

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

SINGLE AUDIT REPORT



FOR THE YEAR ENDED JUNE 30, 2006

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

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

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Comptroller of the Treasury***

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State Auditors***

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

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Audit Highlights

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

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of Macon County as of and for the year ended June 30, 2006.

Results

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

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

Findings

The following are summaries of the audit findings:

MACON COUNTY

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

OFFICE OF COUNTY MAYOR

- ◆ All financial activity of the Macon County Library Board was not subject to the budgetary control of the County Commission.
- ◆ Payables of \$102,390 were not properly determined and recorded on the accounting records of the General Fund. Also, general ledger payroll liability accounts were not reconciled monthly with payroll reports and payments.
- ◆ A Report on Debt Obligations was not filed with the state director of Local Finance for a \$900,000 capital outlay note.
- ◆ Purchase orders were not used in all applicable instances, and in several instances, invoices were paid without documentation that goods had been received and/or services had been rendered.
- ◆ The County Commission had not adopted written guidelines governing the use of fuel cards.

OFFICE OF COUNTY MAYOR (CONT.)

- ◆ Collections of the Ambulance Service were not deposited within three days.
-

OFFICE OF ROAD SUPERVISOR

- ◆ Appropriations exceeded estimated available funding in the Highway/Public Works Fund by \$72,622.
 - ◆ A complete county road list was not submitted to the County Commission for approval.
-

OFFICE OF SHERIFF

- ◆ Commissary funds were not deposited to the official bank account within three days of receipt, commissary profits (\$32,957) had not been remitted to the county trustee in compliance with state statute, and commissary transactions were not reflected on the official cash journal of the office.
-

OTHER FINDINGS

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

INTRODUCTORY SECTION

Macon County Officials

June 30, 2006

Officials

Glen Donoho, County Mayor
Charles Porter, Road Supervisor
Donnie Morgan, Trustee
Rickey Shoulders, Assessor of Property
James Howser, County Clerk
Jennifer Hudson, Circuit and General Sessions Courts Clerk
Gwendolyn Linville, Clerk and Master
Melinda Ferguson, Register
Joe Ferguson, Sheriff

Board of County Commissioners

Glen Donoho, Chairman	
Billy Bransford	Ralph Doss
David Crowder	Tony Boles
Vernon Biggs	Patrick Rich
Jeff Hughes	Anna Dean Carter
Merlin Driver	Melburn Cothron
Phillip Snow	Helen Hesson
Jerry Ray	Phillip Spears
Scott Gammons	Willie Andrews
Larry Tucker	Lindbergh Dennis
Mike East	Floyd Ray Sullivan

Purchasing Commission

Glen Donoho, County Mayor
James Howser, County Clerk
Gwendolyn Linville, Clerk and Master

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

April 3, 2007

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Macon County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 39, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Macon County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Macon County Library System – Public Library Fund, a special revenue fund, which represent nine and three percent, respectively of the assets and revenues of the aggregate remaining fund information as of June 30, 2006. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Macon County Library System – Public Library Fund is based solely on the report of the other auditors.

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

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the county's governmental activities and discretely presented component units are not reasonably determinable.

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

In our opinion, because of the effects of the matters discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Macon County, Tennessee, as of June 30, 2006, or the changes in its financial position for the year then ended.

However, in our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Macon County, Tennessee, as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated April 3, 2007, on our consideration of Macon 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 IV.B., Macon County has adopted the provisions of Governmental Accounting Standards Board Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries.

The budgetary comparison information on pages 43 through 49 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 Macon County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, and the miscellaneous schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our report and the report of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied by us and other auditors 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/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 109,882	\$ 109,882
Equity in Pooled Cash and Investments	1,510,934	365,994	1,095,842	294,224	3,266,994
Accounts Receivable	328,382	0	0	247	328,629
Allowance for Uncollectibles	(72,539)	0	0	0	(72,539)
Due from Other Governments	83,139	258,973	0	0	342,112
Due from Other Funds	152	0	0	0	152
Property Taxes Receivable	3,811,861	365,521	0	78,326	4,255,708
Allowance for Uncollectible Property Taxes	(71,873)	(6,892)	0	(1,477)	(80,242)
Total Assets	\$ 5,590,056	\$ 983,596	\$ 1,095,842	\$ 481,202	\$ 8,150,696
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 7,166	\$ 0	\$ 0	\$ 0	\$ 7,166
Payroll Deductions Payable	0	0	0	207	207
Contracts Payable	95,224	0	0	0	95,224
Due to Other Funds	0	0	0	152	152
Due to State of Tennessee	10,349	0	0	0	10,349
Deferred Revenue - Current Property Taxes	3,605,921	345,773	0	74,094	4,025,788
Deferred Revenue - Delinquent Property Taxes	126,388	12,120	0	2,597	141,105
Other Deferred Revenues	260,464	134,032	0	0	394,496
Total Liabilities	\$ 4,105,512	\$ 491,925	\$ 0	\$ 77,050	\$ 4,674,487
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 0	\$ 154,459	\$ 0	\$ 0	\$ 154,459
Reserved for Alcohol and Drug Treatment	36,359	0	0	0	36,359
Reserved for Sexual Offender Registration	1,522	0	0	0	1,522
Reserved for Computer System - Register	13,409	0	0	0	13,409
Reserved for Automation Purposes - Circuit Court	5,072	0	0	0	5,072
Reserved for Capital Outlay	40,036	0	0	0	40,036
Reserved for Other General Purposes	7,107	0	0	0	7,107
Unreserved, Reported In:					
General Fund	1,381,039	0	0	0	1,381,039
Special Revenue Funds	0	337,212	0	404,152	741,364
Debt Service Funds	0	0	1,095,842	0	1,095,842
Total Fund Balances	\$ 1,484,544	\$ 491,671	\$ 1,095,842	\$ 404,152	\$ 3,476,209
Total Liabilities and Fund Balances	\$ 5,590,056	\$ 983,596	\$ 1,095,842	\$ 481,202	\$ 8,150,696

