858</u>
Operating Income (Loss)	<u>\$ 168,919</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 207,166
Bank Charges on Investing Activities	(14,723)
Total Nonoperating Revenue	<u>\$ 192,443</u>
Change in Net Assets	\$ 361,362
Net Assets, July 1, 2006	<u>3,921,882</u>
Net Assets, June 30, 2007	<u><u>\$ 4,283,244</u></u>

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

Exhibit D-3

Warren County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2007

	Governmental Activities - Internal Service Fund <u>Self-Insurance Fund</u>
<u>Cash Flows from Operating Activities</u>	
Self-Insurance Premiums/Contributions	\$ 859,777
Other Contracted Services	(72,180)
Insurance Premiums	(414,598)
Other Self-Insured Claims	(264,066)
Other Charges	(4,525)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 104,408</u>
<u>Cash Flows from Investing Activities</u>	
Interest on Investments	\$ 207,166
Bank Charges on Investing Activities	(14,723)
Net Cash Provided By (Used In) Investing Activities	<u>\$ 192,443</u>
Net Increase (Decrease) in Cash	\$ 296,851
Cash, July 1, 2006	<u>5,123,030</u>
Cash, June 30, 2007	<u>\$ 5,419,881</u>
<u>Reconciliation of Net Operating Income to Net Cash Provided by (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ 168,919
Adjustments to Reconcile Net Operating Income to Net Cash Provided By (Used In) Operating Activities:	
Change in Assets and Liabilities:	
(Increase) Decrease in Prepaid Expenses	(85,182)
Increase (Decrease) in Claims and Judgments Payable	<u>20,671</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 104,408</u>
<u>Reconciliation of Cash with Statement of Net Assets</u>	
Cash per Net Assets	\$ 9,069
Equity in Pooled Cash and Investments per Net Assets	<u>5,410,812</u>
Cash, June 30, 2007	<u>\$ 5,419,881</u>

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

Exhibit E

Warren County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2007

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,114,120
Equity in Pooled Cash and Investments	15,111
Accounts Receivable	855
Due from Other Governments	334,497
Due from Component Units	<u>48,652</u>
Total Assets	<u>\$ 1,513,235</u>
<u>LIABILITIES</u>	
Cash Overdraft	\$ 48,652
Due to Other Taxing Units	334,497
Due to Litigants, Heirs, and Others	1,114,120
Due to State of Tennessee	522
Due to Joint Ventures	<u>15,444</u>
Total Liabilities	<u>\$ 1,513,235</u>

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

WARREN COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Warren 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 Warren County:

A. Reporting Entity

Warren County is a public municipal corporation governed by an elected 24-member board. As required by GAAP, Warren County's (the primary government) financial statements should include its component units; however, the Warren County School Department did not prepare government-wide financial statements, and the Warren County Emergency Communications District's financial statements were not available from other auditors in time for inclusion in this report.

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

Excluded Component Units – The following entities meet the criteria for discretely presented component units of the county. These entities would have been presented as separate columns in the financial statements of this report to emphasize that they are legally separate from the county.

The Warren County School Department operates the public school system in the county, and the voters of Warren County elect its board. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy. As noted above, the School Department has not prepared government-wide financial statements to include in this report.

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

Emergency Communications District were not available from other auditors in time for inclusion in this report.

The Warren County School Department and the Warren County Emergency Communications District issue separate financial statements from those of the county. The School Department's financial statements are published as a separate report, but under the same cover as the county's financial statements. Although required by GAAP, the financial statements of the Warren County Emergency Communications District were not available in time for inclusion, as previously mentioned. Complete financial statements of the Warren County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

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

B. 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. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the statement of activities. 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. However, the primary government of Warren County does not have any business-type activities to report. Likewise, the primary government is to be reported separately from certain legally separate component units for which the primary government is financially accountable. However, as discussed in note I. A. above, the county's component units are not included in this report.

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.

Warren County issues all debt for the discretely presented Warren County School Department. Net debt issues (\$6,257,016) were contributed by the county to the School Department during the year ended June 30, 2007.

Separate financial statements are provided for governmental funds, the proprietary fund, and fiduciary funds. The internal service fund is reported with the governmental activities in the government-wide financial statements, and the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds 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 Warren County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category. Warren County only reports one proprietary fund, an internal service fund. It has no enterprise funds to report.

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

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

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

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

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

Warren County reports the following major governmental funds:

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

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

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

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

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

Additionally, Warren County reports the following fund types:

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

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

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.

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

For purposes of the statement of cash flows, cash includes cash on hand, demand deposits, cash equivalents, and cash on deposit with the county trustee.

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Warren 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. In addition, investments are held separately by several of the county's funds. Warren County and the Warren County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value.

2. Receivables and Payables

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

All ambulance and property taxes receivable are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 1.53 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.

Most payables are disaggregated on the face of the financial statements. Claims and judgments payable totaling \$1,221,819 are discussed in Note V.A. Risk Management.

3. Prepaid Items

Certain payments to vendors reflect costs 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 column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$10,000, including all land, buildings, and infrastructure, or more. 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 with salvage values of 25 percent for buildings and improvements, five percent for other capital assets, and 50 percent for infrastructure (roads):

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	25-40
Other Capital Assets	5-15
Infrastructure:	
Roads	25-50
Bridges	75

5. Compensated Absences

It is the county's policy not to allow for the accumulation of unused vacation days beyond year-end. Sick leave policies vary from department to department. Employees of the general government may accumulate unlimited sick leave days based on earning one day per month. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded. The general policy of the Highway Department does allow for the accumulation of unlimited sick leave days based on earning one day per month. Any unused accumulated sick leave would be paid to the employee when employment with the Highway Department ceases. The amount of unused sick leave for Highway Department employees at June 30, 2007, is not considered material and is not presented in the county's financial statements. The general policy of the Ambulance Service allows full-time employees to earn and accumulate paid time off which may be used as vacation and/or sick leave. Employees earn paid time off at rates based on length of employment. Employees are allowed to accumulate up to one year's worth of paid time off.

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable

governmental activities 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 refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

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 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 and the proprietary fund in the fund 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.

As of June 30, 2007, Warren County had \$15,289,360 in outstanding debt for capital purposes for the discretely presented Warren County School Department. This debt is a liability of Warren County, but the capital assets acquired are reported in the financial statements of the Warren County School Department. Therefore, Warren 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.

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.

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 C-4 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. Cash Overdraft

The Cities – Sales Tax Fund had a cash overdraft of \$48,652 at June 30, 2007. This cash overdraft resulted from disbursing a portion of the cities’ sales tax revenues to the General Purpose School Fund. The cash overdraft was liquidated subsequent to June 30, 2007.

C. The Actual Fund Balances of the General, Drug Control, and General Debt Service Funds Exceeded the Estimated Beginning Fund Balances by a Material Amount

The General, Drug Control, and General Debt Service Funds actual beginning fund balances at July 1, 2006, exceeded the estimated fund balances presented to the County Commission by the following amounts:

Fund	Actual Fund Balance 7-1-06	Estimated Fund Balance 7-1-06	Variance
General	\$ 2,280,010	\$ 1,609,818	\$ 670,192
Drug Control	99,023	58,921	40,102
General Debt Service	9,827,321	8,138,639	1,688,682

D. The County Had Investments That Were Exposed to Custodial Credit Risk

At June 30, 2007, the trustee was holding investments of \$12,807,872 which were exposed to 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.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Warren County and the Warren County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash and investments reflected 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, 2007, Warren County had the following investments carried at fair value or cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Warren County and the School Department since both pool their deposits and investments through the county trustee.

Investment	Maturities	Fair Value or Cost
Federal Home Loan Bank	5-27-08	\$ 984,062
"	11-28-08	249,375
"	3-19-08	499,375
"	9-19-08	1,599,000
"	6-26-09	999,688
"	10-16-09	298,219
"	12-19-08	846,812
"	9-4-07	299,813
"	1-16-09	748,125
"	8-24-07	439,725
"	2-20-09	499,219
"	6-26-09	199,937
Federal National Mortgage Association	5-21-08	984,359
"	2-25-08	692,781
"	5-20-08	494,375
"	1-29-09	1,323,344
"	1-29-09	998,750
Federal Home Loan Mortgage Corporation	12-18-09	645,913
Money Market	On Demand	5,000
Total		\$ 12,807,872

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Warren County

does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Warren County has no investment policy that would further limit its investment choices. As of June 30, 2007, Warren County's investments in the Federal Home Loan Bank, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation were rated Aaa by Moody's Investor's Service and AAA by Standard & Poor's.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the county's investment in a single issuer. Warren County places no limit on the amount the county may invest in one issuer. More than five percent of the county's investments are in the Federal Home Loan Bank, the Federal National Mortgage Association, and the Federal Home Loan Mortgage Corporation. These investments are 60 percent, 35 percent, and five percent, respectively, of the county's total investments.

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. Warren County does not have a formal policy that limits custodial credit risk for investments.

B. Notes Receivable

Warren County issued general obligation bonds of \$3,600,000 on August 1, 1990. The proceeds were used by the West Warren-Viola Utility District to construct extensions and improvements to the water and sewer system in the industrial park. These bonds were refunded on August 15, 1997, with a general obligation refunding bond issue of \$3,080,000. An agreement between Warren County and the utility district requires the utility district to repay the county for the principal and interest paid on the bonds by remitting 70 percent of certain industrial park revenues to the county. During the year, the county retired this bonded debt; therefore, as of June 30, 2007, the county had paid \$2,644,405 more in principal and interest expenses on the bonds than they had received from the utility district. This amount has been reflected in the financial statements of this report as Notes Receivable – Current (\$322,290) and Notes Receivable – Long-term (\$2,322,115) and offset by Reserve for Notes Receivable (\$2,644,405) in the General Debt Service Fund. The amount of the notes that is not expected to be collected within one year is \$2,322,115.

C. Capital Assets

Capital assets activity for the year ended June 30, 2007, was as follows:

Governmental Activities:

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
Capital Assets Not Depreciated:				
Land	\$ 1,604,000	\$ 0	\$ 0	\$ 1,604,000
Construction in Progress	5,891,853	0	(5,891,853)	0
Total Capital Assets Not Depreciated	\$ 7,495,853	\$ 0	\$ (5,891,853)	\$ 1,604,000
Capital Assets Depreciated:				
Buildings and Improvements	\$ 4,604,700	\$ 4,848,155	\$ 0	\$ 9,452,855
Roads and Bridges	41,148,284	617,176	0	41,765,460
Other Capital Assets	4,451,657	1,450,076	0	5,901,733
Total Capital Assets Depreciated	\$ 50,204,641	\$ 6,915,407	\$ 0	\$ 57,120,048
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 788,836	\$ 176,480	\$ 0	\$ 965,316
Roads and Bridges	5,865,674	406,315	0	6,271,989
Other Capital Assets	2,131,606	351,728	0	2,483,334
Total Accumulated Depreciation	\$ 8,786,116	\$ 934,523	\$ 0	\$ 9,720,639
Total Capital Assets Depreciated, Net	\$ 41,418,525	\$ 5,980,884	\$ 0	\$ 47,399,409
Governmental Activities Capital Assets, Net	\$ 48,914,378	\$ 5,980,884	\$ (5,891,853)	\$ 49,003,409

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

Governmental Activities:

General Government	\$ 38,102
Finance	1,065
Administration of Justice	8,306
Public Safety	208,178
Public Health and Welfare	136,427
Other Operations	34,444
Highways/Public Works	508,001
Total Depreciation Expense - Governmental Activities	\$ 934,523

D. Construction Commitments

At June 30, 2007, the Highway Department had uncompleted construction contracts of approximately \$135,000 for bridge construction. Funding for these future expenditures is expected to be received from grants.

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2007, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 2,578
General Debt Service	General	<u>27,153</u>
Total		<u><u>\$ 29,731</u></u>

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

Due to/from primary government and component units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
	Component unit:	
Primary government:	Warren County School Department:	
General	General Purpose School	\$ 30,909
Cities - Sales Tax	"	<u>48,652</u>
Total		<u><u>\$ 79,561</u></u>

F. Long-term Debt

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General

obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 11 years for bonds, up to two years for notes, and up to 20 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2007, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2007, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
General Obligation Bonds Refunding	2 to 5 %	\$ 16,835,000	\$ 9,910,000
Capital Outlay Notes	3.62 to 4.15	974,040	430,471
Other Loans	variable	13,000,000	12,650,000

In prior years, Warren County entered into a loan agreement with the Blount County Public Building Authority. Under this loan agreement, the authority issued variable rate bonds of \$6,500,000 and loaned the proceeds to Warren County for the construction and renovation of the county jail. This loan is repayable at a tax-exempt variable rate of interest determined by the remarketing agent daily or weekly depending on the particular program. At June 30, 2007, the variable interest rate was 3.95 percent on this loan. In addition, the county pays various fees (remarketing, administrative, letter of credit, etc.) in connection with this loan program. Fees total approximately .49 percent of the outstanding loan principal and a trustee fee that is charged at \$100 per month.

In prior years, Warren County entered into a loan agreement with the Sevier County Public Building Authority. This loan agreement provided for the authority to issue variable rate bonds of \$6,500,000 and loan the proceeds to Warren County on an as-needed basis for the construction of a new school building. This loan is repayable at a tax-exempt variable rate of interest determined by the remarketing agent daily or weekly depending on the particular program. At June 30, 2007, the variable interest rate was 3.95 percent on this loan. In addition, the county pays various fees (remarketing, administrative, letter of credit, etc.) in connection with this loan program. Fees total approximately .45 percent of the outstanding loan principal and a trustee fee which is charged at \$100 per month.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2007, including interest payments and other loan fees, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2008	\$ 1,790,000	\$ 430,558	\$ 264,126	\$ 17,458
2009	1,860,000	356,420	166,346	6,793
2010	1,930,000	283,670	0	0
2011	2,015,000	207,707	0	0
2012	2,125,000	110,020	0	0
2013	190,000	6,650	0	0
Total	\$ 9,910,000	\$ 1,395,025	\$ 430,472	\$ 24,251

Year Ending June 30	Other Loan (\$6,500,000)			
	Principal	Interest	Other Fees	Total
2008	\$ 0	\$ 256,750	\$ 33,050	\$ 289,800
2009	0	256,750	33,050	289,800
2010	0	256,750	33,050	289,800
2011	0	256,750	33,050	289,800
2012	0	256,750	33,050	289,800
2013-2017	2,730,000	1,094,940	141,828	3,966,768
2018-2022	3,770,000	461,953	63,305	4,295,258
Total	\$ 6,500,000	\$ 2,840,643	\$ 370,383	\$ 9,711,026

Year Ending June 30	Other Loan (\$6,500,000)			
	Principal	Interest	Other Fees	Total
2008	\$ 375,000	\$ 276,750	\$ 33,050	\$ 684,800
2009	400,000	259,875	31,213	691,088
2010	425,000	241,875	29,252	696,127
2011	450,000	222,750	27,170	699,920
2012	450,000	202,500	24,965	677,465
2013-2015	4,050,000	344,250	46,230	4,440,480
Total	\$ 6,150,000	\$ 1,548,000	\$ 191,880	\$ 7,889,880

There is \$8,725,228 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$259, based on the 2000 federal census. Debt per capita, including bonds, notes, and other loans totaled \$601 based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

Governmental Activities:	Bonds	Notes	Other Loans
Balance, July 1, 2006	\$ 11,630,000	\$ 299,445	\$ 7,250,000
Additions	0	499,040	5,750,000
Deductions	(1,720,000)	(368,013)	(350,000)
Balance, June 30, 2007	<u>\$ 9,910,000</u>	<u>\$ 430,472</u>	<u>\$ 12,650,000</u>
Balance Due Within One Year	<u>\$ 1,790,000</u>	<u>\$ 264,126</u>	<u>\$ 375,000</u>

	Compensated Absences
Balance, July 1, 2006	\$ 306,754
Additions	12,442
Deductions	(41,685)
Balance, June 30, 2007	<u>\$ 277,511</u>
Balance Due Within One Year	<u>\$ 180,382</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2007	\$ 23,267,983
Less: Balance Due Within One Year	<u>(2,609,508)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 20,658,475</u>

Compensated absences payable will be paid from the employing funds, primarily the General Fund and the Highway/Public Works Fund.

V. OTHER INFORMATION

A. Risk Management

Warren County's risk of loss relating to property, general liability, automobile liability, and workers' compensation are covered through a self-insurance program, and by the purchase of commercial insurance to

cover losses exceeding certain limits. The county is self-insured for individual property losses up to \$250,000. The county carries excess commercial coverage on buildings and contents totaling \$163,000. The county is self-insured up to the liability limits of \$250,000 per person, \$600,000 per occurrence for bodily injury, and \$85,000 for property damage. Warren County self-insures workers' compensation losses of \$250,000 per accident or disease with an aggregate liability of \$1,000,000. The county carries commercial liability insurance coverage for losses up to \$10,000,000, with a \$250,000 deductible. Warren County maintains the Self-Insurance Fund, which is shown as an internal service fund, to account for transactions pertaining to the county's self-insured group liability and property plans. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The fund establishes the claims liabilities based on estimates of the ultimate cost of claims that have been incurred but not settled, and of claims that have been incurred but not reported. Claims liabilities include specific, incremental claim adjustment expenditures/expenses, if any. In addition, estimated recoveries, if any, on settled claims have been deducted from the liability for unpaid claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two fiscal years are as follows:

	Beginning of Fiscal Year Liability	Current- Year Claims and Estimates	Payments	Balance at Fiscal Year-end
2005-2006	\$ 976,222	\$ 489,769	\$ (264,843)	\$ 1,201,148
2006-2007	1,201,148	284,737	(264,066)	1,221,819

Warren County provides health insurance coverage to their employees through the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that 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 Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

B. Accounting Change

At the beginning of the year, Warren County implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. In the prior year, Warren County had elected

only to implement the provisions of Statement 34 that related to the fund financial statements.

