

**ANNUAL FINANCIAL REPORT
WAYNE COUNTY, TENNESSEE**

**ANNUAL FINANCIAL REPORT
WAYNE COUNTY SCHOOL DEPARTMENT
SINGLE AUDIT REPORT**



FOR THE YEAR ENDED JUNE 30, 2004

**COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
NASHVILLE, TENNESSEE**

ANNUAL FINANCIAL REPORT
WAYNE COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2004

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WAYNE COUNTY, TENNESSEE TABLE OF CONTENTS

	Exhibit/Table	Page
Audit Highlights		i
<u>INTRODUCTORY SECTION</u>		
Wayne County Officials		1
<u>FINANCIAL SECTION</u>		
Independent Auditor's Report		5
BASIC FINANCIAL STATEMENTS:		
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	A	11
Statement of Revenues, Expenditures, and Changes in Fund Balances	B	12
Proprietary Funds:		
Statement of Net Assets	C-1	13
Statement of Revenues, Expenses, and Changes in Net Assets	C-2	14
Statement of Cash Flows	C-3	15
Fiduciary Funds:		
Statement of Fiduciary Net Assets	D	16
Notes to the Financial Statements		17
Required Supplementary Information:		
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	E-1	39
Solid Waste/Sanitation Fund	E-2	42
Highway/Public Works Fund	E-3	43
Notes to the Required Supplementary Information		45
 COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES		
Nonmajor Governmental Funds:		
Combining Balance Sheet	F-1	51
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	52
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
Special Purpose Fund	F-3	53

	Exhibit/Table	Page
Drug Control Fund	F-4	54
General Capital Projects Fund	F-5	55
Community Development/Industrial Park Fund	F-6	56
Highway Capital Projects Fund	F-7	57
Major Governmental Fund:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	G	61
Agency Funds:		
Combining Statement of Fiduciary Net Assets	H-1	65
Combining Statement of Changes in Assets and Liabilities	H-2	66
Miscellaneous Schedules:		
Schedule of Changes in Long-term Notes and Bonds	I-1	69
Schedule of Bond and Interest Requirements by Year	I-2	70
Schedule of Transfers – All Funds	I-3	71
Schedule of Salaries and Official Bonds of Principal Officials	I-4	72
Schedule of Detailed Revenues – All Governmental Fund Types	I-5	73
Schedule of Detailed Expenditures – All Governmental Fund Types	I-6	81
Schedule of Detailed Revenues and Expenses – Workers’ Compensation Fund – Internal Service Fund	I-7	97
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	I-8	98

STATISTICAL SECTION

Uncollected Taxes Filed in Chancery Court	1	101
Tax Rates and Assessments – Last Ten Years	2	102

Audit Highlights

Annual Financial Report
Wayne County, Tennessee
For the Year Ended June 30, 2004

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of Wayne County as of and for the year ended June 30, 2004.

Results

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

Our audit resulted in 12 findings and recommendations, which we have reviewed with Wayne County management. Detailed findings, recommendations, and management's responses are included in the Single Audit Report.

The following are summaries of the audit findings:

WAYNE COUNTY:

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

OFFICE OF COUNTY MAYOR:

- ◆ The office did not issue purchase orders for some applicable purchases.
 - ◆ The office has not implemented adequate controls over its information resources.
-

OFFICE OF SUPERINTENDENT OF HIGHWAYS:

- ◆ Several expenditures were coded to accounts that did not reflect the true nature of the transaction. Also, budget amendments were not properly approved and recorded.
 - ◆ The county road list did not include a summary of changes from the prior year.
 - ◆ The Highway Department did not maintain a system to account for the use of road materials.
 - ◆ A road on the county road list was obstructed, and the department did not resolve the problem.
-

OFFICE OF COUNTY CLERK:

- ◆ The office did not maintain accounting records and did not prepare state and county reports on a current basis.
 - ◆ The county clerk did not deposit collections within three days of receipt, as required by state statute.
-

OFFICE OF SHERIFF:

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

OTHER FINDINGS:

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

INTRODUCTORY SECTION

Wayne County Officials

June 30, 2004

Officials:

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

Board of County Commissioners:

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

FINANCIAL SECTION

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

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

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Wayne County, Tennessee, as of June 30, 2004, or the changes in its financial position or its cash flows, where applicable, for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Wayne County, Tennessee, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

The budgetary comparison information on pages 39 through 45 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

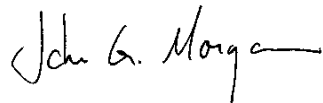
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wayne County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the general debt service fund, miscellaneous schedules, and statistical tables 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 and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Page 3

As described in Note I, Wayne County prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with standards adopted by the Comptroller of the Treasury of the State of Tennessee. This results in a change in the format and content of the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated August 25, 2004, on our consideration of the Wayne County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Wayne County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2004

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Solid Waste/ Sanitation	Highway/ Public Works	General Debt Service	Other Governmental Funds	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,618	\$ 22,618
Equity in Pooled Cash and Investments	1,709,721	231,734	537,135	1,705,345	2,063,232	6,247,167
Accounts Receivable	0	8,253	0	0	48	8,301
Due from Other Governments	100,514	0	323,286	139,933	0	563,733
Due from Other Funds	398	0	0	0	0	398
Due from Component Units	9,000	0	0	0	0	9,000
Property Taxes Receivable	1,788,852	423,627	37,737	255,027	0	2,505,243
Allowance for Uncollectible Property Taxes	(49,201)	(11,708)	(948)	(7,623)	0	(69,480)
Total Assets	\$ 3,559,284	\$ 651,906	\$ 897,210	\$ 2,092,682	\$ 2,085,898	\$ 9,286,980
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 0	\$ 3,647	\$ 0	\$ 0	\$ 0	\$ 3,647
Payroll Deductions Payable	0	37	0	0	0	37
Due to Other Funds	0	0	0	0	398	398
Due to Component Units	7,869	0	0	0	0	7,869
Deferred Revenue - Current Property Taxes	1,614,498	381,924	34,720	225,683	0	2,256,825
Deferred Revenue - Delinquent Property Taxes	125,153	29,995	2,069	21,721	0	178,938
Other Deferred Revenues	12,026	0	161,643	69,967	0	243,636
Total Liabilities	\$ 1,759,546	\$ 415,603	\$ 198,432	\$ 317,371	\$ 398	\$ 2,691,350
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 24,007	\$ 8,119	\$ 0	\$ 0	\$ 4,895	\$ 37,021
Reserved for Alcohol and Drug Treatment	54,237	0	0	0	0	54,237
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	123,530	0	0	0	0	123,530
Reserved for Computer System - Register	14,530	0	0	0	0	14,530
Reserved for Capital Outlay	0	15,647	0	0	0	15,647
Unreserved, Reported In:						
General Fund	1,583,434	0	0	0	0	1,583,434
Special Revenue Funds	0	212,537	698,778	0	428,318	1,339,633
Debt Service Funds	0	0	0	1,775,311	0	1,775,311
Capital Projects Funds	0	0	0	0	1,652,287	1,652,287
Total Fund Balances	\$ 1,799,738	\$ 236,303	\$ 698,778	\$ 1,775,311	\$ 2,085,500	\$ 6,595,630
Total Liabilities and Fund Balances	\$ 3,559,284	\$ 651,906	\$ 897,210	\$ 2,092,682	\$ 2,085,898	\$ 9,286,980

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

Exhibit B

Wayne County, Tennessee
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004

	Major Funds				Nonmajor	Total
	General	Solid Waste/ Sanitation	Highway/ Public Works	General Debt Service	Other Governmental Funds	
<u>Revenues</u>						
Local Taxes	\$ 1,785,569	\$ 481,160	\$ 27,402	\$ 1,120,550	\$ 28,748	\$ 3,443,429
Licenses and Permits	4,100	0	0	0	0	4,100
Fines, Forfeitures and Penalties	96,101	0	0	0	5,159	101,260
Charges for Current Services	9,309	0	232	0	94,116	103,657
Other Local Revenues	49,001	47,550	70,642	202,271	247,487	616,951
Fees Received from County Officials	485,123	0	0	0	0	485,123
State of Tennessee	251,893	81,837	2,178,522	0	224,928	2,737,180
Federal Government	155,488	0	458,736	0	275,279	889,503
Other Governments and Citizens Groups	0	0	63,069	0	15,000	78,069
Total Revenues	\$ 2,836,584	\$ 610,547	\$ 2,798,603	\$ 1,322,821	\$ 890,717	\$ 8,459,272
<u>Expenditures</u>						
Current:						
General Government	\$ 583,461	\$ 0	\$ 0	\$ 0	\$ 0	\$ 583,461
Finance	218,553	0	0	0	94,116	312,669
Administration of Justice	372,677	0	0	0	0	372,677
Public Safety	843,085	0	0	0	564	843,649
Public Health and Welfare	131,995	504,560	0	0	352,510	989,065
Social, Cultural, and Recreational Services	144,441	0	0	0	0	144,441
Agricultural and Natural Resources	84,151	0	0	0	0	84,151
Other Operations	251,201	16,152	0	0	0	267,353
Highways	40,786	0	2,740,692	0	179	2,781,657
Debt Service:						
Principal	0	0	0	841,354	0	841,354
Interest	0	0	0	777,914	0	777,914
Other Debt Service	0	0	0	22,200	0	22,200
Capital Projects	0	0	0	0	802,779	802,779
Total Expenditures	\$ 2,670,350	\$ 520,712	\$ 2,740,692	\$ 1,641,468	\$ 1,250,148	\$ 8,823,370
Excess (Deficiency) of Revenues Over Expenditures	\$ 166,234	\$ 89,835	\$ 57,911	\$ (318,647)	\$ (359,431)	\$ (364,098)
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0	\$ 0	\$ 0	\$ 35,000	\$ 0	\$ 35,000
Transfers Out	0	0	(35,000)	0	0	(35,000)
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ (35,000)	\$ 35,000	\$ 0	\$ 0
Net Change in Fund Balances	\$ 166,234	\$ 89,835	\$ 22,911	\$ (283,647)	\$ (359,431)	\$ (364,098)
Fund Balance, July 1, 2003	1,633,504	146,468	675,867	2,058,958	2,444,931	6,959,728
Fund Balance, June 30, 2004	\$ 1,799,738	\$ 236,303	\$ 698,778	\$ 1,775,311	\$ 2,085,500	\$ 6,595,630

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

Wayne County, Tennessee
Statement of Net Assets
Proprietary Fund
June 30, 2004

	Internal Service Fund
	<u>Workers'</u> <u>Compensation</u> <u>Fund</u>
 <u>ASSETS</u>	
Cash	\$ 80,006
Equity in Pooled Cash and Investments	<u>181,727</u>
Total Assets	<u>\$ 261,733</u>
 <u>LIABILITIES</u>	
Claims and Judgments Payable	<u>\$ 19,000</u>
Total Liabilities	<u>\$ 19,000</u>
 <u>NET ASSETS</u>	
Unrestricted	<u>\$ 242,733</u>
Total Net Assets	<u><u>\$ 242,733</u></u>

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

Exhibit C-2

Wayne County, Tennessee
Statement of Revenues, Expenses and
Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2004

	Internal Service Fund
	Workers' Compensation Fund
<u>Operating Revenues</u>	
Charges for Current Services	\$ 150,000
Other Local Revenues	<u>4,337</u>
Total Operating Revenues	<u>\$ 154,337</u>
<u>Operating Expenses</u>	
Employee Benefits	<u>\$ 134,026</u>
Total Operating Expenses	<u>\$ 134,026</u>
Operating Income (Loss)	<u>\$ 20,311</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	<u>\$ 1,356</u>
Total Nonoperating Revenues (Expenses)	<u>\$ 1,356</u>
Change in Net Assets	\$ 21,667
Net Assets , July 1, 2003	<u>221,066</u>
Nets Assets, June 30, 2004	<u><u>\$ 242,733</u></u>

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

Wayne County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2004

	Internal Service Fund
	<u>Workers' Compensation Fund</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from interfund services provided	\$ 154,337
Payments for employee benefits	<u>(161,193)</u>
Net cash provided by (used in) operating activities	<u>\$ (6,856)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Investment Income	<u>\$ 1,356</u>
Net Cash Provided By (Used In) Investing Activities	<u>\$ 1,356</u>
Net increase (decrease) in cash and cash equivalents	\$ (5,500)
Cash and cash equivalents, July 1, 2003	<u>267,233</u>
Cash and cash equivalents, June 30, 2004	<u><u>\$ 261,733</u></u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>	
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	
Operating income (loss)	\$ 20,311
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:	
Increase (decrease) in Claims and Judgments Payable	<u>(27,167)</u>
Net cash provided by (used in) operating activities	<u><u>\$ (6,856)</u></u>

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

Exhibit D

Wayne County, Tennessee
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 956,630
Due from Other Governments	<u>71,869</u>
Total Assets	<u>\$ 1,028,499</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 71,869
Due to Litigants, Heirs and Others	<u>956,630</u>
Total Liabilities	<u>\$ 1,028,499</u>

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

WAYNE COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wayne County's financial statements are not presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments. In June 1999, the GASB unanimously approved Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments. Some of the significant changes in the statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of a government's overall financial position and results of operations
- Government-wide financial statements prepared using full accrual accounting for all of a government's activities, including infrastructure (roads, bridges, etc.)
- A change in the fund financial statements to focus on the major funds

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

Although Wayne County's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement 34. These standards require fund financial statements 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.

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

A. Reporting Entity

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

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

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

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

The Wayne County Nursing Home provides residential health care to the citizens of Wayne County, and the Wayne County Commission appoints its governing body. The nursing home must obtain the County Commission's approval before the issuance of any debt.

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

The Wayne County School Department, Wayne County Nursing Home, and the Wayne County Emergency Communications District issue separate financial statements from those of the county. The School Department's financial statements are published as a separate report but under the same cover as the county's financial statements. The Wayne County Nursing Home's and Wayne County Emergency Communications District's financial statements are published as separate reports. Complete financial statements of the Wayne County Nursing Home and the Wayne County Emergency

Communications District can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Wayne County Nursing Home
Highway 64 East
Waynesboro, TN 38485

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

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

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

Wayne County reports the following major governmental funds:

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

Solid Waste/Sanitation Fund – This fund is used to account for transactions relating to the solid waste transfer station.

Highway/Public Works Fund – This fund is used to account for transactions of the county Highway Department.

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

Additionally, Wayne County reports the following fund types:

Internal Service Fund – The Workers’ Compensation Fund is used to account for the county’s self-insured workers’ compensation program. Assessments charged to the county’s General and Highway/Public Works Funds and the School Department’s General Purpose School Fund are placed in this fund for the payment of claims of county employees.

Capital Projects Funds – The General Capital Projects, the Community Development/Industrial Park, and the Highway Capital Projects Funds are used to account for capital expenditures of the county.

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

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

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 workers' compensation program. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the county's internal service fund are charges for services. Operating expenses for the internal service fund include administrative expenses and employee benefits.

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

C. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

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

The county trustee maintains a cash and internal investment pool that is used by all Wayne County and Wayne County School Department funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is

assigned to the General, Solid Waste/Sanitation, Special Purpose, General Capital Projects, Community Development/Industrial Park, and General Purpose School Funds. Wayne County and the Wayne County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables

Outstanding balances between funds are reported as due to/from other funds.

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

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not

available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

3. Capital Assets

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

4. Compensated Absences

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

5. Long-term Obligations

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

Governmental funds recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. Fund Equity

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. At June 30, 2004, the General Fund had \$14,445 designated for emergency management, and the General Capital Projects Fund had \$74,825 designated for solid waste repairs and equipment.

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

- a. *Invested in capital assets, net of related debt* – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net assets* – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net assets* – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Total cash and investments for all funds are as follows for Wayne County:

	Exhibit A- Governmental Funds	Exhibit C-1- Proprietary Fund	Exhibit D- Fiduciary Funds
Cash	\$ 22,618	\$ 80,006	\$ 956,630
Equity in Pooled Cash and Investments	<u>6,247,167</u>	<u>181,727</u>	<u>0</u>
Total	<u>\$ 6,269,785</u>	<u>\$ 261,733</u>	<u>\$ 956,630</u>

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

Cash on the balance sheets or statements of net assets includes cash on hand and demand deposits and is analyzed as follows:

	Exhibit A- Governmental Funds	Exhibit C-1- Proprietary Fund	Exhibit D- Fiduciary Fund
Cash on Hand	\$ 650	\$ 0	\$ 125
Cash in Bank	21,968	80,006	956,505
Total	<u>\$ 22,618</u>	<u>\$ 80,006</u>	<u>\$ 956,630</u>

Deposits – All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public 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.

Separate disclosures concerning carrying amounts and bank balances of pooled deposits cannot be made for Wayne County and the discretely

presented Wayne County School Department since both pool their deposits and investments through the county trustee. The carrying amount of Wayne County's and the Wayne County School Department's deposits with financial institutions was \$5,999,173, and the bank balance was \$7,743,470. These deposits are categorized as follows to give an indication of the level of risk assumed at year-end. Category 1 includes deposits insured or collateralized with securities held by the entity or its agent in the entity's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's agent or trust department in the entity's name. Category 3 includes deposits uncollateralized or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the entity's name. Category 1 deposits were \$7,743,470.

Investments – 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.

Pooled investments are separately categorized as follows to give an indication of the level of risk assumed at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the entity or its agent in the entity's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the entity's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the entity's name. Funds invested in the State Treasurer's Investment Pool are not required to be categorized by generally accepted accounting principles. Separate disclosures for internally pooled investments cannot be made for Wayne County and the discretely presented Wayne County School Department, as noted for deposits. Pooled investments with a reported amount and fair value of \$2,510,794 consisted entirely of funds deposited with the State Treasurer's Investment Pool.

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2004, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 398

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

Due to/from primary government and component units:

Receivable Fund	Payable Fund	Amount
Primary government: General	Component unit: School Department: General Purpose School	\$ 9,000
Component unit: School Department: General Purpose School	Primary government: General	7,869

The above balances result from revenues that were posted incorrectly to the accounting records.

Interfund Transfers

Interfund transfers for the year ended June 30, 2004, consisted of the following amounts:

Primary Government

Transfers Out	Transfers In
	General
	Debt
	Service
	Fund
Highway/Public Works Fund	\$ 35,000
Total	\$ 35,000

The county made a one-time transfer of \$35,000 from the Highway/Public Works Fund to the General Debt Service Fund to retire debt.

C. Long-term Debt

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

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 24 years for bonds and up to 11 years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2004, will be retired from the General Debt Service and Special Purpose Funds.