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

Exhibit B

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

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 4,435,192	\$ 355,822	\$ 837,650	\$ 128,123	\$ 5,756,787
Licenses and Permits	28,810	0	0	0	28,810
Fines, Forfeitures, and Penalties	148,465	0	0	3,354	151,819
Charges for Current Services	750,495	0	0	358,091	1,108,586
Other Local Revenues	356,838	16,808	8,584	10,421	392,651
Fees Received from County Officials	547,178	0	0	0	547,178
State of Tennessee	760,307	1,815,987	773,515	100,750	3,450,559
Federal Government	1,046,394	0	0	0	1,046,394
Other Governments and Citizens Groups	2,368	0	27,128	2,500	31,996
Total Revenues	\$ 8,076,047	\$ 2,188,617	\$ 1,646,877	\$ 603,239	\$ 12,514,780
<u>Expenditures</u>					
Current:					
General Government	\$ 993,723	\$ 0	\$ 0	\$ 13,341	\$ 1,007,064
Finance	150,442	0	0	273,617	424,059
Administration of Justice	509,848	0	0	5,024	514,872
Public Safety	2,189,349	0	0	7,681	2,197,030
Public Health and Welfare	1,204,197	0	0	218,706	1,422,903
Social, Cultural, and Recreational Services	143,206	0	0	24,296	167,502
Agricultural and Natural Resources	51,635	0	0	0	51,635
Other Operations	1,755,616	0	0	0	1,755,616
Highways	0	2,181,292	0	0	2,181,292
Instruction	16,644	0	0	0	16,644
Debt Service:					
Principal on Debt	44,000	0	1,138,445	0	1,182,445
Interest on Debt	2,952	0	335,713	0	338,665
Other Debt Service	0	0	41,333	0	41,333
Capital Projects	233,950	0	0	0	233,950
Capital Projects - Donated	900,000	0	0	0	900,000
Total Expenditures	\$ 8,195,562	\$ 2,181,292	\$ 1,515,491	\$ 542,665	\$ 12,435,010
Excess (Deficiency) of Revenues Over Expenditures					
	\$ (119,515)	\$ 7,325	\$ 131,386	\$ 60,574	\$ 79,770
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 953,881	\$ 0	\$ 0	\$ 0	\$ 953,881
Insurance Recovery	13,439	6,750	0	0	20,189
Transfers In	2,400	0	0	0	2,400
Transfers Out	0	(2,400)	0	0	(2,400)
Total Other Financing Sources (Uses)	\$ 969,720	\$ 4,350	\$ 0	\$ 0	\$ 974,070
Net Change in Fund Balances					
Fund Balance, July 1, 2005	\$ 634,339	\$ 479,996	\$ 964,456	\$ 343,578	\$ 2,422,369
Fund Balance, June 30, 2006	\$ 1,484,544	\$ 491,671	\$ 1,095,842	\$ 404,152	\$ 3,476,209

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

Exhibit C

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 552,838
Due from Other Governments	<u>265,856</u>
Total Assets	<u><u>\$ 818,694</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 265,856
Due to Litigants, Heirs, and Others	<u>552,838</u>
Total Liabilities	<u><u>\$ 818,694</u></u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A. Reporting Entity

Macon County is a public municipal corporation governed by an elected 20-member board. As required by GAAP, these financial statements present Macon County (the primary government).

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

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

The Macon County School Department operates the public school system in the county, and the voters of Macon 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 Macon County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Macon County, and the Macon 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 Macon County School Department and the Macon County Emergency Communications District issue separate financial statements from those of the county. The School Department's financial statements are published as a separate report but under the same cover as the county's financial statements. The Macon County Emergency Communications District's financial statements are published as a separate report. Complete financial statements of the Macon County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Macon County Emergency Communications District
P.O. Box 188
30 Weldon Drive
Lafayette, TN 37083

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

Fund financial statements of Macon 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. However, Macon County has no proprietary funds to report. An emphasis is placed on major funds within the governmental category.

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. Fiduciary funds are reported in total 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. Macon 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 and the accrual basis of accounting, except for agency funds which have no measurement focus. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Macon 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 Macon County Highway Department.

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

Additionally, Macon County reports the following fund type:

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

C. Assets, Liabilities, and Equity

1. Deposits and Investments

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

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

invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

All ambulance and property taxes receivable are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to .98 percent of total taxes levied.

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

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

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

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

3. Capital Assets

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

4. Compensated Absences

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

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 landfill closure/postclosure care costs, are recognized to the extent that the liabilities have matured (come due for payment) each period.

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

6. Fund Equity

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

B. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the Highway and Street Capital Projects major appropriation category (the legal level of control) of the General Fund (\$52,918) and in the Other Debt Service General Government major appropriation category of the General Debt Service Fund (\$14,333). Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balances.

C. Appropriations Exceeded Estimated Available Funding

The budget and subsequent amendments submitted to and approved by the County Commission for the Highway/Public Works Fund contained appropriations that exceeded estimated available funding by \$72,622.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating

service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase. Macon County had no pooled and nonpooled investments as of June 30, 2006.

B. Insurance Recoveries

During the year, Macon County incurred damage to buildings and equipment. Insurance recoveries of \$13,439 in the General Fund and \$6,750 in the Highway/Public Works Fund were received and used to repair damages incurred.

C. Construction Commitments

At June 30, 2006, the Highway/Public Works Fund had uncompleted construction contracts of approximately \$154,459. Funding for these future expenditures has been received.