C. Contingent Liabilities

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

D. Changes in Administration

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

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

E. Joint Ventures

The Industrial Development Board of McMinnville-Warren County is a joint venture in which the county and the City of McMinnville participate in for the purpose of industrial recruitment. The Industrial Development Board is governed by a nine-member board from the private sector appointed by the participating governments. During the year ended June 30, 2007, the county paid \$349,500 to the Industrial Development Board of McMinnville-Warren County.

The Warren County Joint Economic and Community Development Board is a joint venture created by an interlocal agreement among Warren County, and the Cities of McMinnville, Morrison, Centertown, and Viola to foster communication relative to economic and community development between and among governmental entities, industry, and private citizens. The board is governed by a 12-member board established by the interlocal agreement. During the year ended June 30, 2007, the county did not make a contribution to the Warren County Joint Economic and Community Development Board.

Warren County does not have an equity interest in the above-noted joint ventures. Complete financial statements for the Industrial Development Board of McMinnville-Warren County and the Warren County Joint Economic and Community Development Board can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Industrial Development Board of McMinnville-Warren County
110 South Court Square, Suite A200
McMinnville, TN 37110

Warren County Joint Economic and Community Development Board
P.O. Box 639
201 Locust Street, Suite 1
McMinnville, TN 37110

F. Jointly Governed Organization

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

G. Retirement Commitments

Employees

Plan Description

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That

report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

Funding Policy

Warren County has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2007, was 12.54 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Warren County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2007, Warren County's annual pension cost of \$1,413,777 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2005, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Warren County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was ten years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-07	\$1,413,777	100%	\$0
6-30-06	1,297,476	100	0
6-30-05	1,227,683	100	0

H. Purchasing Laws

Office of County Executive

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

Office of Superintendent of Roads

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F-1

Warren County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 5,417,573	\$ 5,048,830	\$ 5,100,830	\$ 316,743
Licenses and Permits	93,812	61,000	61,000	32,812
Fines, Forfeitures, and Penalties	311,100	264,750	264,750	46,350
Charges for Current Services	55,208	91,420	91,420	(36,212)
Other Local Revenues	567,811	251,100	573,065	(5,254)
Fees Received from County Officials	1,022,594	683,000	683,000	339,594
State of Tennessee	1,123,219	1,676,200	1,740,112	(616,893)
Federal Government	227,515	223,701	253,701	(26,186)
Other Governments and Citizens Groups	117,294	130,000	130,000	(12,706)
Total Revenues	\$ 8,936,126	\$ 8,430,001	\$ 8,897,878	\$ 38,248
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 157,683	\$ 203,676	\$ 203,676	\$ 45,993
Board of Equalization	9,420	11,265	11,265	1,845
County Mayor/Executive	108,700	114,879	114,879	6,179
County Attorney	60,600	54,000	64,000	3,400
Election Commission	344,822	356,048	358,698	13,876
Register of Deeds	11,273	20,000	20,000	8,727
Development	0	140	140	140
Planning	18,466	65,050	65,050	46,584
County Buildings	153,704	180,322	180,322	26,618
Other Facilities	140,795	174,770	174,770	33,975
Other General Administration	192,794	265,500	265,500	72,706
<u>Finance</u>				
Accounting and Budgeting	142,012	143,052	143,052	1,040
Purchasing	1,948	4,000	4,000	2,052
Property Assessor's Office	246,190	277,667	277,667	31,477
County Trustee's Office	21,329	38,500	28,500	7,171
<u>Administration of Justice</u>				
Circuit Court	69,105	89,230	89,230	20,125
General Sessions Court	202,490	209,913	209,913	7,423
Drug Court	83,133	117,472	147,472	64,339
Chancery Court	13,196	42,700	32,700	19,504
Juvenile Court	118,250	120,936	120,936	2,686
Judicial Commissioners	69,275	79,674	79,674	10,399
<u>Public Safety</u>				
Sheriff's Department	2,042,744	2,089,745	2,114,740	71,996
Jail	1,923,383	1,977,180	1,957,180	33,797
Juvenile Services	29,035	80,000	80,000	50,965
County Coroner/Medical Examiner	1,850	5,000	5,000	3,150
Other Public Safety	126,000	128,700	128,700	2,700

(Continued)

Exhibit F-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare</u>				
Local Health Center	\$ 52,822	\$ 49,520	\$ 61,520	\$ 8,698
Rabies and Animal Control	57,935	59,269	59,269	1,334
Other Local Health Services	343,513	493,900	493,900	150,387
Regional Mental Health Center	0	3,500	3,500	3,500
Appropriation to State	52,203	52,203	52,203	0
General Welfare Assistance	78	3,000	3,000	2,922
Aid to Dependent Children	2,196	2,200	2,200	4
Other Local Welfare Services	750	750	750	0
Other Public Health and Welfare	126,496	81,519	131,519	5,023
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	19,750	19,750	19,750	0
Libraries	116,000	116,000	116,000	0
<u>Agriculture & Natural Resources</u>				
Agriculture Extension Service	95,086	97,910	97,910	2,824
Forest Service	2,000	2,000	2,000	0
Soil Conservation	70,529	70,634	70,634	105
<u>Other Operations</u>				
Tourism	14,050	14,050	14,050	0
Industrial Development	349,500	144,375	349,500	0
Airport	406,796	1,051,850	1,176,850	770,054
Veterans' Services	19,913	21,515	21,515	1,602
Other Charges	350,183	445,000	425,000	74,817
Contributions to Other Agencies	5,500	5,500	5,500	0
Employee Benefits	250,728	342,000	342,000	91,272
Miscellaneous	10,352	18,000	18,000	7,648
Total Expenditures	\$ 8,634,577	\$ 9,943,864	\$ 10,343,634	\$ 1,709,057
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 301,549	\$ (1,513,863)	\$ (1,445,756)	\$ 1,747,305
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 110,000	\$ 110,000	\$ 110,000	\$ 0
Total Other Financing Sources (Uses)	\$ 110,000	\$ 110,000	\$ 110,000	\$ 0
Net Change in Fund Balance				
Fund Balance, July 1, 2006	\$ 2,280,010	\$ 1,609,818	\$ 1,609,818	\$ 670,192
Fund Balance, June 30, 2007	\$ 2,691,559	\$ 205,955	\$ 274,062	\$ 2,417,497

Exhibit F-2

Warren County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Ambulance Service Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 718,989	\$ 667,530	\$ 667,530	\$ 51,459
Licenses and Permits	5,000	0	0	5,000
Charges for Current Services	1,101,573	870,100	870,100	231,473
Other Local Revenues	7,012	0	7,000	12
Federal Government	46,557	15,000	46,000	557
Other Governments and Citizens Groups	2,500	2,500	2,500	0
Total Revenues	<u>\$ 1,881,631</u>	<u>\$ 1,555,130</u>	<u>\$ 1,593,130</u>	<u>\$ 288,501</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Civil Defense	\$ 78,712	\$ 57,835	\$ 95,835	\$ 17,123
Rescue Squad	25,911	25,911	25,911	0
<u>Public Health and Welfare</u>				
Ambulance/Emergency Medical Services	1,656,772	1,777,076	1,777,076	120,304
<u>Other Operations</u>				
Miscellaneous	0	50,000	50,000	50,000
Total Expenditures	<u>\$ 1,761,395</u>	<u>\$ 1,910,822</u>	<u>\$ 1,948,822</u>	<u>\$ 187,427</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 120,236</u>	<u>\$ (355,692)</u>	<u>\$ (355,692)</u>	<u>\$ 475,928</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 0	\$ 50,000	\$ 50,000	\$ (50,000)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ (50,000)</u>
Net Change in Fund Balance	\$ 120,236	\$ (305,692)	\$ (305,692)	\$ 425,928
Fund Balance, July 1, 2006	385,942	368,875	368,875	17,067
Fund Balance, June 30, 2007	<u>\$ 506,178</u>	<u>\$ 63,183</u>	<u>\$ 63,183</u>	<u>\$ 442,995</u>

Exhibit F-3

Warren 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, 2007

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 601,084	\$ 0	\$ 601,084	\$ 630,595	\$ 630,595	\$ (29,511)
Other Local Revenues	26,989	0	26,989	500	500	26,489
State of Tennessee	2,649,345	0	2,649,345	2,127,309	2,512,309	137,036
Federal Government	69,487	0	69,487	150,000	150,000	(80,513)
Total Revenues	<u>\$ 3,346,905</u>	<u>\$ 0</u>	<u>\$ 3,346,905</u>	<u>\$ 2,908,404</u>	<u>\$ 3,293,404</u>	<u>\$ 53,501</u>
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 178,701	\$ 0	\$ 178,701	\$ 190,529	\$ 190,529	\$ 11,828
Highway and Bridge Maintenance	1,664,528	0	1,664,528	1,721,950	1,816,450	151,922
Operation and Maintenance of Equipment	138,719	0	138,719	214,500	214,500	75,781
Other Charges	137,817	0	137,817	155,550	155,550	17,733
Employee Benefits	151,544	0	151,544	169,665	169,665	18,121
Capital Outlay	583,724	135,000	718,724	634,500	721,500	2,776
Total Expenditures	<u>\$ 2,855,033</u>	<u>\$ 135,000</u>	<u>\$ 2,990,033</u>	<u>\$ 3,086,694</u>	<u>\$ 3,268,194</u>	<u>\$ 278,161</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 491,872</u>	<u>\$ (135,000)</u>	<u>\$ 356,872</u>	<u>\$ (178,290)</u>	<u>\$ 25,210</u>	<u>\$ 331,662</u>
Net Change in Fund Balance	\$ 491,872	\$ (135,000)	\$ 356,872	\$ (178,290)	\$ 25,210	\$ 331,662
Fund Balance, July 1, 2006	330,704	0	330,704	283,906	283,906	46,798
Fund Balance, June 30, 2007	<u>\$ 822,576</u>	<u>\$ (135,000)</u>	<u>\$ 687,576</u>	<u>\$ 105,616</u>	<u>\$ 309,116</u>	<u>\$ 378,460</u>

Warren County, Tennessee
Schedule of Funding Progress – Pension Plan
June 30, 2007

Required Supplementary Information
Schedule of Funding Progress for Warren County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-05	\$ 21,557	\$ 22,593	\$ 1,036	95.41 %	\$10,120	10.24 %
6-30-03	19,030	20,198	1,168	94.22	9,859	11.85
6-30-01	16,711	18,051	1,340	92.58	8,867	15.11

WARREN COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2007

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

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

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

B. THE ACTUAL FUND BALANCE EXCEEDED THE ESTIMATED FUND BALANCE BY A MATERIAL AMOUNT

The General Fund's actual fund balance at July 1, 2006, was \$2,280,010; however, the estimated fund balance reflected in the county's budget was \$1,609,818. Therefore, the actual fund balance exceeded the estimated fund balance presented to the County Commission during the budget approval process by \$670,192.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for the transactions relating to the disposal of solid waste.

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

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

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

Capital Projects Funds

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

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

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

Exhibit G-1

Warren County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2007

	Special Revenue Funds					Capital Projects Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitu - tional Officers - Fees	Total	General Capital Projects	Other Capital Projects	Total	
<u>ASSETS</u>									
Cash	\$ 0	\$ 0	\$ 0	\$ 255,785	\$ 255,785	\$ 0	\$ 0	\$ 0	\$ 255,785
Equity in Pooled Cash and Investments	334,693	188,824	502	0	524,019	30,863	8,419	39,282	563,301
Accounts Receivable	2,731	0	0	340	3,071	0	0	0	3,071
Due from Other Governments	17,025	0	0	0	17,025	0	0	0	17,025
Property Taxes Receivable	459,090	0	0	0	459,090	0	0	0	459,090
Allowance for Uncollectible Property Taxes	(13,123)	0	0	0	(13,123)	0	0	0	(13,123)
Total Assets	\$ 800,416	\$ 188,824	\$ 502	\$ 256,125	\$ 1,245,867	\$ 30,863	\$ 8,419	\$ 39,282	\$ 1,285,149
<u>LIABILITIES AND FUND BALANCES</u>									
<u>Liabilities</u>									
Accounts Payable	\$ 9,741	\$ 2,586	\$ 0	\$ 0	\$ 12,327	\$ 0	\$ 0	\$ 0	\$ 12,327
Payroll Deductions Payable	1,253	0	0	0	1,253	0	0	0	1,253
Due to Other Funds	0	0	0	2,578	2,578	0	0	0	2,578
Deferred Revenue - Current Property Taxes	430,980	0	0	0	430,980	0	0	0	430,980
Deferred Revenue - Delinquent Property Taxes	12,050	0	0	0	12,050	0	0	0	12,050
Total Liabilities	\$ 454,024	\$ 2,586	\$ 0	\$ 2,578	\$ 459,188	\$ 0	\$ 0	\$ 0	\$ 459,188
<u>Fund Balances</u>									
Unreserved	\$ 346,392	\$ 186,238	\$ 502	\$ 253,547	\$ 786,679	\$ 30,863	\$ 8,419	\$ 39,282	\$ 825,961
Total Fund Balances	\$ 346,392	\$ 186,238	\$ 502	\$ 253,547	\$ 786,679	\$ 30,863	\$ 8,419	\$ 39,282	\$ 825,961
Total Liabilities and Fund Balances	\$ 800,416	\$ 188,824	\$ 502	\$ 256,125	\$ 1,245,867	\$ 30,863	\$ 8,419	\$ 39,282	\$ 1,285,149

Exhibit G-2

Warren County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	Special Revenue Funds					Capital Projects Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitu - tional Officers - Fees	Total	General Capital Projects	Other Capital Projects	Total	
<u>Revenues</u>									
Local Taxes	\$ 582,073	\$ 0	\$ 0	\$ 0	\$ 582,073	\$ 0	\$ 0	\$ 0	\$ 582,073
Fines, Forfeitures, and Penalties	0	185,953	10,555	0	196,508	0	0	0	196,508
Charges for Current Services	1,610	0	0	956,714	958,324	0	0	0	958,324
Other Local Revenues	53,007	0	373	0	53,380	0	14,088	14,088	67,468
State of Tennessee	373,673	0	0	0	373,673	0	0	0	373,673
Federal Government	1,339	0	0	0	1,339	0	0	0	1,339
Other Governments and Citizens Groups	0	2,600	0	0	2,600	0	0	0	2,600
Total Revenues	\$ 1,011,702	\$ 188,553	\$ 10,928	\$ 956,714	\$ 2,167,897	\$ 0	\$ 14,088	\$ 14,088	\$ 2,181,985
<u>Expenditures</u>									
Current:									
General Government	\$ 0	\$ 0	\$ 0	\$ 143,584	\$ 143,584	\$ 0	\$ 0	\$ 0	\$ 143,584
Finance	0	0	0	402,767	402,767	0	0	0	402,767
Administration of Justice	0	0	12,404	468,558	480,962	0	0	0	480,962
Public Safety	0	94,401	0	0	94,401	0	0	0	94,401
Public Health and Welfare	839,363	6,937	0	0	846,300	0	0	0	846,300
Capital Projects	0	0	0	0	0	0	126,384	126,384	126,384
Total Expenditures	\$ 839,363	\$ 101,338	\$ 12,404	\$ 1,014,909	\$ 1,968,014	\$ 0	\$ 126,384	\$ 126,384	\$ 2,094,398
Excess (Deficiency) of Revenues Over Expenditures	\$ 172,339	\$ 87,215	\$ (1,476)	\$ (58,195)	\$ 199,883	\$ 0	\$ (112,296)	\$ (112,296)	\$ 87,587
Net Change in Fund Balances	\$ 172,339	\$ 87,215	\$ (1,476)	\$ (58,195)	\$ 199,883	\$ 0	\$ (112,296)	\$ (112,296)	\$ 87,587
Fund Balance, July 1, 2006	174,053	99,023	1,978	311,742	586,796	30,863	120,715	151,578	738,374
Fund Balance, June 30, 2007	\$ 346,392	\$ 186,238	\$ 502	\$ 253,547	\$ 786,679	\$ 30,863	\$ 8,419	\$ 39,282	\$ 825,961

Exhibit G-3

Warren County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 582,073	\$ 550,480	\$ 550,480	\$ 31,593
Charges for Current Services	1,610	1,000	1,000	610
Other Local Revenues	53,007	35,000	35,000	18,007
State of Tennessee	373,673	305,000	305,000	68,673
Federal Government	1,339	0	0	1,339
Total Revenues	<u>\$ 1,011,702</u>	<u>\$ 891,480</u>	<u>\$ 891,480</u>	<u>\$ 120,222</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 224,583	\$ 301,254	\$ 301,254	\$ 76,671
Convenience Centers	588,059	678,650	678,650	90,591
Other Waste Disposal	26,721	44,000	44,000	17,279
Total Expenditures	<u>\$ 839,363</u>	<u>\$ 1,023,904</u>	<u>\$ 1,023,904</u>	<u>\$ 184,541</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 172,339</u>	<u>\$ (132,424)</u>	<u>\$ (132,424)</u>	<u>\$ 304,763</u>
Net Change in Fund Balance	\$ 172,339	\$ (132,424)	\$ (132,424)	\$ 304,763
Fund Balance, July 1, 2006	<u>174,053</u>	<u>161,989</u>	<u>161,989</u>	<u>12,064</u>
Fund Balance, June 30, 2007	<u>\$ 346,392</u>	<u>\$ 29,565</u>	<u>\$ 29,565</u>	<u>\$ 316,827</u>

