

ANNUAL FINANCIAL REPORT
FAYETTE COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2006

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

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

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

FAYETTE COUNTY, TENNESSEE

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Audit Highlights

Annual Financial Report
Fayette County, Tennessee
For the Year Ended June 30, 2006

Scope

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

Results

Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified. Our report on the aggregate discretely presented component units is qualified because the financial statements did not include one component unit whose financial statements were not available from other auditors at the date of this report.

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

Findings

The following are summaries of the audit findings:

OFFICE OF COUNTY MAYOR

- ◆ The office did not deposit amounts withheld from contractor payments into an escrow account as required by state statute.
- ◆ Expenditures exceeded appropriations approved by the County Commission at the major appropriation category level of control (the legal level of control) in the General and General Debt Service Funds.

OFFICE OF PUBLIC WORKS SUPERINTENDENT

- ◆ Competitive bids were not solicited for the purchase of a used crane as required by state statute. Also, as of the date of this report, the office was still operating on a prior-year bid for hauling graded crushed limestone in-lieu-of obtaining a new contract based on competitive bids.
 - ◆ The public works department did not account for the use of some road materials.
-

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ In numerous instances, salaries exceeded line-item appropriations approved by the County Commission in the General Purpose School, School Federal Projects, and Central Cafeteria Funds.
 - ◆ In several instances purchase orders were issued after purchases were made.
 - ◆ The office did not file a Report of Debt Obligations with the state director of Local Finance for a capital lease issued during the year.
-

OFFICE OF TRUSTEE

- ◆ The trustee did not require a depository to pledge securities to protect county funds exceeding Federal Deposit Insurance Corporation coverage.
-

OTHER FINDING

- ◆ A central system of accounting, budgeting, and purchasing had not been adopted.

INTRODUCTORY SECTION

Fayette County Officials

June 30, 2006

Officials

Rhea Taylor, County Mayor
James Smith, Public Works Superintendent
Myles Wilson, Director of Schools
Barbra Parker, Trustee
Mark Ward, Assessor of Property
Dell Graham, County Clerk
Jimmie German, Circuit, General Sessions, and Juvenile Courts Clerk
Barbara Walls, Clerk and Master
Edward Pattat, Register
Bill Kelley, Sheriff

Board of County Commissioners

Rhea Taylor, Chairman
Ronnie Harris, Chairman Pro Tempore
Joann Allen
Steve Anderson
Joe Burnette, Jr.
Christopher Campbell
Bob Doll
Sissy Dowdle
John Dowdy
Thomas Fowler

Willie German, Jr.
Ronnie Graves
Myles Leifer
David Lillard, Sr.
Sylvester Logan
George McCloud
Claude Oglesby, Jr.
Gordon Tomlin
Myles Wilson
Allen Yancey, Jr.

Board of Education

Rickey Hoskins, Chairman
Nadalyn Shelton, Chairman Pro Tempore
Reed Barber
Patricia Burnette

Dorothy Lewis
Robert Redditt
Evangeline Shaw
Allen Wilkerson
Marandy Wilkerson

Budget Committee

Bob Doll, Chairman
Thomas Fowler
Ronnie Harris
David Lillard, Sr.
Claude Oglesby
Gordon Tomlin
Allen Yancey, Jr.

Board of Public Works

Hank Franck, Chairman
Vernon Ray Glover
Buck Matthews
Robert Turpen
Russell Wicker

FINANCIAL SECTION



**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
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INDEPENDENT AUDITOR'S REPORT

October 12, 2006

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fayette County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise Fayette County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Fayette County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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.

The financial statements of the Fayette County Emergency Communications District had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component units referred to above do not include the financial statements of the Fayette County Emergency Communications District, which should be included to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements are not reasonably determinable.

In our opinion, except for the effects of not including the financial statements of the Fayette County Emergency Communications District, a discretely presented component unit, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fayette County, Tennessee, as of June 30, 2006, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 12, 2006, on our consideration of Fayette County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in note V.A., Fayette County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34.

The management of Fayette County did not prepare the management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

The budgetary comparison information on pages 59 through 63 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 Fayette County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Fayette County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Fayette County School Department (a discretely presented component unit), and the miscellaneous

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Primary Government Governmental Activities	Component Unit Fayette County School Department
<u>ASSETS</u>		
Cash	\$ 56,580	\$ 0
Equity in Pooled Cash and Investments	11,677,075	752,623
Investments	6,410,408	0
Accounts Receivable	104,518	6,205
Due from Other Governments	606,507	1,365,366
Property Taxes Receivable	6,101,459	4,309,656
Allowance for Uncollectible Property Taxes	(228,801)	(161,206)
Accrued Interest Receivable	111,086	0
Cash Shortage	0	4,371
Deferred Charges - Debt Issuance Costs	105,336	0
Capital Assets:		
Assets Not Depreciated:		
Land	1,576,618	359,607
Construction in Progress	1,547,882	0
Assets Net of Accumulated Depreciation:		
Land Improvements	0	1,978
Buildings and Improvements	1,955,191	15,000,403
Infrastructure	21,406,451	52,203
Other Capital Assets	1,338,028	1,138,073
Total Assets	<u>\$ 52,768,338</u>	<u>\$ 22,829,279</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 0	\$ 312,375
Accrued Payroll	0	144,733
Payroll Deductions Payable	60,923	166,317
Contracts Payable	657,400	6,250
Retainage Payable	169,241	0
Accrued Interest Payable	358,740	16,205
Matured Interest on Bonds	142	0
Deferred Revenue - Current Property Taxes	5,565,307	3,932,470
Noncurrent Liabilities:		
Due Within One Year	2,075,679	227,531
Due In More Than One Year (net of unamortized discounts on debt)	21,094,466	582,438
Total Liabilities	<u>\$ 29,981,898</u>	<u>\$ 5,388,319</u>

(Continued)

Exhibit A

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

	Primary Government <u>Governmental Activities</u>	Component Unit <u>Fayette County School Department</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 25,749,803	\$ 15,930,468
Restricted for:		
Capital Projects	146,484	7,618
Debt Service	4,471,078	0
Highway/Public Works	1,011,189	0
Adequate Facilities Development	888,671	0
Solid Waste/Sanitation	477,890	0
Drug Control	213,511	0
Computer Systems	86,240	0
Aging Programs	75,000	0
Jail Construction	262,903	0
Food Service	0	566,690
School Federal Projects	0	235,411
Other Purposes	155,742	232,972
Unrestricted	<u>(10,752,071)</u>	<u>467,801</u>
Total Net Assets	<u>\$ 22,786,440</u>	<u>\$ 17,440,960</u>

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

Exhibit B

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
					Governmental	Unit
					Total	Fayette
					Governmental	County
					Activities	School
						Department
Primary Government:						
Governmental Activities:						
General Government	\$ 1,074,025	\$ 741,348	\$ 16,380	\$ 0	\$ (316,297)	\$ 0
Finance	877,003	682,401	11,865	0	(182,737)	0
Administration of Justice	1,009,206	711,669	10,000	70,074	(217,463)	0
Public Safety	5,108,285	547,252	95,361	318,116	(4,147,556)	0
Public Health and Welfare	2,431,268	1,151,656	367,609	0	(912,003)	0
Social, Cultural, and Recreational Services	164,339	0	0	75,000	(89,339)	0
Agriculture & Natural Resources	157,045	0	0	0	(157,045)	0
Other Operations	475,514	11,305	13,830	0	(450,379)	0
Highways/Public Works	3,109,550	47,733	2,025,086	4,713,730	3,676,999	0
Education	611,253	0	0	0	(611,253)	0
Interest on Long-term Debt	988,922	0	0	0	(988,922)	0
Other Debt Service	28,667	0	0	0	(28,667)	0
Total Primary Government	\$ 16,035,077	\$ 3,893,364	\$ 2,540,131	\$ 5,176,920	\$ (4,424,662)	\$ 0
Component Unit:						
Fayette County School Department	\$ 29,615,207	\$ 525,711	\$ 6,369,401	\$ 611,253	\$ 0	\$ (22,108,842)
Total Component Unit	\$ 29,615,207	\$ 525,711	\$ 6,369,401	\$ 611,253	\$ 0	\$ (22,108,842)

(Continued)

Exhibit B

Fayette County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Total Governmental Activities	Fayette County School Department
General Revenues:						
Taxes:						
Property taxes levied for general purposes					\$ 5,718,278	\$ 4,439,191
Property taxes levied for debt service					575,938	0
Local option sales tax					413,693	1,820,637
Other local taxes					2,887,058	4,951
Grants & contributions not restricted for specific programs					713,520	15,010,559
Unrestricted investment earnings					451,546	0
Miscellaneous					72,778	16,960
Total General Revenues					<u>\$ 10,832,811</u>	<u>\$ 21,292,298</u>
Change in net assets					\$ 6,408,149	\$ (816,544)
Net assets, July 1, 2005					16,378,291	18,232,794
Prior period adjustment					0	24,710
Net assets, June 30, 2006					<u><u>\$ 22,786,440</u></u>	<u><u>\$ 17,440,960</u></u>

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

Exhibit C-1

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

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
ASSETS						
Cash	\$ 0	\$ 0	\$ 0	\$ 594	\$ 55,986	\$ 56,580
Equity in Pooled Cash and Investments	4,120,181	812,824	4,799,460	405,943	1,538,667	11,677,075
Investments	0	0	0	6,410,408	0	6,410,408
Accounts Receivable	76,873	275	633	0	26,737	104,518
Due from Other Governments	191,461	412,845	0	0	2,201	606,507
Due from Other Funds	30,599	0	0	0	0	30,599
Property Taxes Receivable	4,968,650	582,643	550,166	0	0	6,101,459
Allowance for Uncollectible Property Taxes	(186,085)	(21,970)	(20,746)	0	0	(228,801)
Accrued Interest Receivable	0	0	0	0	111,086	111,086
Total Assets	\$ 9,201,679	\$ 1,786,617	\$ 5,329,513	\$ 6,816,945	\$ 1,734,677	\$ 24,869,431
LIABILITIES AND FUND BALANCES						
<u>Liabilities</u>						
Payroll Deductions Payable	\$ 60,923	\$ 0	\$ 0	\$ 0	\$ 0	\$ 60,923
Contracts Payable	0	175,768	0	481,632	0	657,400
Retainage Payable	0	0	0	169,241	0	169,241
Due to Other Funds	0	0	0	0	30,599	30,599
Matured Interest on Bonds	0	0	142	0	0	142
Deferred Revenue - Current Property Taxes	4,532,930	530,988	501,389	0	0	5,565,307
Deferred Revenue - Delinquent Property Taxes	213,592	25,462	24,042	0	0	263,096
Other Deferred Revenues	23,284	205,930	0	0	148,018	377,232
Total Liabilities	\$ 4,830,729	\$ 938,148	\$ 525,573	\$ 650,873	\$ 178,617	\$ 7,123,940
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 0	\$ 492,913	\$ 0	\$ 13,412,100	\$ 0	\$ 13,905,013
Reserved for Alcohol and Drug Treatment	18,183	0	0	0	0	18,183
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	262,903	0	0	0	0	262,903
Reserved for Sexual Offender Registration	1,145	0	0	0	0	1,145
Reserved for Courtroom Security	57	0	0	0	0	57
Reserved for Computer System - Register	29,430	0	0	0	0	29,430

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
LIABILITIES AND FUND BALANCES (Cont.)						
Fund Balances (Cont.)						
Reserved for Automation Purposes - Circuit Court	\$ 3,408	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,408
Reserved for Automation Purposes - General Sessions Court	34,242	0	0	0	0	34,242
Reserved for Automation Purposes - Sheriff	19,160	0	0	0	0	19,160
Reserved for Aging Programs	75,000	0	0	0	0	75,000
Reserved for Other General Purposes	38,500	0	0	0	0	38,500
Unreserved, Reported In:						
General Fund	3,888,922	0	0	0	0	3,888,922
Special Revenue Funds	0	355,556	0	0	1,555,605	1,911,161
Debt Service Funds	0	0	4,803,940	0	0	4,803,940
Capital Projects Funds (Deficit)	0	0	0	(7,246,028)	455	(7,245,573)
Total Fund Balances	\$ 4,370,950	\$ 848,469	\$ 4,803,940	\$ 6,166,072	\$ 1,556,060	\$ 17,745,491
Total Liabilities and Fund Balances	\$ 9,201,679	\$ 1,786,617	\$ 5,329,513	\$ 6,816,945	\$ 1,734,677	\$ 24,869,431

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

Exhibit C-2

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

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$ 17,745,491
<p>(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Add: land	\$ 1,576,618	
Add: construction in progress	1,547,882	
Add: buildings and improvements net of accumulated depreciation	1,955,191	
Add: infrastructure net of accumulation depreciation	21,406,451	
Add: other capital assets net of accumulated depreciation	<u>1,338,028</u>	27,824,170
<p>(2) Long-term liabilities are not due in the current period and therefore are not reported in the funds.</p>		
Less: notes payable	\$ (1,015,128)	
Less: capital leases payable	(35,952)	
Less: bonds payable	(21,430,000)	
Add: deferred charges - debt issuance costs	105,336	
Add: deferred discount on debt issuances	36,206	
Less: compensated absences payable	(228,296)	
Less: landfill closure/postclosure care costs	(496,975)	
Less: accrued interest on bonds, notes, and capital leases	<u>(358,740)</u>	(23,423,549)
<p>(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.</p>		
		<u>640,328</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 22,786,440</u>

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

Exhibit C-3

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

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 5,961,691	\$ 1,695,617	\$ 1,422,500	\$ 0	\$ 524,222	\$ 9,604,030
Licenses and Permits	357,841	0	0	0	0	357,841
Fines, Forfeitures, and Penalties	178,918	0	0	0	102,343	281,261
Charges for Current Services	818,631	0	0	0	406,270	1,224,901
Other Local Revenues	79,396	88,957	0	293,795	491,756	953,904
Fees Received from County Officials	1,419,488	0	0	0	0	1,419,488
State of Tennessee	1,347,712	2,348,288	0	0	12,900	3,708,900
Federal Government	142,895	0	0	0	0	142,895
Other Governments and Citizens Groups	177,657	0	0	0	0	177,657
Total Revenues	<u>\$ 10,484,229</u>	<u>\$ 4,132,862</u>	<u>\$ 1,422,500</u>	<u>\$ 293,795</u>	<u>\$ 1,537,491</u>	<u>\$ 17,870,877</u>
<u>Expenditures</u>						
Current:						
General Government	\$ 832,128	\$ 0	\$ 0	\$ 0	\$ 122,437	\$ 954,565
Finance	684,992	0	0	0	0	684,992
Administration of Justice	649,127	0	0	0	12,884	662,011
Public Safety	4,098,636	0	0	0	24,539	4,123,175
Public Health and Welfare	1,644,800	0	0	0	663,002	2,307,802
Social, Cultural, and Recreational Services	153,496	0	0	0	0	153,496
Agricultural and Natural Resources	135,365	0	0	0	0	135,365
Other Operations	1,261,749	0	0	0	11,771	1,273,520
Highways	0	4,423,943	0	0	0	4,423,943
Debt Service:						
Principal on Debt	0	0	665,000	0	0	665,000
Interest on Debt	0	0	997,269	0	0	997,269
Other Debt Service	0	0	22,459	0	0	22,459
Capital Projects	0	15,918	0	2,256,327	611,253	2,883,498
Total Expenditures	<u>\$ 9,460,293</u>	<u>\$ 4,439,861</u>	<u>\$ 1,684,728</u>	<u>\$ 2,256,327</u>	<u>\$ 1,445,886</u>	<u>\$ 19,287,095</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,023,936</u>	<u>\$ (306,999)</u>	<u>\$ (262,228)</u>	<u>\$ (1,962,532)</u>	<u>\$ 91,605</u>	<u>\$ (1,416,218)</u>
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 611,253	\$ 611,253
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 611,253</u>	<u>\$ 611,253</u>

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
Net Change in Fund Balances	\$ 1,023,936	\$ (306,999)	\$ (262,228)	\$ (1,962,532)	\$ 702,858	\$ (804,965)
Fund Balance, July 1, 2005	3,347,014	1,155,468	5,066,168	8,128,604	853,202	18,550,456
Fund Balance, June 30, 2006	\$ 4,370,950	\$ 848,469	\$ 4,803,940	\$ 6,166,072	\$ 1,556,060	\$ 17,745,491

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

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

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ (804,965)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The amount that capital outlays differ from depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 4,118,135	
Less: current year depreciation expense	<u>(1,597,637)</u>	2,520,498
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net assets.		
Add: assets donated and capitalized	\$ 4,384,900	
Less: loss on disposal of capital assets	<u>(4,159)</u>	4,380,741
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2006	\$ 640,328	
Less: deferred delinquent property taxes and other deferred June 30, 2005	<u>(452,345)</u>	187,983
(4) The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-debt and related items.		
Less: note proceeds	\$ (611,253)	
Less: change in deferred debt issuance costs	(4,620)	
Less: change in discount on debt issuances	(1,588)	
Add: principal payment on bonds	677,978	
Add: principal payment on capital leases	<u>34,056</u>	94,573
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in accrued interest payable	\$ 8,347	
Change in compensated absences	9,667	
Change in landfill closure/postclosure care costs	<u>11,305</u>	<u>29,319</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 6,408,149</u>

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

Exhibit D

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 42,792
Cash	2,056,605
Due from Other Governments	<u>238,936</u>
Total Assets	<u>\$ 2,338,333</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 281,728
Due to Litigants, Heirs, and Others	<u>2,056,605</u>
Total Liabilities	<u>\$ 2,338,333</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fayette County's financial statements are presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

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

A. Reporting Entity

Fayette County is a public municipal corporation governed by an elected 19-member board. As required by GAAP, these financial statements present Fayette County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

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

The Fayette County School Department operates the public school system in the county, and the voters of Fayette 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 Fayette County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Fayette County, and the Fayette County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval. The financial statements of the Fayette County Emergency Communications District were not available from other auditors in time for inclusion in this report.

The Fayette County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the Fayette County School Department are included in this report as listed in the table of contents. Although required by GAAP, the financial statements of the Fayette County Emergency Communications District were not available in time for inclusion, as previously mentioned. Complete financial statements of the Fayette County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Fayette County Emergency Communications District
P. O. Box 159
Somerville, TN 38068

Related Organization – The Fayette County Industrial Development Board is a related organization of Fayette County. The county mayor nominates and the Fayette County Commission confirms the board members, but the county’s accountability for the organization does not extend beyond making the appointments.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the statement of activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the primary government of Fayette County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Fayette County School Department component unit only reports governmental activities in the government-wide financial statements.

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

Fayette County issues all debt for the discretely presented Fayette County School Department. Net debt issues (\$611,253) were contributed by the county to the School Department during the year ended June 30, 2006.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary funds financial statements, except for agency funds which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of Fayette 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. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category. Fayette County has no proprietary funds to report.

Separate financial statements are provided for governmental funds 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 fiduciary funds in total are reported in a single column.

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

on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

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

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

Fayette County reports the following major governmental funds:

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

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

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

General Capital Projects Fund – This fund accounts for transactions involving the construction of a criminal justice complex.