D. Interfund Receivables, Payables, and Transfers

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

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 152

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

Interfund Transfers:

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

<u>Transfers Out</u>	<u>Transfers In</u> <u>General</u> <u>Fund</u>
Highway/Public Works Fund	\$ 2,400

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

E. Capital Leases

On January 9, 2005, Macon County entered into a two-year lease-purchase agreement for six patrol cars. The terms of the agreement require total lease payments of \$136,406 plus interest of 3.03 percent. Title to the equipment transfers to Macon County at the end of the lease period. The General Fund is making the lease payments.

Since Macon County is presenting fund financial statements only, the present value of minimum lease payments under lease agreements has not been reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in the government-wide financial statements, but Macon County is not presenting government-wide financial statements. Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

<u>Year Ending June 30</u>	<u>Governmental</u> <u>Funds</u>
2007	\$ 46,953
Total Minimum Lease Payments	\$ 46,953
Amount Representing Interest	(1,500)
Present Value of Minimum Lease Payments	<u>\$ 45,453</u>

F. Long-term Debt

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

General Obligation Bonds, Capital Leases, Notes, and Other Loans

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

General obligation bonds, capital leases, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital leases, capital outlay notes, and other loans outstanding were issued for original terms of up to eight years for bonds, up to two years for capital leases, up to seven years for notes, and up to 20 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, capital leases, notes, and other loans included in long-term debt as of June 30, 2006, will be retired from the General and General Debt Service Funds.

General obligation bonds, capital outlay notes, other loans, 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 -			
Refunding	3.4 to 4.05%	\$ 4,740,000	\$ 1,960,000
Other Loans	variable	8,759,000	6,993,775
Capital Outlay Notes	0 to 4.3	953,881	953,881
Capital Leases	3.03	136,406	45,453

In prior years, Macon County entered into loan agreements with the Montgomery County Public Building Authority. Under these loan agreements, the authority loaned \$6,721,000 and \$2,038,000 to Macon County for various renovation and construction projects. These loans are repayable at interest rates that are tax-exempt variable rates determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with these loans. At June 30, 2006, the variable interest rate was 3.52 percent, and other fees amounted to approximately .4 percent (letter of credit fee), .08 percent (remarketing fee), and \$100 per month (trustee fee) of the outstanding loan principal.

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

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 630,000	\$ 78,423	\$ 91,719	\$ 38,700
2008	655,000	53,538	95,236	35,183
2009	675,000	27,337	99,096	31,323
2010	0	0	103,026	27,393
2011	0	0	107,125	23,294
2012-2015	0	0	457,679	48,601
Total	\$ 1,960,000	\$ 159,298	\$ 953,881	\$ 204,494

Year Ending June 30	Other Loan (\$2,038,000)			Total
	Principal	Interest	Other Fees	
2007	\$ 79,000	\$ 59,910	\$ 9,370	\$ 148,280
2008	83,000	57,130	8,990	149,120
2009	87,000	54,208	8,592	149,800
2010	91,000	51,146	8,174	150,320
2011	96,000	47,942	7,738	151,680
2012-2016	556,000	185,504	31,296	772,800
2017-2021	710,000	77,440	16,560	804,000
Total	\$ 1,702,000	\$ 533,280	\$ 90,720	\$ 2,326,000

Year Ending June 30	Other Loan (\$6,721,000)			Total
	Principal	Interest	Other Fees	
2007	\$ 320,445	\$ 186,270	\$ 26,601	\$ 533,316
2008	332,445	174,991	25,062	532,498
2009	345,445	163,289	23,467	532,201
2010	358,445	151,129	21,809	531,383
2011	373,445	138,512	20,088	532,045
2012-2016	2,096,225	484,996	72,135	2,653,356
2017-2019	1,465,325	104,496	17,849	1,587,670
Total	\$ 5,291,775	\$ 1,403,683	\$ 207,011	\$ 6,902,469

There is \$1,095,842 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$96, based on the 2000 federal census. Debt per capita, including bonds, notes, capital leases, and other loans totaled \$499, 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	\$ 2,560,000	\$ 155,000	\$ 89,453
Additions	0	953,881	0
Deductions	(600,000)	(155,000)	(44,000)
Balance, June 30, 2006	\$ 1,960,000	\$ 953,881	\$ 45,453
Balance Due Within One Year	\$ 630,000	\$ 91,719	\$ 45,453

	Other Loans	Compensated Absences	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2005	\$ 7,745,665	\$ 92,290	\$ 398,680
Additions	0	0	0
Deductions	(368,445)	(2,326)	(15,926)
Balance, June 30, 2006	\$ 7,377,220	\$ 89,964	\$ 382,754
Balance Due Within One Year	\$ 383,445	\$ 8,996	\$ 15,731

Landfill closure/postclosure care costs will be paid from the Solid Waste/Sanitation Fund.

G. Short-term Debt

Macon County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund. These notes were necessary because funds were not available to meet operating expenditures coming due before current tax collections. Short-term debt activity for the year ended June 30, 2006, was as follows:

	Balance 7-1-05	Issued	Redeemed	Balance 6-30-06
Tax Anticipation Note	\$ 0	\$ 300,000	\$ (300,000)	\$ 0

IV. OTHER INFORMATION

A. Risk Management

Macon County is exposed to various risks related to general liability, property, casualty, and workers' compensation. Macon County decided it was more economically feasible to join a public entity risk pool than to purchase commercial insurance for general liability, property, casualty, and workers' compensation coverage. Macon County's risks of loss relating to general liability, property, and casualty are covered by participation in the Local Government Property and Casualty Fund (LGPCF). Macon County's risks of loss relating to workers' compensation are covered by participation in the Local Government Workers' Compensation Fund (LGWCF). These funds are public entity risk pools established by the Tennessee County Services Association, an association of member counties. The county pays annual premiums to the LGPCF and the LGWCF for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the LGPCF and the LGWCF provide for them to be self-sustaining through member's premiums.

B. Accounting Changes

For the year ended June 30, 2006, Macon County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries. 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.