Exhibit G-4

Warren County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual and Budget
 Drug Control Fund
 For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 185,953	\$ 93,870	\$ 131,870	\$ 54,083
Other Governments and Citizens Groups	2,600	6,681	6,681	(4,081)
Total Revenues	<u>\$ 188,553</u>	<u>\$ 100,551</u>	<u>\$ 138,551</u>	<u>\$ 50,002</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 94,401	\$ 80,815	\$ 118,815	\$ 24,414
<u>Public Health and Welfare</u>				
Alcohol and Drug Programs	6,937	11,000	11,000	4,063
Total Expenditures	<u>\$ 101,338</u>	<u>\$ 91,815</u>	<u>\$ 129,815</u>	<u>\$ 28,477</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 87,215</u>	<u>\$ 8,736</u>	<u>\$ 8,736</u>	<u>\$ 78,479</u>
Net Change in Fund Balance	\$ 87,215	\$ 8,736	\$ 8,736	\$ 78,479
Fund Balance, July 1, 2006	<u>99,023</u>	<u>58,921</u>	<u>58,921</u>	<u>40,102</u>
Fund Balance, June 30, 2007	<u>\$ 186,238</u>	<u>\$ 67,657</u>	<u>\$ 67,657</u>	<u>\$ 118,581</u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit H

Warren County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual and Budget
 General Debt Service Fund
 For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 4,248,690	\$ 3,895,995	\$ 3,915,995	\$ 332,695
Other Local Revenues	522,157	350,000	350,000	172,157
Other Governments and Citizens Groups	375,439	250,000	235,600	139,839
Total Revenues	<u>\$ 5,146,286</u>	<u>\$ 4,495,995</u>	<u>\$ 4,501,595</u>	<u>\$ 644,691</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 343,333	\$ 2,710,005	\$ 2,360,005	\$ 2,016,672
Highways and Streets	50,000	50,000	50,000	0
Education	2,044,680	1,695,000	2,045,000	320
<u>Interest on Debt</u>				
General Government	317,220	674,908	415,055	97,835
Highways and Streets	3,000	3,000	3,000	0
Education	730,103	471,450	751,303	21,200
<u>Other Debt Service</u>				
General Government	115,638	150,000	150,000	34,362
Total Expenditures	<u>\$ 3,603,974</u>	<u>\$ 5,754,363</u>	<u>\$ 5,774,363</u>	<u>\$ 2,170,389</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,542,312</u>	<u>\$ (1,258,368)</u>	<u>\$ (1,272,768)</u>	<u>\$ 2,815,080</u>
Net Change in Fund Balance	\$ 1,542,312	\$ (1,258,368)	\$ (1,272,768)	\$ 2,815,080
Fund Balance, July 1, 2006	<u>9,827,321</u>	<u>8,138,639</u>	<u>8,138,639</u>	<u>1,688,682</u>
Fund Balance, June 30, 2007	<u>\$ 11,369,633</u>	<u>\$ 6,880,271</u>	<u>\$ 6,865,871</u>	<u>\$ 4,503,762</u>

Fiduciary Funds

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

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

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

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

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

Exhibit I-1

Warren County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2007

	Agency Funds				
	Cities - Sales Tax	Comm- unity Develop- ment - Agency	Constitu- tional Officers - Agency	Judicial District Drug	Total
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 1,114,120	\$ 0	\$ 1,114,120
Equity in Pooled Cash and Investments	0	522	0	14,589	15,111
Accounts Receivable	0	0	0	855	855
Due from Other Governments	334,497	0	0	0	334,497
Due from Component Units	48,652	0	0	0	48,652
Total Assets	<u>\$ 383,149</u>	<u>\$ 522</u>	<u>\$ 1,114,120</u>	<u>\$ 15,444</u>	<u>\$ 1,513,235</u>
<u>LIABILITIES</u>					
Cash Overdraft	\$ 48,652	\$ 0	\$ 0	\$ 0	\$ 48,652
Due to Other Taxing Units	334,497	0	0	0	334,497
Due to Litigants, Heirs, and Others	0	0	1,114,120	0	1,114,120
Due to State of Tennessee	0	522	0	0	522
Due to Joint Ventures	0	0	0	15,444	15,444
Total Liabilities	<u>\$ 383,149</u>	<u>\$ 522</u>	<u>\$ 1,114,120</u>	<u>\$ 15,444</u>	<u>\$ 1,513,235</u>

Exhibit I-2

Warren County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2007

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,905,740	\$ 1,905,740	\$ 0
Due from Other Governments	329,861	334,497	329,861	334,497
Due from Component Units	0	48,652	0	48,652
Total Assets	\$ 329,861	\$ 2,288,889	\$ 2,235,601	\$ 383,149
<u>Liabilities</u>				
Cash Overdraft	\$ 0	\$ 48,652	\$ 0	\$ 48,652
Due to Other Taxing Units	329,861	2,240,237	2,235,601	334,497
Total Liabilities	\$ 329,861	\$ 2,288,889	\$ 2,235,601	\$ 383,149
<u>Community Development - Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 136,674	\$ 704,211	\$ 840,363	\$ 522
Due from Other Governments	159,551	0	159,551	0
Total Assets	\$ 296,225	\$ 704,211	\$ 999,914	\$ 522
<u>Liabilities</u>				
Due to State of Tennessee	\$ 522	\$ 0	\$ 0	\$ 522
Contracts Payable	295,703	704,211	999,914	0
Total Liabilities	\$ 296,225	\$ 704,211	\$ 999,914	\$ 522
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 693,199	\$ 11,030,554	\$ 10,609,633	\$ 1,114,120
Total Assets	\$ 693,199	\$ 11,030,554	\$ 10,609,633	\$ 1,114,120
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 693,199	\$ 11,030,554	\$ 10,609,633	\$ 1,114,120
Total Liabilities	\$ 693,199	\$ 11,030,554	\$ 10,609,633	\$ 1,114,120
<u>Judicial District Drug Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 4,622	\$ 23,967	\$ 14,000	\$ 14,589
Accounts Receivable	697	855	697	855
Total Assets	\$ 5,319	\$ 24,822	\$ 14,697	\$ 15,444
<u>Liabilities</u>				
Due to Joint Ventures	\$ 5,319	\$ 24,822	\$ 14,697	\$ 15,444
Total Liabilities	\$ 5,319	\$ 24,822	\$ 14,697	\$ 15,444

(Continued)

Exhibit I-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 693,199	\$ 11,030,554	\$ 10,609,633	\$ 1,114,120
Equity in Pooled Cash and Investments	141,296	2,633,918	2,760,103	15,111
Accounts Receivable	697	855	697	855
Due from Other Governments	489,412	334,497	489,412	334,497
Due from Component Units	0	48,652	0	48,652
Total Assets	<u>\$ 1,324,604</u>	<u>\$ 14,048,476</u>	<u>\$ 13,859,845</u>	<u>\$ 1,513,235</u>
<u>Liabilities</u>				
Cash Overdraft	\$ 0	\$ 48,652	\$ 0	\$ 48,652
Contracts Payable	295,703	704,211	999,914	0
Due to Other Taxing Units	329,861	2,240,237	2,235,601	334,497
Due to Litigants, Heirs, and Others	693,199	11,030,554	10,609,633	1,114,120
Due to State of Tennessee	522	0	0	522
Due to Joint Ventures	5,319	24,822	14,697	15,444
Total Liabilities	<u>\$ 1,324,604</u>	<u>\$ 14,048,476</u>	<u>\$ 13,859,845</u>	<u>\$ 1,513,235</u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

Warren County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, and Bonds
For the Year Ended June 30, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-07
NOTES PAYABLE								
Payable through General Debt Service Fund:								
Airport Tractor and Rotary Cutter	\$ 50,000	2.78 %	2-9-05	6-30-07	\$ 16,666	\$ 0	\$ 16,666	\$ 0
Vehicles - Sheriff's Department	110,000	2.78	2-9-05	6-30-07	36,667	0	36,667	0
Dump Trucks, Salt Spreaders, & Snow Plows	50,000	2.78	2-9-05	6-30-07	50,000	0	50,000	0
Jail	100,000	3.9 to 3.98	1-9-06	6-30-08	66,667	0	33,334	33,333
Animal Control	50,000	3.97	3-10-06	6-30-08	33,333	0	16,666	16,667
Jail	145,000	3.97	3-10-06	6-30-08	96,112	0	48,333	47,779
Vehicles - Sheriff's Department	110,000	3.62 to 3.85	1-22-07	6-30-09	0	110,000	36,667	73,333
School Buses	389,040	4.15	3-14-07	6-30-09	0	389,040	129,680	259,360
Total Notes Payable					\$ 299,445	\$ 499,040	\$ 368,013	\$ 430,472
OTHER LOANS PAYABLE								
Payable through General Debt Service Fund:								
Public Improvements - Jail Project	6,500,000	Variable	12-1-02	6-1-22	\$ 6,500,000	\$ 0	\$ 0	\$ 6,500,000
Public Improvements - Centertown School	6,500,000	Variable	9-29-05	6-1-15	750,000	5,750,000	350,000	6,150,000
Total Other Loans Payable					\$ 7,250,000	\$ 5,750,000	\$ 350,000	\$ 12,650,000
BONDS PAYABLE								
Payable through General Debt Service Fund:								
School Refunding	15,350,000	2.55 to 5	9-1-01	6-1-12	\$ 10,445,000	\$ 0	\$ 1,565,000	\$ 8,880,000
Public Works Refunding	1,485,000	2 to 3.5	12-29-03	6-1-13	1,185,000	0	155,000	1,030,000
Total Bonds Payable					\$ 11,630,000	\$ 0	\$ 1,720,000	\$ 9,910,000

Exhibit J-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2008	\$ 1,790,000	\$ 430,558	\$ 2,220,558
2009	1,860,000	356,420	2,216,420
2010	1,930,000	283,670	2,213,670
2011	2,015,000	207,707	2,222,707
2012	2,125,000	110,020	2,235,020
2013	190,000	6,650	196,650
Total	<u>\$ 9,910,000</u>	<u>\$ 1,395,025</u>	<u>\$ 11,305,025</u>

Exhibit J-3

Warren County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive:				
Kenneth Rogers (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	\$ 11,608	\$ 50,000	Travelers Casualty and Surety Company
John Pelham (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	55,461	50,000	Cincinnati Insurance Company
Superintendent of Roads	Section 8-24-102, <u>TCA</u>	63,876	100,000	"
Director of Accounts	County Commission	48,324	10,000	Western Surety Company
Trustee:				
Joy Slatton (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	10,050	1,084,200	RLI Insurance Company
Darlene Bryant (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	48,019	1,305,000	Cincinnati Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	58,069	10,000	State Farm Fire and Casualty Company
County Clerk:				
David Smartt (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	10,050	50,000	Travelers Casualty and Surety Company
Lesa Scott (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	48,019	50,000	Cincinnati Insurance Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	58,069	50,000	"
Clerk and Master:				
Richard McGregor (7-1-06 through 10-18-06)	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	23,016 (1)	50,000	Travelers Casualty and Surety Company
Vacant (10-19-06 through 10-31-06)				
Trenena Wilcher (11-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	41,368 (2)	50,000	Cincinnati Insurance Company
Register	Section 8-24-102, <u>TCA</u>	58,069	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	64,476 (3)	50,000	Western Surety Company
Employee Dishonesty Bond Coverage:				
General County Employees			20,000	Western Surety Company
Ambulance Service Employees			50,000	American Alternative Insurance Corporation

(1) Includes special commissioner fees of \$5,595.

(2) Includes special commissioner fees of \$2,730.

(3) Includes law enforcement training supplement of \$600.

Exhibit J-4

Warren County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2007

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Ambulance Service	Drug Control	District Attorney General
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 4,191,409	\$ 404,008	\$ 656,546	\$ 0	\$ 0
Trustee's Collections - Prior Year	250,885	18,439	12,692	0	0
Trustee's Collections - Bankruptcy	0	0	0	0	0
Circuit/Clerk & Master Collections - Prior Years	74,610	4,775	3,515	0	0
Interest and Penalty	42,718	2,993	2,757	0	0
Payments in-Lieu-of Taxes - T.V.A.	13,298	1,282	2,083	0	0
Payments in-Lieu-of Taxes - Local Utilities	33,746	3,032	4,513	0	0
Payments in-Lieu-of Taxes - Other	171,204	16,502	26,815	0	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	0	0	0	0	0
Hotel/Motel Tax	0	0	0	0	0
Wheel Tax	0	0	0	0	0
Litigation Tax - General	149,403	0	0	0	0
Litigation Tax - Special Purpose	11,780	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	51,354	0	0	0	0
Business Tax	286,044	0	0	0	0
Mineral Severance Tax	0	0	0	0	0
<u>Statutory Local Taxes</u>					
Bank Excise Tax	64,277	6,195	10,068	0	0
Wholesale Beer Tax	76,845	124,847	0	0	0
Total Local Taxes	\$ 5,417,573	\$ 582,073	\$ 718,989	\$ 0	\$ 0
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 4,503	\$ 0	\$ 0	\$ 0	\$ 0
Cable TV Franchise	85,786	0	0	0	0
<u>Permits</u>					
Beer Permits	3,523	0	0	0	0
Other Permits	0	0	5,000	0	0
Total Licenses and Permits	\$ 93,812	\$ 0	\$ 5,000	\$ 0	\$ 0

(Continued)

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Ambulance Service	Drug Control	District Attorney General
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 44,234	\$ 0	\$ 0	\$ 0	0
Officers Costs	18,625	0	0	0	0
Drug Control Fines	0	0	0	32,741	0
Drug Court Fees	4,005	0	0	0	0
Jail Fees	8,293	0	0	0	0
District Attorney General Fees	0	0	0	0	3,129
DUI Treatment Fines	2,628	0	0	0	0
Data Entry Fee - Circuit Court	5,993	0	0	0	0
Courtroom Security Fee	69	0	0	0	0
<u>General Sessions Court</u>					
Fines	32,154	0	0	0	0
Fines for Littering	774	0	0	0	0
Officers Costs	73,644	0	0	0	0
Game and Fish Fines	178	0	0	0	0
Drug Control Fines	0	0	0	7,543	0
Drug Court Fees	5,954	0	0	0	0
Jail Fees	43,342	0	0	0	0
District Attorney General Fees	0	0	0	0	7,426
DUI Treatment Fines	13,805	0	0	0	0
Data Entry Fee - General Sessions Court	8,418	0	0	0	0
Courtroom Security Fee	6	0	0	0	0
<u>Juvenile Court</u>					
Fines	12,121	0	0	0	0
Officers Costs	14,974	0	0	0	0
Jail Fees	12,281	0	0	0	0
Data Entry Fee - Juvenile Court	1,124	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	4,629	0	0	0	0
Data Entry Fee - Chancery Court	1,849	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	0	145,541	0
Other Fines, Forfeitures, and Penalties	2,000	0	0	128	0
Total Fines, Forfeitures, and Penalties	\$ 311,100	\$ 0	\$ 0	\$ 185,953	\$ 10,555

(Continued)

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Ambulance Service	Drug Control	District Attorney General
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Tipping Fees	\$ 3,010	\$ 0	\$ 0	\$ 0	\$ 0
Solid Waste Disposal Fees	0	1,610	0	0	0
Patient Charges	0	0	1,101,517	0	0
Other General Service Charges	24,624	0	0	0	0
<u>Fees</u>					
Engineer Review Fees	1,245	0	0	0	0
Vending Machine Collections	97	0	56	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	0
Data Processing Fee - Register	14,742	0	0	0	0
Probation Fees	1,698	0	0	0	0
Data Processing Fee - Sheriff	7,692	0	0	0	0
Sexual Offender Registration Fees - Sheriff	2,100	0	0	0	0
Total Charges for Current Services	\$ 55,208	\$ 1,610	\$ 1,101,573	\$ 0	\$ 0
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	92,995	0	0	0	0
Sale of Materials and Supplies	388	0	0	0	0
Commissary Sales	49,159	0	0	0	0
Sale of Gasoline	226,463	0	0	0	0
Sale of Recycled Materials	0	53,007	0	0	0
Miscellaneous Refunds	1,673	0	0	0	373
<u>Nonrecurring Items</u>					
Accrued Interest on Debt Issues	196,965	0	0	0	0
Sale of Equipment	0	0	7,012	0	0
Sale of Property	168	0	0	0	0
Total Other Local Revenues	\$ 567,811	\$ 53,007	\$ 7,012	\$ 0	\$ 373
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
County Clerk	\$ 178,490	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Ambulance Service	Drug Control	District Attorney General
<u>Fees Received from County Officials (Cont.)</u>					
<u>Excess Fees (Cont.)</u>					
Circuit Court Clerk	\$ 285,832	\$ 0	\$ 0	\$ 0	0
Register	44,601	0	0	0	0
Trustee	459,215	0	0	0	0
<u>Fees-In-Lieu of Salary</u>					
Sheriff	54,456	0	0	0	0
Total Fees Received from County Officials	<u>\$ 1,022,594</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 9,390	\$ 0	\$ 0	\$ 0	0
Airport Maintenance Program	100,218	0	0	0	0
State Reappraisal Grant	13,513	0	0	0	0
Solid Waste Grants	0	57,266	0	0	0
<u>Health and Welfare Grants</u>					
Health Department Programs	349,549	0	0	0	0
<u>Public Works Grants</u>					
Bridge Program	0	0	0	0	0
State Aid Program	0	0	0	0	0
Litter Program	38,212	0	0	0	0
<u>Other State Revenues</u>					
Income Tax	159,216	0	0	0	0
Beer Tax	18,753	0	0	0	0
Alcoholic Beverage Tax	51,409	0	0	0	0
Mixed Drink Tax	22,432	0	0	0	0
State Revenue Sharing - T.V.A.	0	316,407	0	0	0
Contracted Prisoner Boarding	322,247	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0
Petroleum Special Tax	0	0	0	0	0
Registrar's Salary Supplement	16,380	0	0	0	0
Other State Grants	1,500	0	0	0	0
Other State Revenues	20,400	0	0	0	0
Total State of Tennessee	<u>\$ 1,123,219</u>	<u>\$ 373,673</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>