General obligation bonds and capital outlay notes outstanding as of June 30, 2004, are as follows:

Type	Interest Rate	Amount
General Obligation Bonds	4.21 to 5.55 %	\$ 8,415,000
General Obligation Bonds - Refunding	3.72	9,435,000
Capital Outlay Notes	2.5 to 4.08	2,041,545

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2004, including interest payments of \$8,282,158 (bonds) and \$291,932 (notes), are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2005	\$ 575,000	\$ 733,140	\$ 351,545	\$ 67,454
2006	600,000	707,937	360,000	56,430
2007	625,000	681,372	370,000	45,036
2008	655,000	653,262	140,000	36,312

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2009	\$ 690,000	\$ 623,387	\$ 150,000	\$ 30,393
2010-2014	3,955,000	2,608,494	670,000	56,307
2015-2019	4,810,000	1,665,863	0	0
2020-2024	5,940,000	608,703	0	0
Total	<u>\$ 17,850,000</u>	<u>\$ 8,282,158</u>	<u>\$ 2,041,545</u>	<u>\$ 291,932</u>

There is \$1,775,311 available in the General Debt Service Fund to service long-term debt. General bonded debt per capita amounted to \$1,060, based on the 2000 federal census. Total debt per capita, including bonds and notes, amounted to \$1,181, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2004, was as follows:

	Bonds	Notes
Governmental Activities:		
Balance, July 1, 2003	\$ 18,470,000	\$ 2,382,899
Additions	0	0
Deductions	(620,000)	(341,354)
Balance, June 30, 2004	<u>\$ 17,850,000</u>	<u>\$ 2,041,545</u>
Balance Due Within One Year	<u>\$ 575,000</u>	<u>\$ 351,545</u>

Defeasance of Prior Debt

In prior years, Wayne County defeased certain outstanding general obligation bonds by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. The trustee is empowered and required to pay all principal and interest on the defeased bonds as originally scheduled. Accordingly, the trust accounts and the defeased bonds are not included in the county's financial statements. At June 30, 2004, the following outstanding bonds are considered defeased:

	Amount
1999 School Bonds	\$ 4,605,000
2000 School Bonds	3,820,000

D. Short-term Debt

Wayne County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the Solid Waste/Sanitation Fund. These notes were necessary because funds were not available to meet cash flow requirements. Short-term debt activity for the year ended June 30, 2004, was as follows:

	Balance 7-1-03	Issued	Redeemed	Balance 6-30-04
Tax Anticipation Notes	\$ 0	\$ 100,000	\$ (100,000)	\$ 0

III. OTHER INFORMATION

A. Risk Management

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

In prior years, the county had chosen to establish the Workers' Compensation Fund for risks associated with workers' compensation claims. Even though the county has purchased commercial insurance coverage for workers' compensation claims, the Workers' Compensation Fund remains open to settle claims that were already in existence at July 1, 2002. The Workers' Compensation Fund is accounted for as an internal service fund in which assets are set aside for claim settlements administered by Brentwood Services Administrators, Inc.

During the fiscal year, the Wayne County General Government, Highway Department, and the discretely presented Wayne County School Department each contributed \$50,000 to the Workers' Compensation Fund.

Liabilities of the Workers' Compensation 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 claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. Claims liabilities include specific, incremental claim adjustment 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
2002-03	\$ 136,311	\$ 9,852	\$ (99,996)	\$ 46,167
2003-04	46,167	0	(27,167)	19,000

No further claims that will be covered by self-insurance are expected to arise. The Workers' Compensation Fund will be closed upon settlement of the existing claims.

B. Accounting Changes

At the beginning of the year, Wayne County adopted certain provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. As previously discussed under the Summary of Significant Accounting Policies, Wayne County elected to only implement the provisions of Statement 34 that relate to the fund financial statements. These provisions eliminated the general long-term debt account group.

At the beginning of the year, Wayne County also adopted the provisions of GASB Interpretation 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements. The provisions of Interpretation 6 are applicable to governmental funds following the modified accrual basis of accounting. Under these provisions, fund liabilities and expenditures are accrued for the matured portion of long-term indebtedness (the portion that has come due). Fund liabilities and expenditures for compensated absences and claims and judgments are recognized to the extent that the liabilities have matured (come due for payment). Wayne County was already following these provisions in governmental fund financial statements. Therefore, Interpretation 6 had no effect on the governmental fund financial statements.

C. Subsequent Event

The County Commission has authorized the issuance of capital outlay notes totaling \$150,000 for courthouse improvements, patrol cars, and office equipment.

D. Contingent Liabilities

There are several pending lawsuits in which the county is involved. The county attorney estimates that the potential claims not covered by insurance

resulting from such litigation would not materially affect the county's financial statements.

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

E. Joint Ventures

The Joint Economic and Community Development Board is a joint venture between Wayne County and the Cities of Clifton, Collinwood, and Waynesboro. The board comprises 11 members selected as follows:

1. The county mayor of Wayne County
2. The mayor of the City of Clifton
3. The mayor of the City of Collinwood
4. The mayor of the City of Waynesboro
5. A member of the private sector who owns land and is selected by the other ten members
6. A member of the private sector selected by the Wayne County Commission
7. A member of the private sector selected by the City of Clifton
8. A member of the private sector selected by the City of Collinwood
9. A member of the private sector selected by the City of Waynesboro
10. A member of the private sector selected by the other ten members
11. A representative of the Tennessee Valley Electric Cooperative

The purpose of the board is to expand and diversify the economy of the cities and county. The cities and county provide the majority of funding for the board based on the percentage of their population compared to the total

census of the county. Wayne County did not appropriate any funds to the Joint Economic and Community Development Board during the 2003-04 year.

The Twenty-Second Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twenty-Second Judicial District, Wayne County, and various cities within the district. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a Board of Directors that includes the district attorney general and the sheriffs and police chiefs of participating law enforcement agencies within each judicial district. Wayne County made no contributions to the DTF for the year ended June 30, 2004.

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

Administrative Offices:

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

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

F. Jointly Governed Organization

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

G. Retirement Commitments

Plan Description

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

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

Funding Policy

Wayne County requires employees to contribute 5.0 percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2004, was 2.29 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Wayne County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2004, Wayne County's annual pension cost of \$151,767 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2001, 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 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Wayne County's unfunded actuarial accrued liability is amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2001, was 15 years.

Trend Information

Fiscal Year Ended	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2004	\$ 151,767	100%	\$ 0
June 30, 2003	140,972	100	0
June 30, 2002	86,240	100	0

Required Supplementary Information

Schedule of Funding Progress for Wayne County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2003	\$ 11,284	\$ 11,284	\$ 0	100%	\$ 5,959	0%
6/30/2001	10,181	10,181	0	100	5,027	0
6/30/1999	8,445	8,445	0	100	4,583	0

Changes in Actuarial Assumptions

An actuarial valuation was performed as of July 1, 2003, which established contribution rates effective July 1, 2004. 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 3.0 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.

H. Purchasing Laws

Office of County Mayor

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

Office of Superintendent of Highways

Purchasing procedures for the Highway Department are governed by provisions of the Uniform Road Law, Section 54-7-113, Tennessee Code Annotated, which provides for purchases exceeding \$5,000 to be made after public advertisement and solicitation of competitive bids.

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit E-1

Wayne County, Tennessee
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 General Fund
 For the Year Ended June 30, 2004

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2003	Add: Encumbrances 6/30/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	\$ 1,785,569	\$ 0	\$ 0	\$ 1,785,569	\$ 1,684,328	\$ 1,684,829	\$ 100,740
Licenses and Permits	4,100	0	0	4,100	3,750	3,750	350
Fines, Forfeitures and Penalties	96,101	0	0	96,101	86,730	86,730	9,371
Charges for Current Services	9,309	0	0	9,309	9,500	9,500	(191)
Other Local Revenues	49,001	0	0	49,001	47,918	56,960	(7,959)
Fees Received from County Officials	485,123	0	0	485,123	479,935	479,935	5,188
State of Tennessee	251,893	0	0	251,893	290,906	290,906	(39,013)
Federal Government	155,488	0	0	155,488	187,717	151,805	3,683
Total Revenues	\$ 2,836,584	\$ 0	\$ 0	\$ 2,836,584	\$ 2,790,784	\$ 2,764,415	\$ 72,169
Expenditures							
General Government							
County Commission	\$ 203,678	\$ (1,801)	\$ 485	\$ 202,362	\$ 225,350	\$ 225,350	\$ 22,988
County Mayor	102,934	0	0	102,934	109,803	109,803	6,869
Election Commission (Including Voter Registration)	69,158	0	3,900	73,058	75,650	75,650	2,592
Register of Deeds	88,579	(6,543)	1,865	83,901	86,508	86,508	2,607
County Buildings	108,428	(625)	450	108,253	107,247	109,878	1,625
Other General Administration	10,684	0	0	10,684	10,702	10,702	18
Finance							
Property Assessor's Office	98,455	0	0	98,455	101,999	101,999	3,544
Reappraisal Program	12,154	0	0	12,154	21,145	21,145	8,991
County Trustee's Office	10,279	0	132	10,411	11,081	11,080	669
County Clerk's Office	97,665	(190)	16	97,491	96,454	99,523	2,032
Administration of Justice							
Circuit Court	152,566	(80)	0	152,486	146,039	157,374	4,888
General Sessions Court	101,012	0	32	101,044	108,375	102,823	1,779
Chancery Court	96,053	(1,467)	440	95,026	95,469	95,468	442
Juvenile Court	23,046	0	0	23,046	20,290	25,842	2,796
Public Safety							
Sheriff's Department	332,194	(2,207)	1,850	331,837	319,579	343,971	12,134

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2003	Add: Encumbrances 6/30/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Public Safety (Cont.)</u>							
Jail	\$ 289,316	\$ (5,206)	\$ 4,134	\$ 288,244	\$ 294,251	\$ 298,298	\$ 10,054
Civil Defense	129,638	0	7,988	137,626	190,992	155,080	17,454
Other Emergency Management	74,315	(523)	155	73,947	74,950	76,550	2,603
County Coroner/Medical Examiner	9,507	0	0	9,507	4,500	12,048	2,541
Public Safety Grant Programs	6,251	0	0	6,251	6,700	6,251	0
Other Public Safety	1,864	0	0	1,864	2,000	2,000	136
<u>Public Health and Welfare</u>							
Local Health Center	42,049	(5,352)	60	36,757	40,070	40,070	3,313
Alcohol and Drug Programs	2,500	0	0	2,500	2,500	2,500	0
Crippled Children Services	1,215	0	0	1,215	1,215	1,215	0
Other Local Health Services	23,241	0	0	23,241	38,600	38,600	15,359
Regional Mental Health Center	18,000	0	0	18,000	18,000	18,000	0
Other Local Welfare Services	3,000	0	0	3,000	3,000	3,000	0
Other Waste Collection	41,990	0	0	41,990	43,276	43,276	1,286
<u>Social, Cultural and Recreational Services</u>							
Senior Citizens Assistance	36,000	0	0	36,000	36,000	36,000	0
Libraries	89,518	(1,597)	0	87,921	87,919	87,921	0
Other Social, Cultural and Recreational	18,923	0	0	18,923	18,975	18,973	50
<u>Agriculture & Natural Resources</u>							
Agriculture Extension Service	46,444	(227)	1,170	47,387	50,596	50,596	3,209
Forest Service	2,000	0	0	2,000	2,000	2,000	0
Soil Conservation	24,500	0	0	24,500	24,500	24,500	0
Other Agriculture & Natural Resources	11,207	0	0	11,207	11,207	11,207	0
<u>Other Operations</u>							
Tourism	350	0	0	350	350	350	0
Other Economic and Community Development	7,500	0	0	7,500	7,500	7,500	0
Veterans' Services	4,198	0	0	4,198	4,675	4,875	677
Other Charges	50,000	0	0	50,000	50,000	50,000	0
Contributions to Other Agencies	4,200	0	0	4,200	4,200	4,200	0

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2003	Add: Encumbrances 6/30/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Other Operations (Cont.)</u>							
Employee Benefits	\$ 152,334	\$ 0	\$ 0	\$ 152,334	\$ 154,500	\$ 154,500	\$ 2,166
Miscellaneous	32,619	(45)	1,100	33,674	37,600	37,600	3,926
<u>Highways</u>							
Litter and Trash Collection	40,786	0	230	41,016	44,157	44,157	3,141
Total Expenditures	\$ 2,670,350	\$ (25,863)	\$ 24,007	\$ 2,668,494	\$ 2,789,924	\$ 2,808,383	\$ 139,889
Excess (Deficiency) of Revenues Over Expenditures	\$ 166,234	\$ 25,863	\$ (24,007)	\$ 168,090	\$ 860	\$ (43,968)	\$ 212,058
Net Change in Fund Balance	\$ 166,234	\$ 25,863	\$ (24,007)	\$ 168,090	\$ 860	\$ (43,968)	\$ 212,058
Fund Balance, July 1, 2003	1,633,504	(25,863)	0	1,607,641	1,458,112	1,458,112	149,529
Fund Balance, June 30, 2004	\$ 1,799,738	\$ 0	\$ (24,007)	\$ 1,775,731	\$ 1,458,972	\$ 1,414,144	\$ 361,587

Exhibit E-2

Wayne County, Tennessee
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2004

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2003	Add: Encumbrances 6/30/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 481,160	\$ 0	\$ 0	\$ 481,160	\$ 490,914	\$ 484,374	\$ (3,214)
Charges for Current Services	0	0	0	0	0	6,540	(6,540)
Other Local Revenues	47,550	0	0	47,550	47,563	47,563	(13)
State of Tennessee	81,837	0	0	81,837	75,305	75,305	6,532
Total Revenues	\$ 610,547	\$ 0	\$ 0	\$ 610,547	\$ 613,782	\$ 613,782	\$ (3,235)
<u>Expenditures</u>							
<u>Public Health and Welfare</u>							
Landfill Operation and Maintenance	\$ 1,764	\$ 0	\$ 0	\$ 1,764	\$ 0	\$ 2,064	\$ 300
Other Waste Disposal	502,796	(5,793)	8,119	505,122	572,687	570,623	65,501
<u>Other Operations</u>							
Employee Benefits	16,152	0	0	16,152	17,327	17,327	1,175
Total Expenditures	\$ 520,712	\$ (5,793)	\$ 8,119	\$ 523,038	\$ 590,014	\$ 590,014	\$ 66,976
Excess (Deficiency) of Revenues Over Expenditures	\$ 89,835	\$ 5,793	\$ (8,119)	\$ 87,509	\$ 23,768	\$ 23,768	\$ 63,741
Net Change in Fund Balance	\$ 89,835	\$ 5,793	\$ (8,119)	\$ 87,509	\$ 23,768	\$ 23,768	\$ 63,741
Fund Balance, July 1, 2003	146,468	(5,793)	0	140,675	158,363	158,363	(17,688)
Fund Balance, June 30, 2004	\$ 236,303	\$ 0	\$ (8,119)	\$ 228,184	\$ 182,131	\$ 182,131	\$ 46,053

Exhibit E-3

Wayne County, Tennessee
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2004

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 27,402	\$ 27,909	\$ 27,888	\$ (486)
Charges for Current Services	232	710	710	(478)
Other Local Revenues	70,642	11,500	104,363	(33,721)
State of Tennessee	2,178,522	2,421,605	2,421,605	(243,083)
Federal Government	458,736	0	475,415	(16,679)
Other Governments and Citizens Groups	63,069	0	0	63,069
Total Revenues	\$ 2,798,603	\$ 2,461,724	\$ 3,029,981	\$ (231,378)
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 145,770	\$ 113,615	\$ 147,187	\$ 1,417
Highway and Bridge Maintenance	1,252,501	1,002,000	1,258,109	5,608
Operation and Maintenance of Equipment	651,030	436,800	660,187	9,157
Other Charges	118,439	104,167	119,317	878
Employee Benefits	144,291	155,000	144,550	259
Capital Outlay	428,661	507,500	647,510	218,849
Total Expenditures	\$ 2,740,692	\$ 2,319,082	\$ 2,976,860	\$ 236,168
Excess (Deficiency) of Revenues Over Expenditures	\$ 57,911	\$ 142,642	\$ 53,121	\$ 4,790
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (35,000)	\$ (35,000)	\$ (35,000)	\$ 0
Total Other Financing Sources (Uses)	\$ (35,000)	\$ (35,000)	\$ (35,000)	\$ 0
Net Change in Fund Balance	\$ 22,911	\$ 107,642	\$ 18,121	\$ 4,790
Fund Balance, July 1, 2003	675,867	599,166	599,166	76,701
Fund Balance, June 30, 2004	\$ 698,778	\$ 706,808	\$ 617,287	\$ 81,491

WAYNE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2004

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

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

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

**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.

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

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

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

Capital Projects Funds

The 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 general capital expenditures of the county.

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

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

Exhibit F-1

Wayne County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2004

	Special Revenue Funds				Capital Projects Funds				Total Nonmajor Governmental Funds
	Special Purpose	Drug Control	Constituti- onal Officers - Fees	Total	General Capital Projects	Community Development/ Industrial Park	Highway Capital Projects	Total	
<u>ASSETS</u>									
Cash	\$ 0	\$ 0	\$ 22,618	\$ 22,618	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,618
Equity in Pooled Cash and Investments	373,070	32,980	0	406,050	575,590	310,312	771,280	1,657,182	2,063,232
Accounts Receivable	0	0	48	48	0	0	0	0	48
Total Assets	\$ 373,070	\$ 32,980	\$ 22,666	\$ 428,716	\$ 575,590	\$ 310,312	\$ 771,280	\$ 1,657,182	\$ 2,085,898
<u>LIABILITIES AND FUND BALANCES</u>									
<u>Liabilities</u>									
Due to Other Funds	\$ 0	\$ 0	\$ 398	\$ 398	\$ 0	\$ 0	\$ 0	\$ 0	\$ 398
Total Liabilities	\$ 0	\$ 0	\$ 398	\$ 398	\$ 0	\$ 0	\$ 0	\$ 0	\$ 398
<u>Fund Balances</u>									
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,680	\$ 215	\$ 0	\$ 4,895	\$ 4,895
Unreserved	373,070	32,980	22,268	428,318	570,910	310,097	771,280	1,652,287	2,080,605
Total Fund Balances	\$ 373,070	\$ 32,980	\$ 22,268	\$ 428,318	\$ 575,590	\$ 310,312	\$ 771,280	\$ 1,657,182	\$ 2,085,500
Total Liabilities and Fund Balances	\$ 373,070	\$ 32,980	\$ 22,666	\$ 428,716	\$ 575,590	\$ 310,312	\$ 771,280	\$ 1,657,182	\$ 2,085,898

Exhibit F-2

Wayne County, Tennessee
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2004