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 Macon 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 Macon 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. Macon County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Macon County will be required to disclose net assets restricted by enabling legislation in subsequent years.

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

C. Subsequent Events

On August 31, 2006, Glen Donoho left the Office of County Mayor and was succeeded by Shely Linville, Donnie Morgan left the Office of Trustee and was succeeded by Diane Cook, Jennifer Hudson left the Office of Circuit and General Sessions Courts Clerk and was succeeded by Rick Gann, and Joe Ferguson left the Office of Sheriff and was succeeded by Mark Gammons.

Between July 2006 and March 2007, Macon County issued four separate capital outlay notes totaling \$993,440 for a sewer system at the justice center, for roof repairs to county buildings, and for highway equipment.

D. Contingent Liabilities

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

E. Landfill Closure/Postclosure Care Costs

State and federal laws and regulations require the county to place a final cover on the Macon County landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Macon County stopped accepting waste in 1996, contracted its waste disposal to a private vendor, and closed its landfill. Postclosure care costs will be paid for monitoring the closed landfill. The Solid Waste/Sanitation Fund (special revenue fund) reports the operations of the transfer station. The \$365,509 reported as postclosure care costs at June 30, 2006, represents the estimated cost of postclosure care. However, actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. Joint Ventures

The Tri-County Vocational School is a cooperative vocational school jointly owned by Macon, Clay, and Jackson Counties. The board comprises nine members, six of whom are the three directors of schools and three county mayors from Macon, Clay, and Jackson Counties. Each of the remaining three members are appointed by the three County Commissions. Macon, Clay, and Jackson Counties have control over budgeting and financing of the joint venture, only to the extent of their participation in the joint venture, which is Macon (46%), Clay (24%), and Jackson (30%). Complete financial statements for the Tri-County Vocational School can be obtained from its administrative office at the following address:

Administrative Office:

Tri-County Vocational School
2575 North Springs Road
Red Boiling Springs, TN 37150

The Macon County Joint Economic and Community Development/Industrial Board is a joint venture between Macon County and the cities of Lafayette and Red Boiling Springs. The board comprises the county mayor, city mayors, and five additional members. The purpose of the board is to foster communication relative to economic and community development between and among governmental entities, industry, and private citizens. The county and cities will provide the majority of funding for the board based on the percentage of their population compared to the total census of the county when financial activity begins. Macon County did not appropriate any funds to the Macon County Joint Economic and Community Development/Industrial Board during the 2005-06 year.

G. Retirement Commitments

Plan Description

Employees of Macon 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 Macon 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

Macon County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was 6.73 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Macon County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2006, Macon County's annual pension cost of \$426,058 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. Macon County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was 11 years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$426,058	100%	\$0
6-30-05	348,658	100	0
6-30-04	288,850	100	0

Schedule of Funding Progress

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-05	\$5,399	\$5,763	\$364	93.68%	\$5,036	7.23%
6-30-03	4,028	4,432	404	90.88	4,983	8.11
6-30-01	2,870	3,320	450	86.45	3,890	11.57

H. Purchasing Laws

Office of County Mayor

Purchasing procedures for the Office of County Mayor are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated (TCA), and Chapter 161, Private Acts of 1937. The private act provides for a purchasing committee, including the county mayor, county clerk, and clerk and master, to make all purchases for all county departments except the Highway and School Departments. The

County Purchasing Law of 1983 provides for purchases exceeding \$5,000 to be made on a competitive basis after public advertisement.

Office of Road Supervisor

Purchasing procedures for the Office of Road Supervisor are governed by Chapter 234, Private Acts of 1965, as amended, and the Uniform Road Law, Section 54-7-113, TCA. These statutes provide for the supervisor of roads to make all purchases and for all purchases exceeding \$10,000 to be made on a competitive basis solicited through public advertisement.

V. **OTHER NOTES – MACON COUNTY LIBRARY SYSTEM (SPECIAL REVENUE FUND)**

A. **Summary of Significant Accounting Policies**

The Macon County Library System – Public Library Fund is a part of the Macon County Library System, which is a department of Macon County, Tennessee. Macon County, Tennessee, has allowed the Macon County Library System – Public Library Fund to have authority over certain funds, primarily funds donated to the Library Board and earned from various fines and fees. The audit of the Macon County Library System – Public Library Fund presented here is only for those funds mentioned above. The Macon County Library System – Public Library Fund does not contain any of the capital assets of the Macon County Library System nor does it cover the significant costs (personnel, occupancy, and books) of the Macon County Library System. Macon County, Tennessee, provides for the personnel and occupancy costs and a majority of the book cost of the Macon County Library System.

1. **Reporting Entity**

Governmental Accounting Standards Board (GASB) Statement Number 14, The Financial Reporting Entity requires that financial statements present the reporting entity which consists of the primary government and any component unit organizations for which the primary government is financially accountable and any other component unit organizations for which the nature and significance of their relationship with the primary government are such that exclusion, could cause the library's financial statements to be misleading. There were no component units requiring blended or discrete presentation under the requirements of GASB Statement Number 14.

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

Governmental fund revenues 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 collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded generally when a liability is incurred, as under accrual accounting.

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

3. Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposit accounts and certificates of deposit with original maturities of three months or less.

4. Fund Equity

In the 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 a specific purpose.

5. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

6. Deferred Revenue

Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to resources, the deferred revenue is removed from the balance sheet and revenue is recognized. There was no deferred revenue at year end.

B. Cash and Cash Equivalents

The library is authorized to invest funds in financial institutions demand deposit accounts and certificates of deposit. During the year, the library invested funds that were not immediately needed in certificates of deposit and savings accounts. Deposits in financial institutions are required by state statute to be secured and collateralized by the institutions.

The collateral must meet certain requirements and be deposited in an escrow account in a second bank for the benefit the library and must total a minimum of 105 percent of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. The library's deposits with financial institutions are fully insured or collateralized by securities held in the government's name.