(Continued)

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Ambulance Service	Drug Control	District Attorney General
<u>Federal Government</u>					
<u>Federal Through State</u>					
Disaster Relief	\$ 6,406	\$ 1,339	\$ 6,821	\$ 0	\$ 0
Homeland Security Grants	0	0	39,736	0	0
Law Enforcement Grants	74,385	0	0	0	0
Other Federal through State	135,351	0	0	0	0
<u>Direct Federal Revenue</u>					
Medicare	11,373	0	0	0	0
Total Federal Government	<u>\$ 227,515</u>	<u>\$ 1,339</u>	<u>\$ 46,557</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 117,294	\$ 0	\$ 2,500	\$ 2,600	\$ 0
Total Other Governments and Citizens Groups	<u>\$ 117,294</u>	<u>\$ 0</u>	<u>\$ 2,500</u>	<u>\$ 2,600</u>	<u>\$ 0</u>
Total	<u>\$ 8,936,126</u>	<u>\$ 1,011,702</u>	<u>\$ 1,881,631</u>	<u>\$ 188,553</u>	<u>\$ 10,928</u>

(Continued)

Exhibit J-4

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

	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	Total
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Other Capital Projects	
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 0	\$ 484,704	\$ 2,499,738	\$ 0	\$ 8,236,405
Trustee's Collections - Prior Year	0	19,096	132,419	0	433,531
Trustee's Collections - Bankruptcy	0	1,368	0	0	1,368
Circuit/Clerk & Master Collections - Prior Years	0	7,624	38,914	0	129,438
Interest and Penalty	0	4,426	23,070	0	75,964
Payments in-Lieu-of Taxes - T.V.A.	0	1,395	7,931	0	25,989
Payments in-Lieu-of Taxes - Local Utilities	0	4,104	19,653	0	65,048
Payments in-Lieu-of Taxes - Other	0	19,596	102,104	0	336,221
<u>County Local Option Taxes</u>					
Local Option Sales Tax	0	0	221,211	0	221,211
Hotel/Motel Tax	0	0	57,248	0	57,248
Wheel Tax	0	0	1,108,068	0	1,108,068
Litigation Tax - General	0	0	0	0	149,403
Litigation Tax - Special Purpose	0	0	0	0	11,780
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	51,354
Business Tax	0	0	0	0	286,044
Mineral Severance Tax	0	51,414	0	0	51,414
<u>Statutory Local Taxes</u>					
Bank Excise Tax	0	7,357	38,334	0	126,231
Wholesale Beer Tax	0	0	0	0	201,692
Total Local Taxes	\$ 0	\$ 601,084	\$ 4,248,690	\$ 0	\$ 11,568,409
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,503
Cable TV Franchise	0	0	0	0	85,786
<u>Permits</u>					
Beer Permits	0	0	0	0	3,523
Other Permits	0	0	0	0	5,000
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 98,812

(Continued)

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

	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Other Capital Projects	Total
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 0	\$ 0	\$ 0	\$ 0	44,234
Officers Costs	0	0	0	0	18,625
Drug Control Fines	0	0	0	0	32,741
Drug Court Fees	0	0	0	0	4,005
Jail Fees	0	0	0	0	8,293
District Attorney General Fees	0	0	0	0	3,129
DUI Treatment Fines	0	0	0	0	2,628
Data Entry Fee - Circuit Court	0	0	0	0	5,993
Courtroom Security Fee	0	0	0	0	69
<u>General Sessions Court</u>					
Fines	0	0	0	0	32,154
Fines for Littering	0	0	0	0	774
Officers Costs	0	0	0	0	73,644
Game and Fish Fines	0	0	0	0	178
Drug Control Fines	0	0	0	0	7,543
Drug Court Fees	0	0	0	0	5,954
Jail Fees	0	0	0	0	43,342
District Attorney General Fees	0	0	0	0	7,426
DUI Treatment Fines	0	0	0	0	13,805
Data Entry Fee - General Sessions Court	0	0	0	0	8,418
Courtroom Security Fee	0	0	0	0	6
<u>Juvenile Court</u>					
Fines	0	0	0	0	12,121
Officers Costs	0	0	0	0	14,974
Jail Fees	0	0	0	0	12,281
Data Entry Fee - Juvenile Court	0	0	0	0	1,124
<u>Chancery Court</u>					
Officers Costs	0	0	0	0	4,629
Data Entry Fee - Chancery Court	0	0	0	0	1,849
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	0	0	145,541
Other Fines, Forfeitures, and Penalties	0	0	0	0	2,128
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	507,608

(Continued)

Exhibit J-4

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

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	
	<u>Constitu -</u>	<u>Highway /</u>	<u>General</u>	<u>Other</u>	
	<u>Officers -</u>	<u>Public</u>	<u>Debt</u>	<u>Capital</u>	
	<u>Fees</u>	<u>Works</u>	<u>Service</u>	<u>Projects</u>	<u>Total</u>
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Tipping Fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,010
Solid Waste Disposal Fees	0	0	0	0	1,610
Patient Charges	0	0	0	0	1,101,517
Other General Service Charges	0	0	0	0	24,624
<u>Fees</u>					
Engineer Review Fees	0	0	0	0	1,245
Vending Machine Collections	0	0	0	0	153
Constitutional Officers' Fees and Commissions	956,714	0	0	0	956,714
Data Processing Fee - Register	0	0	0	0	14,742
Probation Fees	0	0	0	0	1,698
Data Processing Fee - Sheriff	0	0	0	0	7,692
Sexual Offender Registration Fees - Sheriff	0	0	0	0	2,100
Total Charges for Current Services	\$ 956,714	\$ 0	\$ 0	\$ 0	\$ 2,115,105
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 522,157	\$ 0	\$ 522,157
Lease/Rentals	0	0	0	0	92,995
Sale of Materials and Supplies	0	0	0	0	388
Commissary Sales	0	0	0	0	49,159
Sale of Gasoline	0	0	0	0	226,463
Sale of Recycled Materials	0	0	0	0	53,007
Miscellaneous Refunds	0	9,759	0	14,088	25,893
<u>Nonrecurring Items</u>					
Accrued Interest on Debt Issues	0	0	0	0	196,965
Sale of Equipment	0	17,230	0	0	24,242
Sale of Property	0	0	0	0	168
Total Other Local Revenues	\$ 0	\$ 26,989	\$ 522,157	\$ 14,088	\$ 1,191,437
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 178,490

(Continued)

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

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	
	<u>Constitu -</u>	<u>Highway /</u>	<u>General</u>	<u>Other</u>	
	<u>Officers -</u>	<u>Public</u>	<u>Debt</u>	<u>Capital</u>	
	<u>Fees</u>	<u>Works</u>	<u>Service</u>	<u>Projects</u>	<u>Total</u>
<u>Fees Received from County Officials (Cont.)</u>					
<u>Excess Fees (Cont.)</u>					
Circuit Court Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 285,832
Register	0	0	0	0	44,601
Trustee	0	0	0	0	459,215
<u>Fees-In-Lieu of Salary</u>					
Sheriff	0	0	0	0	54,456
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,022,594
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,390
Airport Maintenance Program	0	0	0	0	100,218
State Reappraisal Grant	0	0	0	0	13,513
Solid Waste Grants	0	0	0	0	57,266
<u>Health and Welfare Grants</u>					
Health Department Programs	0	0	0	0	349,549
<u>Public Works Grants</u>					
Bridge Program	0	107,382	0	0	107,382
State Aid Program	0	232,849	0	0	232,849
Litter Program	0	0	0	0	38,212
<u>Other State Revenues</u>					
Income Tax	0	0	0	0	159,216
Beer Tax	0	0	0	0	18,753
Alcoholic Beverage Tax	0	0	0	0	51,409
Mixed Drink Tax	0	0	0	0	22,432
State Revenue Sharing - T.V.A.	0	19,376	0	0	335,783
Contracted Prisoner Boarding	0	0	0	0	322,247
Gasoline and Motor Fuel Tax	0	1,784,705	0	0	1,784,705
Petroleum Special Tax	0	37,409	0	0	37,409
Registrar's Salary Supplement	0	0	0	0	16,380
Other State Grants	0	467,624	0	0	469,124
Other State Revenues	0	0	0	0	20,400
Total State of Tennessee	\$ 0	\$ 2,649,345	\$ 0	\$ 0	\$ 4,146,237

(Continued)

Exhibit J-4

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

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	
	<u>Constitu -</u>	<u>Highway /</u>	<u>General</u>	<u>Other</u>	
	<u>Officers -</u>	<u>Public</u>	<u>Debt</u>	<u>Capital</u>	
	<u>Fees</u>	<u>Works</u>	<u>Service</u>	<u>Projects</u>	<u>Total</u>
<u>Federal Government</u>					
<u>Federal Through State</u>					
Disaster Relief	\$ 0	\$ 69,487	\$ 0	\$ 0	\$ 84,053
Homeland Security Grants	0	0	0	0	39,736
Law Enforcement Grants	0	0	0	0	74,385
Other Federal through State	0	0	0	0	135,351
<u>Direct Federal Revenue</u>					
Medicare	0	0	0	0	11,373
Total Federal Government	\$ 0	\$ 69,487	\$ 0	\$ 0	\$ 344,898
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 375,439	\$ 0	\$ 497,833
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 375,439	\$ 0	\$ 497,833
Total	\$ 956,714	\$ 3,346,905	\$ 5,146,286	\$ 14,088	\$ 21,492,933

Exhibit J-5

Warren County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2007

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	83,215	
Social Security		5,873	
State Retirement		7,462	
Medical Insurance		10,800	
Audit Services		38,977	
Dues and Memberships		9,650	
Other Charges		1,706	
Total County Commission			\$ 157,683

Board of Equalization

Board and Committee Members Fees	\$	8,340	
Social Security		638	
Travel		442	
Total Board of Equalization			9,420

County Mayor/Executive

County Official/Administrative Officer	\$	67,069	
Secretary(ies)		22,350	
Social Security		6,845	
State Retirement		10,919	
Travel		1,517	
Total County Mayor/Executive			108,700

County Attorney

Legal Services	\$	60,600	
Total County Attorney			60,600

Election Commission

County Official/Administrative Officer	\$	52,262	
Secretary(ies)		40,945	
Other Salaries & Wages		12,624	
Election Commission		13,950	
Election Workers		24,619	
Social Security		8,692	
State Retirement		11,715	
Medical Insurance		6,737	
Communication		2,534	
Data Processing Services		3,110	
Dues and Memberships		250	
Legal Notices, Recording, and Court Costs		5,335	

(Continued)

Exhibit J-5

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Maintenance Agreements	\$	12,037	
Maintenance & Repair Services - Office Equipment		348	
Postal Charges		5,065	
Printing, Stationery, and Forms		6,443	
Rentals		1,275	
Travel		6,425	
Office Supplies		2,070	
Other Supplies and Materials		1,420	
Data Processing Equipment		1,870	
Voting Machines		125,096	
Total Election Commission			\$ 344,822

Register of Deeds

Other Contracted Services	\$	4,942	
Data Processing Supplies		6,331	
Total Register of Deeds			11,273

Planning

Board and Committee Members Fees	\$	7,400	
Social Security		566	
Contracts with Government Agencies		10,500	
Total Planning			18,466

County Buildings

Custodial Personnel	\$	32,905	
Social Security		2,517	
State Retirement		2,621	
Maintenance & Repair Services - Buildings		28,275	
Custodial Supplies		8,589	
Utilities		77,648	
Other Supplies and Materials		1,149	
Total County Buildings			153,704

Other Facilities

Maintenance Personnel	\$	29,411	
Social Security		2,170	
State Retirement		3,688	
Medical Insurance		2,812	
Maintenance & Repair Services - Buildings		102,714	
Total Other Facilities			140,795

(Continued)

Exhibit J-5

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

General Fund (Cont.)

General Government (Cont.)

Other General Administration

Communication	\$	25,186	
Data Processing Services		64,081	
Legal Notices, Recording, and Court Costs		1,748	
Maintenance Agreements		4,087	
Maintenance & Repair Services - Office Equipment		430	
Postal Charges		23,242	
Printing, Stationery, and Forms		34,468	
Other Contracted Services		9,181	
Office Supplies		14,452	
Premiums on Corporate Surety Bonds		7,225	
Data Processing Equipment		2,341	
Office Equipment		6,353	
Total Other General Administration			\$ 192,794

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	48,324	
Assistant(s)		35,456	
Accountants/Bookkeepers		29,547	
In-Service Training		150	
Social Security		8,492	
State Retirement		14,211	
Medical Insurance		5,625	
Travel		207	
Total Accounting and Budgeting			142,012

Purchasing

Legal Notices, Recording, and Court Costs	\$	1,948	
Total Purchasing			1,948

Property Assessor's Office

County Official/Administrative Officer	\$	58,069	
Assistant(s)		116,210	
Social Security		12,233	
State Retirement		22,431	
Medical Insurance		8,212	
Data Processing Services		15,473	
Dues and Memberships		1,280	
Legal Notices, Recording, and Court Costs		116	
Postal Charges		2,259	

(Continued)

Exhibit J-5

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Travel	\$	6,355	
Other Supplies and Materials		2,208	
Other Charges		174	
Office Equipment		1,170	
Total Property Assessor's Office			\$ 246,190

County Trustee's Office

Legal Notices, Recording, and Court Costs	\$	916	
Postal Charges		10,379	
Other Supplies and Materials		3,823	
Data Processing Equipment		6,211	
Total County Trustee's Office			21,329

Administration of Justice

Circuit Court

Jury and Witness Fees	\$	24,013	
Postal Charges		156	
Other Charges		23,590	
Data Processing Equipment		21,346	
Total Circuit Court			69,105

General Sessions Court

Judge(s)	\$	123,841	
Secretary(ies)		25,520	
Other Salaries & Wages		11,203	
Other Per Diem & Fees		1,500	
Social Security		10,088	
State Retirement		18,730	
Medical Insurance		5,625	
Communication		2,376	
Legal Services		87	
Postal Charges		128	
Travel		1,264	
Other Contracted Services		810	
Office Supplies		778	
Other Charges		540	
Total General Sessions Court			202,490

Drug Court

Probation Officer(s)	\$	42,699	
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(Continued)

Exhibit J-5

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

General Fund (Cont.)

Administration of Justice (Cont.)

Drug Court (Cont.)

Social Security	\$	2,758	
State Retirement		5,354	
Medical Insurance		2,700	
Communication		1,639	
Contracts with Private Agencies		13,935	
Evaluation and Testing		3,755	
Postal Charges		119	
Travel		3,304	
Other Contracted Services		646	
Other Supplies and Materials		5,998	
Other Equipment		226	
Total Drug Court			\$ 83,133

Chancery Court

Other Charges	\$	13,196	
Total Chancery Court			13,196

Juvenile Court

Youth Service Officer(s)	\$	63,822	
Other Salaries & Wages		20,600	
Other Per Diem & Fees		1,500	
Social Security		6,359	
State Retirement		10,586	
Medical Insurance		2,812	
Communication		2,057	
Postal Charges		429	
Travel		2,377	
Office Supplies		356	
Other Supplies and Materials		7,312	
Other Charges		40	
Total Juvenile Court			118,250

Judicial Commissioners

County Official/Administrative Officer	\$	63,455	
Social Security		4,854	
Communication		683	
Office Supplies		283	
Total Judicial Commissioners			69,275

(Continued)

Exhibit J-5

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

General Fund (Cont.)

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	63,876	
Deputy(ies)		765,056	
Investigator(s)		207,879	
Lieutenant(s)		126,117	
Salary Supplements		20,400	
Clerical Personnel		81,110	
Overtime Pay		23,315	
Other Salaries & Wages		32,534	
In-Service Training		7,888	
Social Security		98,938	
State Retirement		164,679	
Medical Insurance		65,220	
Communication		10,284	
Data Processing Services		7,050	
Maintenance & Repair Services - Office Equipment		4,900	
Maintenance & Repair Services - Vehicles		58,358	
Medical and Dental Services		1,934	
Postal Charges		1,158	
Printing, Stationery, and Forms		1,140	
Travel		2,978	
Gasoline		112,224	
Law Enforcement Supplies		9,670	
Office Supplies		3,780	
Tires and Tubes		7,434	
Uniforms		16,624	
Communication Equipment		8,338	
Furniture and Fixtures		896	
Law Enforcement Equipment		14,012	
Motor Vehicles		124,952	
Total Sheriff's Department			\$ 2,042,744

Jail

Supervisor/Director	\$	25,511
Medical Personnel		96,401
Guards		895,688
Clerical Personnel		35,315
Overtime Pay		9,669
Other Salaries & Wages		24,250
Social Security		79,088
State Retirement		110,436

(Continued)

Exhibit J-5

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Medical Insurance	\$	56,099	
Evaluation and Testing		2,693	
Maintenance & Repair Services - Equipment		4,093	
Medical and Dental Services		129,170	
Pest Control		1,200	
Printing, Stationery, and Forms		951	
Custodial Supplies		38,363	
Food Preparation Supplies		10,965	
Food Supplies		246,640	
Law Enforcement Supplies		3,384	
Prisoners Clothing		4,255	
Utilities		115,970	
Other Supplies and Materials		8,559	
Office Equipment		24,683	
Total Jail			\$ 1,923,383

Juvenile Services

Other Charges	\$	29,035	
Total Juvenile Services			29,035

County Coroner/Medical Examiner

Other Per Diem & Fees	\$	1,850	
Total County Coroner/Medical Examiner			1,850

Other Public Safety

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

Public Health and Welfare

Local Health Center

Communication	\$	5,330	
Janitorial Services		10,025	
Utilities		23,461	
Other Charges		14,006	
Total Local Health Center			52,822

Rabies and Animal Control

Supervisor/Director	\$	18,540	
Part-time Personnel		15,290	
In-Service Training		990	

(Continued)

Exhibit J-5

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Rabies and Animal Control (Cont.)