	Special Revenue Funds				Capital Projects Funds				Total Nonmajor Governmental Funds
	Special Purpose	Drug Control	Constitu- tional Officers - Fees	Total	General Capital Projects	Community Development/ Industrial Park	Highway Capital Projects	Total	
<u>Revenues</u>									
Local Taxes	\$ 12,667	\$ 0	\$ 0	\$ 12,667	\$ 0	\$ 7,598	\$ 8,483	\$ 16,081	\$ 28,748
Fines, Forfeitures and Penalties	0	5,159	0	5,159	0	0	0	0	5,159
Charges for Current Services	0	0	94,116	94,116	0	0	0	0	94,116
Other Local Revenues	204,465	110	0	204,575	18,642	16,839	7,431	42,912	247,487
State of Tennessee	74,976	0	0	74,976	74,976	74,976	0	149,952	224,928
Federal Government	0	0	0	0	0	275,279	0	275,279	275,279
Other Governments and Citizens Groups	15,000	0	0	15,000	0	0	0	0	15,000
Total Revenues	\$ 307,108	\$ 5,269	\$ 94,116	\$ 406,493	\$ 93,618	\$ 374,692	\$ 15,914	\$ 484,224	\$ 890,717
<u>Expenditures</u>									
Current:									
Finance	\$ 0	\$ 0	\$ 94,116	\$ 94,116	\$ 0	\$ 0	\$ 0	\$ 0	\$ 94,116
Public Safety	0	564	0	564	0	0	0	0	564
Public Health and Welfare	352,510	0	0	352,510	0	0	0	0	352,510
Highways	0	0	0	0	0	0	179	179	179
Capital Projects	0	0	0	0	217,372	576,187	9,220	802,779	802,779
Total Expenditures	\$ 352,510	\$ 564	\$ 94,116	\$ 447,190	\$ 217,372	\$ 576,187	\$ 9,399	\$ 802,958	\$ 1,250,148
Excess (Deficiency) of Revenues Over Expenditures	\$ (45,402)	\$ 4,705	\$ 0	\$ (40,697)	\$ (123,754)	\$ (201,495)	\$ 6,515	\$ (318,734)	\$ (359,431)
Net Change in Fund Balances	\$ (45,402)	\$ 4,705	\$ 0	\$ (40,697)	\$ (123,754)	\$ (201,495)	\$ 6,515	\$ (318,734)	\$ (359,431)
Fund Balance, July 1, 2003	418,472	28,275	22,268	469,015	699,344	511,807	764,765	1,975,916	2,444,931
Fund Balance, June 30, 2004	\$ 373,070	\$ 32,980	\$ 22,268	\$ 428,318	\$ 575,590	\$ 310,312	\$ 771,280	\$ 1,657,182	\$ 2,085,500

Exhibit F-3

Wayne County, Tennessee
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Actual and Budget
Special Purpose Fund
For the Year Ended June 30, 2004

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 12,667	\$ 12,667	\$ 12,667	\$ 0
Other Local Revenues	204,465	183,333	183,333	21,132
State of Tennessee	74,976	73,305	73,305	1,671
Other Governments and Citizens Groups	15,000	15,000	15,000	0
Total Revenues	<u>\$ 307,108</u>	<u>\$ 284,305</u>	<u>\$ 284,305</u>	<u>\$ 22,803</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Other Local Health Services	\$ 352,510	\$ 380,133	\$ 380,133	\$ 27,623
Total Expenditures	<u>\$ 352,510</u>	<u>\$ 380,133</u>	<u>\$ 380,133</u>	<u>\$ 27,623</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (45,402)</u>	<u>\$ (95,828)</u>	<u>\$ (95,828)</u>	<u>\$ 50,426</u>
Net Change in Fund Balance	\$ (45,402)	\$ (95,828)	\$ (95,828)	\$ 50,426
Fund Balance, July 1, 2003	<u>418,472</u>	<u>664,233</u>	<u>664,233</u>	<u>(245,761)</u>
Fund Balance, June 30, 2004	<u>\$ 373,070</u>	<u>\$ 568,405</u>	<u>\$ 568,405</u>	<u>\$ (195,335)</u>

Exhibit F-4

Wayne County, Tennessee
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2004

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures and Penalties	\$ 5,159	\$ 9,950	\$ 9,950	\$ (4,791)
Other Local Revenues	110	500	500	(390)
Total Revenues	<u>\$ 5,269</u>	<u>\$ 10,450</u>	<u>\$ 10,450</u>	<u>\$ (5,181)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 564	\$ 10,150	\$ 10,150	\$ 9,586
Total Expenditures	<u>\$ 564</u>	<u>\$ 10,150</u>	<u>\$ 10,150</u>	<u>\$ 9,586</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 4,705</u>	<u>\$ 300</u>	<u>\$ 300</u>	<u>\$ 4,405</u>
Net Change in Fund Balance	\$ 4,705	\$ 300	\$ 300	\$ 4,405
Fund Balance, July 1, 2003	<u>28,275</u>	<u>16,923</u>	<u>16,923</u>	<u>11,352</u>
Fund Balance, June 30, 2004	<u>\$ 32,980</u>	<u>\$ 17,223</u>	<u>\$ 17,223</u>	<u>\$ 15,757</u>

Exhibit F-5

Wayne County, Tennessee
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Capital Projects Fund
For the Year Ended June 30, 2004

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2003	Add: Encumbrances 6/30/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Other Local Revenues	\$ 18,642	\$ 0	\$ 0	\$ 18,642	\$ 33,333	\$ 33,333	\$ (14,691)
State of Tennessee	74,976	0	0	74,976	73,305	73,305	1,671
Federal Government	0	0	0	0		28,936	(28,936)
Total Revenues	<u>\$ 93,618</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 93,618</u>	<u>\$ 106,638</u>	<u>\$ 135,574</u>	<u>\$ (41,956)</u>
<u>Expenditures</u>							
<u>Capital Projects</u>							
General Administration Projects	\$ 217,372	\$ (2,400)	\$ 4,680	\$ 219,652	\$ 148,577	\$ 299,134	\$ 79,482
Total Expenditures	<u>\$ 217,372</u>	<u>\$ (2,400)</u>	<u>\$ 4,680</u>	<u>\$ 219,652</u>	<u>\$ 148,577</u>	<u>\$ 299,134</u>	<u>\$ 79,482</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (123,754)</u>	<u>\$ 2,400</u>	<u>\$ (4,680)</u>	<u>\$ (126,034)</u>	<u>\$ (41,939)</u>	<u>\$ (163,560)</u>	<u>\$ 37,526</u>
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 113,201	\$ (113,201)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 113,201</u>	<u>\$ (113,201)</u>
Net Change in Fund Balance	\$ (123,754)	\$ 2,400	\$ (4,680)	\$ (126,034)	\$ (41,939)	\$ (50,359)	\$ (75,675)
Fund Balance, July 1, 2003	699,344	(2,400)	0	696,944	677,921	677,921	19,023
Fund Balance, June 30, 2004	<u>\$ 575,590</u>	<u>\$ 0</u>	<u>\$ (4,680)</u>	<u>\$ 570,910</u>	<u>\$ 635,982</u>	<u>\$ 627,562</u>	<u>\$ (56,652)</u>

Exhibit F-6

Wayne County, Tennessee
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Community Development/Industrial Park Fund
For the Year Ended June 30, 2004

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 7,598	\$ 0	\$ 7,598	\$ 6,000	\$ 6,000	\$ 1,598
Other Local Revenues	16,839	0	16,839	33,333	39,530	(22,691)
State of Tennessee	74,976	0	74,976	73,305	73,305	1,671
Federal Government	275,279	0	275,279	0	191,107	84,172
Total Revenues	\$ 374,692	\$ 0	\$ 374,692	\$ 112,638	\$ 309,942	\$ 64,750
<u>Expenditures</u>						
<u>Capital Projects</u>						
Social, Cultural and Recreation Projects	\$ 576,187	\$ 215	\$ 576,402	\$ 135,200	\$ 656,307	\$ 79,905
Total Expenditures	\$ 576,187	\$ 215	\$ 576,402	\$ 135,200	\$ 656,307	\$ 79,905
Excess (Deficiency) of Revenues Over Expenditures	\$ (201,495)	\$ (215)	\$ (201,710)	\$ (22,562)	\$ (346,365)	\$ 144,655
Net Change in Fund Balance	\$ (201,495)	\$ (215)	\$ (201,710)	\$ (22,562)	\$ (346,365)	\$ 144,655
Fund Balance, July 1, 2003	511,807	0	511,807	503,204	503,204	8,603
Fund Balance, June 30, 2004	\$ 310,312	\$ (215)	\$ 310,097	\$ 480,642	\$ 156,839	\$ 153,258

Exhibit F-7

Wayne County, Tennessee
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Actual and Budget
Highway Capital Projects Fund
For the Year Ended June 30, 2004

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 8,483	\$ 5,500	\$ 5,500	\$ 2,983
Other Local Revenues	7,431	2,000	2,000	5,431
Total Revenues	\$ 15,914	\$ 7,500	\$ 7,500	\$ 8,414
<u>Expenditures</u>				
<u>Highways</u>				
Other Charges	\$ 179	\$	\$ 0	\$ (179)
<u>Capital Projects</u>				
Highway & Street Capital Projects	9,220	207,500	207,500	198,280
Total Expenditures	\$ 9,399	\$ 207,500	\$ 207,500	\$ 198,101
Excess (Deficiency) of Revenues Over Expenditures	\$ 6,515	\$ (200,000)	\$ (200,000)	\$ 206,515
Net Change in Fund Balance	\$ 6,515	\$ (200,000)	\$ (200,000)	\$ 206,515
Fund Balance, July 1, 2003	764,765	762,778	762,778	1,987
Fund Balance, June 30, 2004	\$ 771,280	\$ 562,778	\$ 562,778	\$ 208,502

Major Governmental Fund

General Debt Service Fund

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

Exhibit G

Wayne County, Tennessee
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2004

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,120,550	\$ 1,008,644	\$ 1,008,643	\$ 111,907
Other Local Revenues	202,271	200,050	200,050	2,221
Total Revenues	<u>\$ 1,322,821</u>	<u>\$ 1,208,694</u>	<u>\$ 1,208,693</u>	<u>\$ 114,128</u>
<u>Expenditures</u>				
<u>Principal</u>				
General Government	\$ 286,354	\$ 286,354	\$ 286,354	\$ 0
Education	555,000	555,000	555,000	0
<u>Interest</u>				
General Government	22,692	22,692	22,692	0
Education	755,222	755,222	763,113	7,891
<u>Other Debt Service</u>				
General Government	15,099	25,874	25,624	10,525
Education	7,101	6,500	7,101	0
Total Expenditures	<u>\$ 1,641,468</u>	<u>\$ 1,651,642</u>	<u>\$ 1,659,884</u>	<u>\$ 18,416</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (318,647)</u>	<u>\$ (442,948)</u>	<u>\$ (451,191)</u>	<u>\$ 132,544</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 35,000	\$ 35,000	\$ 35,000	\$ 0
Transfers Out	0	0	(300,000)	300,000
Total Other Financing Sources (Uses)	<u>\$ 35,000</u>	<u>\$ 35,000</u>	<u>\$ (265,000)</u>	<u>\$ 300,000</u>
Net Change in Fund Balance	\$ (283,647)	\$ (407,948)	\$ (716,191)	\$ 432,544
Fund Balance, July 1, 2003	<u>2,058,958</u>	<u>2,001,959</u>	<u>2,001,959</u>	<u>56,999</u>
Fund Balance, June 30, 2004	<u><u>\$ 1,775,311</u></u>	<u><u>\$ 1,594,011</u></u>	<u><u>\$ 1,285,768</u></u>	<u><u>\$ 489,543</u></u>

Agency Funds

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

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

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

Exhibit H-1

Wayne County, Tennessee
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 956,630	\$ 956,630
Due from Other Governments	71,869	0	71,869
Total Assets	<u>\$ 71,869</u>	<u>\$ 956,630</u>	<u>\$ 1,028,499</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 71,869	\$ 0	\$ 71,869
Due to Litigants, Heirs and Others	0	956,630	956,630
Total Liabilities	<u>\$ 71,869</u>	<u>\$ 956,630</u>	<u>\$ 1,028,499</u>

Exhibit H-2

Wayne County, Tennessee
Combining Statement of Changes in Assets and and Liabilities
For the Year Ended June 30, 2004

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities- Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 437,510	\$ 437,510	\$ 0
Due From Other Governments	143,934	71,869	143,934	71,869
Total Assets	\$ 143,934	\$ 509,379	\$ 581,444	\$ 71,869
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 143,934	\$ 509,379	\$ 581,444	\$ 71,869
Total Liabilities	\$ 143,934	\$ 509,379	\$ 581,444	\$ 71,869
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 659,524	\$ 3,963,964	\$ 3,666,858	\$ 956,630
Accounts Receivable	1,065	0	1,065	0
Total Assets	\$ 660,589	\$ 3,963,964	\$ 3,667,923	\$ 956,630
<u>Liabilities</u>				
Due to Litigants, Heirs and Others	\$ 659,524	\$ 3,963,964	\$ 3,666,858	\$ 956,630
Cash Overdraft	1,065	0	1,065	0
Total Liabilities	\$ 660,589	\$ 3,963,964	\$ 3,667,923	\$ 956,630
Total - All Agency Funds				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 437,510	\$ 437,510	\$ 0
Cash	659,524	3,963,964	3,666,858	956,630
Due from Other Governments	143,934	71,869	143,934	71,869
Accounts Receivable	1,065	0	1,065	0
Total Assets	\$ 804,523	\$ 4,473,343	\$ 4,249,367	\$ 1,028,499
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 143,934	\$ 509,379	\$ 581,444	\$ 71,869
Due to Litigants, Heirs and Others	659,524	3,963,964	3,666,858	956,630
Cash Overdraft	1,065	0	1,065	0
Total Liabilities	\$ 804,523	\$ 4,473,343	\$ 4,249,367	\$ 1,028,499

MISCELLANEOUS SCHEDULES

Exhibit I-1

Wayne County, Tennessee
Schedule of Changes in Long-Term Notes and Bonds
For the Year Ended June 30, 2004

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-03	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-04
NOTES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Energy Loan	\$ 42,000	3 %	9-8-97	10-1-04	\$ 12,899	\$ 0	\$ 6,354	\$ 6,545
Roads, Bridges and Vehicles	900,000	2.5 to 3.1	12-01-02	11-01-06	900,000	0	215,000	685,000
Total Payable through General Debt Service Fund					\$ 912,899	\$ 0	\$ 221,354	\$ 691,545
<u>Payable through Special Purpose Fund</u>								
Hospital Improvements and Additions	1,700,000	4.08	4-1-01	9-1-12	\$ 1,470,000	\$ 0	\$ 120,000	\$ 1,350,000
Total Notes Payable					\$ 2,382,899	\$ 0	\$ 341,354	\$ 2,041,545
GENERAL BONDED DEBT								
<u>Payable through General Debt Service Fund</u>								
General Obligation Refunding	1,435,000	4.64	9-8-97	10-1-03	\$ 65,000	\$ 0	\$ 65,000	\$ 0
School Bonds	9,300,000	4.21	2-1-99	12-1-23	3,790,000	0	250,000	3,540,000
School Bonds	6,700,000	5 to 5.55	6-1-00	6-1-24	2,410,000	0	170,000	2,240,000
School Bonds	2,850,000	5.23	12-1-00	12-1-23	2,710,000	0	75,000	2,635,000
School Refunding Bonds	9,495,000	3.72	6-3-03	12-1-23	9,495,000	0	60,000	9,435,000
Total Payable through General Debt Service Fund					\$ 18,470,000	\$ 0	\$ 620,000	\$ 17,850,000
Total General Bonded Debt					\$ 18,470,000	\$ 0	\$ 620,000	\$ 17,850,000

Exhibit I-2

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

Year	Bond Requirements	Interest Requirements	Total Requirements
7-1-04 to 6-30-05	\$ 575,000	\$ 733,140	\$ 1,308,140
7-1-05 6-30-06	600,000	707,937	1,307,937
7-1-06 6-30-07	625,000	681,372	1,306,372
7-1-07 6-30-08	655,000	653,262	1,308,262
7-1-08 6-30-09	690,000	623,387	1,313,387
7-1-09 6-30-10	715,000	591,934	1,306,934
7-1-10 6-30-11	755,000	558,834	1,313,834
7-1-11 6-30-12	785,000	523,847	1,308,847
7-1-12 6-30-13	830,000	486,710	1,316,710
7-1-13 6-30-14	870,000	447,169	1,317,169
7-1-14 6-30-15	890,000	408,029	1,298,029
7-1-15 6-30-16	925,000	371,146	1,296,146
7-1-16 6-30-17	955,000	334,418	1,289,418
7-1-17 6-30-18	1,000,000	296,199	1,296,199
7-1-18 6-30-19	1,040,000	256,071	1,296,071
7-1-19 6-30-20	1,085,000	214,022	1,299,022
7-1-20 6-30-21	1,140,000	169,959	1,309,959
7-1-21 6-30-22	1,190,000	123,791	1,313,791
7-1-22 6-30-23	1,245,000	75,516	1,320,516
7-1-23 6-30-24	1,280,000	25,415	1,305,415
Total	\$ 17,850,000	\$ 8,282,158	\$ 26,132,158

Exhibit I-3

Wayne County, Tennessee
Schedule of Transfers - All Funds
For the Year Ended June 30, 2004

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Highway/Public Works	General Debt Service	Provide funds for highway debt	<u>\$ 35,000</u>
Total Transfers			<u><u>\$ 35,000</u></u>

Exhibit I-4

Wayne County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2004

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 55,403	\$ 25,000	State Automobile Mutual Insurance Company
Superintendent of Highways	Section 8-24-102, <u>TCA</u>	53,065	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	47,969	526,400	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	47,969	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	47,969	25,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	47,969	25,000	Auto Owners Mutual Insurance Company
Clerk and Master	Section 8-24-102, <u>TCA</u>	47,969 (1)	35,000	"
Register	Section 8-24-102, <u>TCA</u>	47,969	25,000	State Automobile Mutual Insurance Company
Sheriff	Section 8-24-102, <u>TCA</u>	52,765 (2)	50,000	Auto Owners Mutual Insurance Company
<u>Other Bonds</u>				
Wayne County Employees			150,000	Tennessee School Boards Risk Management Trust

(1) Does not include special commissioner fees of \$1,680.

(2) Does not include law enforcement training supplement of \$546.