C. Risk Management

The activities of the Macon County Library System are covered under the insurance policies of Macon County, Tennessee. The Macon County Library System – Public Library Fund has no insurance for their activities. Based on discussion with the library's management additional insurance coverage is not carried given their limited activities.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 4,435,192	\$ 0	\$ 4,435,192	\$ 4,246,470	\$ 4,246,470	\$ 188,722
Licenses and Permits	28,810	0	28,810	22,900	22,900	5,910
Fines, Forfeitures, and Penalties	148,465	0	148,465	125,400	130,978	17,487
Charges for Current Services	750,495	0	750,495	589,325	690,298	60,197
Other Local Revenues	356,838	0	356,838	101,500	241,482	115,356
Fees Received from County Officials	547,178	0	547,178	472,000	474,000	73,178
State of Tennessee	760,307	0	760,307	248,954	741,459	18,848
Federal Government	1,046,394	0	1,046,394	14,752	1,042,143	4,251
Other Governments and Citizens Groups	2,368	0	2,368	500	2,230	138
Total Revenues	\$ 8,076,047	\$ 0	\$ 8,076,047	\$ 5,821,801	\$ 7,591,960	\$ 484,087
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 47,655	\$ 0	\$ 47,655	\$ 52,150	\$ 53,140	\$ 5,485
Board of Equalization	1,350	0	1,350	2,100	2,100	750
Beer Board	308	0	308	250	350	42
Budget and Finance Committee	750	0	750	1,500	1,500	750
Other Boards and Committees	2,269	0	2,269	4,000	4,000	1,731
County Mayor/Executive	167,033	0	167,033	166,506	176,948	9,915
County Attorney	7,871	0	7,871	8,472	8,472	601
Election Commission	112,171	0	112,171	118,213	123,540	11,369
Register of Deeds	105,064	0	105,064	104,786	111,603	6,539
Development	93,386	0	93,386	500	187,212	93,826
Planning	55,161	0	55,161	64,747	64,747	9,586
County Buildings	160,165	0	160,165	132,868	188,191	28,026
Other Facilities	216,074	0	216,074	227,086	226,456	10,382
Other General Administration	7,204	0	7,204	7,261	7,461	257

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>General Government (Cont.)</u>						
Preservation of Records	\$ 3,481	\$ 0	\$ 3,481	\$ 4,000	\$ 4,000	\$ 519
Risk Management	13,781	0	13,781	11,751	14,001	220
<u>Finance</u>						
Property Assessor's Office	108,221	0	108,221	112,620	112,415	4,194
Reappraisal Program	9,162	0	9,162	10,000	10,205	1,043
County Trustee's Office	20,257	0	20,257	22,937	23,239	2,982
County Clerk's Office	12,802	0	12,802	11,549	13,549	747
<u>Administration of Justice</u>						
Circuit Court	220,510	0	220,510	228,160	228,160	7,650
General Sessions Court	70,965	0	70,965	73,630	73,654	2,689
Chancery Court	92,428	0	92,428	95,020	95,020	2,592
Juvenile Court	37,744	0	37,744	46,616	46,616	8,872
Judicial Commissioners	13,413	0	13,413	14,531	14,531	1,118
Probation Services	74,788	0	74,788	76,636	76,636	1,848
<u>Public Safety</u>						
Sheriff's Department	932,913	0	932,913	983,402	951,464	18,551
Administration of the Sexual Offender Registry	763	0	763	0	763	0
Jail	1,040,093	0	1,040,093	928,563	1,066,490	26,397
Workhouse	53,334	0	53,334	57,174	57,174	3,840
Fire Prevention and Control	1,604	0	1,604	6,460	6,460	4,856
Rural Fire Protection	15,385	0	15,385	11,000	16,000	615
Civil Defense	30,960	0	30,960	30,516	34,516	3,556
Rescue Squad	5,259	0	5,259	11,460	11,460	6,201
Disaster Relief	8,631	0	8,631	12,600	12,744	4,113
Other Emergency Management	1,807	0	1,807	6,450	6,450	4,643
County Coroner/Medical Examiner	16,035	0	16,035	6,650	17,055	1,020

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Public Safety (Cont.)</u>						
Other Public Safety	\$ 82,565	\$ 0	\$ 82,565	\$ 82,619	\$ 82,619	\$ 54
<u>Public Health and Welfare</u>						
Local Health Center	34,112	0	34,112	24,800	36,100	1,988
Ambulance/Emergency Medical Services	1,016,582	0	1,016,582	948,914	1,049,276	32,694
Crippled Children Services	1,439	0	1,439	1,439	1,439	0
Other Local Health Services	50,993	0	50,993	55,000	78,100	27,107
Regional Mental Health Center	7,953	0	7,953	7,953	7,953	0
Appropriation to State	41,900	0	41,900	45,200	41,900	0
Aid to Dependent Children	0	0	0	250	250	250
Other Local Welfare Services	51,218	0	51,218	44,108	55,774	4,556
<u>Social, Cultural, and Recreational Services</u>						
Adult Activities	5,700	0	5,700	5,700	5,700	0
Senior Citizens Assistance	6,664	0	6,664	7,420	7,420	756
Libraries	109,762	0	109,762	114,855	116,093	6,331
Parks and Fair Boards	21,080	0	21,080	24,180	24,180	3,100
<u>Agriculture & Natural Resources</u>						
Agriculture Extension Service	44,135	0	44,135	42,772	45,304	1,169
Soil Conservation	7,500	0	7,500	7,500	7,500	0
<u>Other Operations</u>						
Tourism	0	0	0	1,500	1,500	1,500
Industrial Development	824,551	(747,461)	77,090	6,000	1,235,463	1,158,373
Veterans' Services	18,384	0	18,384	18,980	18,980	596
Other Charges	375,519	0	375,519	401,000	401,000	25,481
Contributions to Other Agencies	22,229	0	22,229	25,990	25,990	3,761
Employee Benefits	509,945	0	509,945	610,000	610,000	100,055
Miscellaneous	4,988	0	4,988	7,021	7,021	2,033