Social Security	\$	2,588	
State Retirement		2,325	
Unemployment Compensation		112	
Communication		1,483	
Licenses		320	
Maintenance & Repair Services - Buildings		64	
Maintenance & Repair Services - Vehicles		999	
Veterinary Services		2,101	
Animal Food and Supplies		2,085	
Custodial Supplies		319	
Drugs and Medical Supplies		1,147	
Gasoline		2,791	
Office Supplies		182	
Utilities		3,509	
Other Supplies and Materials		2,625	
Other Equipment		465	
Total Rabies and Animal Control			\$ 57,935

Other Local Health Services

Other Salaries & Wages	\$	274,697	
Social Security		20,155	
State Retirement		28,405	
Medical Insurance		12,150	
Travel		8,106	
Total Other Local Health Services			343,513

Appropriation to State

Contributions	\$	52,203	
Total Appropriation to State			52,203

General Welfare Assistance

Other Charges	\$	78	
Total General Welfare Assistance			78

Aid to Dependent Children

Other Contracted Services	\$	2,196	
Total Aid to Dependent Children			2,196

Other Local Welfare Services

Other Contracted Services	\$	750	
Total Other Local Welfare Services			750

(Continued)

Exhibit J-5

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Public Health and Welfare

Social Security	\$	1,195	
State Retirement		1,259	
Contracts with Government Agencies		27,123	
Contributions		96,919	
Total Other Public Health and Welfare			\$ 126,496

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$	19,750	
Total Senior Citizens Assistance			19,750

Libraries

Contributions	\$	116,000	
Total Libraries			116,000

Agriculture & Natural Resources

Agriculture Extension Service

Board and Committee Members Fees	\$	90	
Communication		2,241	
Contributions		88,755	
Travel		4,000	
Total Agriculture Extension Service			95,086

Forest Service

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

Soil Conservation

Clerical Personnel	\$	26,714	
Other Salaries & Wages		24,232	
Social Security		3,569	
State Retirement		6,389	
Medical Insurance		5,625	
Contributions		4,000	
Total Soil Conservation			70,529

Other Operations

Tourism

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

(Continued)

Exhibit J-5

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

General Fund (Cont.)

Other Operations (Cont.)

Industrial Development

Contributions	\$ 349,500	
Total Industrial Development		\$ 349,500

Airport

Other Salaries & Wages	\$ 75,976	
Social Security	5,992	
State Retirement	2,032	
Medical Insurance	2,362	
Unemployment Compensation	434	
Communication	6,638	
Maintenance Agreements	9,009	
Travel	2,094	
Gasoline	218,947	
Utilities	18,628	
Liability Insurance	10,742	
Other Charges	41,511	
Airport Improvement	12,431	
Total Airport		406,796

Veterans' Services

Supervisor/Director	\$ 13,262	
Social Security	1,015	
Communication	838	
Other Charges	4,798	
Total Veterans' Services		19,913

Other Charges

Building and Contents Insurance	\$ 12,651	
Liability Insurance	73,634	
Trustee's Commission	122,953	
Workers' Compensation Insurance	140,945	
Total Other Charges		350,183

Contributions to Other Agencies

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

Employee Benefits

Social Security	\$ 73,228
State Retirement	115,835

(Continued)

Exhibit J-5

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits (Cont.)

Life Insurance	\$	5,920	
Medical Insurance		46,686	
Unemployment Compensation		9,059	
Total Employee Benefits			\$ 250,728

Miscellaneous

Other Supplies and Materials	\$	1,500	
Litter Enforcement Awards		200	
Other Charges		7,597	
Right-of-Way		1,055	
Total Miscellaneous			<u>10,352</u>

Total General Fund \$ 8,634,577

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Supervisor/Director	\$	41,646	
Truck Drivers		58,727	
Social Security		6,947	
State Retirement		12,128	
Life Insurance		192	
Medical Insurance		5,288	
Unemployment Compensation		245	
Communication		873	
Contracts with Government Agencies		40,366	
Laundry Service		2,232	
Maintenance & Repair Services - Vehicles		10,231	
Diesel Fuel		25,137	
Gasoline		2,150	
Lubricants		2,259	
Tires and Tubes		5,372	
Utilities		1,310	
Other Supplies and Materials		493	
Workers' Compensation Insurance		8,987	
Total Waste Pickup			\$ 224,583

Convenience Centers

Other Salaries & Wages	\$	182,697	
Social Security		12,871	

(Continued)

Exhibit J-5

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Convenience Centers (Cont.)

State Retirement	\$	7,650	
Life Insurance		196	
Medical Insurance		9,675	
Unemployment Compensation		1,082	
Communication		5,682	
Contracts with Private Agencies		317,921	
Maintenance & Repair Services - Equipment		343	
Rentals		6,640	
Utilities		7,939	
Workers' Compensation Insurance		15,302	
Site Development		15,000	
Solid Waste Equipment		2,030	
Other Equipment		3,031	
Total Convenience Centers			\$ 588,059

Other Waste Disposal

Liability Insurance	\$	8,452	
Trustee's Commission		14,635	
Other Charges		3,634	
Total Other Waste Disposal			26,721

Total Solid Waste/Sanitation Fund \$ 839,363

Ambulance Service Fund

Public Safety

Civil Defense

Assistant(s)	\$	7,185	
Supervisor/Director		23,278	
In-Service Training		794	
Social Security		2,330	
State Retirement		2,919	
Unemployment Compensation		113	
Communication		1,885	
Other Contracted Services		14,897	
Gasoline		1,246	
Office Supplies		1,033	
Building Purchases		4,505	
Other Equipment		18,527	
Total Civil Defense			\$ 78,712

(Continued)

Exhibit J-5

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

Ambulance Service Fund (Cont.)

Public Safety (Cont.)

Rescue Squad

Contributions	\$ 25,911	
Total Rescue Squad		\$ 25,911

Public Health and Welfare

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 41,174
Accountants/Bookkeepers	48,694
Medical Personnel	945,712
In-Service Training	6,422
Social Security	78,156
State Retirement	94,731
Life Insurance	1,190
Medical Insurance	21,038
Unemployment Compensation	2,223
Communication	7,925
Laundry Service	62
Licenses	950
Maintenance & Repair Services - Buildings	5,672
Maintenance & Repair Services - Equipment	1,890
Maintenance & Repair Services - Vehicles	18,431
Postal Charges	2,504
Printing, Stationery, and Forms	723
Travel	194
Other Contracted Services	7,700
Custodial Supplies	3,568
Diesel Fuel	24,701
Drugs and Medical Supplies	60,952
Gasoline	1,907
Lubricants	1,419
Office Supplies	2,619
Tires and Tubes	2,769
Uniforms	6,509
Utilities	8,680
Other Supplies and Materials	1,358
Building and Contents Insurance	251
Liability Insurance	46,599
Refunds	10,660
Trustee's Commission	24,202
Workers' Compensation Insurance	79,025
Other Charges	4,804

(Continued)

Exhibit J-5

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

Ambulance Service Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Data Processing Equipment	\$	1,363	
Furniture and Fixtures		2,472	
Office Equipment		710	
Health Equipment		86,813	
Total Ambulance/Emergency Medical Services			\$ 1,656,772

Total Ambulance Service Fund \$ 1,761,395

Drug Control Fund

Public Safety

Drug Enforcement

Investigator(s)	\$	12,300	
Social Security		1,070	
Advertising		471	
Contributions		500	
Confidential Drug Enforcement Payments		15,000	
Dues and Memberships		100	
Maintenance Agreements		1,500	
Maintenance & Repair Services - Vehicles		198	
Other Contracted Services		2,285	
Fuel Oil		8,099	
Other Supplies and Materials		2,699	
Liability Insurance		5,250	
Trustee's Commission		1,877	
Other Charges		5,590	
Law Enforcement Equipment		4,393	
Motor Vehicles		33,069	
Total Drug Enforcement			\$ 94,401

Public Health and Welfare

Alcohol and Drug Programs

Travel	\$	239	
Other Supplies and Materials		5,722	
In Service/Staff Development		976	
Total Alcohol and Drug Programs			6,937

Total Drug Control Fund 101,338

(Continued)

Exhibit J-5

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

District Attorney General Fund

Administration of Justice

District Attorney General

Communication	\$	2,221	
Dues and Memberships		200	
Janitorial Services		908	
Maintenance & Repair Services - Office Equipment		111	
Printing, Stationery, and Forms		319	
Rentals		193	
Travel		773	
Other Contracted Services		1,945	
Custodial Supplies		476	
Gasoline		673	
Office Supplies		71	
Periodicals		115	
Other Supplies and Materials		807	
Trustee's Commission		98	
In Service/Staff Development		660	
Other Charges		74	
Office Equipment		2,760	
Total District Attorney General			\$ 12,404

Total District Attorney General Fund \$ 12,404

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Constitutional Officers' Operating Expenses	\$	143,584	
Total Register of Deeds			\$ 143,584

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	182,385	
Total County Trustee's Office			182,385

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	220,382	
Total County Clerk's Office			220,382

Administration of Justice

Circuit Court

Constitutional Officers' Operating Expenses	\$	258,621	
Total Circuit Court			258,621

(Continued)

Exhibit J-5

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

Constitutional Officers - Fees Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court

Constitutional Officers' Operating Expenses	\$ 38,210	
Total General Sessions Court		\$ 38,210

Chancery Court

Constitutional Officers' Operating Expenses	\$ 147,838	
Total Chancery Court		147,838

Juvenile Court

Constitutional Officers' Operating Expenses	\$ 23,889	
Total Juvenile Court		<u>23,889</u>

Total Constitutional Officers - Fees Fund		\$ 1,014,909
---	--	--------------

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 63,876	
Assistant(s)	41,525	
Accountants/Bookkeepers	61,194	
Other Salaries & Wages	855	
Advertising	568	
Data Processing Services	4,513	
Dues and Memberships	3,132	
Postal Charges	413	
Printing, Stationery, and Forms	241	
Travel	684	
Office Supplies	1,675	
Other Charges	<u>25</u>	
Total Administration		\$ 178,701

Highway and Bridge Maintenance

Equipment Operators	\$ 244,210
Truck Drivers	65,505
Laborers	115,304
Rentals	897
Other Contracted Services	927,150
Asphalt - Liquid	167,659
Concrete	9,300
Crushed Stone	105,443
Other Road Supplies	2,745

(Continued)

Exhibit J-5

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Pipe	\$	747	
Pipe - Concrete		1,783	
Pipe - Metal		125	
Road Signs		15,017	
Salt		7,356	
Other Charges		1,287	
Total Highway and Bridge Maintenance			\$ 1,664,528

Operation and Maintenance of Equipment

Maintenance & Repair Services - Equipment	\$	7,037	
Tow-in Services		200	
Diesel Fuel		51,170	
Equipment and Machinery Parts		32,775	
Garage Supplies		5,155	
Gasoline		25,977	
Lubricants		3,734	
Tires and Tubes		12,603	
Other Charges		68	
Total Operation and Maintenance of Equipment			138,719

Other Charges

Communication	\$	5,062	
Contributions		4,000	
Janitorial Services		2,010	
Maintenance & Repair Services - Buildings		750	
Custodial Supplies		220	
Drugs and Medical Supplies		48	
Electricity		4,192	
Food Supplies		313	
Natural Gas		1,538	
Water and Sewer		1,176	
Building and Contents Insurance		877	
Liability Insurance		35,634	
Trustee's Commission		31,515	
Vehicle and Equipment Insurance		4,155	
Workers' Compensation Insurance		40,600	
Other Charges		5,727	
Total Other Charges			137,817

(Continued)

Exhibit J-5

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits

Social Security	\$	43,371	
State Retirement		69,775	
Employee and Dependent Insurance		33,525	
Life Insurance		828	
Unemployment Compensation		4,045	
Total Employee Benefits			\$ 151,544

Capital Outlay

Engineering Services	\$	34,508	
Bridge Construction		145,499	
Communication Equipment		180	
Highway Equipment		78,269	
Motor Vehicles		19,200	
State Aid Projects		306,068	
Total Capital Outlay			583,724

Total Highway/Public Works Fund \$ 2,855,033

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	155,000	
Principal on Notes		188,333	
Total General Government			\$ 343,333

Highways and Streets

Principal on Notes	\$	50,000	
Total Highways and Streets			50,000

Education

Principal on Bonds	\$	1,565,000	
Principal on Notes		129,680	
Principal on Other Loans		350,000	
Total Education			2,044,680

Interest on Debt

General Government

Interest on Bonds	\$	36,908	
Interest on Notes		11,998	
Interest on Other Loans		268,314	
Total General Government			317,220

(Continued)

Exhibit J-5

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Interest on Debt (Cont.)</u>		
<u>Highways and Streets</u>		
Interest on Notes	\$ 3,000	
Total Highways and Streets		\$ 3,000
 <u>Education</u>		
Interest on Bonds	\$ 463,650	
Interest on Notes	1,600	
Interest on Other Loans	<u>264,853</u>	
Total Education		730,103
 <u>Other Debt Service</u>		
<u>General Government</u>		
Bank Charges	\$ 22,860	
Trustee's Commission	<u>92,778</u>	
Total General Government		<u>115,638</u>
Total General Debt Service Fund		\$ 3,603,974
 <u>Education Capital Projects Fund</u>		
<u>Capital Projects - Donated</u>		
<u>Capital Projects Donated to School Department</u>		
Contributions	\$ 6,257,016	
Total Capital Projects Donated to School Department		\$ 6,257,016
Total Education Capital Projects Fund		6,257,016
 <u>Other Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Public Safety Projects</u>		
Building Construction	\$ 126,384	
Total Public Safety Projects		\$ 126,384
Total Other Capital Projects Fund		<u>126,384</u>
Total Governmental Funds - Primary Government		<u>\$ 25,206,393</u>

Exhibit J-6

Warren County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2007

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 1,905,740
Total Cash Receipts	<u>\$ 1,905,740</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,916,277
Trustee's Commission	38,115
Total Cash Disbursements	<u>\$ 1,954,392</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ (48,652)
Cash Balance, July 1, 2006	<u>0</u>
 Cash Balance, June 30, 2007	 <u>\$ (48,652)</u>

ANNUAL FINANCIAL REPORT
WARREN COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF WARREN COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2007

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

JAMES R. ARNETTE
Director

CARL LOWE, CGFM
Audit Manager

ANITA SCARLETT, CPA
Auditor 4

JESSICA L. COX, CPA, CGFM
KELLEY J. McNEAL, CPA, CGFM
State Auditors

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

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

Annual Financial Report
Warren County School Department
For the Year Ended June 30, 2007

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Warren County School Department as of and for the year ended June 30, 2007.

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ The actual fund balance in the Central Cafeteria Fund at July 1, 2006, exceeded the estimated fund balance reflected on the county's budget by \$388,098. Also, several budget amendments were posted to the School Federal Projects fund without the approval of the Board of Education or the County Commission.

OTHER FINDINGS

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

INTRODUCTORY SECTION

Warren County School Officials
June 30, 2007

Official

Dr. Jerry Hale, Director of Schools

Board of Education

Bob Young, Chairperson

Edd Cantrell

Mike Holland

Larry Judkins

Gordan McGee, Jr.