Additionally, Fayette County reports the following fund type:

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

The discretely presented Fayette County School Department reports the following major governmental funds:

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

School Federal Projects Fund – This fund accounts for restricted federal revenues which must be expended on specific education programs.

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

Capital Projects Fund – The Education Capital Projects Fund accounts for the construction and equipping of public schools in the county.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Fayette County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the primary government's Solid Waste/Sanitation Fund. In addition, investments are held separately by the primary

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

2. Receivables and Payables

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.93 percent of total taxes levied.

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

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable

that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

Retainage payable in the primary government's General Capital Projects Fund represents amounts withheld from payments made on construction contracts pending completion of the new criminal justice complex. These amounts are held by the county trustee as Equity in Pooled Cash and Investments.

3. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more (buildings and improvements \$10,000, heavy equipment \$10,000, and infrastructure \$25,000), and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Land Improvements	10
Buildings and Improvements	25
Other Capital Assets	5 - 10
Infrastructure:	
Roads	10 - 20
Bridges	15 - 30

4. Compensated Absences

Fayette County permits employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since Fayette County does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements for the county. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

The discretely presented Fayette County School Department permits 12-month administrative and supervisory employees to accumulate a limited amount of earned but unused vacation benefits which will be paid upon separation from service. There is no liability for unpaid accumulated sick leave since the discretely presented Fayette County School Department does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements for the discretely presented Fayette County School Department. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other

financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

6. Net Assets and Fund Equity

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

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

The government-wide statement of net assets reports \$7,758,708 of restricted net assets for the primary government, of which \$888,671 is restricted by enabling legislation.

As of June 30, 2006, Fayette County had \$14,245,128 in outstanding debt for capital purposes for the discretely presented Fayette County School Department. This debt is a liability of Fayette County, but the capital assets acquired are reported in the financial statements of the Fayette County School Department. Therefore, Fayette County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

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

<u>Fund/Purpose</u>	<u>Amount</u>
<u>Primary Government:</u>	
General:	
Parks and recreation	\$ 120,750
Fire service	8,785
 <u>School Department:</u>	
General Purpose School:	
Extended school program	50,802

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Fayette County School Department

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

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

Primary Government

Exhibit C-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

Discretely Presented Fayette County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Adequate Facilities/Development Tax Fund (special revenue fund), the District Attorney General Fund (special revenue fund), and the Constitutional Officers – Fees Fund (special revenue fund) which are not budgeted, and capital projects funds, which adopt project length budgets. All annual appropriations lapse at fiscal year end.

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the Fayette 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, Beer Board, County Mayor, County Attorney, etc.). Management may make revisions within major categories, but only the Fayette County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

B. Fund Deficit

The General Capital Projects Fund had a fund deficit of \$7,246,028 at June 30, 2006. This fund deficit resulted from the unperformed portions of construction contracts of \$13,412,100 being reserved as encumbrances. Funding for these future expenditures is expected to be received from the issuance of debt.

C. Remaining Cash Shortage

The Office of Director of Schools had a remaining cash shortage of \$4,371 as of June 30, 2006. Details of this \$16,050 cash shortage were reflected in the Schedule of Findings and Questioned Costs of the Annual Financial Report for the 2001-02 fiscal year.

D. Expenditures Exceeded Appropriations

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

<u>Fund</u>	<u>Major Appropriation Category</u>	<u>Amount</u>
General	County Attorney	\$ 1,275
"	Civil Defense	30,336
"	Rabies and Animal Control	471
"	Soil Conservation	118
General Debt Service	General Government	3,153
"	Education	1,455

Such overexpenditures are a violation of state statute. These overexpenditures were funded by available fund balance.

E. The County Had Deposits That Were Exposed to Custodial Credit Risk

The trustee did not require one depository holding county funds to pledge adequate securities to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2006, deposits exceeded FDIC coverage and collateral securities pledged by \$18,185. Section 5-8-201, Tennessee Code Annotated, provides for county officials to require any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of such county funds.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer.

Public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk exposure.

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.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, Fayette County's deposits may not be returned to it. Fayette County does not have a formal policy that limits custodial credit risk for deposits. Separate disclosures concerning bank balances of pooled deposits cannot be made for Fayette County and the discretely presented Fayette County School Department since both pool their deposits and investments through the county trustee. As of June 30, 2006, bank balances of \$18,185 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 18,185</u>
Total	<u><u>\$ 18,185</u></u>

The \$18,185 exposed to custodial credit risk was in pooled bank balances. Uninsured and uncollateralized deposits are a violation of state statutes.

Investments

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

Investment Balances. As of June 30, 2006, Fayette County had the following investments carried at fair value. Separate disclosures concerning pooled investments cannot be made for Fayette County and the discretely

presented Fayette County School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
U.S. Treasury Bills	7-6-06	\$ 301,898
U.S. Treasury Bills	7-13-06	1,691,033
U.S. Treasury Bills	8-3-06	301,814
U.S. Treasury Bills	8-24-06	<u>4,115,663</u>
Total		<u>\$ 6,410,408</u>

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

B. Capital Assets

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

Primary Government

Governmental Activities:

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 1,570,348	\$ 6,270	\$ 0	\$ 1,576,618
Construction in Progress	465,302	1,547,882	(465,302)	1,547,882
Total Capital Assets Not Depreciated	<u>\$ 2,035,650</u>	<u>\$ 1,554,152</u>	<u>\$ (465,302)</u>	<u>\$ 3,124,500</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 3,645,890	\$ 0	\$ 0	\$ 3,645,890
Infrastructure	96,814,348	7,055,258	0	103,869,606
Other Capital Assets	5,447,261	358,927	(196,532)	5,609,656
Total Capital Assets Depreciated	<u>\$ 105,907,499</u>	<u>\$ 7,414,185</u>	<u>\$ (196,532)</u>	<u>\$ 113,125,152</u>

Governmental Activities (Cont.):

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,560,997	\$ 129,702	\$ 0	\$ 1,690,699
Infrastructure	81,362,568	1,100,587	0	82,463,155
Other Capital Assets	4,096,653	367,348	(192,373)	4,271,628
Total Accumulated Depreciation	\$ 87,020,218	\$ 1,597,637	\$ (192,373)	\$ 88,425,482
 Total Capital Assets Depreciated, Net	 \$ 18,887,281	 \$ 5,816,548	 \$ (4,159)	 \$ 24,699,670
 Governmental Activities Capital Assets, Net	 \$ 20,922,931	 \$ 7,370,700	 \$ (469,461)	 \$ 27,824,170

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

Governmental Activities:

General Government	\$ 40,707
Finance	3,821
Administration of Justice	4,643
Public Safety	136,276
Public Health and Welfare	121,194
Social, Cultural, and Recreational Services	10,200
Other Operations	176,365
Highway/Public Works	1,104,431
Total Depreciation Expense - Governmental Activities	\$ 1,597,637

Discretely Presented Fayette County School Department

Governmental Activities:

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 359,607	\$ 0	\$ 0	\$ 359,607

Governmental Activities (Cont.):

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated (Cont.):				
Construction in Progress	\$ 682,327	\$ 0	\$ (682,327)	\$ 0
Total Capital Assets Not Depreciated	\$ 1,041,934	\$ 0	\$ (682,327)	\$ 359,607
Capital Assets Depreciated:				
Land				
Improvements	\$ 112,305	\$ 15,487	\$ 0	\$ 127,792
Buildings and Improvements	33,162,497	1,279,675	0	34,442,172
Infrastructure	433,679	0	(39,399)	394,280
Other Capital Assets	4,778,118	530,480	0	5,308,598
Total Capital Assets Depreciated	\$ 38,486,599	\$ 1,825,642	\$ (39,399)	\$ 40,272,842
Less Accumulated Depreciation For:				
Land				
Improvements	\$ 111,192	\$ 14,622	\$ 0	\$ 125,814
Buildings and Improvements	18,095,367	1,346,402	0	19,441,769
Infrastructure	368,632	12,844	(39,399)	342,077
Other Capital Assets	3,867,816	302,709	0	4,170,525
Total Accumulated Depreciation	\$ 22,443,007	\$ 1,676,577	\$ (39,399)	\$ 24,080,185
Total Capital Assets Depreciated, Net	\$ 16,043,592	\$ 149,065	\$ 0	\$ 16,192,657
Governmental Activities Capital Assets, Net	\$ 17,085,526	\$ 149,065	\$ (682,327)	\$ 16,552,264

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

Governmental Activities:

Instruction	\$ 762,322
Support Services	326,694
Operation of Non-Instructional Services	<u>302,392</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 1,391,408</u></u>

C. Construction Commitments

At June 30, 2006, the Highway Department had uncompleted construction contracts of \$391,365 for the construction of two bridges and road paving. Funding has been received for these future expenditures.

At June 30, 2006, the General Capital Projects Fund had uncompleted construction contracts of \$13,412,100 for the construction of the criminal justice complex. Funding for these future expenditures is expected to be received from general obligation bond proceeds.

D. Interfund Receivables, Payables, and Transfers

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

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 30,599
Discretely Presented		
School Department:		
General Purpose School	School Federal Projects	19,192
General Purpose School	Nonmajor governmental	1,686

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

The receivable in the discretely presented Fayette County School Department's General Purpose School Fund (\$1,686) was in transit from the Central Cafeteria Fund at June 30, 2006.

Interfund Transfers:

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

Discretely Presented Fayette County School Department

Transfers Out	Transfers In General Purpose School Fund
School Federal Projects Fund	\$ 21,918
Nonmajor governmental funds	<u>8,498</u>
Total	<u><u>\$ 30,416</u></u>

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

E. Capital Leases

Primary Government

On July 16, 1999, Fayette County entered into a seven-year lease-purchase agreement for fire trucks. The terms of the agreement require total lease payments of \$215,157 plus interest of 5.57 percent. Title to the equipment transfers to Fayette County at the end of the lease period. The lease payments are made by the General Fund.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

Year Ending June 30	Governmental Funds
2007	\$ <u>37,956</u>
Total Minimum Lease Payments	\$ 37,956
Amounts Representing Interest	<u>(2,004)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 35,952</u></u>

Discretely Presented Fayette County School Department

On September 15, 2005, the Fayette County School Department entered into a four-year lease-purchase agreement for school buses. The terms of the agreement require total lease payments of \$503,788 plus interest of 4.64 percent. Title to the buses transfers to the Fayette County School Department at the end of the lease period. The lease payments are made by the General Purpose School Fund.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

Year Ending June 30	Governmental Funds
2007	\$ 110,406
2008	110,406
2009	110,406
2010	<u>110,406</u>
Total Minimum Lease Payments	\$ 441,624
Amounts Representing Interest	<u>(46,833)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 394,791</u></u>

F. Long-term Debt

Primary Government

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 18 years for bonds and up to two years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2006, will be retired from the General Debt Service Fund.

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

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
General Obligation Bonds	2.5 to 5.6 %	\$ 23,200,000	\$ 9,515,000
General Obligation Bonds - Refunding	3 to 5	12,170,000	11,915,000
Bond Anticipation Notes	3.96	1,015,128	1,015,128
Capital Leases	5.57	215,157	35,952

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

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 795,000	\$ 964,486	\$ 1,015,128	\$ 40,199
2008	880,000	927,704	0	0
2009	920,000	887,922	0	0
2010	955,000	850,311	0	0
2011	990,000	810,392	0	0
2012-2016	6,220,000	3,318,027	0	0
2017-2021	6,180,000	1,760,468	0	0
2022-2026	2,620,000	783,432	0	0
2027-2029	1,870,000	175,519	0	0
Total	\$ 21,430,000	\$ 10,478,261	\$ 1,015,128	\$ 40,199

There is \$4,803,940 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita amounted to \$744, based on the 2000 federal census. Total debt per capita, including bonds, notes, and capital leases, amounted to \$780, based on the 2000 federal census.

Changes in Long-term Liabilities

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

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2005	\$ 22,107,978	\$ 403,875	\$ 70,008
Additions	0	611,253	0
Deductions	(677,978)	0	(34,056)
Balance, June 30, 2006	<u>\$ 21,430,000</u>	<u>\$ 1,015,128</u>	<u>\$ 35,952</u>
Balance Due Within One Year	<u>\$ 795,000</u>	<u>\$ 1,015,128</u>	<u>\$ 35,952</u>

	Compensated Absences	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2005	\$ 237,963	\$ 508,280
Additions	242,172	0
Deductions	(251,839)	(11,305)
Balance, June 30, 2006	<u>\$ 228,296</u>	<u>\$ 496,975</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2006	\$ 23,206,351
Less: Balance Due Within One Year	(2,075,679)
Less: Deferred Discount on Debt	<u>(36,206)</u>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u>\$ 21,094,466</u>

Compensated absences payable will be paid from the employing funds, primarily the General Fund, the Solid Waste/Sanitation Fund, and the Highway/Public Works Fund. Landfill closure/postclosure care costs will be paid from the Solid Waste/Sanitation Fund.

Defeasance of Prior Debt

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

School General Obligation Bonds – Series 2000

\$11,605,000

Discretely Presented Fayette County School Department

Fayette County issues capital outlay notes to fund capital facilities and other capital purchases such as renovations.

Capital outlay notes are direct obligations and pledge the full faith and credit of the government. Capital outlay notes outstanding were issued for original terms of up to seven years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. Capital outlay notes outstanding as of June 30, 2006, will be retired from the General Purpose School Fund.

Capital outlay notes and capital leases outstanding as of June 30, 2006, are as follows:

Type	Interest Rate		Original Amount of Issue	Balance 6-30-06
Capital Outlay Note	3	%	\$ 500,000	\$ 227,005
Capital Leases	4.64		503,788	394,791

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

Year Ending June 30	Notes	
	Principal	Interest
2007	\$ 73,443	\$ 6,810
2008	75,646	4,607
2009	77,916	2,337
Total	<u>\$ 227,005</u>	<u>\$ 13,754</u>

Changes in Long-term Liabilities

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

Governmental Activities:

	Notes	Capital Leases	Compensated Absences
Balance, July 1, 2005	\$ 298,309	\$ 0	\$ 182,538
Additions	0	503,788	67,179
Deductions	(71,304)	(108,997)	(61,544)
Balance, June 30, 2006	<u>\$ 227,005</u>	<u>\$ 394,791</u>	<u>\$ 188,173</u>
Balance Due Within One Year	<u>\$ 73,443</u>	<u>\$ 92,088</u>	<u>\$ 62,000</u>

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

G. Prior-period Adjustment

Capital assets for the discretely presented Fayette County School Department were restated (\$24,710) from the prior year because some land improvements and building and improvement assets had been omitted. There were also some building and improvements and infrastructure assets recorded in the prior year that had historical costs below the capitalization limits set by the county.

V. OTHER INFORMATION

A. Risk Management

Primary Government

Fayette County participates in the Local Government Workers' Compensation Fund (LGWCF), a public entity risk pool established under the provisions of Section 29-20-401, Tennessee Code Annotated, by the Tennessee County Services Association to provide a program of workers' compensation coverage to employees of local governments. The county pays an annual premium to the LGWCF for its workers' compensation insurance coverage. The LGWCF is to be self-sustaining through member premiums and reinsures through commercial insurance companies for claims exceeding \$300,000.

It is the policy of the county to purchase commercial insurance for the risks of losses to which it is exposed. These risks included general liability, property, casualty, and employee health and accident. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Discretely Presented Fayette County School Department

The School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In

accordance with Section 8-27-302, Tennessee Code Annotated (TCA), all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk of losses by this fund. Section 8-27-303, TCA, provides for the LEGIF to be self-sustaining through member premiums.

The School Department joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. The School Department pays an annual premium to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of 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.

B. Accounting Changes

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries became effective for the year ended June 30, 2006. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries. GASB Statement No. 42 had no effect on the financial statements for the year ended June 30, 2006, since no capital asset impairment and insurance recoveries occurred. However, it is reasonably expected that capital asset impairment and insurance recoveries may occur in subsequent years that will be subject to the provisions of Statement No. 42.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Fayette County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior-year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it

contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Fayette County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. Fayette County previously did not disclose the amount of net assets restricted by enabling legislation.

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements. Fayette County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Fayette County will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

C. Subsequent Events

Dell Graham left the Office of County Clerk on August 31, 2006, and was succeeded by Sue Culver.

Jimmie German left the Office of Circuit Court Clerk on August 31, 2006, and was succeeded by Connie Doyle.

Barbara Walls left the Office of Clerk & Master on August 31, 2006, and was succeeded by Vip Lewis.

Bill Kelley left the Office of Sheriff on August 31, 2006, and was succeeded by Bobby Riles.

On July 27, 2006, the Fayette County School Department entered into a lease-purchase agreement totaling \$199,842 for school buses.

D. Contingent Liabilities

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

E. Landfill Closure/Postclosure Care Costs

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Fayette County has stopped accepting household waste and has placed the final cover on its landfill. Fayette County has a liability of \$496,975 for landfill postclosure care costs at June 30, 2006. This amount represents the estimated postclosure care liability costs for the next 20 years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. Retirement Commitments

Plan Description

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

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

Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

Funding Policy

Fayette County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was 7.77 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Fayette County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2006, Fayette County’s annual pension cost of \$788,133 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Fayette County’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2003, was 12 years.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$788,133	100%	\$0
6-30-05	799,795	100	0
6-30-04	623,034	100	0

Required Supplementary Information
Schedule of Funding Progress for Fayette County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
6-30-05	\$21,746	\$23,212	\$1,466	93.68%	\$10,094	14.52%
6-30-03	19,085	20,736	1,651	92.04	9,712	17.00
6-30-01	16,814	18,703	1,889	89.90	7,575	24.94

SCHOOL TEACHERS

Plan Description

The Fayette 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. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/Schools/>.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Fayette County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2006, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Fayette County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2006, 2005, and 2004, were \$681,408, \$669,495, and \$398,283, respectively, equal to the required contributions for each year.

G. Purchasing Laws

Office of County Mayor

Purchasing procedures for the County Mayor's Office are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated (TCA). This act provides for all purchases exceeding \$5,000 (excluding emergency purchases) to be made based on competitive bids solicited through newspaper advertisement.

Office of Public Works Superintendent

Chapter 234, Private Acts of 1974 and Section 54-7-113, TCA (Uniform Road Law), govern purchasing procedures for the Highway Department. These statutes require all purchases exceeding \$10,000 to be made on the basis of publicly advertised competitive bids.