Exhibit I-5

Wayne County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2004

	Special Revenue Funds					
	General	Solid Waste/ Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway/ Public Works
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 1,035,059	\$ 357,345	\$ 0	\$ 0	\$ 0	\$ 24,642
Trustee's Collections - Prior Year	67,210	27,071	0	0	0	1,866
Circuit/Clerk & Master Collections - Prior Years	17,031	6,859	0	0	0	425
Interest and Penalty	11,826	4,694	0	0	0	323
Payments in Lieu of Taxes - T.V.A.	5,985	2,117	0	0	0	146
Payments in Lieu of Taxes - Other	0	0	12,667	0	0	0
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	0	0	0
Wheel Tax	292,710	0	0	0	0	0
Litigation Tax - General	67,341	0	0	0	0	0
Litigation Tax - Special Purpose	25,869	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	28,704	0	0	0	0	0
Litigation Tax - Victim/Offender Mediation Center	2,713	0	0	0	0	0
Business Tax	61,378	0	0	0	0	0
Mineral Severance Tax	0	0	0	0	0	0
Other County Local Option Taxes	954	0	0	0	0	0
<u>Statutory Local Taxes</u>						
Bank Excise Tax	85,014	0	0	0	0	0
Wholesale Beer Tax	83,074	83,074	0	0	0	0
Interstate Telecommunications Tax	701	0	0	0	0	0
<u>City Local Option Taxes</u>						
Hotel/Motel Tax	0	0	0	0	0	0
Total Local Taxes	\$ 1,785,569	\$ 481,160	\$ 12,667	\$ 0	\$ 0	\$ 27,402
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 647	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Permits</u>						
Beer Permits	3,403	0	0	0	0	0
Other Permits	50	0	0	0	0	0
Total Licenses and Permits	\$ 4,100	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit I-5

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

	Special Revenue Funds					
	General	Solid Waste/ Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway/ Public Works
<u>Fines, Forfeitures and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 18,070	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Jail Fees	3,537	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	29,435	0	0	0	0	0
Officers Costs	14,761	0	0	0	0	0
Drug Control Fines	0	0	0	5,159	0	0
Jail Fees	7,878	0	0	0	0	0
DUI Treatment Fines	6,045	0	0	0	0	0
<u>Juvenile Court</u>						
Fines	1,125	0	0	0	0	0
<u>Chancery Court</u>						
Officers Costs	3,336	0	0	0	0	0
Data Entry Fee - Chancery Court	36	0	0	0	0	0
<u>Other Courts - In-county</u>						
Fines	11,878	0	0	0	0	0
Total Fines, Forfeitures and Penalties	\$ 96,101	\$ 0	\$ 0	\$ 5,159	\$ 0	\$ 0
<u>Charges for Current Services</u>						
<u>Fees</u>						
Copy Fees	\$ 80	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Vending Machine Collections	854	0	0	0	0	232
Constitutional Officers' Fees and Commissions	0	0	0	0	94,116	0
Data Processing Fee - Register	8,375	0	0	0	0	0
Total Charges for Current Services	\$ 9,309	\$ 0	\$ 0	\$ 0	\$ 94,116	\$ 232
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 18,078	\$ 16,583	\$ 16,965	\$ 0	\$ 0	\$ 0
Lease/Rentals	4,230	0	187,500	0	0	0
Sale of Materials and Supplies	0	0	0	0	0	0
Sale of Gasoline	0	0	0	0	0	14,883
Sale of Recycled Materials	0	29,650	0	0	0	0
Miscellaneous Refunds	2,026	0	0	110	0	48,134

(Continued)

Exhibit I-5

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

	Special Revenue Funds					
	General	Solid Waste/ Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway/ Public Works
<u>Other Local Revenues (Cont.)</u>						
<u>Recurring Items (Cont.)</u>						
Expenditure Credits	\$ 3,944	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Nonrecurring Items</u>						
Insurance Recovery	19,048	273	0	0	0	0
Sale of Equipment	475	1,044	0	0	0	7,625
Contributions & Gifts	1,170	0	0	0	0	0
<u>Other Local Revenues</u>						
Other Local Revenues	30	0	0	0	0	0
Total Other Local Revenues	\$ 49,001	\$ 47,550	\$ 204,465	\$ 110	\$ 0	70,642
<u>Fees Received from County Officials</u>						
<u>Excess Fees</u>						
Trustee	\$ 66,614	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Fees In Lieu of Salary</u>						
County Clerk	153,581	0	0	0	0	0
Circuit Court Clerk	36,247	0	0	0	0	0
General Sessions Court Clerk	94,756	0	0	0	0	0
Clerk and Master	37,195	0	0	0	0	0
Register	89,538	0	0	0	0	0
Sheriff	7,192	0	0	0	0	0
Total Fees Received from County Officials	\$ 485,123	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	0
State Reappraisal Grant	9,529	0	0	0	0	0
Solid Waste Grants	0	6,861	0	0	0	0
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	4,914	0	0	0	0	0
<u>Health and Welfare Grants</u>						
Health Department Programs	20,369	0	0	0	0	0
<u>Public Works Grants</u>						
Bridge Program	0	0	0	0	0	248,805
Litter Program	39,015	0	0	0	0	0

(Continued)

Exhibit I-5

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

	Special Revenue Funds					
	General	Solid Waste/ Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway/ Public Works
<u>State of Tennessee (Cont.)</u>						
<u>Other State Revenues</u>						
Income Tax	\$ 4,354	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Beer Tax	16,881	0	0	0	0	0
Alcoholic Beverage Tax	37,141	0	0	0	0	0
Mixed Drink Tax	1,387	0	0	0	0	0
State Revenue Sharing - T.V.A.	74,976	74,976	74,976	0	0	0
Contracted Prisoner Boarding	9,990	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,906,174
Petroleum Special Tax	0	0	0	0	0	13,548
Registrar's Salary Supplement	16,380	0	0	0	0	0
Other State Grants	7,957	0	0	0	0	9,995
Total State of Tennessee	\$ 251,893	\$ 81,837	\$ 74,976	\$ 0	\$ 0	\$ 2,178,522
<u>Federal Government</u>						
<u>Federal Through State</u>						
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Disaster Relief	0	0	0	0	0	458,736
Other Federal through State	47,864	0	0	0	0	0
<u>Direct Federal Revenue</u>						
Other Direct Federal Revenue	107,624	0	0	0	0	0
Total Federal Government	\$ 155,488	\$ 0	\$ 0	\$ 0	\$ 0	\$ 458,736
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Paving and Maintenance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 63,069
Contributions	0	0	15,000	0	0	0
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 15,000	\$ 0	\$ 0	\$ 63,069
Total	\$ 2,836,584	\$ 610,547	\$ 307,108	\$ 5,269	\$ 94,116	\$ 2,798,603

(Continued)

Exhibit I-5

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

	Debt Service Fund	Capital Projects Funds			Total
		General Debt Service	General Capital Projects	Community Development/ Industrial Park	
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 258,763	\$ 0	\$ 0	\$ 0	\$ 1,675,809
Trustee's Collections - Prior Year	36,405	0	0	0	132,552
Circuit/Clerk & Master Collections - Prior Years	9,225	0	0	0	33,540
Interest and Penalty	6,056	0	0	0	22,899
Payments in Lieu of Taxes - T.V.A.	1,752	0	0	0	10,000
Payments in Lieu of Taxes - Other	0	0	0	0	12,667
<u>County Local Option Taxes</u>					
Local Option Sales Tax	808,349	0	0	0	808,349
Wheel Tax	0	0	0	0	292,710
Litigation Tax - General	0	0	0	0	67,341
Litigation Tax - Special Purpose	0	0	0	0	25,869
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	28,704
Litigation Tax - Victim/Offender Mediation Center	0	0	0	0	2,713
Business Tax	0	0	0	0	61,378
Mineral Severance Tax	0	0	0	8,483	8,483
Other County Local Option Taxes	0	0	0	0	954
<u>Statutory Local Taxes</u>					
Bank Excise Tax	0	0	0	0	85,014
Wholesale Beer Tax	0	0	0	0	166,148
Interstate Telecommunications Tax	0	0	0	0	701
<u>City Local Option Taxes</u>					
Hotel/Motel Tax	0	0	7,598	0	7,598
Total Local Taxes	\$ 1,120,550	\$ 0	\$ 7,598	\$ 8,483	\$ 3,443,429
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 0	\$ 0	\$ 0	\$ 0	\$ 647
<u>Permits</u>					
Beer Permits	0	0	0	0	3,403
Other Permits	0	0	0	0	50
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,100

(Continued)

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

	Capital Projects Funds				Total
	Debt Service Fund	General Capital Projects	Community Development/Industrial Park	Highway Capital Projects	
<u>Fines, Forfeitures and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 0	\$ 0	\$ 0	\$ 0	18,070
Jail Fees	0	0	0	0	3,537
<u>General Sessions Court</u>					
Fines	0	0	0	0	29,435
Officers Costs	0	0	0	0	14,761
Drug Control Fines	0	0	0	0	5,159
Jail Fees	0	0	0	0	7,878
DUI Treatment Fines	0	0	0	0	6,045
<u>Juvenile Court</u>					
Fines	0	0	0	0	1,125
<u>Chancery Court</u>					
Officers Costs	0	0	0	0	3,336
Data Entry Fee - Chancery Court	0	0	0	0	36
<u>Other Courts - In-county</u>					
Fines	0	0	0	0	11,878
Total Fines, Forfeitures and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	101,260
<u>Charges for Current Services</u>					
<u>Fees</u>					
Copy Fees	\$ 0	\$ 0	\$ 0	\$ 0	80
Vending Machine Collections	0	0	0	0	1,086
Constitutional Officers' Fees and Commissions	0	0	0	0	94,116
Data Processing Fee - Register	0	0	0	0	8,375
Total Charges for Current Services	\$ 0	\$ 0	\$ 0	\$ 0	103,657
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 2,271	\$ 18,642	\$ 16,370	\$ 7,431	\$ 96,340
Lease/Rentals	0	0	0	0	191,730
Sale of Materials and Supplies	0	0	469	0	469
Sale of Gasoline	0	0	0	0	14,883
Sale of Recycled Materials	0	0	0	0	29,650
Miscellaneous Refunds	0	0	0	0	50,270

(Continued)

Exhibit I-5

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

	Capital Projects Funds				Total
	Debt Service Fund	General Capital Projects	Community Development/Industrial Park	Highway Capital Projects	
<u>Other Local Revenues (Cont.)</u>					
<u>Recurring Items (Cont.)</u>					
Expenditure Credits	\$ 0	\$ 0	\$ 0	\$ 0	3,944
<u>Nonrecurring Items</u>					
Insurance Recovery	0	0	0	0	19,321
Sale of Equipment	0	0	0	0	9,144
Contributions & Gifts	200,000	0	0	0	201,170
<u>Other Local Revenues</u>					
Other Local Revenues	0	0	0	0	30
Total Other Local Revenues	\$ 202,271	\$ 18,642	\$ 16,839	\$ 7,431	\$ 616,951
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
Trustee	\$ 0	\$ 0	\$ 0	\$ 0	66,614
<u>Fees In Lieu of Salary</u>					
County Clerk	0	0	0	0	153,581
Circuit Court Clerk	0	0	0	0	36,247
General Sessions Court Clerk	0	0	0	0	94,756
Clerk and Master	0	0	0	0	37,195
Register	0	0	0	0	89,538
Sheriff	0	0	0	0	7,192
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	485,123
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	9,000
State Reappraisal Grant	0	0	0	0	9,529
Solid Waste Grants	0	0	0	0	6,861
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	0	0	0	0	4,914
<u>Health and Welfare Grants</u>					
Health Department Programs	0	0	0	0	20,369
<u>Public Works Grants</u>					
Bridge Program	0	0	0	0	248,805
Litter Program	0	0	0	0	39,015

(Continued)

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

	Debt Service Fund		Capital Projects Funds			Total
	General Debt Service	General Capital Projects	Community Development/Industrial Park	Highway Capital Projects		
<u>State of Tennessee (Cont.)</u>						
<u>Other State Revenues</u>						
Income Tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,354	
Beer Tax	0	0	0	0	16,881	
Alcoholic Beverage Tax	0	0	0	0	37,141	
Mixed Drink Tax	0	0	0	0	1,387	
State Revenue Sharing - T.V.A.	0	74,976	74,976	0	374,880	
Contracted Prisoner Boarding	0	0	0	0	9,990	
Gasoline and Motor Fuel Tax	0	0	0	0	1,906,174	
Petroleum Special Tax	0	0	0	0	13,548	
Registrar's Salary Supplement	0	0	0	0	16,380	
Other State Grants	0	0	0	0	17,952	
Total State of Tennessee	\$ 0	\$ 74,976	\$ 74,976	\$ 0	\$ 2,737,180	
<u>Federal Government</u>						
<u>Federal Through State</u>						
Community Development	\$ 0	\$ 0	\$ 275,279	\$ 0	\$ 275,279	
Disaster Relief	0	0	0	0	458,736	
Other Federal through State	0	0	0	0	47,864	
<u>Direct Federal Revenue</u>						
Other Direct Federal Revenue	0	0	0	0	107,624	
Total Federal Government	\$ 0	\$ 0	\$ 275,279	\$ 0	\$ 889,503	
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Paving and Maintenance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 63,069	
Contributions	0	0	0	0	15,000	
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 0	\$ 78,069	
Total	\$ 1,322,821	\$ 93,618	\$ 374,692	\$ 15,914	\$ 8,459,272	

Wayne County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2004

General Fund

General Government

County Commission

Other Salaries & Wages	\$	1,200	
Board and Committee Members Fees		11,628	
In-Service Training		50	
Advertising		900	
Audit Services		3,831	
Communication		3,403	
Contributions		7,000	
Fiscal Agent Charges		15,000	
Legal Services		11,668	
Postal Charges		21,548	
Printing, Stationery and Forms		1,110	
Rentals		18	
Travel		761	
Office Supplies		2,346	
Other Supplies and Materials		32	
Liability Insurance		122,519	
Premiums on Corporate Surety Bonds		100	
Other Charges		564	
Total County Commission			\$ 203,678

County Mayor

County Official/Administrative Officer	\$	55,403	
Accountants/Bookkeepers		18,007	
Purchasing Personnel		18,007	
Other Salaries & Wages		871	
In-Service Training		200	
Communication		2,822	
Data Processing Services		5,990	
Printing, Stationery and Forms		480	
Travel		631	
Office Supplies		453	
Other Charges		70	
Total County Mayor			102,934

Election Commission (Including Voter Registration)

County Official/Administrative Officer	\$	38,375	
Clerical Personnel		7,696	
Part-time Personnel		2,730	
Board and Committee Members Fees		450	
Election Commission		2,818	

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Including
Voter Registration) (Cont.)

Election Workers	\$	4,955	
In-Service Training		1,387	
Advertising		872	
Communication		1,192	
Data Processing Services		2,633	
Dues and Memberships		125	
Maintenance & Repair Services- Equipment		85	
Printing, Stationery and Forms		3,036	
Rentals		300	
Travel		1,455	
Electricity		46	
Office Supplies		1,003	
Total Election Commission (Including			
Voter Registration)	\$		69,158

Register of Deeds

County Official/Administrative Officer	\$	47,969	
Clerical Personnel		19,827	
Communication		1,781	
Data Processing Services		7,664	
Dues and Memberships		460	
Printing, Stationery and Forms		3,430	
Rentals		4	
Other Contracted Services		6,825	
Office Supplies		583	
Other Supplies and Materials		36	
Total Register of Deeds			88,579

County Buildings

Supervisor/Director	\$	22,097	
Custodial Personnel		19,462	
Other Per Diem & Fees		169	
Contracts with Private Agencies		8,406	
Maintenance & Repair Services- Buildings		2,452	
Maintenance & Repair Services- Equipment		246	
Maintenance & Repair Services- Vehicles		1,237	
Custodial Supplies		3,479	
Electricity		39,411	
Gasoline		1,213	
Water and Sewer		8,363	
Other Supplies and Materials		1,657	

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Other Equipment	\$ 236	
Total County Buildings		\$ 108,428

Other General Administration

Dues and Memberships	\$ 4,765	
Maintenance & Repair Services- Office Equipment	5,919	
Total Other General Administration		10,684

Finance

Property Assessor's Office

County Official/Administrative Officer	\$ 47,969	
Clerical Personnel	34,966	
Board and Committee Members Fees	1,050	
Communication	810	
Contracts with Government Agencies	8,305	
Contracts with Private Agencies	2,505	
Dues and Memberships	1,159	
Printing, Stationery and Forms	82	
Rentals	26	
Travel	954	
Office Supplies	629	
Total Property Assessor's Office		98,455

Reappraisal Program

Clerical Personnel	\$ 210	
Other Salaries & Wages	3,235	
Contracts with Private Agencies	5,213	
Data Processing Services	2,084	
Travel	755	
Other Supplies and Materials	144	
Other Charges	513	
Total Reappraisal Program		12,154

County Trustee's Office

Advertising	\$ 522	
Communication	1,668	
Data Processing Services	3,649	
Printing, Stationery and Forms	528	
Rentals	46	
Office Supplies	754	

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Other Supplies and Materials	\$	384	
Premiums on Corporate Surety Bonds		<u>2,728</u>	
Total County Trustee's Office	\$		10,279

County Clerk's Office

County Official/Administrative Officer	\$	47,969	
Deputy(ies)		36,014	
Part-time Personnel		5,689	
Communication		1,760	
Licenses		1,065	
Printing, Stationery and Forms		874	
Other Contracted Services		3,112	
Office Supplies		857	
Other Supplies and Materials		280	
Premiums on Corporate Surety Bonds		<u>45</u>	
Total County Clerk's Office			97,665

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	47,969	
Clerical Personnel		32,934	
Part-time Personnel		18,151	
Board and Committee Members Fees		50	
Jury and Witness Fees		34,243	
Communication		2,885	
Contracts with Other Public Agencies		2,714	
Data Processing Services		9,949	
Dues and Memberships		28	
Printing, Stationery and Forms		1,915	
Office Supplies		1,286	
Other Supplies and Materials		204	
Premiums on Corporate Surety Bonds		60	
Office Equipment		<u>178</u>	
Total Circuit Court			152,566

General Sessions Court

Judge(s)	\$	58,651	
Secretary(s)		19,502	
Attendants		16,931	
Communication		1,558	

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Data Processing Services	\$	1,827	
Dues and Memberships		25	
Printing, Stationery and Forms		484	
Travel		633	
Office Supplies		968	
Uniforms		183	
Premiums on Corporate Surety Bonds		60	
Other Charges		190	
Total General Sessions Court			\$ 101,012

Chancery Court

County Official/Administrative Officer	\$	47,969	
Deputy(ies)		36,014	
Communication		1,161	
Data Processing Services		5,739	
Dues and Memberships		60	
Printing, Stationery and Forms		2,156	
Rentals		36	
Office Supplies		776	
Other Supplies and Materials		99	
Premiums on Corporate Surety Bonds		48	
Other Charges		1,351	
Office Equipment		644	
Total Chancery Court			96,053

Juvenile Court

Youth Service Officer(s)	\$	12,942	
In-Service Training		30	
Communication		499	
Contracts with Private Agencies		9,490	
Other Charges		85	
Total Juvenile Court			23,046

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	52,765	
Supervisor/Director		25,999	
Deputy(ies)		119,589	
Investigator(s)		64,681	
Salary Supplements		4,914	

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

In-Service Training	\$	3,766	
Communication		3,475	
Dues and Memberships		74	
Maintenance Agreements		5,740	
Maintenance & Repair Services- Equipment		154	
Maintenance & Repair Services- Vehicles		15,744	
Travel		2,263	
Gasoline		30,815	
Uniforms		1,751	
Other Charges		464	
Total Sheriff's Department	\$		332,194

Jail

Supervisor/Director	\$	21,228	
Medical Personnel		9,932	
Dispatchers/Radio Operators		89,592	
Guards		72,832	
Cafeteria Personnel		9,937	
Advertising		137	
Communication		9,834	
Evaluation and Testing		360	
Maintenance & Repair Services- Buildings		1,597	
Maintenance & Repair Services- Equipment		1,570	
Printing, Stationery and Forms		781	
Transportation - Other than Students		857	
Custodial Supplies		2,264	
Drugs and Medical Supplies		6,064	
Electricity		12,592	
Food Supplies		29,369	
Office Supplies		1,915	
Uniforms		194	
Water and Sewer		11,102	
Other Supplies and Materials		3,871	
Premiums on Corporate Surety Bonds		2,577	
Other Charges		711	
Total Jail			289,316

Civil Defense

Other Charges	\$	9,400	
Office Equipment		1,401	

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

Other Equipment	\$ 118,837	
Total Civil Defense		\$ 129,638

Other Emergency Management

Advertising	\$ 86	
Communication	2,581	
Maintenance & Repair Services- Equipment	3,190	
Maintenance & Repair Services- Vehicles	17,032	
Electricity	868	
Fuel Oil	1,664	
Gasoline	6,439	
Water and Sewer	629	
Other Supplies and Materials	157	
Liability Insurance	34,967	
Other Charges	6,362	
Office Equipment	340	
Total Other Emergency Management		74,315

County Coroner/Medical Examiner

Medical and Dental Services	\$ 9,507	
Total County Coroner/Medical Examiner		9,507

Public Safety Grant Programs

Deputy(ies)	\$ 5,684	
Other Fringe Benefits	567	
Total Public Safety Grant Programs		6,251

Other Public Safety

Communication	\$ 1,796	
Other Supplies and Materials	68	
Total Other Public Safety		1,864

Public Health and Welfare

Local Health Center

Custodial Personnel	\$ 4,200	
Advertising	275	
Communication	3,302	
Contracts with Government Agencies	15,666	
Dues and Memberships	100	
Maintenance & Repair Services- Buildings	63	

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Custodial Supplies	\$	100	
Drugs and Medical Supplies		167	
Electricity		8,626	
Water and Sewer		1,048	
Other Supplies and Materials		219	
Other Charges		527	
Office Equipment		7,756	
Total Local Health Center			\$ 42,049

Alcohol and Drug Programs

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

Crippled Children Services

Contributions	\$	1,215	
Total Crippled Children Services			1,215

Other Local Health Services

Other Salaries & Wages	\$	16,598	
Other Fringe Benefits		1,902	
Travel		2,359	
Other Supplies and Materials		2,382	
Total Other Local Health Services			23,241

Regional Mental Health Center

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

Other Local Welfare Services

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

Other Waste Collection

Truck Drivers	\$	29,243	
Laborers		12,747	
Total Other Waste Collection			41,990

Social, Cultural and Recreational Services

Senior Citizens Assistance

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

(Continued)

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

General Fund (Cont.)