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Instruction</u>						
Vocational Education Program	\$ 16,644	\$ 0	\$ 16,644	\$ 17,444	\$ 17,444	\$ 800
<u>Principal on Debt</u>						
General Government	44,000	0	44,000	0	44,000	0
<u>Interest on Debt</u>						
General Government	2,952	0	2,952	0	2,952	0
<u>Capital Projects</u>						
General Administration Projects	61,032	0	61,032	0	62,191	1,159
Highway & Street Capital Projects	172,918	0	172,918	120,000	120,000	(52,918)
<u>Capital Projects - Donated</u>						
Capital Projects Donated to School Department	900,000	0	900,000	0	900,000	0
Total Expenditures	\$ 8,195,562	\$ (747,461)	\$ 7,448,101	\$ 6,272,809	\$ 9,054,471	\$ 1,606,370
Excess (Deficiency) of Revenues						
Over Expenditures	\$ (119,515)	\$ 747,461	\$ 627,946	\$ (451,008)	\$ (1,462,511)	\$ 2,090,457
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 953,881	\$ 0	\$ 953,881	\$ 120,000	\$ 1,073,881	\$ (120,000)
Insurance Recovery	13,439	0	13,439	100	13,538	(99)
Transfers In	2,400	0	2,400	0	4,525	(2,125)
Total Other Financing Sources (Uses)	\$ 969,720	\$ 0	\$ 969,720	\$ 120,100	\$ 1,091,944	\$ (122,224)
Net Change in Fund Balance						
Fund Balance, July 1, 2005	\$ 850,205	\$ 747,461	\$ 1,597,666	\$ (330,908)	\$ (370,567)	\$ 1,968,233
	634,339	(747,461)	(113,122)	823,785	823,785	(936,907)
Fund Balance, June 30, 2006						
	\$ 1,484,544	\$ 0	\$ 1,484,544	\$ 492,877	\$ 453,218	\$ 1,031,326

Exhibit D-2

Macon 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	\$ 355,822	\$ 0	\$ 0	\$ 355,822	\$ 350,942	\$ 350,942	\$ 4,880
Other Local Revenues	16,808	0	0	16,808	5,000	5,000	11,808
State of Tennessee	1,815,987	0	0	1,815,987	1,906,866	1,906,866	(90,879)
Total Revenues	\$ 2,188,617	\$ 0	\$ 0	\$ 2,188,617	\$ 2,262,808	\$ 2,262,808	\$ (74,191)
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 148,573	\$ (1,941)	\$ 0	\$ 146,632	\$ 161,734	\$ 164,639	\$ 18,007
Highway and Bridge Maintenance	1,201,195	(11,231)	0	1,189,964	1,195,020	1,362,020	172,056
Operation and Maintenance of Equipment	261,955	(3,591)	0	258,364	237,450	289,750	31,386
Other Charges	95,838	0	0	95,838	103,635	105,035	9,197
Employee Benefits	93,337	0	0	93,337	91,000	103,316	9,979
Capital Outlay	380,394	0	154,459	534,853	637,700	667,924	133,071
Total Expenditures	\$ 2,181,292	\$ (16,763)	\$ 154,459	\$ 2,318,988	\$ 2,426,539	\$ 2,692,684	\$ 373,696
Excess (Deficiency) of Revenues Over Expenditures	\$ 7,325	\$ 16,763	\$ (154,459)	\$ (130,371)	\$ (163,731)	\$ (429,876)	\$ 299,505
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 6,750	\$ 0	\$ 0	\$ 6,750	\$ 0	\$ 0	\$ 6,750
Transfers Out	(2,400)	0	0	(2,400)	(2,400)	(2,400)	0
Total Other Financing Sources (Uses)	\$ 4,350	\$ 0	\$ 0	\$ 4,350	\$ (2,400)	\$ (2,400)	\$ 6,750
Net Change in Fund Balance	\$ 11,675	\$ 16,763	\$ (154,459)	\$ (126,021)	\$ (166,131)	\$ (432,276)	\$ 306,255
Fund Balance, July 1, 2005	479,996	(16,763)	0	463,233	359,654	359,654	103,579
Fund Balance, June 30, 2006	\$ 491,671	\$ 0	\$ (154,459)	\$ 337,212	\$ 193,523	\$ (72,622)	\$ 409,834

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

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

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

B. EXPENDITURES EXCEEDED APPROPRIATIONS

Expenditures exceeded appropriations approved by the County Commission in the Highway and Street Capital Projects major appropriation category (the legal level of control) of the General Fund by \$52,918. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

C. APPROPRIATIONS EXCEEDED ESTIMATED AVAILABLE FUNDING

The budget and subsequent amendments submitted to and approved by the County Commission for the Highway/Public Works Fund contained appropriations that exceeded estimated available funding by \$72,622.

**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.

Courthouse and Jail Maintenance Fund – The Courthouse and Jail Maintenance Fund is used to account for a special tax levied by private act on litigation and the recording of certain instruments. The proceeds of the tax must be used to pay for improvements or maintenance on the courthouse and jail.

Public Library Fund – The Public Library Fund is used to account for revenues received at the library from donations, fines, and fees. This fund was audited by other auditors and the amounts reflected in the financial statements of this report were taken from the published report of the other auditors.

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for Macon County’s transfer station and postclosure costs associated with the closed landfill.