Office of Director of Schools

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 5,961,691	\$ 5,834,990	\$ 5,834,990	\$ 126,701
Licenses and Permits	357,841	330,500	330,500	27,341
Fines, Forfeitures, and Penalties	178,918	137,000	146,801	32,117
Charges for Current Services	818,631	933,400	933,400	(114,769)
Other Local Revenues	79,396	41,900	56,277	23,119
Fees Received from County Officials	1,419,488	1,286,000	1,286,500	132,988
State of Tennessee	1,347,712	1,281,400	1,335,533	12,179
Federal Government	142,895	100,000	400,243	(257,348)
Other Governments and Citizens Groups	177,657	93,500	93,500	84,157
Total Revenues	\$ 10,484,229	\$ 10,038,690	\$ 10,417,744	\$ 66,485
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 108,903	\$ 62,883	\$ 117,301	\$ 8,398
Beer Board	600	942	942	342
County Mayor/Executive	77,714	81,116	81,116	3,402
County Attorney	48,638	45,781	47,363	(1,275)
Election Commission	119,126	129,258	134,158	15,032
Register of Deeds	30,718	50,723	50,723	20,005
Development	172,872	155,122	218,955	46,083
Building	69,307	105,811	106,311	37,004
County Buildings	153,016	182,369	206,998	53,982
Other Facilities	8,798	9,800	9,800	1,002
Other General Administration	42,436	28,000	43,636	1,200
<u>Finance</u>				
Accounting and Budgeting	125,692	130,411	130,411	4,719
Property Assessor's Office	204,017	207,001	207,001	2,984
County Trustee's Office	161,287	163,292	163,292	2,005
County Clerk's Office	193,996	204,841	204,841	10,845
<u>Administration of Justice</u>				
Circuit Court	127,299	148,239	148,239	20,940
General Sessions Court	129,598	131,476	134,976	5,378
General Sessions Judge	122,561	125,748	126,248	3,687
General Sessions Court Clerk	30,058	34,461	34,461	4,403
Drug Court	12,001	0	12,001	0
Chancery Court	160,629	163,485	170,567	9,938
Juvenile Court	66,981	82,092	82,092	15,111
District Attorney General	0	5,644	5,644	5,644
<u>Public Safety</u>				
Sheriff's Department	1,649,073	1,739,262	1,675,440	26,367
Drug Enforcement	142,870	142,433	146,254	3,384
Jail	1,221,645	1,105,343	1,243,318	21,673
Workhouse	30,317	31,897	32,247	1,930

(Continued)

Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Safety (Cont.)</u>				
Fire Prevention and Control	\$ 694,748	\$ 475,122	\$ 716,727	\$ 21,979
Civil Defense	164,841	134,505	134,505	(30,336)
Rescue Squad	15,595	23,350	18,850	3,255
County Coroner/Medical Examiner	13,804	20,000	17,000	3,196
Other Public Safety	165,743	152,349	169,244	3,501
<u>Public Health and Welfare</u>				
Local Health Center	46,301	50,409	57,159	10,858
Rabies and Animal Control	79,478	79,258	79,007	(471)
Ambulance/Emergency Medical Services	1,139,249	1,162,269	1,162,269	23,020
Dental Health Program	276,651	372,495	401,400	124,749
Crippled Children Services	2,216	2,216	2,216	0
Other Local Health Services	14,000	17,000	14,000	0
Appropriation to State	25,761	25,761	25,761	0
Aid to Dependent Children	460	2,750	2,750	2,290
Other Local Welfare Services	7,500	9,000	7,500	0
Sanitation Education/Information	53,184	53,522	53,522	338
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	24,500	30,000	24,500	0
Libraries	128,996	128,251	129,751	755
<u>Agriculture & Natural Resources</u>				
Agriculture Extension Service	80,711	97,408	97,408	16,697
Soil Conservation	54,654	54,536	54,536	(118)
<u>Other Operations</u>				
Industrial Development	490	1,545	1,545	1,055
Airport	48,217	56,690	77,566	29,349
Veterans' Services	1,561	6,956	6,956	5,395
Other Charges	203,300	234,465	214,496	11,196
Contributions to Other Agencies	27,321	44,321	38,685	11,364
Employee Benefits	977,669	1,002,185	999,185	21,516
Miscellaneous	3,191	1,000	4,500	1,309
Total Expenditures	<u>\$ 9,460,293</u>	<u>\$ 9,504,793</u>	<u>\$ 10,045,373</u>	<u>\$ 585,080</u>
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 1,023,936	\$ 533,897	\$ 372,371	\$ 651,565
Net Change in Fund Balance				
Fund Balance, July 1, 2005	\$ 3,347,014	\$ 3,546,586	\$ 3,546,586	\$ (199,572)
Fund Balance, June 30, 2006	<u>\$ 4,370,950</u>	<u>\$ 4,080,483</u>	<u>\$ 3,918,957</u>	<u>\$ 451,993</u>

Exhibit E-2

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 1,695,617	\$ 0	\$ 0	\$ 1,695,617	\$ 1,570,120	\$ 1,570,120	\$ 125,497
Other Local Revenues	88,957	0	0	88,957	183,800	223,633	(134,676)
State of Tennessee	2,348,288	0	0	2,348,288	3,470,375	3,470,375	(1,122,087)
Total Revenues	\$ 4,132,862	\$ 0	\$ 0	\$ 4,132,862	\$ 5,224,295	\$ 5,264,128	\$ (1,131,266)
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 152,042	\$ 0	\$ 0	\$ 152,042	\$ 151,059	\$ 154,284	\$ 2,242
Highway and Bridge Maintenance	1,218,685	0	2,681	1,221,366	1,276,172	1,281,548	60,182
Operation and Maintenance of Equipment	432,639	0	0	432,639	420,362	442,757	10,118
Other Charges	195,271	0	0	195,271	194,210	202,210	6,939
Employee Benefits	538,459	0	0	538,459	598,739	552,597	14,138
Capital Outlay	1,886,847	(149,982)	490,232	2,227,097	2,561,000	2,675,979	448,882
<u>Capital Projects</u>							
Highway & Street Capital Projects	15,918	0	0	15,918	60,000	60,000	44,082
Total Expenditures	\$ 4,439,861	\$ (149,982)	\$ 492,913	\$ 4,782,792	\$ 5,261,542	\$ 5,369,375	\$ 586,583
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (306,999)	\$ 149,982	\$ (492,913)	\$ (649,930)	\$ (37,247)	\$ (105,247)	\$ (544,683)
Net Change in Fund Balance							
Fund Balance, July 1, 2005	\$ 1,155,468	(149,982)	0	1,005,486	632,861	632,861	372,625
Fund Balance, June 30, 2006	\$ 848,469	\$ 0	\$ (492,913)	\$ 355,556	\$ 595,614	\$ 527,614	\$ (172,058)

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

A. BUDGETARY INFORMATION

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the 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, Beer Board, County Mayor, County Attorney, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

B. CASH SHORTAGE

The Office of Director of Schools had a remaining cash shortage of \$4,371 as of June 30, 2006. Details of this cash shortage were reflected in the Schedule of Findings and Questioned Costs of the Annual Financial Report for the 2001-02 fiscal year.

C. EXPENDITURES EXCEEDED APPROPRIATIONS

Expenditures exceeded appropriations approved by the County Commission in the following major appropriation categories (the legal level of control) in the General Fund.

Major Appropriation Category	Amount Overspent
County Attorney	\$ 1,275
Civil Defense	30,336
Rabies and Animal Control	471
Soil Conservation	118

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for Fayette County’s garbage collection and convenience center operations.

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

Adequate Facilities/Development Tax Fund – The Adequate Facilities/Development Tax Fund is used to account for operations funded from the local development tax.

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

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 in the acquisition or construction of major capital facilities.

Community Development/Industrial Park Fund – The Community Development/Industrial Park Fund is used to account for revenues received from federal grants for community development projects.

Other Capital Projects Fund – The Other Capital Projects Fund is used to account for debt issued by Fayette County that is subsequently contributed to the discretely presented Fayette County School Department for school construction.

Exhibit F-1

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

	Special Revenue Funds					Total
	Solid Waste / Sanitation	Drug Control	Adequate Facilities/ Development Tax	District Attorney General	Constitu - tional Officers - Fees	
<u>ASSETS</u>						
Cash	\$ 100	\$ 0	\$ 0	\$ 0	\$ 55,886	\$ 55,986
Equity in Pooled Cash and Investments	339,722	213,511	888,011	60,036	0	1,501,280
Accounts Receivable	25,670	0	660	0	407	26,737
Due from Other Governments	1,312	0	0	889	0	2,201
Accrued Interest Receivable	111,086	0	0	0	0	111,086
Total Assets	<u>\$ 477,890</u>	<u>\$ 213,511</u>	<u>\$ 888,671</u>	<u>\$ 60,925</u>	<u>\$ 56,293</u>	<u>\$ 1,697,290</u>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Due to Other Funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 30,599	\$ 30,599
Other Deferred Revenues	111,086	0	0	0	0	111,086
Total Liabilities	<u>\$ 111,086</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 30,599</u>	<u>\$ 141,685</u>
<u>Fund Balances</u>						
Unreserved	\$ 366,804	\$ 213,511	\$ 888,671	\$ 60,925	\$ 25,694	\$ 1,555,605
Total Fund Balances	<u>\$ 366,804</u>	<u>\$ 213,511</u>	<u>\$ 888,671</u>	<u>\$ 60,925</u>	<u>\$ 25,694</u>	<u>\$ 1,555,605</u>
Total Liabilities and Fund Balances	<u>\$ 477,890</u>	<u>\$ 213,511</u>	<u>\$ 888,671</u>	<u>\$ 60,925</u>	<u>\$ 56,293</u>	<u>\$ 1,697,290</u>

(Continued)

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

	<u>Capital Projects Funds</u>			
	Community Development/ Industrial Park	Other Capital Projects	Total	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 0	\$ 55,986
Equity in Pooled Cash and Investments	36,932	455	37,387	1,538,667
Accounts Receivable	0	0	0	26,737
Due from Other Governments	0	0	0	2,201
Accrued Interest Receivable	0	0	0	111,086
Total Assets	<u>\$ 36,932</u>	<u>\$ 455</u>	<u>\$ 37,387</u>	<u>\$ 1,734,677</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Due to Other Funds	\$ 0	\$ 0	\$ 0	\$ 30,599
Other Deferred Revenues	36,932	0	36,932	148,018
Total Liabilities	<u>\$ 36,932</u>	<u>\$ 0</u>	<u>\$ 36,932</u>	<u>\$ 178,617</u>
<u>Fund Balances</u>				
Unreserved	\$ 0	\$ 455	\$ 455	\$ 1,556,060
Total Fund Balances	<u>\$ 0</u>	<u>\$ 455</u>	<u>\$ 455</u>	<u>\$ 1,556,060</u>
Total Liabilities and Fund Balances	<u>\$ 36,932</u>	<u>\$ 455</u>	<u>\$ 37,387</u>	<u>\$ 1,734,677</u>

Exhibit F-2

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

	Special Revenue Funds					Total	Capital Projects Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Adequate Facilities/ Development/ Tax	District Attorney General	Constitu - tional Officers - Fees		Other Capital Projects	
<u>Revenues</u>								
Local Taxes	\$ 0	\$ 0	\$ 524,222	\$ 0	\$ 0	\$ 524,222	\$ 0	\$ 524,222
Fines, Forfeitures, and Penalties	0	84,128	0	18,215	0	102,343	0	102,343
Charges for Current Services	287,952	0	0	0	118,318	406,270	0	406,270
Other Local Revenues	491,701	55	0	0	0	491,756	0	491,756
State of Tennessee	12,900	0	0	0	0	12,900	0	12,900
Total Revenues	\$ 792,553	\$ 84,183	\$ 524,222	\$ 18,215	\$ 118,318	\$ 1,537,491	\$ 0	\$ 1,537,491
<u>Expenditures</u>								
Current:								
General Government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 122,437	\$ 122,437	\$ 0	\$ 122,437
Administration of Justice	0	0	0	11,854	1,030	12,884	0	12,884
Public Safety	0	24,539	0	0	0	24,539	0	24,539
Public Health and Welfare	663,002	0	0	0	0	663,002	0	663,002
Other Operations	0	0	11,771	0	0	11,771	0	11,771
Capital Projects	0	0	0	0	0	0	611,253	611,253
Total Expenditures	\$ 663,002	\$ 24,539	\$ 11,771	\$ 11,854	\$ 123,467	\$ 834,633	\$ 611,253	\$ 1,445,886
Excess (Deficiency) of Revenues Over Expenditures	\$ 129,551	\$ 59,644	\$ 512,451	\$ 6,361	\$ (5,149)	\$ 702,858	\$ (611,253)	\$ 91,605
<u>Other Financing Sources (Uses)</u>								
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 611,253	\$ 611,253
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 611,253	\$ 611,253
Net Change in Fund Balances	\$ 129,551	\$ 59,644	\$ 512,451	\$ 6,361	\$ (5,149)	\$ 702,858	\$ 0	\$ 702,858
Fund Balance, July 1, 2005	237,253	153,867	376,220	54,564	30,843	852,747	455	853,202
Fund Balance, June 30, 2006	\$ 366,804	\$ 213,511	\$ 888,671	\$ 60,925	\$ 25,694	\$ 1,555,605	\$ 455	\$ 1,556,060

Exhibit F-3

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 287,952	\$ 247,975	\$ 247,975	\$ 39,977
Other Local Revenues	491,701	458,616	466,616	25,085
State of Tennessee	12,900	25,000	25,000	(12,100)
Total Revenues	<u>\$ 792,553</u>	<u>\$ 731,591</u>	<u>\$ 739,591</u>	<u>\$ 52,962</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Convenience Centers	\$ 268,729	\$ 245,500	\$ 280,500	\$ 11,771
Landfill Operation and Maintenance	394,273	484,738	457,738	63,465
Total Expenditures	<u>\$ 663,002</u>	<u>\$ 730,238</u>	<u>\$ 738,238</u>	<u>\$ 75,236</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 129,551</u>	<u>\$ 1,353</u>	<u>\$ 1,353</u>	<u>\$ 128,198</u>
Net Change in Fund Balance	\$ 129,551	\$ 1,353	\$ 1,353	\$ 128,198
Fund Balance, July 1, 2005	<u>237,253</u>	<u>211,440</u>	<u>211,440</u>	<u>25,813</u>
Fund Balance, June 30, 2006	<u><u>\$ 366,804</u></u>	<u><u>\$ 212,793</u></u>	<u><u>\$ 212,793</u></u>	<u><u>\$ 154,011</u></u>

Exhibit F-4

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 84,128	\$ 37,000	\$ 37,000	\$ 47,128
Other Local Revenues	55	0	0	55
Total Revenues	<u>\$ 84,183</u>	<u>\$ 37,000</u>	<u>\$ 37,000</u>	<u>\$ 47,183</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 24,539	\$ 37,000	\$ 34,650	\$ 10,111
Total Expenditures	<u>\$ 24,539</u>	<u>\$ 37,000</u>	<u>\$ 34,650</u>	<u>\$ 10,111</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 59,644</u>	<u>\$ 0</u>	<u>\$ 2,350</u>	<u>\$ 57,294</u>
Net Change in Fund Balance	\$ 59,644	\$ 0	\$ 2,350	\$ 57,294
Fund Balance, July 1, 2005	153,867	153,867	153,867	0
Fund Balance, June 30, 2006	<u>\$ 213,511</u>	<u>\$ 153,867</u>	<u>\$ 156,217</u>	<u>\$ 57,294</u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit G

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,422,500	\$ 1,369,670	\$ 1,369,670	\$ 52,830
Total Revenues	\$ 1,422,500	\$ 1,369,670	\$ 1,369,670	\$ 52,830
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 665,000	\$ 665,000	\$ 665,000	\$ 0
<u>Interest on Debt</u>				
General Government	330,094	330,094	330,094	0
Education	667,175	685,575	685,575	18,400
<u>Other Debt Service</u>				
General Government	20,153	17,000	17,000	(3,153)
Education	2,306	851	851	(1,455)
Total Expenditures	\$ 1,684,728	\$ 1,698,520	\$ 1,698,520	\$ 13,792
Excess (Deficiency) of Revenues Over Expenditures	\$ (262,228)	\$ (328,850)	\$ (328,850)	\$ 66,622
Net Change in Fund Balance	\$ (262,228)	\$ (328,850)	\$ (328,850)	\$ 66,622
Fund Balance, July 1, 2005	5,066,168	4,991,529	4,991,529	74,639
Fund Balance, June 30, 2006	\$ 4,803,940	\$ 4,662,679	\$ 4,662,679	\$ 141,261

Fiduciary Funds

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

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.

Watershed District Fund – The Watershed District Fund is used to account for prior years' acreage assessments collected on drainage district properties and held in trust for the watershed district.

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

Exhibit H-1

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

	<u>Agency Funds</u>			
	Cities - Sales Tax	Watershed District	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 42,792	\$ 0	\$ 42,792
Cash	0	0	2,056,605	2,056,605
Due from Other Governments	238,936	0	0	238,936
Total Assets	<u>\$ 238,936</u>	<u>\$ 42,792</u>	<u>\$ 2,056,605</u>	<u>\$ 2,338,333</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 238,936	\$ 42,792	\$ 0	\$ 281,728
Due to Litigants, Heirs, and Others	0	0	2,056,605	2,056,605
Total Liabilities	<u>\$ 238,936</u>	<u>\$ 42,792</u>	<u>\$ 2,056,605</u>	<u>\$ 2,338,333</u>

Exhibit H-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,412,602	\$ 1,412,602	\$ 0
Due From Other Governments	230,000	238,936	230,000	238,936
Total Assets	\$ 230,000	\$ 1,651,538	\$ 1,642,602	\$ 238,936
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 230,000	\$ 1,651,538	\$ 1,642,602	\$ 238,936
Total Liabilities	\$ 230,000	\$ 1,651,538	\$ 1,642,602	\$ 238,936
<u>Watershed District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 42,792	\$ 0	\$ 0	\$ 42,792
Total Assets	\$ 42,792	\$ 0	\$ 0	\$ 42,792
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 42,792	\$ 0	\$ 0	\$ 42,792
Total Liabilities	\$ 42,792	\$ 0	\$ 0	\$ 42,792
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 2,935,097	\$ 9,753,886	\$ 10,632,378	\$ 2,056,605
Total Assets	\$ 2,935,097	\$ 9,753,886	\$ 10,632,378	\$ 2,056,605
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 2,935,097	\$ 9,753,886	\$ 10,632,378	\$ 2,056,605
Total Liabilities	\$ 2,935,097	\$ 9,753,886	\$ 10,632,378	\$ 2,056,605
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 42,792	\$ 1,412,602	\$ 1,412,602	\$ 42,792
Cash	2,935,097	9,753,886	10,632,378	2,056,605
Due From Other Governments	230,000	238,936	230,000	238,936
Total Assets	\$ 3,207,889	\$ 11,405,424	\$ 12,274,980	\$ 2,338,333
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 272,792	\$ 1,651,538	\$ 1,642,602	\$ 281,728
Due to Litigants, Heirs, and Others	2,935,097	9,753,886	10,632,378	2,056,605
Total Liabilities	\$ 3,207,889	\$ 11,405,424	\$ 12,274,980	\$ 2,338,333