Social, Cultural and Recreational Services (Cont.)

Libraries

Supervisor/Director	\$	23,347	
Part-time Personnel		42,972	
In-Service Training		491	
Communication		1,909	
Maintenance & Repair Services- Buildings		1,260	
Maintenance & Repair Services- Office Equipment		609	
Travel		1,218	
Electricity		3,232	
Library Books/Media		9,304	
Periodicals		511	
Water and Sewer		750	
Other Supplies and Materials		1,567	
Other Charges		1,198	
Office Equipment		1,150	
Total Libraries			\$ 89,518

Other Social, Cultural and Recreational

Communication	\$	523	
Contributions		16,000	
Rentals		2,400	
Total Other Social, Cultural and Recreational			18,923

Agriculture & Natural Resources

Agriculture Extension Service

Custodial Personnel	\$	1,899	
Other Salaries & Wages		34,711	
Other Fringe Benefits		4,288	
Communication		2,160	
Dues and Memberships		310	
Maintenance & Repair Services- Office Equipment		115	
Travel		99	
Custodial Supplies		158	
Electricity		1,042	
Water and Sewer		1,046	
Other Supplies and Materials		611	
Other Charges		5	
Total Agriculture Extension Service			46,444

Forest Service

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

(Continued)

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Soil Conservation

Clerical Personnel	\$	19,600	
Other Fringe Benefits		2,221	
Contributions		<u>2,679</u>	
Total Soil Conservation	\$		24,500

Other Agriculture & Natural Resources

Contracts with Private Agencies	\$	<u>11,207</u>	
Total Other Agriculture & Natural Resources			11,207

Other Operations

Tourism

Contributions	\$	<u>350</u>	
Total Tourism			350

Other Economic and Community Development

Contributions	\$	<u>7,500</u>	
Total Other Economic and Community Development			7,500

Veterans' Services

Supervisor/Director	\$	3,385	
Communication		529	
Travel		<u>284</u>	
Total Veterans' Services			4,198

Other Charges

Worker's Compensation Insurance	\$	<u>50,000</u>	
Total Other Charges			50,000

Contributions to Other Agencies

Contributions	\$	<u>4,200</u>	
Total Contributions to Other Agencies			4,200

Employee Benefits

Social Security	\$	88,758	
State Retirement		25,093	
Employee and Dependent Insurance		12,307	
Unemployment Compensation		5,418	
Employer Medicare		<u>20,758</u>	
Total Employee Benefits			152,334

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous

Other Supplies and Materials	\$	78	
Trustee's Commission		31,355	
Other Charges		1,186	
Total Miscellaneous			\$ 32,619

Highways

Litter and Trash Collection

Foremen	\$	17,389	
Truck Drivers		2,429	
Laborers		1,010	
Handling Charges & Administrative Costs		1,200	
Maintenance & Repair Services- Vehicles		2,522	
Gasoline		4,701	
Instructional Supplies and Materials		9,826	
Other Supplies and Materials		1,122	
Other Charges		587	
Total Litter and Trash Collection			\$ 40,786

Total General Fund \$ 2,670,350

Solid Waste/Sanitation Fund

Public Health and Welfare

Landfill Operation and Maintenance

Contracts with Government Agencies	\$	200	
Fertilizer, Lime and Seed		1,564	
Total Landfill Operation and Maintenance			\$ 1,764

Other Waste Disposal

Supervisor/Director	\$	28,008	
Overtime Pay		3,404	
Other Salaries & Wages		112,599	
In-Service Training		413	
Other Per Diem & Fees		1,820	
Advertising		1,173	
Communication		1,831	
Contracts with Private Agencies		286,873	
Evaluation and Testing		473	
Maintenance & Repair Services- Buildings		2,444	
Maintenance & Repair Services- Equipment		8,946	
Maintenance & Repair Services- Vehicles		11,283	

(Continued)

Exhibit I-6

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Other Waste Disposal (Cont.)

Rentals	\$	400	
Travel		130	
Permits		1,000	
Custodial Supplies		1,574	
Electricity		8,872	
Fuel Oil		2,007	
Gasoline		8,238	
Office Supplies		36	
Uniforms		3,333	
Water and Sewer		129	
Other Supplies and Materials		5,752	
Trustee's Commission		9,715	
Other Charges		2,343	
Total Other Waste Disposal			\$ 502,796

Other Operations

Employee Benefits

Social Security	\$	11,076	
State Retirement		2,651	
Employee and Dependent Insurance		1,597	
Unemployment Compensation		828	
Total Employee Benefits			16,152

Total Solid Waste/Sanitation Fund \$ 520,712

Special Purpose Fund

Public Health and Welfare

Other Local Health Services

Operating Lease Payments	\$	171,805	
Trustee's Commission		2,927	
Other Charges		250	
Principal on Notes		120,000	
Interest on Notes		57,528	
Total Other Local Health Services			\$ 352,510

Total Special Purpose Fund 352,510

(Continued)

Exhibit I-6

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

Drug Control Fund

Public Safety

Drug Enforcement

Tow-in Services	\$	125	
Other Supplies and Materials		394	
Trustee's Commission		45	
Total Drug Enforcement			\$ 564

Total Drug Control Fund \$ 564

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Other Charges	\$	94,116	
Total County Trustee's Office			\$ 94,116

Total Constitutional Officers - Fees Fund 94,116

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	53,065	
Secretary(s)		58,086	
Dues and Memberships		2,323	
Legal Notices, Recording and Court Costs		229	
Postal Charges		490	
Printing, Stationery and Forms		1,335	
Travel		4,526	
Other Contracted Services		11,109	
Office Supplies		6,290	
Other Charges		8,317	
Total Administration			\$ 145,770

Highway and Bridge Maintenance

Foremen	\$	85,031	
Mechanic(s)		683	
Equipment Operators		204,279	
Truck Drivers		163,051	
Laborers		116,881	
Other Contracted Services		25,092	
Asphalt - Cold Mix		19,279	
Asphalt - Liquid		253,546	
Concrete		3,820	

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Crushed Stone	\$	266,665	
General Construction Materials		405	
Pipe - Metal		63,926	
Road Signs		4,137	
Structural Steel		617	
Wood Products		30,555	
Other Charges		14,534	
Total Highway and Bridge Maintenance			\$ 1,252,501

Operation and Maintenance of Equipment

Mechanic(s)	\$	133,687	
Freight Expenses		1,847	
Operating Lease Payments		73,200	
Maintenance & Repair Services- Vehicles		34,255	
Diesel Fuel		92,016	
Equipment Parts - Light		14,806	
Equipment and Machinery Parts		168,551	
Garage Supplies		19,560	
Gasoline		44,104	
Lubricants		15,962	
Tires and Tubes		45,072	
Other Supplies and Materials		7,970	
Total Operation and Maintenance of Equipment			651,030

Other Charges

Communication	\$	19,659	
Electricity		4,633	
Food Supplies		4,652	
Water and Sewer		1,092	
Trustee's Commission		19,790	
Vehicle and Equipment Insurance		64,467	
Other Charges		4,146	
Total Other Charges			118,439

Employee Benefits

Social Security	\$	62,598	
State Retirement		16,273	
Unemployment Compensation		15,420	
Worker's Compensation Insurance		50,000	
Total Employee Benefits			144,291

(Continued)

Exhibit I-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay

Engineering Services	\$ 26,536	
Bridge Construction	248,805	
Communication Equipment	1,386	
Highway Equipment	151,934	
Total Capital Outlay	<u>428,661</u>	\$ 428,661

Total Highway/Public Works Fund \$ 2,740,692

General Debt Service Fund

Principal

General Government

Principal on Bonds	\$ 65,000	
Principal on Notes	221,354	
Total General Government	<u>286,354</u>	\$ 286,354

Education

Principal on Bonds	\$ 555,000	
Total Education	<u>555,000</u>	555,000

Interest

General Government

Interest on Bonds	\$ 1,495	
Interest on Notes	21,197	
Total General Government	<u>22,692</u>	22,692

Education

Interest on Bonds	\$ 755,222	
Total Education	<u>755,222</u>	755,222

Other Debt Service

General Government

Trustee's Commission	\$ 14,349	
Other Debt Service	750	
Total General Government	<u>15,099</u>	15,099

Education

Other Debt Service	\$ 7,101	
Total Education	<u>7,101</u>	7,101

Total General Debt Service Fund 1,641,468

(Continued)

Exhibit I-6

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

General Capital Projects Fund

Capital Projects

General Administration Projects

Trustee's Commission	\$	943	
Data Processing Equipment		2,284	
Motor Vehicles		33,653	
Office Equipment		4,137	
Other Equipment		35,856	
Other Construction		140,499	
Total General Administration Projects			\$ 217,372

Total General Capital Projects Fund \$ 217,372

Community Development/Industrial Park Fund

Capital Projects

Social, Cultural and Recreation Projects

Consultants	\$	5,729	
Contributions		210,000	
Engineering Services		62,119	
Road Signs		270	
Trustee's Commission		1,008	
Other Charges		2,140	
Building Improvements		6,384	
Building Purchases		94,206	
Other Construction		194,331	
Total Social, Cultural and Recreation Projects			\$ 576,187

Total Community Development/Industrial Park Fund 576,187

Highway Capital Projects Fund

Highways

Other Charges

Trustee's Commission	\$	179	
Total Other Charges			\$ 179

Capital Projects

Highway & Street Capital Projects

Bridge Construction	\$	9,220	
Total Highway & Street Capital Projects			9,220

Total Highway Capital Projects Fund 9,399

Total Governmental Funds - Primary Government \$ 8,823,370

Exhibit I-7

Wayne County, Tennessee
Schedule of Detailed Revenues and Expenses
Proprietary Fund Type
For the Year Ended June 30, 2004

	Internal Service Fund
	<u>Workers' Compensation Fund</u>
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
<u>General Service Charges</u>	
Self-Insurance Premiums/Contributions	\$ 150,000
Total Charges for Current Services	<u>\$ 150,000</u>
<u>Other Local Revenues</u>	
<u>Recurring Items</u>	
Miscellaneous Refunds	\$ 1,036
<u>Nonrecurring Items</u>	
Insurance Recovery	<u>3,301</u>
Total Other Local Revenues	<u>\$ 4,337</u>
Total Operating Revenues	<u>\$ 154,337</u>
<u>Nonoperating Revenues</u>	
<u>Recurring Items</u>	
Investment Income	\$ 1,356
Total Nonoperating Revenues	<u>\$ 1,356</u>
Total Revenues	<u><u>\$ 155,693</u></u>
<u>Operating Expenses</u>	
<u>Other Operations</u>	
<u>Employee Benefits</u>	
Workers' Compensation Insurance	\$ 112,483
Other Self-Insured Claims	<u>21,543</u>
Total Other Operations	<u>\$ 134,026</u>
Total Expenses	<u><u>\$ 134,026</u></u>

Exhibit I-8

Wayne County, Tennessee
Schedule of Detailed Receipts, Disbursements
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2004

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 437,510
Total Cash Receipts	<u>\$ 437,510</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 433,135
Trustee's Commission	<u>4,375</u>
Total Cash Disbursements	<u>\$ 437,510</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2003	<u>0</u>
Cash Balance, June 30, 2004	<u><u>\$ 0</u></u>

STATISTICAL SECTION

Table 1

Wayne County, Tennessee
Uncollected Taxes Filed in Chancery Court
June 30, 2004

Year	Amount
1994	\$ 28,830
1996	169
1997	1,296
1998	211
1999	561
2000	4,675
2001	3,666
2002	50,814
Total	\$ 90,222

Table 2

Wayne County, Tennessee
Tax Rates and Assessments
Last Ten Years

Fund	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
General	\$ 0.875	\$ 0.84	\$ 0.79	\$ 0.85	\$ 0.72	\$ 0.72	\$ 0.72	\$ 0.72	\$ 0.72	\$ 0.84
Highway/Public Works	0.020	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
General Purpose School	1.400	1.40	1.40	1.40	1.15	1.15	1.15	1.15	1.15	1.21
General Debt Service	0.280	0.32	0.37	0.45	0.39	0.39	0.39	0.39	0.39	0.21
Solid Waste/Sanitation	0.395	0.39	0.39	0.35	0.29	0.29	0.29	0.29	0.29	0.29
Other Special Revenue	0.000	0.00	0.00	0.25	0.00	0.00	0.00	0.00	0.00	0.00
Total Tax Rate	\$ 2.970	\$ 2.97	\$ 2.97	\$ 3.32	\$ 2.57	\$ 2.57	\$ 2.57	\$ 2.57	\$ 2.57	\$ 2.57
<u>Assessed Valuation</u>										
Real and Personal	\$ 77,911,940	\$ 81,023,227	\$ 81,664,889	\$ 84,951,678	\$ 109,829,774	\$ 114,343,333	\$ 117,835,805	\$ 120,541,351	\$ 123,664,250	\$ 124,150,392
Public Utilities	15,546,940	16,126,250	16,542,361	10,133,282	12,785,985	13,362,328	15,880,885	16,711,405	15,850,247	13,733,304
Total Assessed Valuation	\$ 93,458,880	\$ 97,149,477	\$ 98,207,250	\$ 95,084,960	\$ 122,615,759	\$ 127,705,661	\$ 133,716,690	\$ 137,252,756	\$ 139,514,497	\$ 137,883,696

ANNUAL FINANCIAL REPORT
WAYNE COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF WAYNE COUNTY,
TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2004

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

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

JOE F. KIMERY, CPA, CGFM, CFE
Audit Manager

JERRY DURHAM, CPA, CGFM, CFE
Auditor 4

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

**WAYNE COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF WAYNE COUNTY, TENNESSEE
TABLE OF CONTENTS**

	Exhibit	Page
Audit Highlights		i
<u>INTRODUCTORY SECTION</u>		
Wayne County School Officials		1
<u>FINANCIAL SECTION</u>		
Independent Auditor's Report		5
BASIC FINANCIAL STATEMENTS:		
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	A	11
Statement of Revenues, Expenditures, and Changes in Fund Balances	B	12
Notes to the Financial Statements		13
Required Supplementary Information:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	C	27
Notes to the Required Supplementary Information		29
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES		
Nonmajor Governmental Funds:		
Combining Balance Sheet	D-1	35
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	D-2	36
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual (Budgetary Basis) and Budget:		
School Federal Projects Fund	D-3	37

	Exhibit	Page
Miscellaneous Schedules:		
Schedule of Changes in Long-term Notes	E-1	41
Schedule of Salaries and Official Bonds of Principal Officials	E-2	42
Schedule of Detailed Revenues – All Governmental Fund Types	E-3	43
Schedule of Detailed Expenditures – All Governmental Fund Types	E-4	45

Audit Highlights

Annual Financial Report
Wayne County School Department
For the Year Ended June 30, 2004

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Wayne County School Department as of and for the year ended June 30, 2004.

Results

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

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

The following are summaries of the audit findings:

WAYNE COUNTY SCHOOL DEPARTMENT:

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ The office did not issue purchase orders or issued some purchase orders after purchases were made. Also, invoices were not on file to support some purchases.
- ◆ Payroll deduction accounts were not reconciled currently, and accounting personnel did not track gasoline sales and grant reimbursements adequately.
- ◆ Duties were not segregated adequately among employees at the Central Office.
- ◆ School Department officials had not adopted a central system of accounting, budgeting, and purchasing.

*State of Tennessee
Comptroller of the Treasury
Department of Audit
Division of County Audit*

INTRODUCTORY SECTION

Wayne County School Officials
June 30, 2004

Officials:

Jerry Pigg, Director of Schools

Board of Education:

Joe Treece, Chairman
Robert Cole
Robert Bevis
Rickey Kelley

Pat Brewer
Barry Hanback
Billy Webb

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

August 25, 2004

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

To the Director of Schools and the Board of Education:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Wayne County School Department, a component unit of Wayne County, Tennessee, as of and for the year ended June 30, 2004, as shown on pages 11 through 24, which collectively comprise a portion of the Wayne County School Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Wayne County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

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

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Wayne County School Department as of June 30, 2004, 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 Wayne County School Department as of June 30, 2004, 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.