John Turner

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

September 13, 2007

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

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Warren County School Department, a component unit of Warren County, Tennessee, as of and for the year ended June 30, 2007, as shown on pages 15 through 30, which collectively comprise a portion of the Warren County School Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Warren County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

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

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Warren County School Department as of June 30, 2007, or the changes in its financial position for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Warren County School Department as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

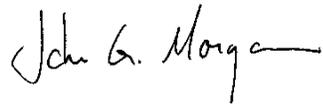
In accordance with Government Auditing Standards, we have also issued our report dated September 13, 2007, on our consideration of the Warren County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/rc

BASIC FINANCIAL STATEMENTS

Exhibit A

Warren County, Tennessee
Balance Sheet - Governmental Funds
Warren County School Department
June 30, 2007

	Major Funds			Nonmajor Fund	Total Governmental Funds
	General Purpose School	Central Cafeteria	Education Capital Projects	School Federal Projects	
<u>ASSETS</u>					
Cash	\$ 0	\$ 2,323	\$ 0	\$ 0	\$ 2,323
Equity in Pooled Cash and Investments	5,992,283	1,240,043	60,116	48,506	7,340,948
Inventories	0	27,448	0	0	27,448
Accounts Receivable	1,455	184	0	0	1,639
Due from Other Governments	1,578,079	22,586	0	154,433	1,755,098
Property Taxes Receivable	3,792,855	0	0	0	3,792,855
Allowance for Uncollectible Property Taxes	(109,875)	0	0	0	(109,875)
Total Assets	<u>\$ 11,254,797</u>	<u>\$ 1,292,584</u>	<u>\$ 60,116</u>	<u>\$ 202,939</u>	<u>\$ 12,810,436</u>

LIABILITIES AND FUND BALANCES

Liabilities

Accounts Payable	\$ 3,119	\$ 40,286	\$ 0	\$ 112,333	\$ 155,738
Payroll Deductions Payable	427,277	0	0	0	427,277
Due to Primary Government	79,561	0	0	0	79,561
Deferred Revenue - Current Property Taxes	3,555,589	0	0	0	3,555,589
Deferred Revenue - Delinquent Property Taxes	102,429	0	0	0	102,429
Other Deferred Revenues	650,000	0	0	0	650,000
Total Liabilities	<u>\$ 4,817,975</u>	<u>\$ 40,286</u>	<u>\$ 0</u>	<u>\$ 112,333</u>	<u>\$ 4,970,594</u>

(Continued)

Exhibit A

Warren County, Tennessee
Balance Sheet - Governmental Funds
Warren County School Department
June 30, 2007

	Major Funds			Nonmajor Fund	Total Governmental Funds
	General Purpose School	Central Cafeteria	Education Capital Projects	School Federal Projects	
<u>LIABILITIES AND FUND BALANCES (CONT.)</u>					
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 1,043,914	\$ 0	\$ 60,116	\$ 0	\$ 1,104,030
Reserved for Food Service	0	27,448	0	0	27,448
Reserved for Driver Education	69,624	0	0	0	69,624
Reserved for Career Ladder - Extended Contract	200,503	0	0	0	200,503
Reserved for Career Ladder Program	16,750	0	0	0	16,750
Reserved for Basic Education Program	2,967,479	0	0	0	2,967,479
Reserved for Title I Grants to Local Education Agencies	0	0	0	2,974	2,974
Reserved for Innovative Education Program Strategies	0	0	0	3,369	3,369
Reserved for Special Education - Grants to States	0	0	0	7,254	7,254
Other Federal Reserves	0	0	0	77,009	77,009
Unreserved, Reported In:					
General Fund	2,138,552	0	0	0	2,138,552
Special Revenue Funds	0	1,224,850	0	0	1,224,850
Total Fund Balances	<u>\$ 6,436,822</u>	<u>\$ 1,252,298</u>	<u>\$ 60,116</u>	<u>\$ 90,606</u>	<u>\$ 7,839,842</u>
Total Liabilities and Fund Balances	<u>\$ 11,254,797</u>	<u>\$ 1,292,584</u>	<u>\$ 60,116</u>	<u>\$ 202,939</u>	<u>\$ 12,810,436</u>

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

Exhibit B

Warren County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Warren County School Department
For the Year Ended June 30, 2007

	Major Funds			Nonmajor	Total
	General Purpose School	Central Cafeteria	Education Capital Projects	Fund School Federal Projects	
<u>Revenues</u>					
Local Taxes	\$ 11,693,992	\$ 0	\$ 0	\$ 0	\$ 11,693,992
Charges for Current Services	346,731	1,051,927	0	0	1,398,658
Other Local Revenues	98,785	44,944	0	0	143,729
State of Tennessee	24,537,509	31,817	0	0	24,569,326
Federal Government	584,335	1,542,229	0	3,535,117	5,661,681
Other Governments and Citizens Groups	389,040	0	5,867,976	0	6,257,016
Total Revenues	<u>\$ 37,650,392</u>	<u>\$ 2,670,917</u>	<u>\$ 5,867,976</u>	<u>\$ 3,535,117</u>	<u>\$ 49,724,402</u>
<u>Expenditures</u>					
Current:					
Instruction	\$ 22,174,700	\$ 0	\$ 0	\$ 2,450,009	\$ 24,624,709
Support Services	12,406,396	0	0	1,181,314	13,587,710
Operation of Non-Instructional Services	461,192	2,469,081	0	0	2,930,273
Capital Outlay	550,074	0	0	0	550,074
Capital Projects	0	0	5,743,112	0	5,743,112
Total Expenditures	<u>\$ 35,592,362</u>	<u>\$ 2,469,081</u>	<u>\$ 5,743,112</u>	<u>\$ 3,631,323</u>	<u>\$ 47,435,878</u>
Excess (Deficiency) of Revenues					
Over Expenditures	\$ 2,058,030	\$ 201,836	\$ 124,864	\$ (96,206)	\$ 2,288,524
<u>Other Financing Sources (Uses)</u>					
Transfers In	\$ 4,597	\$ 0	\$ 0	\$ 0	\$ 4,597
Transfers Out	0	0	0	(4,597)	(4,597)
Total Other Financing Sources (Uses)	<u>\$ 4,597</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (4,597)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 2,062,627	\$ 201,836	\$ 124,864	\$ (100,803)	\$ 2,288,524
Fund Balance, July 1, 2006	4,374,195	1,050,462	(64,748)	191,409	5,551,318
Fund Balance, June 30, 2007	<u>\$ 6,436,822</u>	<u>\$ 1,252,298</u>	<u>\$ 60,116</u>	<u>\$ 90,606</u>	<u>\$ 7,839,842</u>

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

**WARREN COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF WARREN COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A. Reporting Entity

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School Department considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. The School Department considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

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

The School Department reports the following major governmental funds:

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

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

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

C. Assets, Liabilities, and Equity

1. Deposits and Investments

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

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

2. Receivables and Payables

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.53 percent of total taxes levied.

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

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

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

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

3. Inventories

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

4. Capital Assets

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

5. Compensated Absences

General policy of the School Department does not allow for the accumulation of vacation days beyond year-end. All professional personnel (teachers) are allowed to accumulate unlimited sick leave days. Professional personnel that are enrolled in the Tennessee

Consolidated Retirement System can be paid \$40 a day for up to 240 days if the Board of Education is notified by June 30 of their plans to retire. Any sick leave over 240 days is applied toward the employee's retirement service. All non-professional employees are paid for all sick leave upon termination of employment. A liability for sick leave pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirement.

6. Fund Equity

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

B. The Actual Fund Balance of the Central Cafeteria Fund Exceeded the Estimated Beginning Fund Balance by a Material Amount

The Central Cafeteria Fund's actual fund balance at July 1, 2006, was \$1,050,462; however, the estimated fund balance reflected in the county's

budget was \$662,364. Therefore, the actual fund balance was \$388,098 more than the estimated fund balance presented to the County Commission.

C. Budget Amendments Were Posted to the Accounting Records Without the Approval of the Board of Education or the County Commission

During the year, several School Federal Projects Fund budget amendments were posted to the accounting records that had not been submitted to or approved by the Board of Education or the County Commission. Section 5-9-407, Tennessee Code Annotated, requires the approval of the Board of Education and County Commission for budget amendments that affect a major category. We have properly presented the budget and budget amendments in the financial statements of this report.

D. The Trustee Had Pooled Investments That Were Exposed to Custodial Credit Risk

At June 30, 2007, the trustee was holding pooled investments of \$12,807,872 which were exposed to 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.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts

are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for the purposes of credit risk disclosure.

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

Investments

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

Investment Balances. As of June 30, 2007, Warren County had the following investments carried at fair value or cost. All investments are in the county trustee’s investment pool. Separate disclosures concerning pooled investments cannot be made for Warren County and the School Department since both pool their deposits and investments through the county trustee.

Investment	Maturities	Fair Value or Cost
Federal Home Loan Bank	5-27-08	\$ 984,062
"	11-28-08	249,375
"	3-19-08	499,375
"	9-19-08	1,599,000
"	6-26-09	999,688
"	10-16-09	298,219
"	12-19-08	846,812

Investment (Cont.)	Maturities	Fair Value or Cost
Federal Home Loan Bank	9-4-07	\$ 299,813
"	1-16-09	748,125
"	8-24-07	439,725
"	2-20-09	499,219
"	6-26-09	199,937
Federal National Mortgage Association	5-21-08	984,359
"	2-25-08	692,781
"	5-20-08	494,375
"	1-29-09	1,323,344
"	1-29-09	998,750
Federal Home Loan Mortgage Corporation	12-18-09	645,913
Money Market	On Demand	<u>5,000</u>
Total		<u>\$ 12,807,872</u>

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

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Warren County has no investment policy that would further limit its investment choices. As of June 30, 2007, Warren County's investments in the Federal Home Loan Bank, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation were rated Aaa by Moody's Investor's Service and AAA by Standard & Poor's.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the county's investment in a single issuer. Warren County places no limit on the amount the county may invest in one issuer. More than five percent of the county's investments are in the Federal Home Loan Bank, the Federal National Mortgage Association, and the Federal Home Loan Mortgage Corporation. These investments are 60 percent, 35 percent, and five percent, respectively, of the county's total investments.

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. Warren County does not have a formal policy that limits custodial credit risk for investments.

B. Construction Commitments

At June 30, 2007, the School Department had uncompleted construction contracts of approximately \$60,116 for the renovation of a school building. Funding has been received for these future expenditures.

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2007, is as follows:

Due to/from primary government and component units:

Receivable Fund	Payable Fund	Amount
	Component unit:	
Primary government:	Warren County School Department:	
General	General Purpose School	\$ 30,909
Cities - Sales Tax	"	<u>48,652</u>
Total		<u><u>\$ 79,561</u></u>

Interfund Transfers:

Interfund transfers for the year ended June 30, 2007, consisted of the following amount:

Transfers Out	Transfers In
	General Purpose School Fund
Nonmajor governmental funds	\$ 4,597

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

IV. OTHER INFORMATION

A. Risk Management

The School Department's risk of loss relating to property, general liability, automobile liability, and workers' compensation are covered through a self-insurance program administered by the primary government of Warren County, and by the purchase of commercial insurance to cover losses

exceeding certain limits. The county is self-insured for individual property losses up to \$250,000. The county carries excess commercial coverage on buildings and contents totaling \$163,000. The county is self-insured up to the liability limits of \$250,000 per person, \$600,000 per occurrence for bodily injury, and \$85,000 for property damage. Warren County self-insures workers' compensation losses of \$250,000 per accident or disease with an aggregate liability of \$1,000,000. The county carries commercial liability insurance coverage for losses up to \$10,000,000, with a \$250,000 deductible. Warren County maintains the Self-Insurance Fund, which is shown as an internal service fund, to account for transactions pertaining to the county's self-insured group liability and property plan. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The fund establishes the claims liabilities based on estimates of the ultimate cost of claims that have been incurred but not settled, and of claims that have been incurred but not reported. Claims liabilities include specific, incremental claim adjustment expenditures/expenses, if any. In addition, estimated recoveries, if any, on settled claims have been deducted from the liability for unpaid claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two fiscal years are as follows:

	Beginning of Fiscal- Year Liability	Current- Year Claims and Estimates	Payments	Balance at Fiscal Year-end
2005-2006	\$ 976,222	\$ 489,769	\$ (264,843)	\$ 1,201,148
2006-2007	1,201,148	284,737	(264,066)	1,221,819

The School Department provides health insurance coverage to their employees through the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that 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 Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

B. Contingent Liabilities

There are several pending lawsuits in which the School Department is involved. The School Department's attorney estimates that the potential

claims not covered by insurance resulting from such litigation would not materially affect the School Department's financial statements.

C. Retirement Commitments

Employees

Plan Description

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

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

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

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 SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us.

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, 2007, was 6.13 percent of annual covered payroll. The employer contribution requirement for School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2007, 2006, and 2005, were \$1,217,780, \$1,041,406, and \$1,026,166, respectively, equal to the required contributions for each year.

D. Purchasing Law

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit C-1

Warren County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Warren County School Department
General Purpose School Fund
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 11,693,992	\$ 0	\$ 0	\$ 11,693,992	\$ 11,550,900	\$ 11,550,900	\$ 143,092
Charges for Current Services	346,731	0	0	346,731	443,000	443,000	(96,269)
Other Local Revenues	98,785	0	0	98,785	116,000	116,000	(17,215)
State of Tennessee	24,537,509	0	0	24,537,509	24,064,200	24,182,200	355,309
Federal Government	584,335	0	0	584,335	529,000	792,000	(207,665)
Other Governments and Citizens Groups	389,040	0	0	389,040	0	390,000	(960)
Total Revenues	\$ 37,650,392	\$ 0	\$ 0	\$ 37,650,392	\$ 36,703,100	\$ 37,474,100	\$ 176,292
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 17,511,058	\$ (333,430)	\$ 33,902	\$ 17,211,530	\$ 18,003,700	\$ 18,003,700	\$ 792,170
Alternative Instruction Program	232,603	0	0	232,603	249,500	249,500	16,897
Special Education Program	2,676,297	(1,040)	2,323	2,677,580	2,847,800	2,897,800	220,220
Vocational Education Program	1,499,163	(24,529)	705	1,475,339	1,506,900	1,506,900	31,561
Adult Education Program	255,579	0	0	255,579	255,700	295,700	40,121
<u>Support Services</u>							
Attendance	377,617	0	32,998	410,615	365,200	430,200	19,585
Health Services	431,294	(796)	3,150	433,648	497,200	507,200	73,552
Other Student Support	1,285,706	(19,470)	70,194	1,336,430	1,452,300	1,452,300	115,870
Regular Instruction Program	1,067,490	(1,716)	0	1,065,774	1,324,800	1,324,800	259,026
Alternative Instruction Program	74,791	0	0	74,791	82,100	82,100	7,309
Special Education Program	392,195	0	0	392,195	393,000	393,000	805
Vocational Education Program	101,814	(13,523)	0	88,291	92,700	92,700	4,409
Adult Programs	73,768	0	0	73,768	77,200	85,200	11,432
Board of Education	704,489	(8,800)	7,963	703,652	828,100	828,100	124,448
Director of Schools	172,161	0	0	172,161	173,100	173,100	939

(Continued)

Exhibit C-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Office of the Principal	\$ 1,745,445	\$ 0	\$ 1,167	\$ 1,746,612	\$ 1,772,500	\$ 1,880,500	\$ 133,888
Fiscal Services	368,996	(7,573)	6,064	367,487	436,900	436,900	69,413
Operation of Plant	2,714,942	(18,141)	4,001	2,700,802	3,125,300	3,125,300	424,498
Maintenance of Plant	1,121,598	0	1,960	1,123,558	1,165,700	1,165,700	42,142
Transportation	1,774,090	(381,034)	455,510	1,848,566	1,997,600	1,997,600	149,034
<u>Operation of Non-Instructional Services</u>							
Food Service	1,141	0	0	1,141	1,400	1,400	259
Community Services	140,947	0	957	141,904	218,000	218,000	76,096
Early Childhood Education	319,104	0	597	319,701	180,600	345,600	25,899
<u>Capital Outlay</u>							
Regular Capital Outlay	550,074	(82,481)	422,423	890,016	900,000	900,000	9,984
Total Expenditures	\$ 35,592,362	\$ (892,533)	\$ 1,043,914	\$ 35,743,743	\$ 37,947,300	\$ 38,393,300	\$ 2,649,557
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 2,058,030	\$ 892,533	\$ (1,043,914)	\$ 1,906,649	\$ (1,244,200)	\$ (919,200)	\$ 2,825,849
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 390,000	\$ 0	\$ 0
Transfers In	4,597	0	0	4,597	15,000	15,000	(10,403)
Total Other Financing Sources (Uses)	\$ 4,597	\$ 0	\$ 0	\$ 4,597	\$ 405,000	\$ 15,000	\$ (10,403)

(Continued)

Exhibit C-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Net Change in Fund Balance	\$ 2,062,627	\$ 892,533	\$ (1,043,914)	\$ 1,911,246	\$ (839,200)	\$ (904,200)	\$ 2,815,446
Fund Balance, July 1, 2006	4,374,195	(892,533)	0	3,481,662	2,992,422	2,992,422	489,240
Fund Balance, June 30, 2007	\$ 6,436,822	\$ 0	\$ (1,043,914)	\$ 5,392,908	\$ 2,153,222	\$ 2,088,222	\$ 3,304,686

Exhibit C-2

Warren County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Warren County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 1,051,927	\$ 1,115,700	\$ 1,115,700	\$ (63,773)
Other Local Revenues	44,944	34,100	34,100	10,844
State of Tennessee	31,817	32,300	32,300	(483)
Federal Government	1,542,229	1,355,800	1,355,800	186,429
Total Revenues	\$ 2,670,917	\$ 2,537,900	\$ 2,537,900	\$ 133,017
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 2,469,081	\$ 2,883,420	\$ 2,883,420	\$ 414,339
Total Expenditures	\$ 2,469,081	\$ 2,883,420	\$ 2,883,420	\$ 414,339
Excess (Deficiency) of Revenues Over Expenditures	\$ 201,836	\$ (345,520)	\$ (345,520)	\$ 547,356
Net Change in Fund Balance	\$ 201,836	\$ (345,520)	\$ (345,520)	\$ 547,356
Fund Balance, July 1, 2006	1,050,462	662,364	662,364	388,098
Fund Balance, June 30, 2007	\$ 1,252,298	\$ 316,844	\$ 316,844	\$ 935,454

**WARREN COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF WARREN COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2007**

A. BUDGETARY INFORMATION

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

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

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

B. The Actual Fund Balance of the Central Cafeteria Fund Exceeded the Estimated Beginning Fund Balance by a Material Amount

The Central Cafeteria Fund's actual fund balance at July 1, 2006, was \$1,050,462; however, the estimated fund balance reflected in the School Department's budget was \$662,364. Therefore, the actual fund balance was \$388,098 more than the estimated fund balance presented to the Warren County Commission.