Fayette County School Department

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

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

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

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

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

Exhibit I-1

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

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets Total Governmental Activities
Governmental Activities:					
Instruction	\$ 17,341,692	\$ 40,665	\$ 3,047,509	\$ 611,253	\$ (13,642,265)
Support Services	9,294,649	32,547	1,479,201	0	(7,782,901)
Operation of Non-Instructional Services	2,948,888	452,499	1,842,691	0	(653,698)
Interest on Long-term Debt	29,978	0	0	0	(29,978)
Total Governmental Activities	\$ 29,615,207	\$ 525,711	\$ 6,369,401	\$ 611,253	\$ (22,108,842)
General Revenues:					
Taxes:					
Property taxes levied for general purposes					\$ 4,439,191
Local option sales tax					1,820,637
Other local taxes					4,951
Grants & contributions not restricted for specific programs					15,010,559
Miscellaneous					16,960
Total General Revenues					\$ 21,292,298
Change in net assets					\$ (816,544)
Net assets, July 1, 2005					18,232,794
Prior period adjustment					24,710
Net assets, June 30, 2006					\$ 17,440,960

Exhibit I-2

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

	Major Funds		Nonmajor	Total
	General Purpose School	School Federal Projects	Funds Other Govern-mental Funds	
ASSETS				
Equity in Pooled Cash and Investments	\$ 362,780	\$ 695	\$ 387,462	\$ 750,937
Accounts Receivable	2,009	4,051	145	6,205
Due from Other Governments	585,418	589,067	190,881	1,365,366
Due from Other Funds	20,878	0	0	20,878
Property Taxes Receivable	4,309,656	0	0	4,309,656
Allowance for Uncollectible Property Taxes	(161,206)	0	0	(161,206)
Cash Shortage	4,371	0	0	4,371
Total Assets	\$ 5,123,906	\$ 593,813	\$ 578,488	\$ 6,296,207
LIABILITIES AND FUND BALANCES				
<u>Liabilities</u>				
Accounts Payable	\$ 74,712	\$ 236,306	\$ 1,357	\$ 312,375
Accrued Payroll	62,215	81,201	1,317	144,733
Payroll Deductions Payable	143,108	21,703	1,506	166,317
Contracts Payable	6,250	0	0	6,250
Due to Other Funds	0	19,192	0	19,192
Deferred Revenue - Current Property Taxes	3,932,470	0	0	3,932,470
Deferred Revenue - Delinquent Property Taxes	184,712	0	0	184,712
Other Deferred Revenues	200,210	0	0	200,210
Total Liabilities	\$ 4,603,677	\$ 358,402	\$ 4,180	\$ 4,966,259
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 5,435	\$ 114,886	\$ 0	\$ 120,321
Reserved for Career Ladder - Extended Contract	17,532	0	0	17,532
Reserved for Basic Education Program	215,440	0	0	215,440
Reserved for Title I Grants to Local Education Agencies	0	37,818	0	37,818
Reserved for Special Education - Grants to States	0	37,836	0	37,836
Other Federal Reserves	0	44,871	0	44,871
Unreserved, Reported In:				
General Fund	281,822	0	0	281,822
Special Revenue Funds	0	0	566,690	566,690
Capital Projects Funds	0	0	7,618	7,618
Total Fund Balances	\$ 520,229	\$ 235,411	\$ 574,308	\$ 1,329,948
Total Liabilities and Fund Balances	\$ 5,123,906	\$ 593,813	\$ 578,488	\$ 6,296,207

Exhibit I-3

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

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$	1,329,948
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	359,607	
Add: land improvements net of accumulated depreciation		1,978	
Add: buildings and improvements net of accumulated depreciation		15,000,403	
Add: infrastructure net of accumulated depreciation		52,203	
Add: other capital assets net of accumulated depreciation		<u>1,138,073</u>	16,552,264
(2) Long-term liabilities are not due in the current period and therefore are not reported in the funds.			
Less: notes payable	\$	(227,005)	
Less: capital leases payable		(394,791)	
Less: compensated absences payable		(188,173)	
Less: accrued interest on capital leases		(14,502)	
Less: accrued interest on notes		<u>(1,703)</u>	(826,174)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			<u>384,922</u>
Net assets of governmental activities (Exhibit A)		\$	<u>17,440,960</u>

Exhibit I-4

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

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>School</u>	<u>Funds</u>	
	<u>Purpose</u>	<u>Federal</u>	<u>Other</u>	<u>Governmental</u>
	<u>School</u>	<u>Projects</u>	<u>Funds</u>	<u>Funds</u>
<u>Revenues</u>				
Local Taxes	\$ 6,227,008	\$ 0	\$ 0	\$ 6,227,008
Licenses and Permits	3,454	0	0	3,454
Charges for Current Services	45,130	0	452,402	497,532
Other Local Revenues	63,177	0	13,494	76,671
State of Tennessee	14,227,944	0	23,421	14,251,365
Federal Government	628,651	4,634,300	1,729,277	6,992,228
Other Governments and Citizens Groups	0	0	611,253	611,253
Total Revenues	\$ 21,195,364	\$ 4,634,300	\$ 2,829,847	\$ 28,659,511
<u>Expenditures</u>				
Current:				
Instruction	\$ 12,400,636	\$ 4,012,442	\$ 0	\$ 16,413,078
Support Services	8,157,763	905,001	0	9,062,764
Operation of Non-Instructional Services	469,925	0	2,104,633	2,574,558
Capital Outlay	569,877	0	0	569,877
Debt Service:				
Principal on Debt	180,301	0	0	180,301
Interest on Debt	16,010	0	0	16,010
Capital Projects	0	0	324,846	324,846
Total Expenditures	\$ 21,794,512	\$ 4,917,443	\$ 2,429,479	\$ 29,141,434
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (599,148)	\$ (283,143)	\$ 400,368	\$ (481,923)
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 503,788	\$ 0	\$ 0	\$ 503,788
Transfers In	30,416	0	0	30,416
Transfers Out	0	(21,918)	(8,498)	(30,416)
Total Other Financing Sources (Uses)	\$ 534,204	\$ (21,918)	\$ (8,498)	\$ 503,788
Net Change in Fund Balances	\$ (64,944)	\$ (305,061)	\$ 391,870	\$ 21,865
Fund Balance, July 1, 2005	585,173	540,472	182,438	1,308,083
Fund Balance, June 30, 2006	\$ 520,229	\$ 235,411	\$ 574,308	\$ 1,329,948

Exhibit I-5

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

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

Net change in fund balances - total governmental funds (Exhibit I-4)		\$	21,865
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The amount that capital outlays differ from depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$	833,436	
Less: current year depreciation expense		<u>(1,391,408)</u>	(557,972)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2006	\$	384,922	
Less: deferred delinquent property taxes and other deferred June 30, 2005		<u>(322,269)</u>	62,653
(3) The issuance of long-term debt (e.g. notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.			
Less: capital lease proceeds	\$	(503,788)	
Add: principal payments on capital leases		108,997	
Add: principal payment on notes		<u>71,304</u>	(323,487)
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Change in accrued interest	\$	(13,968)	
Change in compensated absences		<u>(5,635)</u>	(19,603)
Change in net assets of governmental activities (Exhibit B)			<u>\$ (816,544)</u>

Exhibit I-6

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

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	
	Central Cafeteria	Education Capital Projects	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 379,844	\$ 7,618	\$ 387,462
Accounts Receivable	145	0	145
Due from Other Governments	190,881	0	190,881
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 570,870	\$ 7,618	\$ 578,488
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 1,357	\$ 0	\$ 1,357
Accrued Payroll	1,317	0	1,317
Payroll Deductions Payable	1,506	0	1,506
Total Liabilities	<hr/> \$ 4,180	<hr/> \$ 0	<hr/> \$ 4,180
<u>Fund Balances</u>			
Unreserved	\$ 566,690	\$ 7,618	\$ 574,308
Total Fund Balances	<hr/> \$ 566,690	<hr/> \$ 7,618	<hr/> \$ 574,308
Total Liabilities and Fund Balances	<hr/> \$ 570,870	<hr/> \$ 7,618	<hr/> \$ 578,488

Exhibit I-7

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

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Central Cafeteria	Education Capital Projects	
<u>Revenues</u>			
Charges for Current Services	\$ 452,402	\$ 0	\$ 452,402
Other Local Revenues	13,494	0	13,494
State of Tennessee	23,421	0	23,421
Federal Government	1,729,277	0	1,729,277
Other Governments and Citizens Groups	0	611,253	611,253
Total Revenues	<u>\$ 2,218,594</u>	<u>\$ 611,253</u>	<u>\$ 2,829,847</u>
<u>Expenditures</u>			
Current:			
Operation of Non-Instructional Services	\$ 2,104,633	\$ 0	\$ 2,104,633
Capital Projects	0	324,846	324,846
Total Expenditures	<u>\$ 2,104,633</u>	<u>\$ 324,846</u>	<u>\$ 2,429,479</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 113,961</u>	<u>\$ 286,407</u>	<u>\$ 400,368</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (8,498)	\$ 0	\$ (8,498)
Total Other Financing Sources (Uses)	<u>\$ (8,498)</u>	<u>\$ 0</u>	<u>\$ (8,498)</u>
Net Change in Fund Balances	\$ 105,463	\$ 286,407	\$ 391,870
Fund Balance, July 1, 2005	461,227	(278,789)	182,438
Fund Balance, June 30, 2006	<u>\$ 566,690</u>	<u>\$ 7,618</u>	<u>\$ 574,308</u>

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 6,227,008	\$ 0	\$ 0	\$ 6,227,008	\$ 6,443,500	\$ 6,443,500	\$ (216,492)
Licenses and Permits	3,454	0	0	3,454	3,000	3,000	454
Charges for Current Services	45,130	0	0	45,130	31,006	31,006	14,124
Other Local Revenues	63,177	0	0	63,177	40,876	53,019	10,158
State of Tennessee	14,227,944	0	0	14,227,944	13,736,016	14,238,336	(10,392)
Federal Government	628,651	0	0	628,651	518,467	677,771	(49,120)
Total Revenues	\$ 21,195,364	\$ 0	\$ 0	\$ 21,195,364	\$ 20,772,865	\$ 21,446,632	\$ (251,268)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 9,766,339	\$ (95,108)	\$ 0	\$ 9,671,231	\$ 9,482,560	\$ 9,723,572	\$ 52,341
Special Education Program	1,749,620	0	159	1,749,779	1,768,669	1,760,959	11,180
Vocational Education Program	814,510	0	0	814,510	856,184	827,574	13,064
Adult Education Program	70,167	0	0	70,167	44,572	82,021	11,854
<u>Support Services</u>							
Attendance	76,470	0	0	76,470	75,915	76,938	468
Health Services	83,137	0	0	83,137	85,968	85,168	2,031
Other Student Support	505,730	(1,206)	0	504,524	480,168	520,217	15,693
Regular Instruction Program	744,458	(2,302)	0	742,156	798,621	746,571	4,415
Special Education Program	243,528	0	0	243,528	246,374	247,186	3,658
Vocational Education Program	317,855	0	0	317,855	329,816	333,576	15,721
Adult Programs	248,356	0	0	248,356	171,969	270,859	22,503
Board of Education	460,563	0	0	460,563	481,694	472,592	12,029
Director of Schools	225,197	(1,538)	0	223,659	232,008	232,008	8,349
Office of the Principal	1,164,388	0	0	1,164,388	1,173,094	1,168,374	3,986
Fiscal Services	175,289	0	0	175,289	179,975	179,975	4,686

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Operation of Plant	\$ 1,524,658	\$ 0	\$ 0	\$ 1,524,658	\$ 1,392,691	\$ 1,591,271	\$ 66,613
Maintenance of Plant	475,902	(5,264)	5,276	475,914	540,519	492,092	16,178
Transportation	1,758,421	0	0	1,758,421	1,494,799	1,807,180	48,759
Central and Other	153,811	0	0	153,811	135,066	160,738	6,927
<u>Operation of Non-Instructional Services</u>							
Community Services	36,201	0	0	36,201	35,690	36,590	389
Early Childhood Education	433,724	0	0	433,724	449,883	450,786	17,062
<u>Capital Outlay</u>							
Regular Capital Outlay	569,877	0	0	569,877	149,000	569,886	9
<u>Principal on Debt</u>							
Education	180,301	0	0	180,301	180,302	180,302	1
<u>Interest on Debt</u>							
Education	16,010	0	0	16,010	10,359	16,011	1
Total Expenditures	\$ 21,794,512	\$ (105,418)	\$ 5,435	\$ 21,694,529	\$ 20,795,896	\$ 22,032,446	\$ 337,917
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (599,148)	\$ 105,418	\$ (5,435)	\$ (499,165)	\$ (23,031)	\$ (585,814)	\$ 86,649
<u>Other Financing Sources (Uses)</u>							
Capital Leases Issued	\$ 503,788	\$ 0	\$ 0	\$ 503,788	\$ 0	\$ 503,788	\$ 0
Transfers In	30,416	0	0	30,416	23,031	31,331	(915)
Total Other Financing Sources (Uses)	\$ 534,204	\$ 0	\$ 0	\$ 534,204	\$ 23,031	\$ 535,119	\$ (915)

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Net Change in Fund Balance	\$ (64,944)	\$ 105,418	\$ (5,435)	\$ 35,039	\$ 0	\$ (50,695)	\$ 85,734
Fund Balance, July 1, 2005	585,173	(105,418)	0	479,755	448,602	448,602	31,153
Fund Balance, June 30, 2006	\$ 520,229	\$ 0	\$ (5,435)	\$ 514,794	\$ 448,602	\$ 397,907	\$ 116,887

Exhibit I-9

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 4,634,300	\$ 0	\$ 0	\$ 4,634,300	\$ 3,711,464	\$ 4,712,618	\$ (78,318)
Total Revenues	\$ 4,634,300	\$ 0	\$ 0	\$ 4,634,300	\$ 3,711,464	\$ 4,712,618	\$ (78,318)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 3,005,345	\$ (279,519)	\$ 114,886	\$ 2,840,712	\$ 1,905,848	\$ 2,955,730	\$ 115,018
Special Education Program	897,430	0	0	897,430	862,580	922,272	24,842
Vocational Education Program	109,667	0	0	109,667	103,769	109,667	0
<u>Support Services</u>							
Other Student Support	54,287	0	0	54,287	58,993	54,289	2
Regular Instruction Program	620,742	(10,465)	0	610,277	679,282	653,520	43,243
Special Education Program	146,749	(5,100)	0	141,649	215,911	155,671	14,022
Vocational Education Program	3,013	0	0	3,013	3,438	3,013	0
Operation of Plant	10,000	0	0	10,000	0	10,000	0
Transportation	70,210	0	0	70,210	104,000	70,813	603
Total Expenditures	\$ 4,917,443	\$ (295,084)	\$ 114,886	\$ 4,737,245	\$ 3,933,821	\$ 4,934,975	\$ 197,730
Excess (Deficiency) of Revenues Over Expenditures	\$ (283,143)	\$ 295,084	\$ (114,886)	\$ (102,945)	\$ (222,357)	\$ (222,357)	\$ 119,412
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (21,918)	\$ 0	\$ 0	\$ (21,918)	\$ (23,031)	\$ (23,031)	\$ 1,113
Total Other Financing Sources (Uses)	\$ (21,918)	\$ 0	\$ 0	\$ (21,918)	\$ (23,031)	\$ (23,031)	\$ 1,113
Net Change in Fund Balance	\$ (305,061)	\$ 295,084	\$ (114,886)	\$ (124,863)	\$ (245,388)	\$ (245,388)	\$ 120,525
Fund Balance, July 1, 2005	540,472	(295,084)	0	245,388	245,388	245,388	0
Fund Balance, June 30, 2006	\$ 235,411	\$ 0	\$ (114,886)	\$ 120,525	\$ 0	\$ 0	\$ 120,525

Exhibit I-10

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 452,402	\$ 407,308	\$ 451,808	\$ 594
Other Local Revenues	13,494	25,000	8,000	5,494
State of Tennessee	23,421	24,000	23,421	0
Federal Government	1,729,277	1,614,799	1,704,799	24,478
Total Revenues	<u>\$ 2,218,594</u>	<u>\$ 2,071,107</u>	<u>\$ 2,188,028</u>	<u>\$ 30,566</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 2,104,633	\$ 2,071,107	\$ 2,190,918	\$ 86,285
Total Expenditures	<u>\$ 2,104,633</u>	<u>\$ 2,071,107</u>	<u>\$ 2,190,918</u>	<u>\$ 86,285</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 113,961</u>	<u>\$ 0</u>	<u>\$ (2,890)</u>	<u>\$ 116,851</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (8,498)	\$ 0	\$ (10,000)	\$ 1,502
Total Other Financing Sources (Uses)	<u>\$ (8,498)</u>	<u>\$ 0</u>	<u>\$ (10,000)</u>	<u>\$ 1,502</u>
Net Change in Fund Balance	\$ 105,463	\$ 0	\$ (12,890)	\$ 118,353
Fund Balance, July 1, 2005	<u>461,227</u>	<u>461,226</u>	<u>461,226</u>	<u>1</u>
Fund Balance, June 30, 2006	<u>\$ 566,690</u>	<u>\$ 461,226</u>	<u>\$ 448,336</u>	<u>\$ 118,354</u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

Fayette County, Tennessee
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds
Primary Government and Discretely Presented Fayette County School Department
For the Year Ended June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
PRIMARY GOVERNMENT								
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
School Bond Anticipation Note, Series 2005	\$ 1,015,128	3.96%	4-8-05	4-8-07	\$ 403,875	\$ 611,253	\$ 0	\$ 1,015,128
Total Notes Payable					\$ 403,875	\$ 611,253	\$ 0	\$ 1,015,128
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through General Fund</u>								
Fire Trucks	215,157	5.57	7-16-1999	7-16-06	\$ 70,008	\$ 0	\$ 34,056	\$ 35,952
Total Capital Leases Payable					\$ 70,008	\$ 0	\$ 34,056	\$ 35,952
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
School General Obligation Bonds, Series 2000	15,000,000	5 to 5.6	7-19-00	2-1-08	\$ 1,925,000	\$ 0	\$ 610,000	\$ 1,315,000
School Refunding Bonds, Series 2001	9,960,000	3 to 5	12-1-01	2-1-18	9,760,000	0	55,000	9,705,000
School Refunding Bonds, Series 2002	2,210,000	5	1-2-02	2-1-20	2,210,000	0	0	2,210,000
General Obligation Bonds, Series 2004	8,200,000	2.5 to 4.625	3-15-04	4-1-29	8,200,000	0	0	8,200,000
Total Payable through General Debt Service Fund					\$ 22,095,000	\$ 0	\$ 665,000	\$ 21,430,000
<u>Payable through Solid Waste/Sanitation Fund</u>								
General Obligation Bonds, Series 2000A	234,250	4.75	9-13-00	9-13-05	\$ 12,978	\$ 0	\$ 12,978	\$ 0
Total Bonds Payable					\$ 22,107,978	\$ 0	\$ 677,978	\$ 21,430,000
DISCRETELY PRESENTED FAYETTE COUNTY SCHOOL DEPARTMENT								
<u>NOTES PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
Local Government Energy Loan	500,000	3	3-31-02	3-31-09	\$ 298,309	\$ 0	\$ 71,304	\$ 227,005
Total Notes Payable					\$ 298,309	\$ 0	\$ 71,304	\$ 227,005
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
School Buses	503,788	4.64	9-15-05	9-15-09	\$ 0	\$ 503,788	\$ 108,997	\$ 394,791
Total Capital Leases Payable					\$ 0	\$ 503,788	\$ 108,997	\$ 394,791