The budgetary comparison information on pages 27 through 29 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

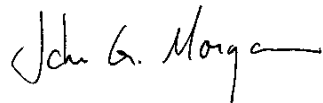
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wayne County School Department's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedule of the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

Page 3

As described in Note I, the Wayne County School Department prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with standards adopted by the Comptroller of the Treasury of the State of Tennessee. This results in a change in the format and content of the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated August 25, 2004, on our consideration of the Wayne County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Wayne County, Tennessee
Balance Sheet - Governmental Funds
Wayne County School Department
June 30, 2004

	Major Fund	Nonmajor Funds	Total Govern- mental Funds
	General Purpose School	Other Govern- mental Funds	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 950,116	\$ 69,334	\$ 1,019,450
Accounts Receivable	4,790	0	4,790
Due from Other Governments	605,664	68,733	674,397
Due from Primary Government	7,869	0	7,869
Property Taxes Receivable	1,320,186	0	1,320,186
Allowance for Uncollectible Property Taxes	(35,450)	0	(35,450)
Total Assets	<u>\$ 2,853,175</u>	<u>\$ 138,067</u>	<u>\$ 2,991,242</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accrued Payroll	\$ 999	\$ 0	\$ 999
Payroll Deductions Payable	219,038	0	219,038
Cash Overdraft	0	7,396	7,396
Retainage Payable	0	5,306	5,306
Due to Primary Government	9,000	0	9,000
Deferred Revenue - Current Property Taxes	1,197,853	0	1,197,853
Deferred Revenue - Delinquent Property Taxes	86,883	0	86,883
Other Deferred Revenues	50,420	0	50,420
Total Liabilities	<u>\$ 1,564,193</u>	<u>\$ 12,702</u>	<u>\$ 1,576,895</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 292,538	\$ 31,350	\$ 323,888
Reserved for Title I Grants to Local Education Agencies	0	19,304	19,304
Reserved for Innovative Education Program Strategies	0	9,239	9,239
Other Federal Reserves	0	1,444	1,444
Unreserved, Reported In:			
General Fund	996,444	0	996,444
Capital Projects Funds	0	64,028	64,028
Total Fund Balances	<u>\$ 1,288,982</u>	<u>\$ 125,365</u>	<u>\$ 1,414,347</u>
Total Liabilities and Fund Balances	<u>\$ 2,853,175</u>	<u>\$ 138,067</u>	<u>\$ 2,991,242</u>

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

Exhibit B

Wayne County, Tennessee
Statement of Revenues, Expenditures
and Changes in Fund Balances -
Governmental Funds
Wayne County School Department
For the Year Ended June 30, 2004

	Major Fund <u>General</u> Purpose School	Nonmajor Fund <u>Other</u> Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 2,318,323	\$ 0	\$ 2,318,323
Licenses and Permits	647	0	647
Charges for Current Services	174,140	0	174,140
Other Local Revenues	73,327	0	73,327
State of Tennessee	11,000,070	0	11,000,070
Federal Government	1,426,894	1,516,700	2,943,594
Total Revenues	<u>\$ 14,993,401</u>	<u>\$ 1,516,700</u>	<u>\$ 16,510,101</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 9,245,154	\$ 1,311,951	\$ 10,557,105
Support Services	4,410,369	238,408	4,648,777
Operation of Non-Instructional Services	896,185	0	896,185
Capital Outlay	145,994	0	145,994
Debt Service:			
Principal	95,805	0	95,805
Interest	7,150	0	7,150
Other Debt Service	200,515	0	200,515
Capital Projects	0	215,818	215,818
Total Expenditures	<u>\$ 15,001,172</u>	<u>\$ 1,766,177</u>	<u>\$ 16,767,349</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (7,771)</u>	<u>\$ (249,477)</u>	<u>\$ (257,248)</u>
Net Change in Fund Balances	\$ (7,771)	\$ (249,477)	\$ (257,248)
Fund Balance, July 1, 2003	1,296,753	374,842	1,671,595
Fund Balance, June 30, 2004	<u>\$ 1,288,982</u>	<u>\$ 125,365</u>	<u>\$ 1,414,347</u>

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

**WAYNE COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF WAYNE COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2004**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wayne County School Department's financial statements are not presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments. In June 1999, the GASB unanimously approved Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments. Some of the significant changes in the statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of a government's overall financial position and results of operations
- Government-wide financial statements prepared using full accrual accounting for all of a government's activities, including infrastructure (roads, bridges, etc.)
- A change in the fund financial statements to focus on the major funds

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.

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

A. Reporting Entity

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

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

Additionally, the School Department reports the following fund types:

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

Capital Projects Fund – The Education Capital Projects Fund is used to account for building construction and renovations of the School Department.

C. Assets, Liabilities, and Equity

1. Deposits and Investments

State statutes authorize counties (Wayne 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 Wayne County trustee maintains a cash and internal investment pool that is used by all Wayne County primary government funds and the School Department. Each fund's portion of this pool is displayed on its balance sheets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the primary government's General, Solid Waste/Sanitation, Special Purpose, General Capital Projects, Community Development/Industrial Park, and the School Department's General Purpose School Funds. Wayne County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate

in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables

Outstanding balances between funds are reported as due to/from other funds.

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

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

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

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

Additional costs attach to delinquent taxes after a court suit has been filed.

3. Capital Assets

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

4. Compensated Absences

The School Department does not have a policy to permit employees to accumulate earned but unused vacation. General policy of the School Department for all professional personnel (teachers) permits the unlimited accumulation (maximum of 20 days for support personnel) of unused sick leave days. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

5. Fund Equity

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Cash Overdraft

The School Federal Projects Fund had a cash overdraft of \$7,396 at June 30, 2004. This cash overdraft resulted from issuing warrants that exceeded cash on deposit with the county trustee. The cash overdraft was liquidated subsequent to June 30, 2004.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Total cash and investments for all funds are as follows for the School Department:

Exhibit A -
Governmental
Funds

Equity in Pooled Cash and Investments	\$ 1,019,450
Total	<u>\$ 1,019,450</u>

Wayne County and the School Department participate in an internal cash and investment pool through the primary government's Office of Trustee. The county trustee is the treasurer of Wayne 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 sheet as Equity in Pooled Cash and Investments.

Deposits – All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public 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.

Separate disclosures concerning carrying amounts and bank balances of pooled deposits cannot be made for Wayne County and the School Department since both pool their deposits and investments through the county trustee. The carrying amount of Wayne County's and the School Department's deposits with financial institutions was \$4,962,664, and the bank balance was \$6,421,667. These deposits are categorized as follows to give an indication of the level of risk assumed at year-end. Category 1 includes deposits insured or collateralized with securities held by the entity or its agent in the entity's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's agent or trust department in the entity's name. Category 3 includes deposits uncollateralized or collateralized with securities held by the pledging

financial institution or by its trust department or agent but not in the entity's name. Category 1 deposits were \$6,421,667.

Investments – 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.

Pooled investments are separately categorized as follows to give an indication of the level of risk assumed at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the entity or its agent in the entity's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the entity's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the entity's name. Funds invested in the State Treasurer's Investment Pool are not required to be categorized by generally accepted accounting principles. Separate disclosures for internally pooled investments cannot be made for Wayne County and the School Department, as previously noted for deposits. Pooled investments with a reported amount and fair value of \$2,510,794 consisted entirely of funds deposited with the State Treasurer's Investment Pool.

B. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2004, is as follows:

Due to/from primary government and component units:

Receivable Fund	Payable Fund	Amount
Primary government: General	School Department component unit: General Purpose School	\$ 9,000
School Department component unit: General Purpose School	Primary government: General	7,869

The balances resulted from revenues being posted incorrectly in the accounting records.

C. Long-term Debt

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

Capital outlay notes are direct obligations and pledge the full faith and credit of the government. Capital outlay notes were issued for original terms of up to 12 years for the notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All notes included in long-term debt as of June 30, 2004, will be retired from the General Purpose School Fund.

The annual requirements to amortize all capital outlay notes outstanding as of June 30, 2004, are presented in the following table:

Year Ending June 30	Principal	Interest
2005	\$ 97,929	\$ 3,626
Total	<u>\$ 97,929</u>	<u>\$ 3,626</u>

Changes in Long-term Liabilities

Long-term debt activity for the year ended June 30, 2004, was as follows:

	<u>Notes</u>
Balance, July 1, 2003	\$ 193,734
Additions	0
Deductions	<u>(95,805)</u>
Balance, June 30, 2004	<u>\$ 97,929</u>
Balance Due Within One Year	<u>\$ 97,929</u>

IV. OTHER INFORMATION

A. Risk Management

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

In prior years, Wayne County and the School Department had chosen to establish the Workers' Compensation Fund for risks associated with workers' compensation claims. Even though they have purchased commercial insurance coverage for workers' compensation claims, the Workers' Compensation Fund remains open to settle claims that were already in existence at July 1, 2002. The Workers' Compensation Fund is accounted for as an Internal Service Fund of the primary government in which assets are set aside for claim settlements administered by Brentwood Services Administrators, Inc.

During the year, the Wayne County General Government, Highway Department, and Wayne County School Department each contributed \$50,000 to the Workers' Compensation Fund. No further claims that will be covered by self-insurance are expected to arise. The Workers' Compensation Fund will be closed upon settlement of the existing claims.

B. Accounting Changes

At the beginning of the year, the School Department adopted certain provisions of GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments. As previously discussed under the Summary of Significant Accounting Policies, the School Department elected to only implement the provisions of Statement 34 that relate to the fund financial statements.

At the beginning of the year, the School Department also adopted the provisions of GASB Interpretation 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements. The provisions of Interpretation 6 are applicable to governmental funds following the modified accrual basis of accounting. Under these provisions, fund liabilities and expenditures are accrued for the matured portion of long-term indebtedness (the portion that has come due). Fund liabilities and expenditures for compensated absences and claims and judgments are recognized to the extent that the liabilities have matured (come due for payment). The School Department was already following these provisions in governmental fund financial statements. Therefore, Interpretation 6 had no effect on the governmental fund financial statements.

C. Contingent Liabilities

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

D. Retirement Commitments

Plan Description

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department,

Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us.

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

SCHOOL TEACHERS

Plan Description

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

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

Funding Policy

Most teachers are required by state statute to contribute 5.0 percent of their salaries to the plan. The employer contribution rate for the Wayne County

School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2004, was 3.39 percent of annual covered payroll. The employer contribution requirement for Wayne County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2004, 2003, and 2002, were \$302,416, \$282,508, and \$305,373, respectively, equal to the required contributions for each year.

E. Other Post-employment Benefits

In addition to the retirement benefits described in Note D, Wayne County School Department provides post-retirement health care benefits, in accordance with contract provisions, to employees who retire with 30 years of service in the Wayne County School System, or who are age 60, until the employee is eligible for Medicare. Employees must be eligible for full retirement under TCRS rules, not retired from another school system, and enrolled in the Wayne County Board of Education sponsored medical insurance plan prior to retirement. Currently, three school retirees meet those eligibility requirements. The state pays for 45 percent of medical insurance coverage for retirees with 30 years of service. The School Department's post-retirement health care benefit plan will pay the remaining cost. Expenditures for post-retirement health care benefits are recognized as retirees report claims. Current-year expenditures of \$13,776 were recognized for post-employment health care.

F. Purchasing Law

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

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit C

Wayne County, Tennessee
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Wayne County School Department
General Purpose School Fund
For the Year Ended June 30, 2004

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2003	Add: Encumbrances 6/30/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,318,323	\$ 0	\$ 0	\$ 2,318,323	\$ 2,260,410	\$ 2,209,410	\$ 108,913
Licenses and Permits	647	0	0	647	600	600	47
Charges for Current Services	174,140	0	0	174,140	165,377	181,877	(7,737)
Other Local Revenues	73,327	0	0	73,327	33,833	65,747	7,580
State of Tennessee	11,000,070	0	0	11,000,070	11,103,847	11,125,444	(125,374)
Federal Government	1,426,894	0	0	1,426,894	779,357	1,393,123	33,771
Total Revenues	\$ 14,993,401	\$ 0	\$ 0	\$ 14,993,401	\$ 14,343,424	\$ 14,976,201	\$ 17,200
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 7,486,887	\$ (210,176)	\$ 189,620	\$ 7,466,331	\$ 7,238,917	\$ 7,539,944	\$ 73,613
Alternative Instruction Program	75,890	0	0	75,890	78,513	78,513	2,623
Special Education Program	988,198	(9,127)	5,006	984,077	941,539	984,463	386
Vocational Education Program	589,776	(17,004)	1,872	574,644	558,329	575,329	685
Adult Education Program	104,403	(20,859)	4,109	87,653	59,356	104,173	16,520
<u>Support Services</u>							
Attendance	62,494	0	0	62,494	63,161	63,161	667
Health Services	60,293	0	0	60,293	108,185	72,485	12,192
Other Student Support	302,075	0	344	302,419	270,981	302,520	101
Regular Instruction Program	578,454	(17,870)	50,116	610,700	525,296	618,746	8,046
Special Education Program	204,662	(6,512)	3,441	201,591	198,971	201,671	80
Vocational Education Program	86,320	0	0	86,320	86,460	86,460	140
Adult Programs	94,084	0	139	94,223	91,186	102,403	8,180
Board of Education	162,096	(10,000)	0	152,096	153,958	153,958	1,862
Director of Schools	118,524	(532)	257	118,249	121,748	121,748	3,499
Office of the Principal	541,347	0	0	541,347	547,561	548,061	6,714
Fiscal Services	47,729	0	0	47,729	48,532	48,532	803
Operation of Plant	1,126,906	(2,696)	704	1,124,914	1,106,241	1,131,241	6,327
Maintenance of Plant	266,560	(15,324)	6,372	257,608	249,806	261,722	4,114

(Continued)

Exhibit C

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2003	Add: Encumbrances 6/30/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Transportation	\$ 758,825	\$ (1,911)	\$ 5,347	\$ 762,261	\$ 769,931	\$ 783,901	\$ 21,640
<u>Operation of Non-Instructional Services</u>							
Food Service	749,392	(6,369)	2,786	745,809	638,037	783,047	37,238
Community Services	146,793	0	0	146,793	142,761	147,261	468
<u>Capital Outlay</u>							
Regular Capital Outlay	145,994	(16,177)	22,425	152,242	40,000	235,512	83,270
<u>Principal</u>							
Education	95,805	0	0	95,805	95,805	95,805	0
<u>Interest</u>							
Education	7,150	0	0	7,150	7,150	7,150	0
<u>Other Debt Service</u>							
Education	200,515	0	0	200,515	201,000	201,000	485
Total Expenditures	\$ 15,001,172	\$ (334,557)	\$ 292,538	\$ 14,959,153	\$ 14,343,424	\$ 15,248,806	\$ 289,653
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (7,771)	\$ 334,557	\$ (292,538)	\$ 34,248	\$ 0	\$ (272,605)	\$ 306,853
Net Change in Fund Balance							
Fund Balance, July 1, 2003	\$ 1,296,753	(334,557)	0	962,196	775,000	775,000	187,196
Fund Balance, June 30, 2004	\$ 1,288,982	0	(292,538)	996,444	775,000	502,395	494,049

**WAYNE COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF WAYNE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2004**

BUDGETARY INFORMATION

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

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

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

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

Nonmajor Governmental Funds

Special Revenue Fund

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

Capital Projects Fund

The Education Capital Projects Fund is used to account for building construction and renovations of the School Department.

Wayne County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Wayne County School Department
June 30, 2004

	Special Revenue Fund <hr/> School Federal Projects	Capital Projects Fund <hr/> Education Capital Projects	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 0	\$ 69,334	\$ 69,334
Due from Other Governments	68,733	0	68,733
	<hr/>		
Total Assets	\$ 68,733	\$ 69,334	\$ 138,067
<hr/>			
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Cash Overdraft	\$ 7,396	\$ 0	\$ 7,396
Retainage Payable	0	5,306	5,306
Total Liabilities	\$ 7,396	\$ 5,306	\$ 12,702
<hr/>			
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 31,350	\$ 0	\$ 31,350
Reserved for Title I Grants to Local Education Agencies	19,304	0	19,304
Reserved for Innovative Education Program Strategies	9,239	0	9,239
Other Federal Reserves	1,444	0	1,444
Unreserved	0	64,028	64,028
Total Fund Balances	\$ 61,337	\$ 64,028	\$ 125,365
<hr/>			
Total Liabilities and Fund Balances	\$ 68,733	\$ 69,334	\$ 138,067
<hr/>			

Exhibit D-2

Wayne County, Tennessee
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances -
Nonmajor Governmental Funds
Wayne County School Department
For the Year Ended June 30, 2004

	Special Revenue Fund <u>School Federal Projects</u>	Capital Projects Fund <u>Education Capital Projects</u>	Total Nonmajor Governmental Funds
<u>Revenues</u>			
Federal Government	\$ 1,516,700	\$ 0	\$ 1,516,700
Total Revenues	<u>\$ 1,516,700</u>	<u>\$ 0</u>	<u>\$ 1,516,700</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,311,951	\$ 0	\$ 1,311,951
Support Services	238,408	0	238,408
Capital Projects	0	215,818	215,818
Total Expenditures	<u>\$ 1,550,359</u>	<u>\$ 215,818</u>	<u>\$ 1,766,177</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (33,659)</u>	<u>\$ (215,818)</u>	<u>\$ (249,477)</u>
Net Change in Fund Balances	\$ (33,659)	\$ (215,818)	\$ (249,477)
Fund Balance, July 1, 2003	94,996	279,846	374,842
Fund Balance, June 30, 2004	<u>\$ 61,337</u>	<u>\$ 64,028</u>	<u>\$ 125,365</u>

Exhibit D-3

Wayne County, Tennessee
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Wayne County School Department
School Federal Projects Fund
For the Year Ended June 30, 2004

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2003	Add: Encumbrances 6/30/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 1,516,700	\$ 0	\$ 0	\$ 1,516,700	\$ 1,701,221	\$ 1,701,221	\$ (184,521)
Total Revenues	\$ 1,516,700	\$ 0	\$ 0	\$ 1,516,700	\$ 1,701,221	\$ 1,701,221	\$ (184,521)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 823,872	\$ (2,728)	\$ 203	\$ 821,347	\$ 827,125	\$ 827,125	\$ 5,778
Special Education Program	439,005	(536)	11,951	450,420	519,993	519,993	69,573
Vocational Education Program	49,074	(13,626)	14,778	50,226	51,046	51,046	820
<u>Support Services</u>							
Health Services	4,200	0	0	4,200	4,200	4,200	0
Other Student Support	5,228	(250)	0	4,978	5,000	5,000	22
Regular Instruction Program	123,038	(1,315)	3,471	125,194	170,965	170,965	45,771
Special Education Program	94,399	(1,157)	495	93,737	138,404	138,404	44,667
Vocational Education Program	2,517	0	452	2,969	3,533	3,533	564
Transportation	9,026	0	0	9,026	9,026	9,026	0
Total Expenditures	\$ 1,550,359	\$ (19,612)	\$ 31,350	\$ 1,562,097	\$ 1,729,292	\$ 1,729,292	\$ 167,195
Excess (Deficiency) of Revenues Over Expenditures	\$ (33,659)	\$ 19,612	\$ (31,350)	\$ (45,397)	\$ (28,071)	\$ (28,071)	\$ (17,326)
Net Change in Fund Balance	\$ (33,659)	\$ 19,612	\$ (31,350)	\$ (45,397)	\$ (28,071)	\$ (28,071)	\$ (17,326)
Fund Balance, July 1, 2003	94,996	(19,612)	0	75,384	28,071	28,071	47,313
Fund Balance, June 30, 2004	\$ 61,337	\$ 0	\$ (31,350)	\$ 29,987	\$ 0	\$ 0	\$ 29,987

MISCELLANEOUS SCHEDULES

Exhibit E-1

Wayne County, Tennessee
Wayne County School Department
Schedule of Changes in Long-Term Notes
For the Year Ended June 30, 2004

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-03	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-04
<u>NOTES PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
Reroof Educational Buildings	\$ 300,000	3.2 to 5.75 %	6-15-93	6-15-05	\$ 50,000	\$ 0	\$ 25,000	\$ 25,000
Energy Loan	468,000	3	3-25-98	5-1-05	143,734	0	70,805	72,929
Total Notes Payable					<u>\$ 193,734</u>	<u>\$ 0</u>	<u>\$ 95,805</u>	<u>\$ 97,929</u>

Exhibit E-2

Wayne County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Wayne County School Department
For the Year Ended June 30, 2004

<u>Official</u>	<u>Authorization for Salary</u>	<u>Salary Paid During Period</u>	<u>Bond</u>	<u>Surety</u>
Director of Schools	State Board of Education and Local Board of Education	\$ 72,827 (1)	\$ 50,000	State Automobile Mutual Insurance Company
<u>Other Bonds</u> Employees			150,000	Tennessee School Boards Risk Management Trust

(1) Includes \$900 chief executive officer training supplement.