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

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

Exhibit E-1

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

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	
<u>ASSETS</u>						
Cash	\$ 0	\$ 47,795	\$ 50	\$ 0	\$ 62,037	\$ 109,882
Equity in Pooled Cash and Investments	160,221	0	104,320	29,683	0	294,224
Accounts Receivable	0	0	0	0	247	247
Property Taxes Receivable	0	0	78,326	0	0	78,326
Allowance for Uncollectible Property Taxes	0	0	(1,477)	0	0	(1,477)
Total Assets	\$ 160,221	\$ 47,795	\$ 181,219	\$ 29,683	\$ 62,284	\$ 481,202
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Payroll Deductions Payable	\$ 0	\$ 0	\$ 207	\$ 0	\$ 0	\$ 207
Due to Other Funds	0	0	0	0	152	152
Deferred Revenue - Current Property Taxes	0	0	74,094	0	0	74,094
Deferred Revenue - Delinquent Property Taxes	0	0	2,597	0	0	2,597
Total Liabilities	\$ 0	\$ 0	\$ 76,898	\$ 0	\$ 152	\$ 77,050
<u>Fund Balances</u>						
Unreserved	\$ 160,221	\$ 47,795	\$ 104,321	\$ 29,683	\$ 62,132	\$ 404,152
Total Fund Balances	\$ 160,221	\$ 47,795	\$ 104,321	\$ 29,683	\$ 62,132	\$ 404,152
Total Liabilities and Fund Balances	\$ 160,221	\$ 47,795	\$ 181,219	\$ 29,683	\$ 62,284	\$ 481,202

Exhibit E-2

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

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	
<u>Revenues</u>						
Local Taxes	\$ 51,858	\$ 0	\$ 76,265	\$ 0	\$ 0	\$ 128,123
Fines, Forfeitures, and Penalties	0	0	0	3,354	0	3,354
Charges for Current Services	0	6,759	72,075	0	279,257	358,091
Other Local Revenues	0	9,692	200	529	0	10,421
State of Tennessee	0	0	100,750	0	0	100,750
Other Governments and Citizens Groups	0	2,500	0	0	0	2,500
Total Revenues	<u>\$ 51,858</u>	<u>\$ 18,951</u>	<u>\$ 249,290</u>	<u>\$ 3,883</u>	<u>\$ 279,257</u>	<u>\$ 603,239</u>
<u>Expenditures</u>						
Current:						
General Government	\$ 13,341	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,341
Finance	0	0	0	0	273,617	273,617
Administration of Justice	0	0	0	0	5,024	5,024
Public Safety	0	0	0	7,681	0	7,681
Public Health and Welfare	0	0	218,706	0	0	218,706
Social, Cultural, and Recreational Services	0	24,296	0	0	0	24,296
Total Expenditures	<u>\$ 13,341</u>	<u>\$ 24,296</u>	<u>\$ 218,706</u>	<u>\$ 7,681</u>	<u>\$ 278,641</u>	<u>\$ 542,665</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 38,517</u>	<u>\$ (5,345)</u>	<u>\$ 30,584</u>	<u>\$ (3,798)</u>	<u>\$ 616</u>	<u>\$ 60,574</u>
Net Change in Fund Balances	\$ 38,517	\$ (5,345)	\$ 30,584	\$ (3,798)	\$ 616	\$ 60,574
Fund Balance, July 1, 2005	121,704	53,140	73,737	33,481	61,516	343,578
Fund Balance, June 30, 2006	<u>\$ 160,221</u>	<u>\$ 47,795</u>	<u>\$ 104,321</u>	<u>\$ 29,683</u>	<u>\$ 62,132</u>	<u>\$ 404,152</u>

Exhibit E-3

Macon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Courthouse & Jail Maintenance Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 51,858	\$ 50,000	\$ 50,000	\$ 1,858
Total Revenues	\$ 51,858	\$ 50,000	\$ 50,000	\$ 1,858
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 13,341	\$ 26,700	\$ 26,700	\$ 13,359
Total Expenditures	\$ 13,341	\$ 26,700	\$ 26,700	\$ 13,359
Excess (Deficiency) of Revenues Over Expenditures	\$ 38,517	\$ 23,300	\$ 23,300	\$ 15,217
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ 0	\$ (43,000)	\$ (43,000)	\$ 43,000
Total Other Financing Sources (Uses)	\$ 0	\$ (43,000)	\$ (43,000)	\$ 43,000
Net Change in Fund Balance	\$ 38,517	\$ (19,700)	\$ (19,700)	\$ 58,217
Fund Balance, July 1, 2005	121,704	117,529	117,529	4,175
Fund Balance, June 30, 2006	\$ 160,221	\$ 97,829	\$ 97,829	\$ 62,392

Exhibit E-4

Macon 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>				
Local Taxes	\$ 76,265	\$ 74,985	\$ 74,985	\$ 1,280
Charges for Current Services	72,075	75,505	75,505	(3,430)
Other Local Revenues	200	0	200	0
State of Tennessee	100,750	102,598	102,598	(1,848)
Total Revenues	<u>\$ 249,290</u>	<u>\$ 253,088</u>	<u>\$ 253,288</u>	<u>\$ (3,998)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Transfer Stations	\$ 218,706	\$ 291,971	\$ 292,171	\$ 73,465
Total Expenditures	<u>\$ 218,706</u>	<u>\$ 291,971</u>	<u>\$ 292,171</u>	<u>\$ 73,465</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 30,584</u>	<u>\$ (38,883)</u>	<u>\$ (38,883)</u>	<u>\$ 69,467</u>
Net Change in Fund Balance	\$ 30,584	\$ (38,883)	\$ (38,883)	\$ 69,467
Fund Balance, July 1, 2005	73,737	40,891	40,891	32,846
Fund Balance, June 30, 2006	<u>\$ 104,321</u>	<u>\$ 2,008</u>	<u>\$ 2,008</u>	<u>\$ 102,313</u>