Exhibit J-2

Fayette County, Tennessee
Schedule of Bond and Interest Requirements By Year

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2007	\$ 795,000	\$ 964,486	\$ 1,759,486
2008	880,000	927,704	1,807,704
2009	920,000	887,922	1,807,922
2010	955,000	850,311	1,805,311
2011	990,000	810,392	1,800,392
2012	1,135,000	767,903	1,902,903
2013	1,175,000	718,626	1,893,626
2014	1,220,000	667,026	1,887,026
2015	1,320,000	611,966	1,931,966
2016	1,370,000	552,506	1,922,506
2017	1,425,000	489,544	1,914,544
2018	1,485,000	422,756	1,907,756
2019	1,545,000	352,106	1,897,106
2020	1,265,000	278,156	1,543,156
2021	460,000	217,906	677,906
2022	480,000	199,276	679,276
2023	500,000	179,356	679,356
2024	525,000	158,106	683,106
2025	545,000	135,269	680,269
2026	570,000	111,425	681,425
2027	595,000	86,488	681,488
2028	625,000	58,969	683,969
2029	650,000	30,062	680,062
Total	\$ 21,430,000	\$ 10,478,261	\$ 31,908,261

Exhibit J-3

Fayette County, Tennessee
Schedule of Investments
June 30, 2006

<u>Fund and Type</u>	<u>Amount</u>
<u>Primary Government</u>	
<u>General Capital Projects Fund</u>	
United States Treasury Bills	<u>\$ 6,410,408</u>
Total Investments	<u><u>\$ 6,410,408</u></u>

Exhibit J-4

Fayette County, Tennessee
Schedule of Transfers
Discretely Presented Fayette County School Department
For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>Discretely Presented Fayette County School Department</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 21,918
Central Cafeteria	General Purpose School	Indirect costs	<u>8,498</u>
Total Transfers			<u>\$ 30,416</u>

Exhibit J-5

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 70,666	\$ 50,000	Western Surety Company
Public Works Superintendent	Section 234, Private Acts of 1974 and Section 8-24-102, <u>TCA</u>	63,581	100,000	"
Director of Schools	State Board of Education and Fayette County Board of Education	102,045 (1)	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	54,048	772,700	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	54,048	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	54,048	50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	54,048	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	55,078 (2)	100,000	"
Register	Section 8-24-102, <u>TCA</u>	54,048	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u> , and County Commission	67,820 (3)	25,000	"
Employees Blanket Bond:				
Office:				
County Mayor:				
All Employees			150,000	Local Government Property and Casualty Fund
Public Works Superintendent:				
All Employees			150,000	"
Director of School:				
All Employees			150,000	Tennessee School Boards Risk Management Trust

- (1) Includes chief executive officer training supplement of \$1,000.
(2) Includes special commissioner fees of \$1,030.
(3) Includes \$7,848 for serving as superintendent of the workhouse and a law enforcement training supplement of \$519.

Exhibit J-6

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Adequate Facilities/ Development Tax	District Attorney General
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 4,692,018	\$ 0	\$ 0	\$ 0	\$ 0
Trustee's Collections - Prior Year	190,726	0	0	0	0
Circuit/Clerk & Master Collections - Prior Years	117,514	0	0	0	0
Interest and Penalty	30,170	0	0	0	0
Pick-up Taxes	872	0	0	0	0
Payments in-Lieu-of Taxes - Local Utilities	3,376	0	0	0	0
Payments in-Lieu-of Taxes - Other	10,854	0	0	0	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	0	0	0	0	0
Hotel/Motel Tax	4,915	0	0	0	0
Wheel Tax	171,109	0	0	0	0
Litigation Tax - General	280,616	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	129,080	0	0	0	0
Business Tax	133,220	0	0	0	0
Adequate Facilities/Development Tax	0	0	0	524,222	0
<u>Statutory Local Taxes</u>					
Bank Excise Tax	93,310	0	0	0	0
Wholesale Beer Tax	100,116	0	0	0	0
Interstate Telecommunications Tax	3,795	0	0	0	0
Total Local Taxes	\$ 5,961,691	\$ 0	\$ 0	\$ 524,222	\$ 0
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Animal Registration	\$ 2,490	\$ 0	\$ 0	\$ 0	\$ 0
Cable TV Franchise	86,440	0	0	0	0
<u>Permits</u>					
Beer Permits	752	0	0	0	0
Building Permits	266,482	0	0	0	0
Other Permits	1,677	0	0	0	0
Total Licenses and Permits	\$ 357,841	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit J-6

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Adequate Facilities/ Development Tax	District Attorney General
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 963	\$ 0	\$ 0	\$ 0	0
Officers Costs	6,438	0	0	0	0
Drug Control Fines	4,251	0	0	0	0
Drug Court Fees	986	0	0	0	0
District Attorney General Fees	0	0	0	0	1,006
DUI Treatment Fines	899	0	0	0	0
Data Entry Fee - Circuit Court	385	0	0	0	0
<u>Criminal Court</u>					
Fines	9,643	0	0	0	0
Drug Control Fines	0	0	7,474	0	0
<u>General Sessions Court</u>					
Fines	26,170	0	0	0	0
Officers Costs	65,217	0	0	0	0
Game and Fish Fines	1,766	0	0	0	0
Drug Control Fines	14,168	0	21,214	0	0
Drug Court Fees	11,015	0	0	0	0
Jail Fees	9,636	0	0	0	0
District Attorney General Fees	0	0	0	0	5,565
DUI Treatment Fines	5,454	0	0	0	0
Data Entry Fee - General Sessions Court	10,571	0	0	0	0
Courtroom Security Fee	49	0	0	0	0
<u>Juvenile Court</u>					
Fines	2,634	0	0	0	0
Officers Costs	3,380	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	2,799	0	0	0	0
Data Entry Fee - Chancery Court	2,486	0	0	0	0
<u>Courts in Other District Counties</u>					
District Attorney General Fees	0	0	0	0	11,644
<u>Judicial District Drug Program</u>					
Courtroom Security Fee	8	0	0	0	0

(Continued)

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Adequate Facilities/ Development Tax	District Attorney General
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	\$ 0	\$ 0	\$ 55,440	\$ 0	\$ 0
Total Fines, Forfeitures, and Penalties	\$ 178,918	\$ 0	\$ 84,128	\$ 0	\$ 18,215
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Solid Waste Disposal Fees	\$ 0	\$ 287,952	\$ 0	\$ 0	\$ 0
Patient Charges	753,104	0	0	0	0
<u>Fees</u>					
Copy Fees	215	0	0	0	0
Telephone Commissions	20,838	0	0	0	0
Vending Machine Collections	11,043	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	0
Data Processing Fee - Register	23,584	0	0	0	0
Data Processing Fee - Sheriff	9,247	0	0	0	0
Sexual Offender Registration Fees - Sheriff	600	0	0	0	0
Total Charges for Current Services	\$ 818,631	\$ 287,952	\$ 0	\$ 0	\$ 0
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 385,086	\$ 0	\$ 0	\$ 0
Lease/Rentals	21,964	0	0	0	0
Sale of Materials and Supplies	274	0	0	0	0
Sale of Gasoline	14,140	0	0	0	0
Sale of Recycled Materials	0	106,615	0	0	0
Miscellaneous Refunds	10,817	0	55	0	0
<u>Nonrecurring Items</u>					
Sale of Equipment	9,060	0	0	0	0
Contributions & Gifts	990	0	0	0	0
<u>Other Local Revenues</u>					
Other Local Revenues	22,151	0	0	0	0
Total Other Local Revenues	\$ 79,396	\$ 491,701	\$ 55	\$ 0	\$ 0

(Continued)

Exhibit J-6

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Adequate Facilities/ Development Tax	District Attorney General
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
Register	\$ 240,000	\$ 0	\$ 0	\$ 0	0
<u>Fees-In-Lieu of Salary</u>					
County Clerk	282,003	0	0	0	0
Circuit Court Clerk	46,241	0	0	0	0
General Sessions Court Clerk	268,149	0	0	0	0
Clerk and Master	136,398	0	0	0	0
Juvenile Court Clerk	34,030	0	0	0	0
Sheriff	12,484	0	0	0	0
Trustee	400,183	0	0	0	0
Total Fees Received from County Officials	\$ 1,419,488	\$ 0	\$ 0	\$ 0	0
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 10,000	\$ 0	\$ 0	\$ 0	0
Airport Maintenance Program	12,407	0	0	0	0
State Reappraisal Grant	11,865	0	0	0	0
Solid Waste Grants	0	12,900	0	0	0
<u>Health and Welfare Grants</u>					
Health Department Programs	285,560	0	0	0	0
<u>Public Works Grants</u>					
Bridge Program	0	0	0	0	0
Litter Program	34,149	0	0	0	0
<u>Other State Revenues</u>					
Beer Tax	17,212	0	0	0	0
Alcoholic Beverage Tax	49,321	0	0	0	0
Mixed Drink Tax	160	0	0	0	0
State Revenue Sharing - T.V.A.	530,534	0	0	0	0
Contracted Prisoner Boarding	338,495	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0
Petroleum Special Tax	0	0	0	0	0
Registrar's Salary Supplement	16,380	0	0	0	0
Other State Grants	39,629	0	0	0	0

(Continued)

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Adequate Facilities/ Development Tax	District Attorney General
<u>State of Tennessee (Cont.)</u>					
<u>Other State Revenues (Cont.)</u>					
Other State Revenues	\$ 2,000	\$ 0	\$ 0	\$ 0	\$ 0
Total State of Tennessee	\$ 1,347,712	\$ 12,900	\$ 0	\$ 0	\$ 0
<u>Federal Government</u>					
<u>Federal Through State</u>					
Homeland Security Grants	\$ 63,321	\$ 0	\$ 0	\$ 0	\$ 0
<u>Direct Federal Revenue</u>					
FHA Grant	35,000	0	0	0	0
Other Direct Federal Revenue	44,574	0	0	0	0
Total Federal Government	\$ 142,895	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 43,500	\$ 0	\$ 0	\$ 0	\$ 0
Contracted Services	57,157	0	0	0	0
<u>Citizens Groups</u>					
Donations	75,000	0	0	0	0
<u>Other</u>					
Other	2,000	0	0	0	0
Total Other Governments and Citizens Groups	\$ 177,657	\$ 0	\$ 0	\$ 0	\$ 0
Total	\$ 10,484,229	\$ 792,553	\$ 84,183	\$ 524,222	\$ 18,215

(Continued)

Exhibit J-6

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

	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	Total
	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 0	\$ 554,192	\$ 523,241	\$ 0	\$ 5,769,451
Trustee's Collections - Prior Year	0	24,116	24,351	0	239,193
Circuit/Clerk & Master Collections - Prior Years	0	20,727	12,509	0	150,750
Interest and Penalty	0	4,637	4,630	0	39,437
Pick-up Taxes	0	136	137	0	1,145
Payments in-Lieu-of Taxes - Local Utilities	0	406	884	0	4,666
Payments in-Lieu-of Taxes - Other	0	1,272	1,201	0	13,327
<u>County Local Option Taxes</u>					
Local Option Sales Tax	0	405,693	0	0	405,693
Hotel/Motel Tax	0	0	0	0	4,915
Wheel Tax	0	684,438	855,547	0	1,711,094
Litigation Tax - General	0	0	0	0	280,616
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	129,080
Business Tax	0	0	0	0	133,220
Adequate Facilities/Development Tax	0	0	0	0	524,222
<u>Statutory Local Taxes</u>					
Bank Excise Tax	0	0	0	0	93,310
Wholesale Beer Tax	0	0	0	0	100,116
Interstate Telecommunications Tax	0	0	0	0	3,795
Total Local Taxes	\$ 0	\$ 1,695,617	\$ 1,422,500	\$ 0	\$ 9,604,030
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Animal Registration	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,490
Cable TV Franchise	0	0	0	0	86,440
<u>Permits</u>					
Beer Permits	0	0	0	0	752
Building Permits	0	0	0	0	266,482
Other Permits	0	0	0	0	1,677
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 357,841

(Continued)

Exhibit J-6

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

	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	Total
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 0	\$ 0	\$ 0	\$ 0	963
Officers Costs	0	0	0	0	6,438
Drug Control Fines	0	0	0	0	4,251
Drug Court Fees	0	0	0	0	986
District Attorney General Fees	0	0	0	0	1,006
DUI Treatment Fines	0	0	0	0	899
Data Entry Fee - Circuit Court	0	0	0	0	385
<u>Criminal Court</u>					
Fines	0	0	0	0	9,643
Drug Control Fines	0	0	0	0	7,474
<u>General Sessions Court</u>					
Fines	0	0	0	0	26,170
Officers Costs	0	0	0	0	65,217
Game and Fish Fines	0	0	0	0	1,766
Drug Control Fines	0	0	0	0	35,382
Drug Court Fees	0	0	0	0	11,015
Jail Fees	0	0	0	0	9,636
District Attorney General Fees	0	0	0	0	5,565
DUI Treatment Fines	0	0	0	0	5,454
Data Entry Fee - General Sessions Court	0	0	0	0	10,571
Courtroom Security Fee	0	0	0	0	49
<u>Juvenile Court</u>					
Fines	0	0	0	0	2,634
Officers Costs	0	0	0	0	3,380
<u>Chancery Court</u>					
Officers Costs	0	0	0	0	2,799
Data Entry Fee - Chancery Court	0	0	0	0	2,486
<u>Courts in Other District Counties</u>					
District Attorney General Fees	0	0	0	0	11,644
<u>Judicial District Drug Program</u>					
Courtroom Security Fee	0	0	0	0	8

(Continued)

Exhibit J-6

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

	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	Total
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	\$ 0	\$ 0	\$ 0	\$ 0	\$ 55,440
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 281,261
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Solid Waste Disposal Fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 287,952
Patient Charges	0	0	0	0	753,104
<u>Fees</u>					
Copy Fees	0	0	0	0	215
Telephone Commissions	0	0	0	0	20,838
Vending Machine Collections	0	0	0	0	11,043
Constitutional Officers' Fees and Commissions	118,318	0	0	0	118,318
Data Processing Fee - Register	0	0	0	0	23,584
Data Processing Fee - Sheriff	0	0	0	0	9,247
Sexual Offender Registration Fees - Sheriff	0	0	0	0	600
Total Charges for Current Services	\$ 118,318	\$ 0	\$ 0	\$ 0	\$ 1,224,901
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 0	\$ 280,295	\$ 665,381
Lease/Rentals	0	0	0	0	21,964
Sale of Materials and Supplies	0	0	0	0	274
Sale of Gasoline	0	0	0	0	14,140
Sale of Recycled Materials	0	1,495	0	0	108,110
Miscellaneous Refunds	0	6,879	0	13,500	31,251
<u>Nonrecurring Items</u>					
Sale of Equipment	0	32,850	0	0	41,910
Contributions & Gifts	0	47,733	0	0	48,723
<u>Other Local Revenues</u>					
Other Local Revenues	0	0	0	0	22,151
Total Other Local Revenues	\$ 0	\$ 88,957	\$ 0	\$ 293,795	\$ 953,904

(Continued)

Exhibit J-6

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

	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	Total
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
Register	\$ 0	\$ 0	\$ 0	\$ 0	240,000
<u>Fees-In-Lieu of Salary</u>					
County Clerk	0	0	0	0	282,003
Circuit Court Clerk	0	0	0	0	46,241
General Sessions Court Clerk	0	0	0	0	268,149
Clerk and Master	0	0	0	0	136,398
Juvenile Court Clerk	0	0	0	0	34,030
Sheriff	0	0	0	0	12,484
Trustee	0	0	0	0	400,183
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	1,419,488
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	10,000
Airport Maintenance Program	0	0	0	0	12,407
State Reappraisal Grant	0	0	0	0	11,865
Solid Waste Grants	0	0	0	0	12,900
<u>Health and Welfare Grants</u>					
Health Department Programs	0	0	0	0	285,560
<u>Public Works Grants</u>					
Bridge Program	0	328,830	0	0	328,830
Litter Program	0	0	0	0	34,149
<u>Other State Revenues</u>					
Beer Tax	0	0	0	0	17,212
Alcoholic Beverage Tax	0	0	0	0	49,321
Mixed Drink Tax	0	0	0	0	160
State Revenue Sharing - T.V.A.	0	0	0	0	530,534
Contracted Prisoner Boarding	0	0	0	0	338,495
Gasoline and Motor Fuel Tax	0	1,996,294	0	0	1,996,294
Petroleum Special Tax	0	23,164	0	0	23,164
Registrar's Salary Supplement	0	0	0	0	16,380
Other State Grants	0	0	0	0	39,629

(Continued)

Exhibit J-6

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

	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	Total
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>State of Tennessee (Cont.)</u>					
<u>Other State Revenues (Cont.)</u>					
Other State Revenues	\$ 0	\$ 0	\$ 0	\$ 0	2,000
Total State of Tennessee	\$ 0	\$ 2,348,288	\$ 0	\$ 0	3,708,900
<u>Federal Government</u>					
<u>Federal Through State</u>					
Homeland Security Grants	\$ 0	\$ 0	\$ 0	\$ 0	63,321
<u>Direct Federal Revenue</u>					
FHA Grant	0	0	0	0	35,000
Other Direct Federal Revenue	0	0	0	0	44,574
Total Federal Government	\$ 0	\$ 0	\$ 0	\$ 0	142,895
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	43,500
Contracted Services	0	0	0	0	57,157
<u>Citizens Groups</u>					
Donations	0	0	0	0	75,000
<u>Other</u>					
Other	0	0	0	0	2,000
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 0	177,657
Total	\$ 118,318	\$ 4,132,862	\$ 1,422,500	\$ 293,795	\$ 17,870,877