**INDIVIDUAL FUND
FINANCIAL SCHEDULE**

Nonmajor Governmental Fund

Special Revenue Fund

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

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

Exhibit D

Warren County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Warren County School Department
School Federal Projects Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 3,535,117	\$ 3,677,183	\$ 4,818,004	\$ (1,282,887)
Total Revenues	\$ 3,535,117	\$ 3,677,183	\$ 4,818,004	\$ (1,282,887)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,721,635	\$ 1,643,964	\$ 1,901,799	\$ 180,164
Special Education Program	603,324	473,540	724,197	120,873
Vocational Education Program	125,050	123,066	125,051	1
<u>Support Services</u>				
Other Student Support	7,655	0	7,655	0
Regular Instruction Program	406,871	493,915	706,337	299,466
Special Education Program	764,018	915,698	1,186,831	422,813
Vocational Education Program	2,770	12,000	2,770	0
Total Expenditures	\$ 3,631,323	\$ 3,662,183	\$ 4,654,640	\$ 1,023,317
Excess (Deficiency) of Revenues Over Expenditures	\$ (96,206)	\$ 15,000	\$ 163,364	\$ (259,570)
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (4,597)	\$ (15,000)	\$ (163,364)	\$ 158,767
Total Other Financing Sources (Uses)	\$ (4,597)	\$ (15,000)	\$ (163,364)	\$ 158,767
Net Change in Fund Balance	\$ (100,803)	\$ 0	\$ 0	\$ (100,803)
Fund Balance, July 1, 2006	191,409	251,014	251,014	(59,605)
Fund Balance, June 30, 2007	\$ 90,606	\$ 251,014	\$ 251,014	\$ (160,408)

MISCELLANEOUS SCHEDULES

Exhibit E-1

Warren County, Tennessee
Schedule of Transfers
Warren County School Department
For the Year Ended June 30, 2007

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 4,597</u>

Exhibit E-2

Warren County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Warren County School Department
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Warren County Board of Education	\$ 94,660 (1)	\$ 100,000	Travelers Casualty and Surety Company
Other Bonds:				
Public Employee Dishonesty			10,000	Travelers Casualty and Surety Company

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

Exhibit E-3

Warren County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Warren County School Department
For the Year Ended June 30, 2007

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 3,469,411	\$ 0	\$ 0	\$ 0	\$ 3,469,411
Trustee's Collections - Prior Year	136,690	0	0	0	136,690
Trustee's Collections - Bankruptcy	9,785	0	0	0	9,785
Circuit/Clerk & Master Collections - Prior Years	55,711	0	0	0	55,711
Interest and Penalty	31,684	0	0	0	31,684
Payments in-Lieu-of Taxes - T.V.A.	9,987	0	0	0	9,987
Payments in-Lieu-of Taxes - Local Utilities	29,376	0	0	0	29,376
Payments in-Lieu-of Taxes - Other	140,264	0	0	0	140,264
<u>County Local Option Taxes</u>					
Local Option Sales Tax	7,758,423	0	0	0	7,758,423
<u>Statutory Local Taxes</u>					
Bank Excise Tax	52,661	0	0	0	52,661
Total Local Taxes	\$ 11,693,992	\$ 0	\$ 0	\$ 0	\$ 11,693,992
<u>Charges for Current Services</u>					
<u>Fees</u>					
Telephone Commissions	\$ 10,560	\$ 0	\$ 0	\$ 0	\$ 10,560
<u>Education Charges</u>					
Tuition - Adult Education	2,600	0	0	0	2,600
Tuition - Other	140,512	0	0	0	140,512
Lunch Payments - Children	0	0	411,689	0	411,689
Lunch Payments - Adults	0	0	92,965	0	92,965
Income from Breakfast	0	0	50,167	0	50,167
A la carte Sales	0	0	497,106	0	497,106
Receipts from Individual Schools	150,942	0	0	0	150,942
<u>Other Charges for Services</u>					
Other Charges for Services	42,117	0	0	0	42,117
Total Charges for Current Services	\$ 346,731	\$ 0	\$ 1,051,927	\$ 0	\$ 1,398,658
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 41,429	\$ 0	\$ 41,429
Refund of Telecommunication & Internet Fees	54,014	0	0	0	54,014
Miscellaneous Refunds	44,499	0	3,515	0	48,014
<u>Nonrecurring Items</u>					
Damages Recovered from Individuals	30	0	0	0	30
Contributions & Gifts	242	0	0	0	242
Total Other Local Revenues	\$ 98,785	\$ 0	\$ 44,944	\$ 0	\$ 143,729
<u>State of Tennessee</u>					
<u>State Education Funds</u>					
Basic Education Program	\$ 22,996,800	\$ 0	\$ 0	\$ 0	\$ 22,996,800
School Food Service	0	0	31,817	0	31,817
Driver Education	17,044	0	0	0	17,044
Other State Education Funds	143,797	0	0	0	143,797
Career Ladder Program	376,681	0	0	0	376,681
Career Ladder - Extended Contract	195,316	0	0	0	195,316
Other Vocational	450	0	0	0	450

(Continued)

Exhibit E-3

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>State of Tennessee (Cont.)</u>					
<u>Other State Revenues</u>					
State Revenue Sharing - T.V.A.	\$ 196,530	\$ 0	\$ 0	\$ 0	\$ 196,530
Other State Grants	508,906	0	0	0	508,906
Other State Revenues	101,985	0	0	0	101,985
Total State of Tennessee	\$ 24,537,509	\$ 0	\$ 31,817	\$ 0	\$ 24,569,326
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,130,857	\$ 0	\$ 1,130,857
Breakfast	0	0	400,328	0	400,328
USDA - Other	0	0	11,044	0	11,044
Adult Education State Grant Program	129,250	0	0	0	129,250
Vocational Education - Basic Grants to States	0	135,713	0	0	135,713
Title I Grants to Local Education Agencies	0	1,495,017	0	0	1,495,017
Innovative Education Program Strategies	0	12,295	0	0	12,295
Special Education - Grants to States	49,436	1,203,067	0	0	1,252,503
Special Education Preschool Grants	0	43,000	0	0	43,000
English Language Acquisition Grants	0	46,989	0	0	46,989
Safe and Drug-Free Schools - State Grants	0	31,168	0	0	31,168
Rural Education	0	177,717	0	0	177,717
Education for Homeless Children and Youth	0	27,251	0	0	27,251
Eisenhower Professional Development State Grants	0	342,056	0	0	342,056
Other Federal through State	359,648	20,844	0	0	380,492
<u>Direct Federal Revenue</u>					
ROTC Reimbursement	46,001	0	0	0	46,001
Total Federal Government	\$ 584,335	\$ 3,535,117	\$ 1,542,229	\$ 0	\$ 5,661,681
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 389,040	\$ 0	\$ 0	\$ 5,867,976	\$ 6,257,016
Total Other Governments and Citizens Groups	\$ 389,040	\$ 0	\$ 0	\$ 5,867,976	\$ 6,257,016
Total	\$ 37,650,392	\$ 3,535,117	\$ 2,670,917	\$ 5,867,976	\$ 49,724,402

Warren County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Warren County School Department
For the Year Ended June 30, 2007

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 12,058,756	
Career Ladder Program	238,505	
Career Ladder Extended Contracts	109,000	
Homebound Teachers	20,604	
Educational Assistants	627,915	
Other Salaries & Wages	282,169	
Social Security	771,393	
State Retirement	843,846	
Medical Insurance	759,773	
Unemployment Compensation	9,400	
Employer Medicare	180,406	
Other Contracted Services	375,049	
Instructional Supplies and Materials	92,834	
Textbooks	839,590	
Other Supplies and Materials	9,511	
Other Charges	48,441	
Regular Instruction Equipment	243,866	
Total Regular Instruction Program		\$ 17,511,058

Alternative Instruction Program

Teachers	\$ 155,662	
Educational Assistants	38,709	
Social Security	11,411	
State Retirement	13,868	
Medical Insurance	10,094	
Unemployment Compensation	190	
Employer Medicare	2,669	
Total Alternative Instruction Program		232,603

Special Education Program

Teachers	\$ 1,745,989	
Career Ladder Program	21,900	
Career Ladder Extended Contracts	7,000	
Homebound Teachers	46,650	
Educational Assistants	332,730	
Other Salaries & Wages	3,106	
Social Security	125,472	
State Retirement	148,319	
Medical Insurance	116,650	

(Continued)

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Unemployment Compensation	\$	1,903	
Employer Medicare		29,344	
Instructional Supplies and Materials		50,727	
Special Education Equipment		46,507	
Total Special Education Program			\$ 2,676,297

Vocational Education Program

Teachers	\$	1,177,422	
Career Ladder Program		18,435	
Social Security		69,457	
State Retirement		71,695	
Medical Insurance		71,552	
Unemployment Compensation		872	
Employer Medicare		16,244	
Instructional Supplies and Materials		28,704	
T&I Construction Materials		23,424	
Vocational Instruction Equipment		21,358	
Total Vocational Education Program			1,499,163

Adult Education Program

Teachers	\$	195,906	
Social Security		11,581	
State Retirement		10,643	
Medical Insurance		7,550	
Unemployment Compensation		190	
Employer Medicare		2,708	
Other Contracted Services		22,614	
Instructional Supplies and Materials		4,387	
Total Adult Education Program			255,579

Support Services

Attendance

Supervisor/Director	\$	64,959	
Career Ladder Program		1,000	
Clerical Personnel		27,138	
Other Salaries & Wages		153,289	
Social Security		15,049	
State Retirement		26,221	
Medical Insurance		2,621	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

Unemployment Compensation	\$	305	
Employer Medicare		3,520	
Travel		100	
Other Contracted Services		26,765	
Other Supplies and Materials		1,932	
Other Charges		36,438	
Attendance Equipment		18,280	
Total Attendance			\$ 377,617

Health Services

Medical Personnel	\$	120,107	
Other Salaries & Wages		170,471	
Social Security		18,016	
State Retirement		29,177	
Unemployment Compensation		288	
Employer Medicare		4,213	
Travel		10,570	
Other Contracted Services		22,358	
Drugs and Medical Supplies		5,266	
Other Supplies and Materials		4,813	
Other Charges		42,248	
Health Equipment		3,767	
Total Health Services			431,294

Other Student Support

Career Ladder Program	\$	7,685	
Guidance Personnel		553,359	
Attendants		60,956	
Other Salaries & Wages		198,822	
Social Security		48,047	
State Retirement		52,968	
Medical Insurance		37,330	
Unemployment Compensation		823	
Employer Medicare		11,237	
Contracts with Government Agencies		117,874	
Evaluation and Testing		78,816	
Other Contracted Services		105,221	
Other Charges		11,118	
Other Equipment		1,450	
Total Other Student Support			1,285,706

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program

Supervisor/Director	\$	191,150	
Career Ladder Program		16,000	
Career Ladder Extended Contracts		11,000	
Librarians		436,177	
Instructional Computer Personnel		63,037	
Social Security		42,516	
State Retirement		44,915	
Medical Insurance		25,514	
Unemployment Compensation		337	
Employer Medicare		9,943	
Travel		17,066	
Other Contracted Services		115,831	
Library Books/Media		69,371	
In Service/Staff Development		9,122	
Other Charges		15,511	
Total Regular Instruction Program			\$ 1,067,490

Alternative Instruction Program

Supervisor/Director	\$	46,581	
Secretary(ies)		16,441	
Social Security		3,740	
State Retirement		4,280	
Medical Insurance		2,806	
Unemployment Compensation		68	
Employer Medicare		875	
Total Alternative Instruction Program			74,791

Special Education Program

Supervisor/Director	\$	64,861	
Career Ladder Program		4,000	
Psychological Personnel		136,680	
Career Ladder Extended Contracts		4,000	
Clerical Personnel		25,806	
Other Salaries & Wages		35,755	
Social Security		14,661	
State Retirement		19,515	
Medical Insurance		22,205	
Unemployment Compensation		149	
Employer Medicare		3,429	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Travel	\$	13,121	
Other Contracted Services		<u>48,013</u>	
Total Special Education Program			\$ 392,195

Vocational Education Program

Supervisor/Director	\$	73,093	
Career Ladder Program		1,000	
Social Security		4,434	
State Retirement		3,535	
Medical Insurance		2,409	
Unemployment Compensation		50	
Employer Medicare		1,037	
Travel		2,648	
Other Charges		85	
Other Equipment		<u>13,523</u>	
Total Vocational Education Program			101,814

Adult Programs

Supervisor/Director	\$	57,018	
Career Ladder Program		1,000	
Career Ladder Extended Contracts		500	
Social Security		3,147	
State Retirement		3,587	
Medical Insurance		6,048	
Unemployment Compensation		25	
Employer Medicare		736	
Travel		<u>1,707</u>	
Total Adult Programs			73,768

Board of Education

Board and Committee Members Fees	\$	22,310	
Social Security		1,383	
State Retirement		1,299	
Employer Medicare		323	
Audit Services		6,500	
Dues and Memberships		9,689	
Legal Services		14,310	
Travel		9,286	
Liability Insurance		90,644	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Premiums on Corporate Surety Bonds	\$	1,157	
Trustee's Commission		304,674	
Workers' Compensation Insurance		239,676	
Other Charges		3,238	
Total Board of Education			\$ 704,489

Director of Schools

County Official/Administrative Officer	\$	93,660	
Career Ladder Program		1,000	
Social Security		5,869	
State Retirement		5,803	
Unemployment Compensation		25	
Employer Medicare		1,373	
Communication		51,970	
Dues and Memberships		2,509	
Postal Charges		5,951	
Travel		3,911	
Other Charges		90	
Total Director of Schools			172,161

Office of the Principal

Principals	\$	593,469	
Career Ladder Program		18,000	
Career Ladder Extended Contracts		17,500	
Assistant Principals		296,023	
Secretary(ies)		282,782	
Social Security		69,709	
State Retirement		92,021	
Medical Insurance		54,653	
Unemployment Compensation		798	
Employer Medicare		16,303	
Communication		181,875	
Dues and Memberships		4,650	
Other Supplies and Materials		324	
Other Charges		101,984	
Administration Equipment		15,354	
Total Office of the Principal			1,745,445

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services

Accountants/Bookkeepers	\$	237,003	
Secretary(ies)		41,477	
Social Security		16,430	
State Retirement		34,921	
Medical Insurance		2,380	
Unemployment Compensation		151	
Employer Medicare		3,843	
Travel		2,552	
Other Contracted Services		11,802	
Office Supplies		10,106	
Administration Equipment		8,331	
Total Fiscal Services			\$ 368,996

Operation of Plant

Supervisor/Director	\$	32,106	
Custodial Personnel		687,230	
Other Salaries & Wages		6,202	
Social Security		44,404	
State Retirement		81,947	
Medical Insurance		3,634	
Unemployment Compensation		1,315	
Employer Medicare		10,385	
Janitorial Services		5,341	
Rentals		1,941	
Other Contracted Services		30,945	
Custodial Supplies		133,893	
Electricity		1,111,610	
Natural Gas		269,703	
Water and Sewer		144,432	
Other Supplies and Materials		28,624	
Building and Contents Insurance		115,357	
Other Charges		197	
Plant Operation Equipment		5,676	
Total Operation of Plant			2,714,942

Maintenance of Plant

Supervisor/Director	\$	75,292
Secretary(ies)		27,208
Other Salaries & Wages		483,056

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Social Security	\$	36,002	
State Retirement		71,549	
Medical Insurance		1,780	
Unemployment Compensation		538	
Employer Medicare		8,420	
Laundry Service		16,457	
Other Contracted Services		90,288	
Gasoline		26,836	
Other Supplies and Materials		217,139	
Other Charges		1,748	
Maintenance Equipment		65,285	
Total Maintenance of Plant			\$ 1,121,598

Transportation

Supervisor/Director	\$	34,916	
Mechanic(s)		114,017	
Bus Drivers		589,474	
Clerical Personnel		47,959	
Other Salaries & Wages		55,404	
Social Security		51,608	
State Retirement		101,867	
Medical Insurance		2,892	
Unemployment Compensation		1,738	
Employer Medicare		12,070	
Contracts with Parents		295	
Laundry Service		6,641	
Medical and Dental Services		11,106	
Travel		859	
Diesel Fuel		200,890	
Gasoline		28,214	
Lubricants		3,866	
Tires and Tubes		39,941	
Vehicle Parts		79,889	
Other Charges		23,484	
Transportation Equipment		366,960	
Total Transportation			1,774,090

(Continued)

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services

Food Service

Career Ladder Program	\$	1,000	
Social Security		62	
State Retirement		61	
Unemployment Compensation		4	
Employer Medicare		14	
Total Food Service			\$ 1,141

Community Services

Other Salaries & Wages	\$	112,322	
Social Security		6,939	
Unemployment Compensation		378	
Employer Medicare		1,623	
Other Supplies and Materials		19,685	
Total Community Services			140,947

Early Childhood Education

Teachers	\$	139,744	
Educational Assistants		48,155	
Social Security		10,631	
State Retirement		13,363	
Medical Insurance		12,456	
Unemployment Compensation		208	
Employer Medicare		2,486	
Travel		1,629	
Other Contracted Services		592	
Instructional Supplies and Materials		20,734	
Other Supplies and Materials		16,728	
Other Charges		11,621	
Other Equipment		40,757	
Total Early Childhood Education			319,104

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	550,074	
Total Regular Capital Outlay			<u>550,074</u>

Total General Purpose School Fund \$ 35,592,362

(Continued)

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 1,064,345	
Educational Assistants	51,129	
Other Salaries & Wages	80,181	
Social Security	70,301	
State Retirement	72,599	
Medical Insurance	50,682	
Unemployment Compensation	936	
Employer Medicare	16,452	
Other Contracted Services	23,472	
Instructional Supplies and Materials	150,866	
Other Charges	9,515	
Regular Instruction Equipment	131,157	
Total Regular Instruction Program		\$ 1,721,635

Special Education Program

Teachers	\$ 86,701	
Clerical Personnel	21,005	
Educational Assistants	220,219	
Speech Pathologist	33,405	
Social Security	21,686	
State Retirement	36,076	
Medical Insurance	8,895	
Unemployment Compensation	584	
Employer Medicare	5,072	
Other Contracted Services	10,301	
Instructional Supplies and Materials	159,380	
Total Special Education Program		603,324

Vocational Education Program

Educational Assistants	\$ 14,425	
Social Security	894	
State Retirement	1,809	
Unemployment Compensation	25	
Employer Medicare	209	
Instructional Supplies and Materials	12,910	
Other Charges	2,450	
Vocational Instruction Equipment	92,328	
Total Vocational Education Program		125,050

(Continued)

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

School Federal Projects Fund (Cont.)