Exhibit E-3

Wayne County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 Wayne County School Department
 For the Year Ended June 30, 2004

	General Purpose School	School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 1,490,977	\$ 0	\$ 1,490,977
Trustee's Collections - Prior Year	107,348	0	107,348
Circuit/Clerk & Master Collections - Prior Years	27,201	0	27,201
Interest and Penalty	18,701	0	18,701
Payments in Lieu of Taxes - T.V.A.	8,759	0	8,759
<u>County Local Option Taxes</u>			
Local Option Sales Tax	581,838	0	581,838
Other County Local Option Taxes	82,379	0	82,379
<u>Statutory Local Taxes</u>			
Interstate Telecommunications Tax	1,120	0	1,120
Total Local Taxes	\$ 2,318,323	\$ 0	\$ 2,318,323
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 647	\$ 0	\$ 647
Total Licenses and Permits	\$ 647	\$ 0	\$ 647
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
Receipts from Individual Schools	\$ 60,293	\$ 0	\$ 60,293
Community Service Fees - Children	107,585	0	107,585
Community Service Fees - Adults	63	0	63
<u>Other Charges for Services</u>			
Other Charges for Services	6,199	0	6,199
Total Charges for Current Services	\$ 174,140	\$ 0	\$ 174,140
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Investment Income	\$ 16,966	\$ 0	\$ 16,966
Lease/Rentals	8,229	0	8,229
<u>Nonrecurring Items</u>			
Insurance Recovery	7,109	0	7,109
Sale of Equipment	10,626	0	10,626
Damages Recovered from Individuals	7	0	7
Contributions & Gifts	30,390	0	30,390
Total Other Local Revenues	\$ 73,327	\$ 0	\$ 73,327
<u>State of Tennessee</u>			
<u>State Education Funds</u>			
Basic Education Program	\$ 9,687,809	\$ 0	\$ 9,687,809
School Food Service	15,432	0	15,432
Driver Education	9,990	0	9,990
Other State Education Funds	833,515	0	833,515
Career Ladder Program	228,675	0	228,675
Career Ladder - Extended Contract	128,160	0	128,160
<u>Other State Revenues</u>			
Mixed Drink Tax	1,269	0	1,269
State Revenue Sharing - T.V.A.	74,976	0	74,976
Other State Grants	20,244	0	20,244
Total State of Tennessee	\$ 11,000,070	\$ 0	\$ 11,000,070

(Continued)

Exhibit E-3

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

	General Purpose School	School Federal Projects	Total
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 469,665	\$ 0	\$ 469,665
Breakfast	155,104	0	155,104
USDA - Other	63,086	0	63,086
Adult Education State Grant Program	95,396	0	95,396
Vocational Education - Basic Grants to States	0	56,847	56,847
Title I Grants to Local Education Agencies	0	534,219	534,219
Innovative Education Program Strategies	0	92,385	92,385
Special Education - Grants to States	4,396	468,394	472,790
Education Edge	41,294	0	41,294
Special Education Preschool Grants	0	17,407	17,407
Eisenhower Professional Development State Grants	0	161,158	161,158
Other Federal through State	597,953	186,290	784,243
Total Federal Government	<u>\$ 1,426,894</u>	<u>\$ 1,516,700</u>	<u>\$ 2,943,594</u>
Total	<u>\$ 14,993,401</u>	<u>\$ 1,516,700</u>	<u>\$ 16,510,101</u>

Exhibit E-4

Wayne County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Wayne County School Department
For the Year Ended June 30, 2004

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	5,112,163	
Career Ladder Program		140,415	
Career Ladder Extended Contracts		85,750	
Homebound Teachers		2,118	
Bus Drivers		83	
Educational Assistants		258,713	
Other Salaries & Wages		71,809	
Substitute Teachers		117,723	
Social Security		332,544	
State Retirement		187,657	
Medical Insurance		396,257	
Unemployment Compensation		14,235	
Employer Medicare		78,314	
Communication		427	
Maintenance & Repair Services- Equipment		2,088	
Other Contracted Services		2,618	
Instructional Supplies and Materials		140,388	
Textbooks		130,640	
Other Supplies and Materials		34,748	
Other Charges		7,724	
Regular Instruction Equipment		370,473	
Total Regular Instruction Program			\$ 7,486,887

Alternative Instruction Program

Teachers	\$	58,377	
Career Ladder Program		2,000	
Career Ladder Extended Contracts		2,000	
Social Security		3,439	
State Retirement		2,115	
Medical Insurance		6,430	
Unemployment Compensation		103	
Employer Medicare		804	
Instructional Supplies and Materials		199	
Other Supplies and Materials		400	
Other Charges		23	
Total Alternative Instruction Program			75,890

Special Education Program

Teachers	\$	775,367	
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(Continued)

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Career Ladder Program	\$	11,000	
Homebound Teachers		6,867	
Educational Assistants		28,957	
Substitute Teachers		10,254	
Social Security		49,474	
State Retirement		27,486	
Medical Insurance		39,406	
Unemployment Compensation		2,176	
Employer Medicare		11,570	
Other Supplies and Materials		16	
Other Charges		121	
Special Education Equipment		25,504	
Total Special Education Program			\$ 988,198

Vocational Education Program

Teachers	\$	429,341	
Career Ladder Program		12,000	
Substitute Teachers		8,722	
Social Security		25,665	
State Retirement		14,962	
Medical Insurance		38,285	
Unemployment Compensation		913	
Employer Medicare		6,002	
Maintenance & Repair Services- Equipment		1,913	
Other Contracted Services		1,644	
Instructional Supplies and Materials		27,420	
Textbooks		6,552	
Other Supplies and Materials		2,738	
Vocational Instruction Equipment		13,619	
Total Vocational Education Program			589,776

Adult Education Program

Teachers	\$	41,953
Substitute Teachers		384
Social Security		2,557
State Retirement		1,168
Unemployment Compensation		197
Employer Medicare		598
Instructional Supplies and Materials		31,652

(Continued)

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Adult Education Program (Cont.)

Other Supplies and Materials	\$	15	
Other Equipment		25,879	
Total Adult Education Program			\$ 104,403

Support Services

Attendance

Supervisor/Director	\$	42,594	
Social Security		2,298	
State Retirement		1,444	
Medical Insurance		4,839	
Unemployment Compensation		70	
Employer Medicare		538	
Travel		511	
Other Contracted Services		10,200	
Total Attendance			62,494

Health Services

Medical Personnel	\$	13,666	
Other Salaries & Wages		34,774	
Social Security		2,634	
State Retirement		1,552	
Medical Insurance		3,817	
Unemployment Compensation		288	
Employer Medicare		616	
Travel		1,000	
Drugs and Medical Supplies		1,946	
Total Health Services			60,293

Other Student Support

Career Ladder Program	\$	7,000	
Guidance Personnel		210,197	
Career Ladder Extended Contracts		8,000	
Social Workers		15,350	
Social Security		13,527	
State Retirement		8,154	
Medical Insurance		19,324	
Unemployment Compensation		563	
Employer Medicare		3,164	
Contracts with Government Agencies		7,000	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Evaluation and Testing	\$	3,222	
Travel		290	
Other Supplies and Materials		1,200	
Other Charges		5,084	
Total Other Student Support			\$ 302,075

Regular Instruction Program

Supervisor/Director	\$	67,864	
Career Ladder Program		15,630	
Career Ladder Extended Contracts		16,000	
Librarians		243,716	
Instructional Computer Personnel		49,793	
Clerical Personnel		10,287	
Social Security		23,440	
State Retirement		13,870	
Medical Insurance		31,237	
Unemployment Compensation		643	
Employer Medicare		5,482	
Consultants		7,675	
Travel		6,565	
Library Books/Media		36,731	
Other Supplies and Materials		7,686	
In Service/Staff Development		37,586	
Other Equipment		4,249	
Total Regular Instruction Program			578,454

Special Education Program

Supervisor/Director	\$	47,932	
Career Ladder Program		5,000	
Psychological Personnel		39,924	
Career Ladder Extended Contracts		4,000	
Assessment Personnel		71,478	
Social Security		9,437	
State Retirement		5,707	
Medical Insurance		14,247	
Unemployment Compensation		280	
Employer Medicare		2,207	
Travel		2,129	
Other Charges		2,321	
Total Special Education Program			204,662

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program

Supervisor/Director	\$	44,111	
Career Ladder Program		500	
Secretary(s)		12,617	
Other Salaries & Wages		11,200	
Social Security		4,133	
State Retirement		2,058	
Medical Insurance		2,612	
Unemployment Compensation		186	
Employer Medicare		967	
Maintenance & Repair Services- Equipment		263	
Travel		3,500	
Other Charges		4,173	
Total Vocational Education Program	\$		86,320

Adult Programs

Supervisor/Director	\$	45,982	
Career Ladder Program		1,000	
Other Salaries & Wages		16,613	
Social Security		3,601	
State Retirement		1,973	
Medical Insurance		6,401	
Unemployment Compensation		139	
Employer Medicare		842	
Travel		469	
Other Contracted Services		769	
Instructional Supplies and Materials		77	
In Service/Staff Development		4,398	
Other Charges		11,820	
Total Adult Programs			94,084

Board of Education

Board and Committee Members Fees	\$	4,359	
Social Security		270	
Unemployment Compensation		42	
Employer Medicare		63	
Audit Services		17,112	
Dues and Memberships		7,129	
Legal Services		402	
Travel		840	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Trustee's Commission	\$	76,047	
Worker's Compensation Insurance		50,000	
In Service/Staff Development		470	
Criminal Investigation of Applicants - TBI		1,632	
Other Charges		3,730	
Total Board of Education	\$		162,096

Director of Schools

County Official/Administrative Officer	\$	72,827	
Secretary(s)		15,257	
Social Security		5,073	
State Retirement		2,818	
Medical Insurance		5,486	
Unemployment Compensation		127	
Employer Medicare		1,186	
Other Fringe Benefits		1,093	
Communication		6,003	
Dues and Memberships		1,012	
Maintenance & Repair Services- Equipment		1,425	
Postal Charges		2,642	
Travel		519	
Office Supplies		3,036	
Other Charges		20	
Total Director of Schools			118,524

Office of the Principal

Principals	\$	348,480	
Career Ladder Program		12,500	
Career Ladder Extended Contracts		12,000	
Secretary(s)		87,268	
Other Salaries & Wages		884	
Social Security		27,513	
State Retirement		14,663	
Medical Insurance		18,436	
Unemployment Compensation		1,005	
Employer Medicare		6,434	
Communication		7,345	
Dues and Memberships		3,100	
Travel		115	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Other Supplies and Materials	\$	1,015	
Other Charges		589	
Total Office of the Principal			\$ 541,347

Fiscal Services

Accountants/Bookkeepers	\$	24,065	
Social Security		1,477	
State Retirement		551	
Medical Insurance		10,208	
Unemployment Compensation		70	
Employer Medicare		345	
Data Processing Services		4,091	
Maintenance & Repair Services- Equipment		76	
Data Processing Supplies		3,428	
Office Supplies		1,180	
Other Supplies and Materials		732	
Administration Equipment		1,506	
Total Fiscal Services			47,729

Operation of Plant

Custodial Personnel	\$	242,321	
Other Salaries & Wages		744	
Social Security		14,720	
State Retirement		4,481	
Medical Insurance		6,175	
Unemployment Compensation		1,775	
Employer Medicare		3,443	
Other Contracted Services		71,757	
Custodial Supplies		40,613	
Electricity		459,941	
Natural Gas		128,950	
Water and Sewer		40,438	
Other Supplies and Materials		1,027	
Building and Contents Insurance		109,116	
Plant Operation Equipment		1,405	
Total Operation of Plant			1,126,906

Maintenance of Plant

Maintenance Personnel	\$	128,788	
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(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Social Security	\$	7,648	
State Retirement		2,949	
Medical Insurance		1,658	
Unemployment Compensation		335	
Employer Medicare		1,789	
Communication		276	
Maintenance & Repair Services- Buildings		68,102	
Maintenance & Repair Services- Equipment		30,077	
Maintenance & Repair Services- Vehicles		810	
Other Contracted Services		17,728	
Other Supplies and Materials		915	
Other Charges		3,936	
Maintenance Equipment		1,549	
Total Maintenance of Plant			\$ 266,560

Transportation

Mechanic(s)	\$	82,468	
Bus Drivers		372,919	
Other Salaries & Wages		26,900	
Social Security		28,646	
State Retirement		10,716	
Medical Insurance		13,838	
Unemployment Compensation		2,806	
Employer Medicare		6,699	
Communication		1,595	
Laundry Service		22	
Medical and Dental Services		2,631	
Other Contracted Services		15,420	
Diesel Fuel		73,717	
Garage Supplies		2,231	
Gasoline		19,248	
Lubricants		2,425	
Tires and Tubes		13,387	
Vehicle Parts		24,307	
In Service/Staff Development		589	
Other Charges		2,625	
Transportation Equipment		55,636	
Total Transportation			758,825

(Continued)

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	33,407	
Accountants/Bookkeepers		1,404	
Cafeteria Personnel		14,186	
Other Salaries & Wages		8,578	
Social Security		3,569	
State Retirement		1,704	
Medical Insurance		550	
Unemployment Compensation		184	
Employer Medicare		736	
Maintenance & Repair Services- Equipment		8,877	
Payments to Schools - Breakfast		155,104	
Payments to Schools - Lunch		469,665	
Transportation - Other than Students		7,519	
Travel		929	
Food Supplies		31,686	
Office Supplies		915	
Utilities		10,000	
Other Charges		379	
Total Food Service			\$ 749,392

Community Services

Other Salaries & Wages	\$	126,272	
Social Security		7,762	
State Retirement		3,082	
Medical Insurance		3,613	
Unemployment Compensation		774	
Employer Medicare		1,815	
Travel		1,292	
Other Supplies and Materials		2,116	
Other Charges		67	
Total Community Services			146,793

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	63,519	
Site Development		72,646	
Other Capital Outlay		9,829	
Total Regular Capital Outlay			145,994

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Principal

Education

Principal on Notes	\$ 95,805	
Total Education		\$ 95,805

Interest

Education

Interest on Notes	\$ 7,150	
Total Education		7,150

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 200,000	
Other Debt Service	515	
Total Education		<u>200,515</u>

Total General Purpose School Fund		\$ 15,001,172
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School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 623,111	
Educational Assistants	42,447	
Other Salaries & Wages	6,437	
Substitute Teachers	9,090	
Social Security	39,173	
State Retirement	22,143	
Medical Insurance	46,917	
Unemployment Compensation	2,140	
Employer Medicare	9,161	
Other Contracted Services	3,000	
Instructional Supplies and Materials	20,191	
Other Supplies and Materials	37	
In Service/Staff Development	25	
Total Regular Instruction Program		\$ 823,872

Special Education Program

Teachers	\$ 31,582	
Educational Assistants	227,031	
Other Salaries & Wages	12,527	
Substitute Teachers	7,019	

(Continued)

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Social Security	\$	16,895	
State Retirement		6,669	
Medical Insurance		13,268	
Unemployment Compensation		1,464	
Employer Medicare		3,951	
Contracts with Private Agencies		2,214	
Maintenance & Repair Services- Equipment		4,282	
Other Contracted Services		9,922	
Instructional Supplies and Materials		28,920	
Textbooks		19,244	
Other Supplies and Materials		29,705	
Other Charges		14,338	
Special Education Equipment		9,974	
Total Special Education Program			\$ 439,005

Vocational Education Program

Social Security	\$	284	
State Retirement		155	
Employer Medicare		66	
Travel		2,960	
Other Contracted Services		4,584	
Instructional Supplies and Materials		11,140	
Vocational Instruction Equipment		29,885	
Total Vocational Education Program			49,074

Support Services

Health Services

Other Charges	\$	4,200	
Total Health Services			4,200

Other Student Support

Travel	\$	5,228	
Total Other Student Support			5,228

Regular Instruction Program

Supervisor/Director	\$	63,351	
Social Security		4,049	
State Retirement		2,380	
Unemployment Compensation		129	

(Continued)

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Employer Medicare	\$	947	
Travel		565	
Other Supplies and Materials		1,389	
In Service/Staff Development		50,214	
Other Charges		14	
Total Regular Instruction Program	\$		123,038

Special Education Program

Supervisor/Director	\$	4,358	
Secretary(s)		20,898	
Social Security		1,570	
State Retirement		786	
Unemployment Compensation		85	
Employer Medicare		367	
Consultants		3,260	
Maintenance & Repair Services- Equipment		334	
Travel		11,006	
Other Contracted Services		4,436	
Other Supplies and Materials		29,841	
In Service/Staff Development		11,822	
Other Charges		5,636	
Total Special Education Program			94,399

Vocational Education Program

Clerical Personnel	\$	1,118	
Social Security		69	
State Retirement		13	
Unemployment Compensation		6	
Employer Medicare		16	
In Service/Staff Development		479	
Other Charges		816	
Total Vocational Education Program			2,517

Transportation

Bus Drivers	\$	8,184	
Social Security		505	
State Retirement		187	
Unemployment Compensation		31	
Employer Medicare		119	
Total Transportation			9,026

Total School Federal Projects Fund \$ 1,550,359

(Continued)

Exhibit E-4

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

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Architects	\$	6,194	
Other Contracted Services		4,072	
Building Improvements		203,477	
Site Development		<u>2,075</u>	
Total Education Capital Projects			\$ <u>215,818</u>

Total Education Capital Projects Fund \$ 215,818

Total Governmental Funds - Wayne County School Department \$ 16,767,349

SINGLE AUDIT REPORT
WAYNE COUNTY, TENNESSEE
AND
WAYNE COUNTY SCHOOL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2004

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

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

JOE F. KIMERY, CPA, CGFM, CFE
Audit Manager

JERRY DURHAM, CPA, CGFM, CFE
Auditor 4

KENT WHITE, CPA, CGFM, CFE
RHONDA DAVIS, CFE
State Auditors

SINGLE AUDIT REPORT TABLE OF CONTENTS

	Page
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	1
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with <u>OMB Circular A-133</u>	3
Schedule of Expenditures of Federal Awards and State Grants	7
Schedule of Audit Findings Not Corrected	9
Schedule of Findings and Questioned Costs	11
Auditee Reporting Responsibilities	23



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

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

August 25, 2004

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

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

We have audited the financial statements of Wayne County, Tennessee, and the Wayne County School Department as of and for the year ended June 30, 2004, and have issued our reports thereon dated August 25, 2004. Our reports on the financial statements of Wayne County Tennessee and Wayne County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Wayne County's and the Wayne County School Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 one material instance of noncompliance that is required to be reported under Government Auditing Standards and is described in the accompanying Schedule of Findings and Questioned Costs as item 04.01. We also noted other instances of noncompliance, which are described in the accompanying Schedule of Findings and Questioned Costs as items 04.05, 04.07, 04.10(B,C), and 04.11.