Exhibit J-7

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 4,071,315	\$ 0	\$ 0	\$ 0	\$ 4,071,315
Trustee's Collections - Prior Year	175,415	0	0	0	175,415
Circuit/Clerk & Master Collections - Prior Years	123,713	0	0	0	123,713
Interest and Penalty	25,867	0	0	0	25,867
Payments in-Lieu-of Taxes - Local Utilities	3,179	0	0	0	3,179
Payments in-Lieu-of Taxes - Other	9,416	0	0	0	9,416
<u>County Local Option Taxes</u>					
Local Option Sales Tax	1,813,130	0	0	0	1,813,130
<u>Statutory Local Taxes</u>					
Interstate Telecommunications Tax	4,973	0	0	0	4,973
Total Local Taxes	\$ 6,227,008	\$ 0	\$ 0	\$ 0	\$ 6,227,008
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 3,454	\$ 0	\$ 0	\$ 0	\$ 3,454
Total Licenses and Permits	\$ 3,454	\$ 0	\$ 0	\$ 0	\$ 3,454
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Summer School	\$ 300	\$ 0	\$ 0	\$ 0	\$ 300
Tuition - Other	40,365	0	0	0	40,365
Lunch Payments - Children	0	0	83,338	0	83,338
Lunch Payments - Adults	0	0	23,711	0	23,711
Income from Breakfast	0	0	28,486	0	28,486
School Based Health Services - FFS	97	0	0	0	97
TBI Criminal Background Fees	4,368	0	0	0	4,368
<u>Other Charges for Services</u>					
Other Charges for Services	0	0	316,867	0	316,867
Total Charges for Current Services	\$ 45,130	\$ 0	\$ 452,402	\$ 0	\$ 497,532
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 13,494	\$ 0	\$ 13,494
Lease/Rentals	28,017	0	0	0	28,017
Sale of Materials and Supplies	162	0	0	0	162
Miscellaneous Refunds	4,371	0	0	0	4,371
<u>Nonrecurring Items</u>					
Insurance Recovery	12,311	0	0	0	12,311
Damages Recovered from Individuals	278	0	0	0	278
Contributions & Gifts	9,684	0	0	0	9,684
<u>Other Local Revenues</u>					
Other Local Revenues	8,354	0	0	0	8,354
Total Other Local Revenues	\$ 63,177	\$ 0	\$ 13,494	\$ 0	\$ 76,671
<u>State of Tennessee</u>					
<u>State Education Funds</u>					
Basic Education Program	\$ 13,375,834	\$ 0	\$ 0	\$ 0	\$ 13,375,834
Early Childhood Education	432,867	0	0	0	432,867
School Food Service	0	0	23,421	0	23,421
Driver Education	9,046	0	0	0	9,046
Other State Education Funds	119,943	0	0	0	119,943
Career Ladder Program	151,853	0	0	0	151,853
Career Ladder - Extended Contract	64,940	0	0	0	64,940
Other Vocational	3,773	0	0	0	3,773
<u>Other State Revenues</u>					
Income Tax	69,540	0	0	0	69,540
Mixed Drink Tax	148	0	0	0	148
Total State of Tennessee	\$ 14,227,944	\$ 0	\$ 23,421	\$ 0	\$ 14,251,365

(Continued)

Exhibit J-7

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,146,849	\$ 0	\$ 1,146,849
Breakfast	0	0	559,677	0	559,677
USDA - Other	0	0	22,751	0	22,751
Vocational Education - Basic Grants to States	0	127,208	0	0	127,208
Title I Grants to Local Education Agencies	0	1,090,767	0	0	1,090,767
Innovative Education Program Strategies	0	13,067	0	0	13,067
Special Education - Grants to States	68,589	998,088	0	0	1,066,677
Eisenhower Professional Development State Grants	0	287,721	0	0	287,721
Title XX	1,968	0	0	0	1,968
Job Training Partnership Act	104,499	0	0	0	104,499
Other Federal through State	453,595	2,117,449	0	0	2,571,044
Total Federal Government	\$ 628,651	\$ 4,634,300	\$ 1,729,277	\$ 0	\$ 6,992,228
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 0	\$ 611,253	\$ 611,253
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 611,253	\$ 611,253
Total	\$ 21,195,364	\$ 4,634,300	\$ 2,218,594	\$ 611,253	\$ 28,659,511

Exhibit J-8

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

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	38,881	
State Retirement		1,769	
Communication		1,900	
Legal Services		59,633	
Rentals		1,197	
Duplicating Supplies		3,000	
Gasoline		422	
Office Supplies		1,558	
Other Charges		543	
Total County Commission			\$ 108,903

Beer Board

Board and Committee Members Fees	\$	600	
Total Beer Board			600

County Mayor/Executive

County Official/Administrative Officer	\$	70,666	
Communication		2,200	
Legal Notices, Recording, and Court Costs		1,715	
Maintenance & Repair Services - Office Equipment		134	
Postal Charges		100	
Printing, Stationery, and Forms		462	
Rentals		599	
Travel		351	
Gasoline		884	
Office Supplies		515	
Periodicals		88	
Total County Mayor/Executive			77,714

County Attorney

Other Salaries & Wages	\$	18,005	
Board and Committee Members Fees		1,461	
Other Per Diem & Fees		28,259	
Social Security		367	
State Retirement		460	
Employer Medicare		86	
Total County Attorney			48,638

Election Commission

Assistant(s)	\$	26,216	
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(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Supervisor/Director	\$	45,941	
Temporary Personnel		1,502	
Part-time Personnel		6,011	
Election Commission		6,130	
Communication		2,000	
Dues and Memberships		150	
Legal Notices, Recording, and Court Costs		1,546	
Maintenance & Repair Services - Office Equipment		6,377	
Postal Charges		7,500	
Printing, Stationery, and Forms		1,910	
Rentals		2,394	
Travel		1,810	
Office Supplies		4,017	
Other Supplies and Materials		2,622	
Data Processing Equipment		3,000	
Total Election Commission			\$ 119,126

Register of Deeds

Communication	\$	606	
Data Processing Services		23,052	
Postal Charges		100	
Printing, Stationery, and Forms		2,051	
Rentals		2,028	
Travel		1,122	
Office Supplies		1,180	
Office Equipment		579	
Total Register of Deeds			30,718

Development

Assistant(s)	\$	28,656	
Supervisor/Director		39,895	
Secretary(ies)		25,601	
Board and Committee Members Fees		5,466	
Communication		1,500	
Engineering Services		35,000	
Legal Notices, Recording, and Court Costs		2,651	
Maintenance & Repair Services - Office Equipment		389	
Postal Charges		76	
Rentals		2,028	
Travel		639	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

General Government (Cont.)

Development (Cont.)

Office Supplies	\$	1,480	
Other Supplies and Materials		658	
Highway Construction		28,833	
Total Development			\$ 172,872

Building

Assistant(s)	\$	58,051	
Board and Committee Members Fees		2	
In-Service Training		337	
Communication		2,200	
Maintenance & Repair Services - Vehicles		3,611	
Postal Charges		28	
Printing, Stationery, and Forms		168	
Gasoline		4,179	
Office Supplies		381	
Other Supplies and Materials		100	
Other Charges		250	
Total Building			69,307

County Buildings

Custodial Personnel	\$	18,621	
Temporary Personnel		950	
Communication		1,000	
Maintenance & Repair Services - Buildings		36,128	
Postal Charges		20,000	
Rentals		12,360	
Custodial Supplies		4,530	
Gasoline		51	
Utilities		30,776	
Other Supplies and Materials		484	
Furniture and Fixtures		398	
Disabilities Act Improvements		18,089	
Other Construction		9,629	
Total County Buildings			153,016

Other Facilities

Communication	\$	970	
Maintenance & Repair Services - Buildings		3,576	
Electricity		1,595	
Propane Gas		2,657	
Total Other Facilities			8,798

(Continued)

Exhibit J-8

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

General Fund (Cont.)

General Government (Cont.)

Other General Administration

Dues and Memberships	\$ 42,436	
Total Other General Administration		\$ 42,436

Finance

Accounting and Budgeting

Supervisor/Director	\$ 36,460	
Purchasing Personnel	37,409	
Clerical Personnel	28,215	
Accounting Services	1,428	
Audit Services	6,977	
Communication	547	
Data Processing Services	8,416	
Legal Notices, Recording, and Court Costs	340	
Maintenance & Repair Services - Office Equipment	70	
Printing, Stationery, and Forms	1,070	
Rentals	598	
Travel	128	
Duplicating Supplies	168	
Office Supplies	840	
Data Processing Equipment	2,000	
Office Equipment	1,026	
Total Accounting and Budgeting		125,692

Property Assessor's Office

County Official/Administrative Officer	\$ 54,048
Assistant(s)	26,369
Deputy(ies)	42,140
Investigator(s)	32,203
Board and Committee Members Fees	420
Communication	1,200
Consultants	22,840
Data Processing Services	14,831
Dues and Memberships	233
Legal Notices, Recording, and Court Costs	77
Maintenance & Repair Services - Vehicles	2,667
Postal Charges	1,144
Printing, Stationery, and Forms	469
Rentals	943
Travel	356
Gasoline	3,284

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Office Supplies	\$ 793	
Total Property Assessor's Office		\$ 204,017

County Trustee's Office

County Official/Administrative Officer	\$ 54,048	
Assistant(s)	26,369	
Deputy(ies)	45,055	
Longevity Pay	1,900	
In-Service Training	730	
Communication	2,000	
Data Processing Services	7,524	
Dues and Memberships	350	
Legal Notices, Recording, and Court Costs	30	
Maintenance & Repair Services - Office Equipment	443	
Postal Charges	148	
Printing, Stationery, and Forms	2,232	
Rentals	1,129	
Travel	2,606	
Office Supplies	751	
Other Supplies and Materials	930	
Data Processing Equipment	14,539	
Office Equipment	503	
Total County Trustee's Office		161,287

County Clerk's Office

County Official/Administrative Officer	\$ 54,048	
Assistant(s)	26,369	
Deputy(ies)	88,538	
Communication	3,273	
Data Processing Services	16,182	
Dues and Memberships	150	
Legal Notices, Recording, and Court Costs	104	
Maintenance & Repair Services - Office Equipment	48	
Printing, Stationery, and Forms	871	
Rentals	2,194	
Travel	446	
Office Supplies	1,773	
Total County Clerk's Office		193,996

(Continued)

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

General Fund (Cont.)

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		43,537	
Jury and Witness Fees		14,053	
In-Service Training		181	
Communication		2,500	
Data Processing Services		5,195	
Dues and Memberships		95	
Maintenance & Repair Services - Office Equipment		48	
Postal Charges		78	
Printing, Stationery, and Forms		2,105	
Transportation - Other than Students		760	
Travel		2,281	
Office Supplies		1,007	
Office Equipment		1,411	
Total Circuit Court			\$ 127,299

General Sessions Court

Assistant(s)	\$	26,369	
Deputy(ies)		88,862	
Part-time Personnel		3,818	
Communication		2,000	
Data Processing Services		2,324	
Maintenance & Repair Services - Office Equipment		44	
Postal Charges		100	
Printing, Stationery, and Forms		1,768	
Rentals		3,462	
Office Supplies		851	
Total General Sessions Court			129,598

General Sessions Judge

Judge(s)	\$	118,548	
In-Service Training		278	
Communication		1,200	
Travel		530	
Library Books/Media		1,008	
Office Supplies		31	
Other Supplies and Materials		966	
Total General Sessions Judge			122,561

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court Clerk

Deputy(ies)	\$	22,433	
Communication		500	
Data Processing Services		4,526	
Printing, Stationery, and Forms		379	
Rentals		1,434	
Office Supplies		554	
Office Equipment		232	
Total General Sessions Court Clerk			\$ 30,058

Drug Court

Remittance of Revenue Collected	\$	12,001	
Total Drug Court			12,001

Chancery Court

County Official/Administrative Officer	\$	54,048	
Assistant(s)		26,369	
Deputy(ies)		45,047	
Jury and Witness Fees		178	
In-Service Training		878	
Communication		3,350	
Data Processing Services		6,020	
Dues and Memberships		170	
Legal Notices, Recording, and Court Costs		6,431	
Maintenance & Repair Services - Office Equipment		48	
Postal Charges		100	
Printing, Stationery, and Forms		2,411	
Rentals		2,466	
Travel		2,363	
Data Processing Supplies		809	
Office Supplies		1,507	
Data Processing Equipment		8,019	
Office Equipment		415	
Total Chancery Court			160,629

Juvenile Court

Youth Service Officer(s)	\$	36,712	
Secretary(ies)		17,367	
In-Service Training		478	
Social Security		1,077	
Employer Medicare		252	

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Communication	\$	3,750	
Contracts with Government Agencies		3,675	
Dues and Memberships		150	
Postal Charges		125	
Transportation - Other than Students		577	
Travel		1,900	
Office Supplies		918	
Total Juvenile Court			\$ 66,981

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	67,301	
Deputy(ies)		616,220	
Investigator(s)		146,123	
Captain(s)		178,752	
Sergeant(s)		34,275	
Salary Supplements		15,561	
Part-time Personnel		28,436	
Overtime Pay		30,783	
In-Service Training		103	
Employee and Dependent Insurance		133,253	
Communication		8,205	
Maintenance & Repair Services - Buildings		5,697	
Maintenance & Repair Services - Office Equipment		6,075	
Maintenance & Repair Services - Vehicles		46,253	
Medical and Dental Services		671	
Postal Charges		996	
Printing, Stationery, and Forms		3,123	
Rentals		2,518	
Travel		55	
Gasoline		149,616	
Office Supplies		2,794	
Uniforms		13,958	
Utilities		8,784	
Other Supplies and Materials		4,156	
Liability Insurance		62,956	
Communication Equipment		13,606	
Data Processing Equipment		15,103	
Motor Vehicles		53,170	
Office Equipment		530	
Total Sheriff's Department			1,649,073

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement

Supervisor/Director	\$	34,910	
Investigator(s)		72,470	
Salary Supplements		1,556	
Longevity Pay		900	
Overtime Pay		2,450	
Social Security		6,446	
State Retirement		8,604	
Employee and Dependent Insurance		14,027	
Employer Medicare		1,507	
Total Drug Enforcement			\$ 142,870

Jail

Assistant(s)	\$	38,292
Supervisor/Director		40,252
Data Processing Personnel		28,022
Salary Supplements		519
Dispatchers/Radio Operators		226,593
Guards		289,818
Secretary(ies)		27,232
Cafeteria Personnel		9,916
Overtime Pay		50,135
Employee and Dependent Insurance		105,979
Contracts with Private Agencies		1,721
Data Processing Services		2,122
Maintenance & Repair Services - Buildings		22,740
Maintenance & Repair Services - Vehicles		278
Medical and Dental Services		67,591
Travel		2,357
Custodial Supplies		18,786
Food Supplies		101,116
Gasoline		4,042
Office Supplies		2,897
Prisoners Clothing		2,974
Uniforms		7,608
Utilities		42,921
Other Supplies and Materials		2,956
Liability Insurance		31,531
Building Improvements		57,050
Communication Equipment		16,302
Law Enforcement Equipment		4,015

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Motor Vehicles	\$ 8,450	
Other Equipment	7,430	
Total Jail		\$ 1,221,645

Workhouse

Guards	\$ 14,148	
Cafeteria Personnel	9,916	
Contracts with Private Agencies	2,526	
Medical and Dental Services	927	
Food Supplies	2,500	
Other Supplies and Materials	300	
Total Workhouse		30,317

Fire Prevention and Control

Assistant(s)	\$ 24,000	
Supervisor/Director	24,720	
Part-time Personnel	29,894	
In-Service Training	7,110	
Communication	6,376	
Contracts with Government Agencies	159,925	
Dues and Memberships	1,114	
Evaluation and Testing	70	
Forest Resource Services	2,000	
Operating Lease Payments	11,250	
Licenses	176	
Maintenance & Repair Services - Buildings	9,423	
Maintenance & Repair Services - Equipment	2,458	
Maintenance & Repair Services - Vehicles	22,303	
Matching Share	248,415	
Postal Charges	190	
Printing, Stationery, and Forms	253	
Travel	862	
Data Processing Supplies	2,500	
Diesel Fuel	6,273	
Drugs and Medical Supplies	2,758	
Gasoline	5,190	
Office Supplies	499	
Uniforms	1,772	
Utilities	12,334	
Other Supplies and Materials	6,347	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Building and Contents Insurance	\$	4,914	
Liability Insurance		2,200	
Vehicle and Equipment Insurance		30,617	
Workers' Compensation Insurance		15,850	
Other Charges		3,683	
Principal on Capital Leases		34,056	
Interest on Capital Leases		3,899	
Motor Vehicles		5,017	
Other Equipment		6,300	
Total Fire Prevention and Control			\$ 694,748

Civil Defense

Supervisor/Director	\$	32,960	
Communication		3,656	
Maintenance & Repair Services - Vehicles		1,380	
Postal Charges		109	
Rentals		881	
Travel		124	
Gasoline		3,900	
Office Supplies		340	
Utilities		202	
Other Supplies and Materials		117,670	
Other Charges		32	
Other Equipment		3,587	
Total Civil Defense			164,841

Rescue Squad

Maintenance & Repair Services - Vehicles	\$	3,023	
Gasoline		2,949	
Other Supplies and Materials		8,787	
Liability Insurance		836	
Total Rescue Squad			15,595

County Coroner/Medical Examiner

Contracts with Government Agencies	\$	13,804	
Total County Coroner/Medical Examiner			13,804

Other Public Safety

Mechanic(s)	\$	57,204	
Overtime Pay		4,675	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Other Public Safety (Cont.)

Employee and Dependent Insurance	\$	9,351	
Communication		52	
Maintenance & Repair Services - Vehicles		233	
Rentals		6,000	
Equipment Parts - Light		68,245	
Gasoline		10,519	
Uniforms		652	
Utilities		6,491	
Other Supplies and Materials		401	
Maintenance Equipment		1,920	
Total Other Public Safety			\$ 165,743

Public Health and Welfare

Local Health Center

Board and Committee Members Fees	\$	296	
Communication		2,680	
Janitorial Services		12,519	
Maintenance & Repair Services - Buildings		13,814	
Postal Charges		1,340	
Drugs and Medical Supplies		4,050	
Office Supplies		3,104	
Utilities		8,498	
Total Local Health Center			46,301

Rabies and Animal Control

Deputy(ies)	\$	25,186	
Investigator(s)		27,065	
Communication		286	
Maintenance & Repair Services - Vehicles		8,037	
Veterinary Services		425	
Gasoline		9,939	
Uniforms		556	
Utilities		1,899	
Other Supplies and Materials		1,585	
Motor Vehicles		4,500	
Total Rabies and Animal Control			79,478

Ambulance/Emergency Medical Services

Supervisor/Director	\$	44,084
Secretary(ies)		25,640

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Attendants	\$	496,131	
Part-time Personnel		43,976	
Overtime Pay		113,432	
In-Service Training		890	
Social Security		42,818	
State Retirement		50,620	
Employee and Dependent Insurance		92,342	
Employer Medicare		10,014	
Communication		4,000	
Licenses		1,150	
Maintenance & Repair Services - Buildings		3,167	
Maintenance & Repair Services - Office Equipment		2,454	
Maintenance & Repair Services - Vehicles		25,602	
Postal Charges		4,999	
Travel		338	
Custodial Supplies		2,631	
Diesel Fuel		45,949	
Drugs and Medical Supplies		43,704	
Gasoline		999	
Office Supplies		4,402	
Uniforms		5,959	
Utilities		8,676	
Building and Contents Insurance		636	
Vehicle and Equipment Insurance		21,955	
Communication Equipment		817	
Motor Vehicles		41,864	
Total Ambulance/Emergency Medical Services	\$		1,139,249

Dental Health Program

Medical Personnel	\$	124,542	
Paraprofessionals		21,115	
Clerical Personnel		58,422	
Longevity Pay		800	
Social Security		12,647	
State Retirement		14,207	
Employee and Dependent Insurance		20,261	
Employer Medicare		2,958	
Other Fringe Benefits		1,974	
Travel		2,944	
Drugs and Medical Supplies		16,781	
Total Dental Health Program			276,651

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Crippled Children Services

Contracts with Government Agencies	\$ 2,216	
Total Crippled Children Services		\$ 2,216

Other Local Health Services

Contracts with Other Public Agencies	\$ 14,000	
Total Other Local Health Services		14,000

Appropriation to State

Contracts with Government Agencies	\$ 25,761	
Total Appropriation to State		25,761

Aid to Dependent Children

Other Supplies and Materials	\$ 460	
Total Aid to Dependent Children		460

Other Local Welfare Services

Contributions	\$ 7,500	
Total Other Local Welfare Services		7,500

Sanitation Education/Information

Foremen	\$ 28,290	
Social Security	1,754	
State Retirement	2,198	
Employee and Dependent Insurance	4,676	
Employer Medicare	410	
Rentals	5,600	
Uniforms	374	
Other Supplies and Materials	2,680	
Other Charges	7,202	
Total Sanitation Education/Information		53,184

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Matching Share	\$ 24,500	
Total Senior Citizens Assistance		24,500

Libraries

Assistant(s)	\$ 26,356
Supervisor/Director	31,628
Part-time Personnel	18,468

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Social Security	\$	4,740	
State Retirement		4,505	
Employee and Dependent Insurance		4,676	
Employer Medicare		1,109	
Communication		1,647	
Maintenance & Repair Services - Buildings		3,545	
Maintenance & Repair Services - Office Equipment		392	
Library Books/Media		21,538	
Office Supplies		754	
Utilities		7,207	
Other Supplies and Materials		968	
Data Processing Equipment		1,463	
Total Libraries			\$ 128,996

Agriculture & Natural Resources

Agriculture Extension Service

Board and Committee Members Fees	\$	1,156	
Communication		4,047	
Contracts with Government Agencies		54,030	
Contributions		870	
Dues and Memberships		445	
Maintenance & Repair Services - Buildings		1,574	
Rentals		12,984	
Travel		497	
Other Contracted Services		1,457	
Custodial Supplies		232	
Utilities		3,419	
Total Agriculture Extension Service			80,711

Soil Conservation

Secretary(ies)	\$	23,107	
Educational Assistants		25,231	
Dues and Memberships		1,865	
Rentals		2,028	
Travel		2,423	
Total Soil Conservation			54,654

Other Operations

Industrial Development

Board and Committee Members Fees	\$	20	
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(Continued)

Exhibit J-8

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

General Fund (Cont.)