Support Services

Other Student Support

Travel	\$	2,000	
In Service/Staff Development		<u>5,655</u>	
Total Other Student Support	\$		7,655

Regular Instruction Program

Supervisor/Director	\$	63,450	
Clerical Personnel		20,092	
Other Salaries & Wages		88,041	
Social Security		10,261	
State Retirement		13,340	
Medical Insurance		5,570	
Unemployment Compensation		100	
Employer Medicare		2,400	
Travel		14,259	
Other Contracted Services		59	
Other Supplies and Materials		3,020	
In Service/Staff Development		167,811	
Other Charges		12,542	
Other Equipment		<u>5,926</u>	
Total Regular Instruction Program			406,871

Special Education Program

Psychological Personnel	\$	34,500	
Clerical Personnel		22,346	
Other Salaries & Wages		24,145	
Social Security		6,325	
State Retirement		7,663	
Medical Insurance		5,371	
Unemployment Compensation		95	
Employer Medicare		1,479	
Travel		18,013	
Other Contracted Services		598,488	
Other Supplies and Materials		13,305	
In Service/Staff Development		<u>32,288</u>	
Total Special Education Program			764,018

Vocational Education Program

Travel	\$	470	
In Service/Staff Development		<u>2,300</u>	
Total Vocational Education Program			<u>2,770</u>

Total School Federal Projects Fund \$ 3,631,323

(Continued)

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

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	52,511	
Accountants/Bookkeepers		76,153	
Cafeteria Personnel		811,494	
Other Salaries & Wages		26,850	
In-Service Training		6,446	
Social Security		59,819	
State Retirement		99,168	
Unemployment Compensation		1,151	
Employer Medicare		13,990	
Communication		3,045	
Maintenance & Repair Services - Equipment		52,225	
Travel		6,341	
Other Contracted Services		24,174	
Food Preparation Supplies		95,115	
Food Supplies		1,078,897	
Office Supplies		6,609	
Other Supplies and Materials		2,172	
In Service/Staff Development		3,159	
Other Charges		7,438	
Food Service Equipment		42,324	
Total Food Service			\$ 2,469,081

Total Central Cafeteria Fund \$ 2,469,081

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Building Improvements	\$	5,743,112	
Total Education Capital Projects			\$ 5,743,112

Total Education Capital Projects Fund 5,743,112

Total Governmental Funds - Warren County School Department \$ 47,435,878

SINGLE AUDIT REPORT
WARREN COUNTY, TENNESSEE
AND
WARREN COUNTY SCHOOL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2007

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

JAMES R. ARNETTE
Director

CARL LOWE, CGFM
Audit Manager

ANITA SCARLETT, CPA
Auditor 4

JESSICA L. COX, CPA, CGFM
KELLEY J. McNEAL, CPA, CGFM
State Auditors

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

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

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

September 13, 2007

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Warren County, Tennessee, and each major fund and the aggregate remaining fund information of the Warren County School Department as of and for the year ended June 30, 2007, which collectively comprise Warren County's and a portion of the Warren County School Department's basic financial statements and have issued our reports thereon dated September 13, 2007. Our report on the financial statements of Warren County, Tennessee, expresses an adverse opinion because the financial statements do not include the aggregate discretely presented component units, as required by accounting principles generally accepted in the United States of America. Our report on the financial statements of the Warren County School Department expresses an adverse opinion because management did not present government-wide financial statements, as required by accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Warren County's and the Warren County School Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Warren County's and the Warren County School Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Warren County's and the Warren County School Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 07.01, 07.02, 07.04(A), and 07.07.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Warren County's or Warren County School Department's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be significant weaknesses. However, of the significant deficiencies described above, we consider items 07.01, 07.02, and 07.04(A) to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Warren County's and Warren County School Department's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 07.03, 07.04(B), and 07.05.

We consider the following deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations: 07.06. We also noted certain matters that we reported to the management of Warren County and the Warren County School Department in separate communications.

Warren County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Warren County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the county executive, director of schools, superintendent of roads, director of accounts, Board of County Commissioners, Board of Education, others within Warren County, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/rc



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

September 13, 2007

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

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

Compliance

We have audited the compliance of Warren County and the Warren County School Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of their major federal programs for the year ended June 30, 2007. Warren County's and the Warren County School Department's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of their major federal programs is the responsibility of Warren County's and the Warren County School Department's management. Our responsibility is to express an opinion on Warren County's and the Warren County School Department's compliance based on our audit.

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

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

In our opinion, Warren County and the Warren County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Warren County and the Warren County School Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Warren County's and the Warren County School Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Warren County's and the Warren County School Department's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Warren County, Tennessee, and each major fund and the aggregate remaining fund information of the Warren County School Department, as of and for the year ended June 30, 2007, and have issued our reports

thereon dated September 13, 2007. Our report on the financial statements of Warren County, Tennessee, expresses an adverse opinion because the financial statements do not include the aggregate discretely presented component units, as required by accounting principles generally accepted in the United States of America. Our report on the Warren County School Department expresses an adverse opinion because management did not present government-wide financial statements, as required by accounting principles generally accepted in the United States of America. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Warren County's and a portion of the Warren County School Department's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards 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.

Warren County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Warren County's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the county executive, director of schools, superintendent of roads, director of accounts, others within the entity, the Board of County Commissioners, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/rc

Warren County, Tennessee, and the Warren County School Department
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2007

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 116,950
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 400,328
National School Lunch Program	10.555	N/A	1,141,901
Total Passed-through State Department of Education			\$ 1,542,229
Total U.S. Department of Agriculture			\$ 1,659,179
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grant/State's Program	14.228	(3)	\$ 159,551
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Z-07-036591-00	\$ 2,610
Passed-through Upper Cumberland Development District:			
Edward Byrne Memorial Formula Grant Program	16.579	(2)	74,385
Total U.S. Department of Justice			\$ 76,995
U.S. Department of Labor:			
Passed-through Workforce Solutions:			
WIA Youth Activities	17.259	07-06-177-084- YOUTH	\$ 63,616
Passed-through State Department of Labor and Workforce Development:			
WIA Dislocated Workers	17.260	07-58-FY7-958-STATE	16,869
Total U.S. Department of Labor			\$ 80,485
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Transportation - Consumer Affairs	20.900	Z-07-036021-00	\$ 4,995
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	(4)	\$ 129,250
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,508,654
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	1,370,017
Special Education - Preschool Grants	84.173	N/A	46,759
Vocational Education - Basic Grants to States	84.048	N/A	135,713
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	39,038
Education for Homeless Children and Youth	84.196	(2)	27,251
Fund for the Improvement of Education	84.215	(2)	122,713
State Grants for Innovative Programs	84.298	N/A	21,645
Education Technology State Grants	84.318	(2)	14,944
Rural Education	84.358	(2)	163,662
English Language Acquisition Grants	84.365	N/A	47,837
Improving Teacher Quality State Grants	84.367	N/A	342,990
Total Passed-through State Department of Education			\$ 3,841,223
Total U.S. Department of Education			\$ 3,970,473
U.S. Election Assistance Commission:			
Passed-through Tennessee Office of Secretary of State:			
Help America Vote Act Requirements Payments	90.401	(5)	\$ 127,746

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services:			
Passed-through State Department of Health:			
Abstinence Education	93.235	GG-07-12726-00	\$ 60,585
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	(2)	10,000
Block Grants for Prevention and Treatment of Substance Abuse	93.959	GG-07-12538-00	79,513
Total Passed-through State Department of Health			<u>\$ 150,098</u>
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families	93.558	Z-07-034270-00	\$ 23,222
Total U.S. Department of Health and Human Services			<u>\$ 173,320</u>
U.S. Corporation for National and Community Service:			
Passed-through State Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	(2)	\$ 3,000
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(6)	\$ 84,053
Emergency Management Performance Grants	97.042	(7)	19,484
Homeland Security Grant Program	97.067	Z-05-025218-00	20,252
Total U.S. Department of Homeland Security			<u>\$ 123,789</u>
Total Expenditures of Federal Awards			<u>\$ 6,379,533</u>

State Grants		Contract Number	
Safety Grant - State Department of Transportation	N/A	(2)	\$ 88,467
Adult Education - State Department of Labor and Workforce Development	N/A	(8)	43,083
Coordinated School Health Program - State Department of Health	N/A	(2)	94,195
Juvenile Services Program - State Department of Children's Services	N/A	Z-07-036591-00	9,390
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	13,513
Litter Program - State Department of Transportation	N/A	(2)	38,212
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-03-011299-00	32,906
Used Oil Grant - State Department of Environment and Conservation	N/A	(9)	24,360
Rural Local Health Services - State Department of Health	N/A	Z-05-020514	349,549
Family Resource - State Department of Education	N/A	(2)	33,300
Airport Maintenance Program - State Department of Transportation	N/A	(2)	100,218
FastTrack Infrastructure Development Program - State Department of Economic and Community Development	N/A	(10)	802,385
Voluntary Pre-K for Tennessee - State Department of Education	N/A	(2)	304,180
Safe Schools Act - State Department of Education	N/A	(2)	34,148
Total State Grants			<u>\$ 1,967,906</u>

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) GG-05-11630-01: \$76,281; GG-05-11662-00: \$83,270.
- (4) Z-07-033750-00: \$122,725; GG-07-12925-00: \$6,525.
- (5) Z-06-033004-00: \$125,096; Z-07-307445-00: \$2,650.
- (6) Z-02-010532-00: \$35,704; Z-03-017992-00: \$8,159; Z-06-034062-00 \$40,190.
- (7) Z-07-020628-00: \$15,360; Z-06-032863-00: \$4,124.
- (8) Z-07-033750-00: \$40,908; GG-07-12925-00: \$2,175.
- (9) Z-05-024391-00: \$11,500; Z-05-024392-00: \$12,860.
- (10) GG-05-11632-00: \$24,583; GG-05-11933-00: \$41,702; GG-06-12060-00: \$259,568; GG-07-12915-00: \$476,532

Warren County, Tennessee, and the Warren County School Department
Schedule of Audit Findings Not Corrected
June 30, 2007

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Warren County, Tennessee, and the Warren County School Department for the year ended June 30, 2006, which have not been corrected.

WARREN COUNTY SCHOOL DEPARTMENT

Finding Number	Page Number	Subject
06.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

OFFICE OF COUNTY EXECUTIVE

Finding Number	Page Number	Subject
06.02	13	The write-off policy for uncollectible accounts of the Ambulance Service gives sole authority for the write-off to one individual

OFFICE OF SHERIFF

Finding Number	Page Number	Subject
06.05	16	The office had deficiencies in the operation of the commissary

OTHER FINDINGS

Finding Number	Page Number	Subject
06.07	15	A central system of accounting, budgeting, and purchasing had not been adopted
06.08	16	Duties were not segregated adequately in the Offices of County Executive; Superintendent of Roads; Director of Schools; Trustee; County Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2007

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Adverse opinions were issued on the financial statements of Warren County and the the Warren County School Department.
2. The audit of the financial statements of Warren County and the Warren County School Department disclosed significant deficiencies in internal control. Two of these deficiencies were considered to be material weaknesses in Warren County. One of these deficiencies was considered to be a material weakness in the Warren County School Department.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of the Warren County School Department.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), the Special Education Cluster: Special Education - Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173), and the Improving Teacher Quality State Grants (CFDA No. 84.367) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Warren County and the Warren County School Department did not qualify as low-risk auditees.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

OFFICE OF COUNTY EXECUTIVE

FINDING 07.01 **THE ACTUAL FUND BALANCES OF THE GENERAL, DRUG CONTROL, AND GENERAL DEBT SERVICE FUNDS EXCEEDED THE ESTIMATED FUND BALANCES BY MATERIAL AMOUNTS**
(Internal Control – Material Weakness Under Government Auditing Standards)

The General, Drug Control, and General Debt Service Funds' actual beginning fund balances at July 1, 2006, exceeded the estimated fund balances presented to the County Commission by the following amounts:

<u>Fund</u>	<u>Actual Fund Balance 7-1-06</u>	<u>Estimated Fund Balance 7-1-06</u>	<u>Variance</u>
General	\$ 2,280,010	\$ 1,609,818	\$ 670,192
Drug Control	99,023	58,921	40,102
General Debt Service	9,827,321	8,138,639	1,688,682

RECOMMENDATION

Estimates of the beginning fund balance should be made on a more realistic basis to provide county officials with accurate information to base funding decisions. The estimated beginning fund balance should be amended during the year when it becomes apparent that the original estimate varies from the actual by a material amount.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

Warren County tries to provide accurate estimates of beginning fund balances during the budget process; however, due to the timing of the budget process, the receipt of revenues, and the payment of expenditures after the budget process has begun, it is difficult to provide information on a more realistic basis. However, Warren County will continue to try to provide estimated beginning fund balances on a more realistic basis in order to provide county officials with accurate information to base funding decisions.

FINDING 07.02 THE WRITE-OFF POLICY FOR UNCOLLECTIBLE ACCOUNTS OF THE AMBULANCE SERVICE GIVES SOLE AUTHORITY TO ONE INDIVIDUAL WITHOUT OVERSIGHT BY MANAGEMENT
(Internal Control – Material Weakness Under Government Auditing Standards)

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

RECOMMENDATION

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

MANAGEMENT’S RESPONSE – COUNTY EXECUTIVE

Based upon counsel by the county attorney, the write-off policy for uncollectible accounts of the Warren County Ambulance Service is considered adequate. However, Warren County will consider implementing a write-off policy for uncollectible accounts that provides for committee approval prior to the write-offs.

REBUTTAL

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance caused by error or fraud may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. By giving the sole authority to write-off accounts receivable to one individual, there is no supervisory review or approval; therefore, there is no internal control over write-offs.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 07.03 GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
(Material Noncompliance Under Government Auditing Standards)

The Warren County School Department did not identify and determine the historical value of its capital assets and the related depreciation amounts of these assets. Therefore, the

School Department was unable to provide the information necessary to prepare government-wide financial statements for all of its activities, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. GASB is the standard-setting body for accounting principles that state and local governments are required to follow. As a result of this omission, the School Department’s financial statements are not presented in accordance with generally accepted accounting principles; thus, we have issued an adverse opinion on the financial statements.

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

RECOMMENDATION

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

FINDING 07.04 **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS**
(A. – Internal Control – Material Weakness Under Government Auditing Standards; B. – Noncompliance Under Government Auditing Standards)

Our examination of budget operations revealed the following deficiencies:

- A. The Central Cafeteria Fund’s actual fund balance at July 1, 2006, was \$1,050,462; however, the estimated fund balance reflected in the county’s budget was \$662,364. Therefore, the actual fund balance was \$388,098 more than the estimated fund balance presented to the County Commission.

- B. During the year, several School Federal Projects Fund budget amendments were posted to the accounting records that had not been submitted to or approved by the Board of Education or the County Commission. Section 5-9-407, Tennessee Code Annotated, requires the approval of the Board of Education and County Commission for budget amendments that affect a major category. Budget amendments that were not properly approved have not been recognized in the financial statements of this report.

RECOMMENDATION

Estimates of the beginning fund balance should be made on a more realistic basis to provide county officials with accurate information to base funding decisions. The estimated beginning fund balance should be amended during the year when it becomes apparent that the original estimate varies from actual by a material amount. Budget amendments affecting major categories should be approved by the Board of Education and the County Commission.

OFFICE OF SHERIFF

FINDING 07.05 **THE OFFICE HAD DEFICIENCIES IN THE OPERATION OF THE COMMISSARY** (Noncompliance Under Government Auditing Standards)

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

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

RECOMMENDATION

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

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 07.06 **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED** (Internal Control – Control Deficiency Under Government Auditing Standards)

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

RECOMMENDATION

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

FINDING 07.07 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY EXECUTIVE; SUPERINTENDENT OF ROADS; DIRECTOR OF SCHOOLS; TRUSTEE; COUNTY CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; CLERK AND MASTER; REGISTER; AND SHERIFF**

(Internal Control – Significant Deficiency Under Government Auditing Standards)

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

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

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

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

There were no findings and questioned costs for federal awards.

**WARREN COUNTY, TENNESSEE, AND THE
WARREN COUNTY SCHOOL DEPARTMENT
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2007**

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

County Executive – Summary Schedule of Prior Year's Findings

FINDINGS 06.08 and 06.09

Although the County Executive's Office as a whole lacks sufficient segregation of duties, additional controls are in place over the expenditure of federal funds and reporting to federal agencies that we feel mitigates the lack of segregation of duties as it pertains to federal awards.

Director of Schools – Summary Schedule of Prior Year's Findings

FINDINGS 06.08 and 06.09

Although the School Department as a whole lacks sufficient segregation of duties, additional controls are in place over the expenditure of federal funds and reporting to federal agencies that we feel mitigates the lack of segregation of duties as it pertains to federal awards.