We have also noted certain other, less significant instances of noncompliance that we have reported to management in separate communications.

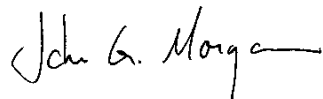
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wayne County's and the Wayne County School Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Wayne County's and the Wayne County School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 04.02, 04.03, 04.04, 04.06, 04.08, 04.09, 04.10(A), 04.12, 04.13, and 04.14.

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 misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management in separate communications.

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

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/yu



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
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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

August 25, 2004

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

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

Compliance

We have audited the compliance of Wayne County and the Wayne County School Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Wayne County's and Wayne County School Department's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Wayne County's and the Wayne County School Department's management. Our responsibility is to express an opinion on Wayne County's and the Wayne County School Department's compliance based on our audit.

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

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

In our opinion, Wayne County and the Wayne County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

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

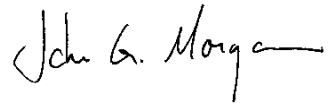
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively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

We have audited the financial statements of Wayne County, Tennessee, and the Wayne County School Department as of and for the year ended June 30, 2004, and have issued our reports thereon dated August 25, 2004. Our reports on the financial statements of Wayne County and the Wayne County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Page 3

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu

Wayne County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2004

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 Distribution (Noncash Assistance)	10.550	(2)	\$ 58,622
Total Passed-through State Department of Agriculture			\$ 58,622
Passed-through State Department of Education:			
Nutrition Cluster:			
School Breakfast Program	10.553	(2)	\$ 155,104
National School Lunch Program	10.555	(2)	469,665
Summer Food Service Program for Children	10.559	(2)	63,086
Total Passed-through State Department of Education			\$ 687,855
Total U.S. Department of Agriculture			\$ 746,477
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants State's Program	14.228	Z0100321600	\$ 275,279
Total U.S. Department of Housing and Urban Development			\$ 275,279
U.S. Department of Labor:			
Passed-through State Department of Labor and Workforce Development:			
WIA Incentive Grants - Section 503 Grants to States	17.267	Z0401948300	\$ 23,642
Total U.S. Department of Labor			\$ 23,642
U.S. Federal Emergency Management Agency:			
Direct Program:			
Assistance to Firefighters Grant	97.044	N/A	\$ 89,691
Total Direct Programs			\$ 89,691
Passed-through State Emergency Management Agency:			
State Domestic Preparedness Equipment Support Program	97.004	Z0301781200	\$ 22,211
State and Local All Hazards Emergency Operations Planning	97.051	Z0301522501	11,897
Public Assistance Grants	97.036	Z0301799500	458,736
Total Passed-through State Emergency Management Agency			\$ 492,844
Total U.S. Federal Emergency Management Agency			\$ 582,535
U.S. Department of Health and Human Services:			
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families (Families First)	93.558	Z0401656300	\$ 15,546
Total U.S. Department of Health and Human Services			\$ 15,546

(Continued)

Wayne County, Tennessee

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 Education:			
Passed-through State Department of Education:			
Adult Education - State Grant Program	84.002	Z0401672500	\$ 93,113 (3)
Adult Education - State Grant Program	84.002	(2)	7,817 (3)
Title 1 Grants to Local Educational Agencies	84.010	N/A	525,431
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	527,350
Special Education - Preschool Grants	84.173	N/A	19,475
Vocational Education - Basic Grants to States	84.048	N/A	56,727
Safe and Drug Free Schools and Communities - State Grant	84.186	(2)	18,223
Even Start State Educational Agencies	84.213C	Z0401857800	155,137
Education Edge - Partnership for Lifetime Learning	84.278	N/A	41,294
Innovative Education Program Strategies	84.298	N/A	20,173
Reading Excellence	84.338A	N/A	344,070
Reading First State Grants	84.357	GG041104200	113,962
Educational Technology State Grants	84.318	(2)	15,466
Rural Education	84.358	N/A	56,748
Improving Teacher Quality State Grants	84.367	N/A	160,025
Total U.S. Department of Education			\$ 2,155,011
Total Expenditures of Federal Awards			\$ 3,798,490
<u>State Grants</u>			
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 9,529
Rural Local Health Services - State Department of Health	N/A	Z0405136100	20,369
Litter Program - State Department of Transportation	N/A	(2)	39,015
Safe 64 Grant - Governor's Highway Safety Office	N/A	Z0301182800	7,958
Early Childhood Education - State Department of Education	N/A	(2)	195,000
Adult Basic Education - State Department of Education	N/A	Z0401672500	25,359
Family Resource Center - State Department of Education	N/A	Z0401760900	13,186
Families First - State Department of Education	N/A	Z0401656300	7,317
Touching Lives of Children Grant - State Department of Education	N/A	(2)	7,058
Safe Schools Act of 2001 - State Department of Education	N/A	(2)	17,539
Juvenile Justice and Delinquency Prevention - State Commission on Children and Youth	N/A	(2)	9,000
Total State Grants			\$ 351,330

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) - Pass-through entity identifying number not provided by grantee.
- (3) - Total Adult Education State Grant Program (CFDA # 84.002) from the U.S. Department of Education \$100,930.

Wayne County, Tennessee, and the Wayne County School Department
Schedule of Audit Findings Not Corrected
June 30, 2004

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Wayne County, Tennessee, for the year ended June 30, 2003, which have not been corrected.

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
03.01(A)	150	Purchase Orders Were Not Issued for Some Purchases

OFFICE OF SUPERINTENDENT OF HIGHWAYS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
03.03	151	A Complete County Road List Was Not Prepared

OFFICE OF DIRECTOR OF SCHOOLS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
03.05	152	Purchase Orders Were Not Issued for Some Purchases

OFFICE OF COUNTY CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
03.06	153	Transactions of the Office Had Not Been Accounted for Properly
03.07	154	The Office Did Not Deposit Collections Within Three Days

OFFICE OF SHERIFF

Finding Number	Page Number	Subject
03.11	155	Internal Controls Over Receiving and Storing Evidence and Seized Property Were Not Adequate

OTHER FINDINGS AND RECOMMENDATIONS

Finding Number	Page Number	Subject
03.13	156	Duties Were Not Segregated Adequately in the Offices of Director of Schools, Trustee, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff
03.14	156	Records Were Not Maintained for General Fixed Assets
03.15	157	A System of Central Accounting, Budgeting, and Purchasing Had Not Been Adopted

**WAYNE COUNTY, TENNESSEE, AND THE
WAYNE COUNTY SCHOOL DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2004**

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Adverse opinions were issued on the financial statements of Wayne County and the Wayne County School Department.
2. Reportable conditions in internal control were disclosed by the audit of the financial statements of Wayne County and the Wayne County School Department. None of these conditions were considered to be a material weakness.
3. The audit disclosed one instance of noncompliance which is material to the financial statements of Wayne County and the Wayne County School Department.
4. No reportable condition in internal control over major programs was disclosed by the audit.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit disclosed no audit findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Title 1 Grants to Local Educational Agencies (CFDA No. 84.010); Reading Excellence (CFDA No. 84.338A), the Nutrition Cluster - School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children (CFDA Nos. 10.553, 10.555, 10.559); and Public Assistance Grants (CFDA No. 97.036) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Wayne County and the Wayne County School Department did not qualify as low-risk auditees.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

WAYNE COUNTY AND WAYNE COUNTY SCHOOL DEPARTMENT

FINDING 04.01 **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**
(Material Noncompliance Under Government Auditing Standards)

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

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

RECOMMENDATION

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

OFFICE OF COUNTY MAYOR

FINDING 04.02 **THE OFFICE DID NOT ISSUE PURCHASE ORDERS FOR SOME APPLICABLE PURCHASES**

(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

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

FINDING 04.03 **THE OFFICE HAS NOT IMPLEMENTED ADEQUATE CONTROLS TO PROTECT ITS INFORMATION RESOURCES AGAINST UNAUTHORIZED ACCESS, MODIFICATION, DESTRUCTION, OR DISCLOSURE**

(Internal Control – Reportable Condition Under Government Auditing Standards)

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

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

RECOMMENDATION

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

OFFICE OF SUPERINTENDENT OF HIGHWAYS

FINDING 04.04 **THE OFFICE HAD ACCOUNTING AND BUDGET DEFICIENCIES**

(Internal Control – Reportable Condition Under Government Auditing Standards)

Our audit disclosed the following deficiencies in accounting and budget operations:

- A. Several expenditures were coded to expenditure accounts that did not reflect the true nature of the expenditure. For example, a \$35,000 payment to the General Debt Service Fund was coded to Other Road Supplies, and a salary supplement of \$13,783 for the bookkeeper was coded to Foremen. Audit adjustments have been provided to the county to properly classify these expenditures in the financial statements of this report.
- B. A proposed budget amendment was improperly posted to the general ledger as a general journal entry instead of a budget journal entry. This proposed budget amendment had not been submitted to the County Commission for approval and therefore has not been recognized in the financial statements of this report.
- C. The County Commission approved a budget amendment that incorrectly increased a liability account. This amendment has not been recognized in the financial statements of this report.

RECOMMENDATION

Expenditures should be coded to the account that most appropriately reflects the true nature of the transaction. Budget amendments should be submitted to the County Commission for consideration and approval before being posted to the financial records. Also, care should be exercised in preparing and recording budget amendments that affect revenue and expenditure accounts.

MANAGEMENT'S RESPONSE – SUPERINTENDENT OF HIGHWAYS

The superintendent of highways offered the following responses:

- A. In the future, extra attention will be used when posting expenditures to the appropriate accounts.
- B. The bookkeeper was aware of this posting error shortly after it had been posted. After talking with the auditor, we feel there will be no more posting errors between journal entries and budget amendments.
- C. This budget amendment has been reversed and is now posted correctly.

FINDING 04.05 **A COMPLETE COUNTY ROAD LIST WAS NOT PREPARED**
(Noncompliance Under Government Auditing Standards)

The superintendent of highways submitted the required list of county roads to the County Commission; however, this list did not include the required summary of changes from the prior year. Section 54-10-103, Tennessee Code Annotated, requires the highway superintendent to submit a list of county roads to the County Commission for its approval at the January session each year. This list must include a summary of changes from the prior year.

RECOMMENDATION

The superintendent of highways should submit to the County Commission a list of county roads that includes a summary of changes, as required by state statute.

MANAGEMENT'S RESPONSE – SUPERINTENDENT OF HIGHWAYS

The Wayne County Highway Department was found at fault for this finding during an audit of the fiscal year 2002-2003. We had previously submitted that we were unaware that a summary was to be submitted with the county road list. When this finding for the 2002-2003 audit was brought to our attention it was after the official county road list for 2003-2004 had been submitted. The Wayne County Highway Department will submit an adoption and deletion summary with the official county road list from this point forward.

FINDING 04.06 **THE HIGHWAY DEPARTMENT DID NOT MAINTAIN A SYSTEM TO ACCOUNT FOR THE USE OF ROAD MATERIALS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Highway Department had a system to determine the use of materials, such as bridge lumber, culvert tiles, and rock, for state-aid road projects. However, the department did not have a system to account for materials used on other types of road projects. The failure to maintain a system to document the use of road materials results in a loss of control over the assets and increases the risk of inventory loss.

RECOMMENDATION

The Highway Department should develop and implement a system to account for materials used on all types of road projects.

MANAGEMENT'S RESPONSE – SUPERINTENDENT OF HIGHWAYS

The Wayne County Highway Department documents on each invoice what road and project each material is used for. The highway department will begin keeping a log record of each road and all material used for the up-keep of that road.

FINDING 04.07

A ROAD ON THE COUNTY ROAD LIST WAS OBSTRUCTED
(Noncompliance Under Government Auditing Standards)

Although Jackson Road was on the county's official road list for several years, the Highway Department did not maintain the road. A property owner placed "no trespassing" signs at the entrance of this road, which appeared to be blocked approximately 100 yards from the entrance. Another property owner notified the superintendent of highways on April 26, 2004, that he was denied access to this public road. In interviews with the superintendent of highways and county mayor, they acknowledged a disagreement between the property owners about whether Jackson Road is a public road, yet county officials did not appear to have attempted to resolve the problem.

Section 54-10-110, Tennessee Code Annotated (TCA), prohibits any obstructions on public roads and provides that commissioners must bring suit against any persons obstructing the road within 30 days of their notification. In addition, Section 54-7-201, TCA, authorizes the superintendent of highways to remove any obstruction from public roads and rights-of-way.

RECOMMENDATION

Wayne County officials should remove all obstructions from and maintain all public roads on the county's official road list, as required by state statutes.

MANAGEMENT'S RESPONSE – SUPERINTENDENT OF HIGHWAYS

In light of the severe and on-going controversy between the two land owners involved and the fact that no land owner can be land locked by another land owner, I feel it is in the best interest of all involved that both parties settle this dispute and determine where the road should actually be reconstructed across the opposing parties property. Although the county uniform highway law gives the road superintendent the discretion as to whether or not to work a road I have never indicated to either party involved that I would not work the road. In fact I have informed both parties that I would work and maintain this road once the land owners have come to a mutual agreement on where the road should be reconstructed.

REBUTTAL

The location, length, width, etc., should already be noted on the county's road list. Wayne County officials should maintain all roads on the county's official road list.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 04.08 **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our audit disclosed the following deficiencies in purchasing procedures:

- A. Purchase orders were not issued for some applicable purchases. Purchase orders are necessary to control who has purchasing authority for the office and to document purchasing commitments.
- B. In several instances, purchase orders were issued after purchases were made. This practice defeats the purpose of issuing a purchase order and makes the purchase order an approval for payment, rather than an approval of the purchase.
- C. In some instances, invoices were not on file to support disbursements. However, our audit procedures determined that these purchases were legitimate purchases of the department.

RECOMMENDATION

To strengthen internal controls over the purchasing process and to document purchasing commitments, the office should issue purchase orders for all applicable purchases. In addition, the office should ensure that purchase orders are approved before purchases are made and should maintain adequate documentation to support disbursements.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS

The system will make efforts to correct.

FINDING 04.09 **THE OFFICE HAD ACCOUNTING DEFICIENCIES**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our audit disclosed the following accounting deficiencies:

- A. Payroll deduction accounts were not reconciled monthly. Accounting personnel did not reconcile payroll deductions with vendor billings and remittances.
- B. The School Department sold gasoline to the Wayne County Senior Citizens Center and billed the center monthly. However, the center failed to pay one

month's billing for \$1,013, and accounting personnel did not discover this error until we brought this matter to their attention.

- C. Accounting personnel did not monitor requests for grant reimbursements. As a result, three grant reimbursements (\$7,869) were incorrectly recorded as revenue in the county's General Fund rather than in the School Department's General Purpose School Fund. Also, two grant reimbursements (\$9,000) that should have been recorded in the county's General Fund were incorrectly recorded as revenue in the School Department's General Purpose School Fund. Accounting personnel did not detect either of these errors. These transactions have been recorded properly in the financial statements of this report.

RECOMMENDATION

The office should reconcile payroll deduction accounts monthly, reconcile gasoline sold with reimbursements, and monitor grant reimbursement requests with receipts to ensure proper accounting.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

The director of schools made the following responses:

- A. The system will make efforts to correct.
- B., C. The system will develop a procedure to closely monitor reimbursement requests to verify receipt.

OFFICE OF COUNTY CLERK

FINDING 04.10 **OFFICE TRANSACTIONS WERE NOT ACCOUNTED FOR PROPERLY FROM JULY 2003 THROUGH FEBRUARY 2004**

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

Our previous audit reported that on November 3, 2003, the Tennessee Department of Safety notified the county clerk and other county officials that the county clerk was delinquent in submitting the daily title and registration remittance reports from August 7, 2003, to November 3, 2003. Our examination revealed that financial transactions had not been posted properly through February 2004. On February 24, 2004, the county clerk hired a consultant to organize his office and bring records up to a current status. Our audit revealed the following deficiencies:

- A. Financial records were not posted currently; therefore, bank statements could not be reconciled with the office cash journal. The financial position of the

office could not be determined for the months ended July 2003 through February 2004.

- B. Remittances to the Department of Safety were not made on a current basis. Section 55-6-105(a)(5), Tennessee Code Annotated (TCA), states that the clerk must forward all applications with the appropriate fee to the state within five working days, with an additional five days allowed for any clerk who issues titles under contract with the state. As of March 12, 2004, all delinquent reports had been filed with the Tennessee Department of Safety.

- C. County reports (for example, wheel tax, business tax, wholesale beer tax, litigation tax, etc.) had not been prepared, and remittances had not been made to the county from July 2003 through February 2004. Section 67-4-213, TCA, provides that revenues collected for state and county officials be paid to the receiving agency within 15 days after the last day of each calendar month. Bank statements for October, November, December, January, and February reflected balances of \$425,172, \$401,900, \$483,320, \$426,017, and \$438,453, respectively. Most of this money in the bank account was due to Wayne County since the county clerk had not deposited local funds with the county trustee. The county clerk's consultant was not able to reconstruct all daily reports; however, by using receipts books and vehicle registration reports, the consultant estimated the amount of general revenues collected. On February 29, 2004, the county clerk remitted \$311,793 to the county for all unreported general revenues, fees, and commissions.

RECOMMENDATION

Transactions should be posted to the accounting records on a current basis, and bank statements should be reconciled with the cash journal monthly. In addition, state and county revenue reports should be prepared currently, and applicable funds should be remitted promptly.

MANAGEMENT'S RESPONSE – COUNTY CLERK

All of these findings have been corrected. All transactions are being posted on a daily basis. All monies are as well being posted and are being turned over to the county trustee at the beginning of each month.

FINDING 04.11 THE OFFICE DID NOT DEPOSIT COLLECTIONS WITHIN THREE DAYS
(Noncompliance Under Government Auditing Standards)

During the period July 2003 through February 2004, collections were not deposited to the office bank account within three days, as required by Section 5-8-207, Tennessee Code Annotated. This statute requires county officials to deposit all public funds within three days of collection. The clerk accumulated significant amounts of cash on hand,

representing several days of business transactions. By not depositing collections in a timely manner, the clerk exposed the office to additional security risks from theft, robbery, or fraud.

RECOMMENDATION

The county clerk should deposit funds within three days of collection, as required by state statute.

MANAGEMENT'S RESPONSE – COUNTY CLERK

Deposits are now being made daily in most cases, no longer than two days.

OFFICE OF SHERIFF

FINDING 04.12 **INTERNAL CONTROLS OVER RECEIVING AND STORING EVIDENCE AND SEIZED PROPERTY WERE NOT ADEQUATE (Internal Control – Reportable Condition Under Government Auditing Standards)**

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

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

RECOMMENDATION

The office should do the following:

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

- C. Department of Safety confiscated property reports and awards should be maintained for all confiscated property.
-

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 04.13 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF DIRECTOR OF SCHOOLS, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

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

FINDING 04.14 **A SYSTEM OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Wayne 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

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

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

There were no findings and questioned costs for federal awards.

**WAYNE COUNTY, TENNESSEE, AND THE
WAYNE COUNTY SCHOOL DEPARTMENT
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2004**

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