Other Operations (Cont.)

Industrial Development (Cont.)

Utilities	\$ 470	
Total Industrial Development		\$ 490

Airport

Communication	\$ 581	
Maintenance & Repair Services - Buildings	24,979	
Other Contracted Services	1,740	
Gasoline	11,494	
Utilities	4,205	
Liability Insurance	5,218	
Total Airport		48,217

Veterans' Services

Communication	\$ 165	
Travel	718	
Office Supplies	678	
Total Veterans' Services		1,561

Other Charges

Boiler Insurance	\$ 40	
Liability Insurance	61,987	
Premiums on Corporate Surety Bonds	8,976	
Trustee's Commission	132,297	
Total Other Charges		203,300

Contributions to Other Agencies

Contracts with Other Public Agencies	\$ 27,321	
Total Contributions to Other Agencies		27,321

Employee Benefits

Longevity Pay	\$ 66,100	
Social Security	219,458	
State Retirement	247,679	
Employee and Dependent Insurance	203,028	
Unemployment Compensation	8,545	
Employer Medicare	51,596	
Medical and Dental Services	3,298	
Workers' Compensation Insurance	177,965	
Total Employee Benefits		977,669

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous

Other Supplies and Materials	\$	20	
Refunds		3,171	
Total Miscellaneous			\$ 3,191

Total General Fund \$ 9,460,293

Solid Waste/Sanitation Fund

Public Health and Welfare

Convenience Centers

Contracts with Public Carriers	\$	268,729	
Total Convenience Centers			\$ 268,729

Landfill Operation and Maintenance

Supervisor/Director	\$	48,099	
Accountants/Bookkeepers		25,949	
Equipment Operators - Heavy		81,321	
Temporary Personnel		240	
Longevity Pay		3,700	
Overtime Pay		11,414	
In-Service Training		1,232	
Social Security		10,420	
State Retirement		12,089	
Employee and Dependent Insurance		22,988	
Employer Medicare		2,437	
Communication		3,918	
Data Processing Services		5,211	
Evaluation and Testing		5,865	
Legal Notices, Recording, and Court Costs		218	
Licenses		4,072	
Maintenance & Repair Services - Equipment		3,940	
Travel		597	
Diesel Fuel		3,638	
Equipment and Machinery Parts		26,759	
Gasoline		11,944	
Lubricants		848	
Tires and Tubes		3,648	
Utilities		8,466	
Other Supplies and Materials		2,716	
Liability Insurance		32,095	
Trustee's Commission		6,608	

(Continued)

Exhibit J-8

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Landfill Operation and Maintenance (Cont.)

Workers' Compensation Insurance	\$	13,810	
Other Charges		5,354	
Principal on Bonds		12,978	
Interest on Bonds		264	
Site Development		5,618	
Solid Waste Equipment		15,817	
Total Landfill Operation and Maintenance			\$ 394,273

Total Solid Waste/Sanitation Fund \$ 663,002

Drug Control Fund

Public Safety

Drug Enforcement

Communication	\$	3,319	
Confidential Drug Enforcement Payments		11,500	
Trustee's Commission		756	
Other Equipment		8,964	
Total Drug Enforcement			\$ 24,539

Total Drug Control Fund 24,539

Adequate Facilities/Development Tax Fund

Other Operations

Other Charges

Refunds	\$	6,469	
Trustee's Commission		5,302	
Total Other Charges			\$ 11,771

Total Adequate Facilities/Development Tax Fund 11,771

District Attorney General Fund

Administration of Justice

District Attorney General

In-Service Training	\$	7,540	
Dues and Memberships		315	
Library Books/Media		363	
Trustee's Commission		183	
Furniture and Fixtures		3,453	
Total District Attorney General			\$ 11,854

Total District Attorney General Fund 11,854

(Continued)

Exhibit J-8

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

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Constitutional Officers' Operating Expenses	\$ 122,437	
Total Register of Deeds		\$ 122,437

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$ 1,030	
Total Chancery Court		1,030

Total Constitutional Officers - Fees Fund		\$ 123,467
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Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 63,581	
Accountants/Bookkeepers	52,737	
Board and Committee Members Fees	6,840	
In-Service Training	2,163	
Data Processing Services	6,961	
Dues and Memberships	3,324	
Rentals	3,139	
Office Supplies	3,199	
Other Charges	10,098	
Total Administration		\$ 152,042

Highway and Bridge Maintenance

Supervisor/Director	\$ 116,841
Foremen	91,714
Equipment Operators	189,515
Equipment Operators - Light	73,193
Truck Drivers	237,189
Laborers	224,810
Clerical Personnel	25,418
Longevity Pay	39,300
Overtime Pay	13,066
Freight Expenses	124,164
Asphalt - Liquid	20,000
Crushed Stone	47,756
Road Signs	7,288
Small Tools	564
Gravel and Chert	5,358

(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Other Supplies and Materials	\$ 2,509	
Total Highway and Bridge Maintenance		\$ 1,218,685

Operation and Maintenance of Equipment

Mechanic(s)	\$ 116,537	
Maintenance & Repair Services - Equipment	20,673	
Diesel Fuel	103,401	
Equipment and Machinery Parts	100,579	
Garage Supplies	8,294	
Gasoline	45,153	
Lubricants	6,088	
Small Tools	1,204	
Tires and Tubes	25,964	
Other Supplies and Materials	4,746	
Total Operation and Maintenance of Equipment		432,639

Other Charges

Communication	\$ 7,203	
Utilities	15,747	
Liability Insurance	127,110	
Premiums on Corporate Surety Bonds	500	
Trustee's Commission	42,876	
Liability Claims	1,835	
Total Other Charges		195,271

Employee Benefits

Social Security	\$ 92,005	
State Retirement	96,447	
Employee and Dependent Insurance	195,593	
Unemployment Compensation	36,447	
Evaluation and Testing	785	
Workers' Compensation Insurance	117,182	
Total Employee Benefits		538,459

Capital Outlay

Bridge Construction	\$ 61,446	
Highway Equipment	222,376	
State Aid Projects	936,110	
Other Construction	666,915	
Total Capital Outlay		1,886,847

(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)

Capital Projects

Highway & Street Capital Projects

Other Capital Outlay	\$ 15,918	
Total Highway & Street Capital Projects		\$ 15,918

Total Highway/Public Works Fund \$ 4,439,861

General Debt Service Fund

Principal on Debt

Education

Principal on Bonds	\$ 665,000	
Total Education		\$ 665,000

Interest on Debt

General Government

Interest on Bonds	\$ 330,094	
Total General Government		330,094

Education

Interest on Bonds	\$ 667,175	
Total Education		667,175

Other Debt Service

General Government

Trustee's Commission	\$ 19,603	
Other Debt Service	550	
Total General Government		20,153

Education

Other Debt Service	\$ 2,306	
Total Education		2,306

Total General Debt Service Fund 1,684,728

General Capital Projects Fund

Capital Projects

Administration of Justice Projects

Nightwatchmen	\$ 8,000	
Architects	700,445	
Building Construction	481,632	
Site Development	1,066,250	
Total Administration of Justice Projects		\$ 2,256,327

Total General Capital Projects Fund 2,256,327

(Continued)

Exhibit J-8

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

<u>Other Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Education Capital Projects</u>			
Contributions	\$	<u>611,253</u>	
Total Education Capital Projects			\$ <u>611,253</u>
Total Other Capital Projects Fund			\$ <u>611,253</u>
Total Governmental Funds - Primary Government			\$ <u><u>19,287,095</u></u>

Exhibit J-9

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 7,108,258	
Career Ladder Program	73,390	
Career Ladder Extended Contracts	33,622	
Homebound Teachers	4,550	
Educational Assistants	349,862	
Non-certified Substitute Teachers	91,975	
Social Security	450,750	
State Retirement	418,252	
Medical Insurance	573,673	
Employer Medicare	105,987	
Maintenance & Repair Services - Equipment	1,047	
Travel	1,174	
Other Contracted Services	173,385	
Instructional Supplies and Materials	91,640	
Textbooks	192,191	
Other Charges	1,530	
Regular Instruction Equipment	95,053	
Total Regular Instruction Program		\$ 9,766,339

Special Education Program

Teachers	\$ 1,098,215	
Career Ladder Program	13,972	
Homebound Teachers	2,462	
Educational Assistants	82,957	
Other Salaries & Wages	41,417	
Non-certified Substitute Teachers	5,775	
Social Security	73,192	
State Retirement	68,986	
Medical Insurance	95,807	
Employer Medicare	17,120	
Other Fringe Benefits	39,032	
Contracts with Other School Systems	157,000	
Contracts with Private Agencies	36,651	
Instructional Supplies and Materials	4,800	
Other Supplies and Materials	219	
Special Education Equipment	12,015	
Total Special Education Program		1,749,620

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Teachers	\$	628,098	
Career Ladder Program		7,000	
Non-certified Substitute Teachers		2,700	
Social Security		37,121	
State Retirement		34,969	
Medical Insurance		60,872	
Employer Medicare		8,681	
Other Fringe Benefits		79	
Travel		2,462	
Other Contracted Services		3,111	
Instructional Supplies and Materials		19,975	
Vocational Instruction Equipment		9,442	
Total Vocational Education Program			\$ 814,510

Adult Education Program

Supervisor/Director	\$	2,226	
Teachers		42,927	
Social Security		1,619	
State Retirement		235	
Medical Insurance		132	
Employer Medicare		665	
Other Fringe Benefits		200	
Instructional Supplies and Materials		13,377	
In Service/Staff Development		1,597	
Other Equipment		7,189	
Total Adult Education Program			70,167

Support Services

Attendance

Supervisor/Director	\$	46,662	
Career Ladder Program		1,000	
Clerical Personnel		10,751	
Social Security		3,244	
State Retirement		3,398	
Medical Insurance		8,676	
Employer Medicare		759	
Travel		1,737	
Other Supplies and Materials		243	
Total Attendance			76,470

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services

Medical Personnel	\$	63,115	
Social Security		3,616	
State Retirement		4,904	
Medical Insurance		6,158	
Employer Medicare		846	
Communication		584	
Travel		2,163	
Drugs and Medical Supplies		1,101	
In Service/Staff Development		650	
Total Health Services			\$ 83,137

Other Student Support

Career Ladder Program	\$	5,000	
Guidance Personnel		331,995	
Assessment Personnel		4,968	
Clerical Personnel		15,838	
Other Salaries & Wages		9,638	
Social Security		21,761	
State Retirement		20,503	
Medical Insurance		35,388	
Employer Medicare		5,090	
Other Fringe Benefits		38	
Contracts with Private Agencies		24,500	
Evaluation and Testing		3,082	
Travel		6,185	
Instructional Supplies and Materials		7,412	
Other Charges		14,332	
Total Other Student Support			505,730

Regular Instruction Program

Supervisor/Director	\$	160,748
Career Ladder Program		11,992
Career Ladder Extended Contracts		4,394
Librarians		384,206
Instructional Computer Personnel		42,600
Social Security		36,023
State Retirement		34,174
Medical Insurance		39,591
Employer Medicare		8,425

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Maintenance & Repair Services - Equipment	\$	6,657	
Travel		10,261	
In Service/Staff Development		4,385	
Other Charges		1,002	
Total Regular Instruction Program			\$ 744,458

Special Education Program

Supervisor/Director	\$	52,096	
Career Ladder Program		3,000	
Assessment Personnel		39,447	
Secretary(ies)		23,043	
Clerical Personnel		17,164	
Other Salaries & Wages		49,178	
Social Security		10,923	
State Retirement		10,812	
Medical Insurance		19,307	
Employer Medicare		2,554	
Other Fringe Benefits		1,701	
Communication		3,707	
Travel		10,596	
Total Special Education Program			243,528

Vocational Education Program

Supervisor/Director	\$	53,045	
Career Ladder Program		3,000	
Secretary(ies)		25,376	
Other Salaries & Wages		144,676	
Social Security		13,707	
State Retirement		15,124	
Medical Insurance		10,642	
Employer Medicare		3,206	
Other Fringe Benefits		1,810	
Communication		2,720	
Maintenance & Repair Services - Equipment		5,722	
Travel		5,807	
Other Supplies and Materials		20,893	
Other Charges		12,127	
Total Vocational Education Program			317,855

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs

Supervisor/Director	\$	48,274	
Career Ladder Program		1,000	
Other Salaries & Wages		142,502	
Social Security		11,718	
State Retirement		8,980	
Medical Insurance		7,492	
Employer Medicare		2,741	
Other Fringe Benefits		500	
Travel		1,677	
Other Contracted Services		925	
In Service/Staff Development		3,984	
Other Charges		18,563	
Total Adult Programs			\$ 248,356

Board of Education

Longevity Pay	\$	37,650	
Board and Committee Members Fees		18,906	
Social Security		3,322	
State Retirement		3,078	
Unemployment Compensation		52,099	
Employer Medicare		803	
Audit Services		7,930	
Dues and Memberships		13,898	
Legal Services		1,130	
Travel		12,870	
Liability Insurance		49,972	
Premiums on Corporate Surety Bonds		4,638	
Trustee's Commission		152,734	
Workers' Compensation Insurance		95,256	
Criminal Investigation of Applicants - TBI		3,552	
Other Charges		2,725	
Total Board of Education			460,563

Director of Schools

County Official/Administrative Officer	\$	101,045	
Assistant(s)		19,118	
Career Ladder Program		1,000	
Secretary(ies)		26,252	
Clerical Personnel		18,914	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Social Security	\$	10,047	
State Retirement		9,703	
Medical Insurance		5,220	
Employer Medicare		2,422	
Communication		21,618	
Dues and Memberships		2,602	
Travel		5,577	
Office Supplies		962	
Other Charges		717	
Total Director of Schools			\$ 225,197

Office of the Principal

Principals	\$	496,618	
Career Ladder Program		12,000	
Career Ladder Extended Contracts		14,364	
Assistant Principals		275,203	
Secretary(ies)		142,147	
Social Security		56,425	
State Retirement		51,409	
Medical Insurance		51,450	
Employer Medicare		13,196	
Communication		47,476	
Dues and Memberships		4,100	
Total Office of the Principal			1,164,388

Fiscal Services

Supervisor/Director	\$	41,376	
Accountants/Bookkeepers		26,834	
Clerical Personnel		26,252	
Other Salaries & Wages		37,123	
Social Security		8,074	
State Retirement		10,224	
Medical Insurance		18,571	
Employer Medicare		1,888	
Data Processing Services		895	
Dues and Memberships		15	
Travel		2,035	
Data Processing Supplies		1,348	
Office Supplies		149	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Other Charges	\$ 505	
Total Fiscal Services		\$ 175,289

Operation of Plant

Secretary(ies)	\$ 21,584	
Custodial Personnel	410,210	
Social Security	26,650	
State Retirement	31,266	
Medical Insurance	18,319	
Employer Medicare	6,233	
Rentals	9,000	
Travel	486	
Other Contracted Services	37,602	
Custodial Supplies	39,574	
Electricity	486,534	
Natural Gas	223,657	
Water and Sewer	48,555	
Other Supplies and Materials	1,782	
Boiler Insurance	8,200	
Building and Contents Insurance	150,939	
Other Charges	1,324	
Plant Operation Equipment	2,743	
Total Operation of Plant		1,524,658

Maintenance of Plant

Supervisor/Director	\$ 44,722	
Maintenance Personnel	233,828	
Social Security	17,105	
State Retirement	21,768	
Medical Insurance	37,045	
Employer Medicare	4,000	
Maintenance & Repair Services - Buildings	5,998	
Maintenance & Repair Services - Equipment	33,467	
Other Contracted Services	24,458	
General Construction Materials	9,010	
Other Supplies and Materials	42,602	
Other Charges	1,102	
Maintenance Equipment	797	
Total Maintenance of Plant		475,902

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation

Supervisor/Director	\$	44,866	
Mechanic(s)		192,297	
Bus Drivers		650,770	
Clerical Personnel		23,334	
Social Security		55,991	
State Retirement		65,325	
Medical Insurance		35,818	
Employer Medicare		13,063	
Other Fringe Benefits		6,012	
Communication		7,379	
Maintenance & Repair Services - Vehicles		12,343	
Travel		2,056	
Other Contracted Services		8,409	
Diesel Fuel		393,378	
Equipment and Machinery Parts		2,189	
Gasoline		16,266	
Lubricants		7,824	
Tires and Tubes		28,247	
Vehicle Parts		129,768	
Other Supplies and Materials		8,643	
Vehicle and Equipment Insurance		46,127	
Other Charges		8,316	
Total Transportation			\$ 1,758,421

Central and Other

Other Salaries & Wages	\$	114,036	
Social Security		6,996	
State Retirement		8,810	
Employer Medicare		1,633	
Other Contracted Services		6,486	
Other Supplies and Materials		3,798	
Other Equipment		12,052	
Total Central and Other			153,811

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	5,225	
Other Salaries & Wages		17,122	
Social Security		1,386	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services (Cont.)

State Retirement	\$	1,230	
Employer Medicare		324	
Other Supplies and Materials		10,014	
Other Equipment		900	
Total Community Services			\$ 36,201

Early Childhood Education

Supervisor/Director	\$	35,180	
Teachers		191,575	
Career Ladder Program		2,990	
Educational Assistants		48,953	
Other Salaries & Wages		7,720	
Non-certified Substitute Teachers		1,675	
Social Security		17,073	
State Retirement		16,666	
Medical Insurance		16,772	
Employer Medicare		3,993	
Other Fringe Benefits		1,438	
Contracts with Other Public Agencies		17,162	
Travel		2,578	
Instructional Supplies and Materials		49,082	
In Service/Staff Development		3,176	
Other Charges		4,714	
Other Equipment		12,977	
Total Early Childhood Education			433,724

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	63,991	
Transportation Equipment		503,788	
Other Capital Outlay		2,098	
Total Regular Capital Outlay			569,877

Principal on Debt

Education

Principal on Notes	\$	71,304	
Principal on Capital Leases		108,997	
Total Education			180,301

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Interest on Debt

Education

Interest on Notes	\$ 14,601	
Interest on Capital Leases	1,409	
Total Education	16,010	\$ 16,010

Total General Purpose School Fund \$ 21,794,512

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 969,067	
Educational Assistants	198,289	
Other Salaries & Wages	18,949	
Non-certified Substitute Teachers	6,989	
Social Security	71,157	
State Retirement	67,469	
Medical Insurance	61,278	
Employer Medicare	16,794	
Other Fringe Benefits	4,326	
Other Contracted Services	32,000	
Instructional Supplies and Materials	1,244,625	
Workers' Compensation Insurance	1,968	
Other Charges	125,039	
Regular Instruction Equipment	187,395	
Total Regular Instruction Program	3,005,345	\$ 3,005,345

Special Education Program

Teachers	\$ 46,278
Clerical Personnel	1,000
Educational Assistants	251,007
Other Salaries & Wages	72,764
Social Security	23,150
State Retirement	25,017
Employer Medicare	5,414
Other Fringe Benefits	10,110
Contracts with Private Agencies	161,484
Maintenance & Repair Services - Equipment	9,289
Travel	2,991
Other Contracted Services	245,213
Instructional Supplies and Materials	21,851

(Continued)

Exhibit J-9

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Other Supplies and Materials	\$ 3,000	
Other Charges	18,862	
Total Special Education Program	\$ 897,430	\$ 897,430

Vocational Education Program

Educational Assistants	\$ 19,381	
Social Security	1,202	
State Retirement	1,506	
Employer Medicare	281	
Other Fringe Benefits	128	
Travel	6,685	
Instructional Supplies and Materials	692	
T&I Construction Materials	1,043	
Other Charges	748	
Vocational Instruction Equipment	78,001	
Total Vocational Education Program	109,667	109,667

Support Services

Other Student Support

Other Salaries & Wages	\$ 23,973	
Social Security	1,472	
State Retirement	1,845	
Employer Medicare	344	
Other Fringe Benefits	56	
Travel	18,496	
Other Supplies and Materials	1,202	
Workers' Compensation Insurance	52	
In Service/Staff Development	6,847	
Total Other Student Support	54,287	54,287

Regular Instruction Program

Supervisor/Director	\$ 61,916
Instructional Computer Personnel	7,818
Secretary(ies)	50,235
Educational Incentive - Other County Employees	33,197
Other Salaries & Wages	46,613
Social Security	12,024
State Retirement	12,758
Medical Insurance	15,617

(Continued)

Exhibit J-9

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Employer Medicare	\$	2,812	
Other Fringe Benefits		437	
Travel		91,127	
Workers' Compensation Insurance		509	
In Service/Staff Development		285,679	
Total Regular Instruction Program			\$ 620,742

Special Education Program

Other Salaries & Wages	\$	87,833	
Social Security		5,446	
State Retirement		6,825	
Medical Insurance		9,363	
Employer Medicare		1,274	
Other Fringe Benefits		3,464	
Travel		15,100	
Other Contracted Services		17,444	
Total Special Education Program			146,749

Vocational Education Program

In-Service Training	\$	1,890	
Social Security		117	
State Retirement		111	
Employer Medicare		28	
Travel		867	
Total Vocational Education Program			3,013

Operation of Plant

Electricity	\$	10,000	
Total Operation of Plant			10,000

Transportation

Bus Drivers	\$	35,830	
Social Security		2,222	
State Retirement		2,515	
Employer Medicare		519	
Other Fringe Benefits		1,116	
Diesel Fuel		14,008	
Gasoline		14,000	
Total Transportation			70,210

Total School Federal Projects Fund \$ 4,917,443

(Continued)

Exhibit J-9

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

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	46,952	
Accountants/Bookkeepers		24,525	
Cafeteria Personnel		858,841	
Longevity Pay		4,750	
Other Salaries & Wages		31,735	
Social Security		59,395	
State Retirement		69,576	
Medical Insurance		25,059	
Unemployment Compensation		1,568	
Employer Medicare		13,891	
Communication		8,070	
Maintenance & Repair Services - Equipment		2,121	
Travel		879	
Other Contracted Services		50,780	
Food Supplies		802,449	
Other Supplies and Materials		77,963	
Workers' Compensation Insurance		23,867	
Food Service Equipment		2,212	
Total Food Service			\$ 2,104,633

Total Central Cafeteria Fund \$ 2,104,633

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Building Construction	\$	324,846	
Total Education Capital Projects			\$ 324,846

Total Education Capital Projects Fund 324,846

Total Governmental Funds - Fayette County School Department \$ 29,141,434

Exhibit J-10

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

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 1,412,602
Total Cash Receipts	<u>\$ 1,412,602</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,398,476
Trustee's Commission	<u>14,126</u>
Total Cash Disbursements	<u>\$ 1,412,602</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2005	<u>0</u>
Cash Balance, June 30, 2006	<u><u>\$ 0</u></u>

SINGLE AUDIT 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

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

October 12, 2006

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fayette County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise Fayette County's basic financial statements and have issued our report thereon dated October 12, 2006. Our report was qualified due to not including the financial statements of the Fayette County Emergency Communications District, which were not available from other auditors as of the date of this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fayette County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Fayette County's ability to record, process, summarize, and report financial data consistent with the assertions of

management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.04, 06.06, and 06.09.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fayette County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 06.01, 06.02, 06.03, 06.05, 06.07, and 06.08.

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

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

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/yu



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

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

October 12, 2006

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

To the County Mayor and Board of County Commissioners:

Compliance

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

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

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

Internal Control Over Compliance

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

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

Schedule of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fayette County, Tennessee, as of and for the year ended June 30, 2006, and have issued our report thereon dated October 12, 2006. Our report was qualified due to not including the financial statements of the Fayette County Emergency Communications District which was not available from other auditors as of the date of this report. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/yu

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	(2)	\$ 76,499
Rural Business Enterprise Grant	10.769	(2)	35,000
Rural Business Opportunity Grants	10.773	(2)	1,968
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	559,677
National School Lunch Program	10.555	(2)	1,146,849
Summer Food Service Program for Children	10.559	(2)	22,751
Total U.S. Department of Agriculture			<u>\$ 1,842,744</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention-Allocation to States	16.540	(2)	\$ 10,000
Passed-through State Office of Criminal Justice Programs:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	(2)	11,819
Total U.S. Department of Justice			<u>\$ 21,819</u>
U.S. Department of Labor:			
Passed-through City of Memphis, Tennessee:			
WIA Adult Program	17.258	(2)	\$ 104,499
WIA Youth Activities	17.259	(2)	275,990
Total U.S. Department of Labor			<u>\$ 380,489</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Adult Education - State Grant Program	84.002	Z0602776900	\$ 120,907
Title I Grants to Local Educational Agencies	84.010	N/A	1,169,772
Special Education - Grants to States	84.027	N/A	1,112,768
Vocational Education - Basic Grants to States	84.048	N/A	127,208
Safe and Drug-Free Schools and Communities-State Grants	84.186A	(2)	28,484
Twenty-First Century Community Learning Centers	84.287C	(2)	233,892
State Grants for Innovative Programs	84.298	N/A	13,067
Education Technology State Grant	84.318X	(2)	16,949
Comprehensive School Reform Demonstration	84.332A	(2)	106,955
Reading First State Grants	84.357	(2)	1,901,778
English Language Acquisition Grants	84.365	N/A	10,974
Improving Teacher Quality State Grants	84.367A	N/A	275,639
Title I - School Improvement Grant	84.384A	N/A	10,465
Hurricane Education Recovery	84.938C	N/A	26,017
Total U.S. Department of Education			<u>\$ 5,154,875</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Human Services:			
Temporary Assistance for Needy Families	93.558	Z060271790	\$ 30,681
Total U.S. Department of Health and Human Services			<u>\$ 30,681</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	(2)	\$ 63,321
Assistance to Firefighters Grant	97.044	(2)	32,755
Total U.S. Department of Homeland Security			<u>\$ 96,076</u>
Total Expenditures of Federal Awards			<u>\$ 7,526,684</u>
State Grants:			
Litter Program - State Department of Transportation	N/A	Z0602795408	\$ 34,149
School Speed Limit Sign Grant - State Department of Transportation	N/A	040015	9,629
Rural Emergency Communications District Grant - State Emergency Communications Board	N/A	DG-04-01861-01	30,000
State Reappraisal - Comptroller of the Treasury	N/A	(2)	11,865
Preventive Health and Health Service - State Department of Health	N/A	(2)	285,560
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	12,900
Safe Schools Act Grant - State Department of Education	N/A	(2)	21,873
High Schools That Work - State Department of Education	N/A	(2)	3,773
Early Childhood Education - State Department of Education	N/A	(2)	432,867
Adult Basic Education - State Department of Education	N/A	Z0602776900	32,140
Job Opportunities and Basic Skills Training - State Department of Education	N/A	Z0602717900	16,169
Enforcing Underage Drinking Grants - State Department of Education	N/A	GG061196900	<u>49,761</u>
Total State Grants			<u>\$ 940,686</u>

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.

Fayette County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2006

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Fayette County, Tennessee, for the year ended June 30, 2005, which have not been corrected.

OFFICE OF COUNTY MAYOR

Finding Number	Page Number	Subject
05.01	168	The office had deficiencies in budget operations

OFFICE OF PUBLIC WORKS SUPERINTENDENT

Finding Number	Page Number	Subject
05.02	169	The Public Works Department did not maintain a system to account for the use of some road materials

OTHER FINDING

Finding Number	Page Number	Subject
05.07	171	A central system of accounting, budgeting, and purchasing had not been adopted

FAYETTE COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2006

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Fayette County disclosed reportable conditions in internal control. None of these conditions was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Fayette County.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children (CFDA Nos. 10.553, 10.555, and 10.559); the Title I Grants to Local Educational Agencies (CFDA No. 84.010); and the Reading First State Grants (CFDA No. 84.357) 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. Fayette County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

OFFICE OF COUNTY MAYOR

FINDING 06.01 AMOUNTS WITHHELD FROM CONTRACTOR PAYMENTS WERE NOT DEPOSITED INTO AN ESCROW ACCOUNT
(Noncompliance Under Government Auditing Standards)

The office did not deposit amounts withheld from contractor payments (\$161,241) into an escrow account. Section 66-11-144, Tennessee Code Annotated, requires that funds withheld from contractor payments be deposited into an escrow account for contracts of \$500,000 or more.

RECOMMENDATION

Amounts withheld from contractor payments on contracts of \$500,000 or more should be deposited into an escrow account in compliance with state statute.

MANAGEMENT'S RESPONSE – COUNTY MAYOR (DIRECT QUOTE)

Fayette County, acting with the guidance of Tennessee County Technical Assistance Service and Barge, Waggoner, Sumner, & Cannon, Inc. (Fayette County's Project Manager), established the accounting mechanism to pay contractors for the Fayette County Justice Complex. Upon notification of the necessity of an escrow account, Fayette County has initiated the establishment of one.

FINDING 06.02 EXPENDITURES EXCEEDED APPROPRIATIONS
(Noncompliance Under Government Auditing Standards)

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

<u>Fund</u>	<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
General	County Attorney	\$ 1,275
"	Civil Defense	30,336
"	Rabies and Animal Control	471
"	Soil Conservation	118
General Debt Service	General Government	3,153
"	Education	1,455

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

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission.

MANAGEMENT'S RESPONSE – COUNTY MAYOR (DIRECT QUOTE)

Management concurs and will address the issue.

OFFICE OF PUBLIC WORKS SUPERINTENDENT

FINDING 06.03 THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES
 (Noncompliance Under Government Auditing Standards)

Our examination of purchasing procedures revealed the following deficiencies:

- A. Competitive bids were not solicited for the purchase of a used crane as required by Section 54-7-113, Tennessee Code Annotated (TCA). This statute provides for purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids. Records revealed that on September 26, 2005, the Public Works Board authorized an emergency purchase of \$159,000 to acquire a used crane; however, the Public Works Board began discussions about acquiring a used crane on July 5, 2005, and they had employees and a consultant make two out-of-state trips to inspect prospective used cranes in September. Additional costs associated with the crane purchased included labor by the consultant, travel expenses, and transportation/set-up costs of \$14,124.

Furthermore, the purchase does not appear to meet the criteria for an emergency purchase as provided in Section 54-7-113, TCA. This statute defines an emergency purchase as a purchase "...for immediate delivery in actual emergencies arising from unforeseen causes, including delays by contractors, delays in transportation, and unanticipated volume of work; but such emergencies shall not include conditions arising from neglect or indifference in anticipating normal needs." Records reflect that from July 5, 2005, when the need to purchase a crane was first discussed by the board, until September 22, 2005, when a \$10,000 deposit was given to the vendor selling the crane, there was sufficient time to publicly advertise and solicit competitive bids as required by state statute.

- B. In April 2006, the office solicited and received three bids for furnishing contracted services to haul graded crushed limestone for the 2006-07 fiscal year. However, in May 2006, the Public Works Board tabled the motion to consider these bids. In July 2006, the board voted to continue the hauling arrangements with the company under contract for the 2005-06 year, but with the addition of payment terms to include a surcharge. As of the date of this report, the Public Works Board had not awarded a new contract based on competitive bids, but was operating under an amended prior-year contract.

RECOMMENDATION

Competitive bids should be solicited for purchases exceeding \$10,000 as required by Section 54-7-113, TCA.

MANAGEMENT'S RESPONSE – PUBLIC WORKS SUPERINTENDENT (DIRECT QUOTE)

- A. The Department's existing crane was taken out of service by the Superintendent in June 2005 because of safety issues due to age and needed repairs. This was reported to the Public Works Board on July 5, 2005, after which a search for a suitable replacement to be purchased with available funds of \$159,000 began. The search was ongoing from that time until ultimately a purchase was made. During this time a first crane of interest was wrecked during transport and a second crane was turned down by the Board at the advice of a consultant hired by the Department to inspect and advise as to the crane's condition. The third crane of interest was located in September 2005, inspected by the consultant, and found to be in excellent condition. On September 22, 2005, a \$10,000 deposit was given to the vendor to hold the crane until the Public Works Board could meet to consider its purchase. On September 26, 2005, the Public Works Board met and approved the emergency purchase of this crane for \$159,000 due to the mounting need of bridge repairs in the County and an anticipated scarcity of used cranes available due to the Hurricane Katrina disaster.
- B. The April 2006 bid for hauling services was voided when the Public Works Board did not award the bid within the 30 day period for an award as stipulated in the bid. The Public Works Board exercised its right to engage

hauling services on a “Will Call” basis with the company under contract for the 2005-2006 year.

REBUTTAL

- A. The purchase of the crane did not meet the criteria of an emergency as defined in Section 54-7-113, TCA. No documentation was presented to support that an actual emergency existed, and the criteria for immediate delivery was not met since the crane was not delivered to the Public Works Department until November 2005, over four months from the time the public works board first discussed the purchase of a crane.

- B. The “Will Call” provision in the 2005-06 contract stipulates that the hauling services will be provided on an as-needed-basis and would not provide authority to engage in hauling services beyond the terms of the contract.

FINDING 06.04 **THE PUBLIC WORKS DEPARTMENT DID NOT MAINTAIN A SYSTEM TO ACCOUNT FOR THE USE OF SOME ROAD MATERIALS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Public Works Department had a system to determine the use of road materials, such as rock and asphalt, 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 department should develop and implement a system to account for materials used on all types of road projects.

MANAGEMENT’S RESPONSE – PUBLIC WORKS SUPERINTENDENT (DIRECT QUOTE)

The Public Works Department will develop and implement a system to account for materials used on all types of road projects.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 06.05 SALARIES EXCEEDED LINE-ITEM APPROPRIATIONS IN THE GENERAL PURPOSE SCHOOL, SCHOOL FEDERAL PROJECTS, AND THE CENTRAL CAFETERIA FUNDS
(Noncompliance Under Government Auditing Standards)

In numerous instances, salaries exceeded line-item appropriations in the General Purpose School, School Federal Projects, and Central Cafeteria Funds by amounts ranging from \$25 to \$11,678. The budget resolution approved by the County Commission states that the salary, wages, or enumeration of each official, employee, or agent of the county will not exceed expenditures that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the County Commission.

RECOMMENDATION

Salary expenditures should be held within line-item appropriations as required by the budget resolution.

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

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 for the purchase.

RECOMMENDATION

Purchase orders should be issued for all applicable purchases before purchases are made.

FINDING 06.07 THE OFFICE DID NOT FILE THE DEBT OBLIGATIONS REPORT WITH THE STATE DIRECTOR OF LOCAL FINANCE
(Noncompliance Under Government Auditing Standards)

The office did not file a Report of Debt Obligations with the state director of Local Finance for a \$503,788 capital lease issued during the year. Section 9-21-151, Tennessee Code Annotated, requires that within 45 days following the issuance of debt, a county must provide to the state director of Local Finance certain information, such as a description of the purchase for which the debt is issued, a description of the debt obligation, and an itemized description of the cost of issuance.

RECOMMENDATION

All debt obligations should be reported to the state director of Local Finance as required by state statute.

OFFICE OF TRUSTEE

FINDING 06.08 **THE TRUSTEE DID NOT REQUIRE A DEPOSITORY TO COLLATERALIZE FUNDS**
(Noncompliance Under Government Auditing Standards)

The trustee did not require a depository to pledge securities to protect county funds exceeding Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2005, deposits at the depository exceeded FDIC coverage by \$18,185. Section 5-8-201, Tennessee Code Annotated, provides for county officials to require any bank that is a depository of county funds to deposit collateral security equal to 105 percent of funds exceeding FDIC coverage into an escrow account in a second bank.

RECOMMENDATION

The trustee should require depositories to pledge adequate securities to protect county funds exceeding FDIC coverage as required by state statute.

OTHER FINDING AND RECOMMENDATION

FINDING 06.09 **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

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

MANAGEMENT’S RESPONSE – COUNTY MAYOR (DIRECT QUOTE)

Management concurs and will address the issue.

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

There were no findings and questioned costs for federal awards.

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

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.