Exhibit E-5

Macon 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	\$ 3,354	\$ 9,000	\$ 9,000	\$ (5,646)
Other Local Revenues	529	0	0	529
Total Revenues	<u>\$ 3,883</u>	<u>\$ 9,000</u>	<u>\$ 9,000</u>	<u>\$ (5,117)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 7,681	\$ 13,200	\$ 13,200	\$ 5,519
Total Expenditures	<u>\$ 7,681</u>	<u>\$ 13,200</u>	<u>\$ 13,200</u>	<u>\$ 5,519</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (3,798)</u>	<u>\$ (4,200)</u>	<u>\$ (4,200)</u>	<u>\$ 402</u>
Net Change in Fund Balance	\$ (3,798)	\$ (4,200)	\$ (4,200)	\$ 402
Fund Balance, July 1, 2005	<u>33,481</u>	<u>33,126</u>	<u>33,126</u>	<u>355</u>
Fund Balance, June 30, 2006	<u><u>\$ 29,683</u></u>	<u><u>\$ 28,926</u></u>	<u><u>\$ 28,926</u></u>	<u><u>\$ 757</u></u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit F

Macon 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	\$ 837,650	\$ 782,000	\$ 782,000	\$ 55,650
Other Local Revenues	8,584	7,800	7,800	784
State of Tennessee	773,515	800,000	800,000	(26,485)
Other Governments and Citizens Groups	27,128	33,601	33,601	(6,473)
Total Revenues	<u>\$ 1,646,877</u>	<u>\$ 1,623,401</u>	<u>\$ 1,623,401</u>	<u>\$ 23,476</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 538,445	\$ 458,445	\$ 538,445	\$ 0
Highways and Streets	0	60,000	60,000	60,000
Education	600,000	600,000	600,000	0
<u>Interest on Debt</u>				
General Government	234,191	391,219	392,462	158,271
Education	101,522	103,362	103,362	1,840
<u>Other Debt Service</u>				
General Government	41,333	27,000	27,000	(14,333)
Total Expenditures	<u>\$ 1,515,491</u>	<u>\$ 1,640,026</u>	<u>\$ 1,721,269</u>	<u>\$ 205,778</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 131,386</u>	<u>\$ (16,625)</u>	<u>\$ (97,868)</u>	<u>\$ 229,254</u>
Net Change in Fund Balance	\$ 131,386	\$ (16,625)	\$ (97,868)	\$ 229,254
Fund Balance, July 1, 2005	<u>964,456</u>	<u>958,904</u>	<u>958,904</u>	<u>5,552</u>
Fund Balance, June 30, 2006	<u>\$ 1,095,842</u>	<u>\$ 942,279</u>	<u>\$ 861,036</u>	<u>\$ 234,806</u>

Fiduciary Funds

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

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

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

Exhibit G-1

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

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 552,838	\$ 552,838
Due from Other Governments	265,856	0	265,856
Total Assets	<u>\$ 265,856</u>	<u>\$ 552,838</u>	<u>\$ 818,694</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 265,856	\$ 0	\$ 265,856
Due to Litigants, Heirs, and Others	0	552,838	552,838
Total Liabilities	<u>\$ 265,856</u>	<u>\$ 552,838</u>	<u>\$ 818,694</u>

Exhibit G-2

Macon 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	\$ 1,489,823	\$ 1,489,823	\$ 0
Due from Other Governments	243,399	265,856	243,399	265,856
Total Assets	\$ 243,399	\$ 1,755,679	\$ 1,733,222	\$ 265,856
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 243,399	\$ 1,755,679	\$ 1,733,222	\$ 265,856
Total Liabilities	\$ 243,399	\$ 1,755,679	\$ 1,733,222	\$ 265,856
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 452,096	\$ 6,003,434	\$ 5,902,692	\$ 552,838
Accounts Receivable	268	0	268	0
Total Assets	\$ 452,364	\$ 6,003,434	\$ 5,902,960	\$ 552,838
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 452,364	\$ 6,003,434	\$ 5,902,960	\$ 552,838
Total Liabilities	\$ 452,364	\$ 6,003,434	\$ 5,902,960	\$ 552,838
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,489,823	\$ 1,489,823	\$ 0
Cash	452,096	6,003,434	5,902,692	552,838
Accounts Receivable	268	0	268	0
Due from Other Governments	243,399	265,856	243,399	265,856
Total Assets	\$ 695,763	\$ 7,759,113	\$ 7,636,182	\$ 818,694
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 243,399	\$ 1,755,679	\$ 1,733,222	\$ 265,856
Due to Litigants, Heirs, and Others	452,364	6,003,434	5,902,960	552,838
Total Liabilities	\$ 695,763	\$ 7,759,113	\$ 7,636,182	\$ 818,694

MISCELLANEOUS SCHEDULES

Exhibit H-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
NOTES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Homeland Security and County Landfill	\$ 150,000	2.45 %	11-10-03	11-10-05	\$ 75,000	\$ 0	\$ 75,000	\$ 0
Ambulance Quarters	80,000	3.15	3-30-05	9-26-05	80,000	0	80,000	0
School Roof	900,000	4.3	5-10-06	5-10-15	0	900,000	0	900,000
Energy Efficiency Loan	42,279	0	10-25-05	10-31-12	0	42,279	0	42,279
Energy Efficiency Loan	11,602	0	4-26-06	4-15-13	0	11,602	0	11,602
Total Notes Payable					<u>\$ 155,000</u>	<u>\$ 953,881</u>	<u>\$ 155,000</u>	<u>\$ 953,881</u>
CAPITAL LEASES PAYABLE								
<u>Payable through General Fund</u>								
Six Patrol Cars	136,406	3.03	1-9-05	1-21-07	<u>\$ 89,453</u>	<u>\$ 0</u>	<u>\$ 44,000</u>	<u>\$ 45,453</u>
OTHER LOANS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Public Works Projects	6,721,000	Variable	10-1-1999	5-25-19	\$ 5,600,220	\$ 0	\$ 308,445	\$ 5,291,775
Other Public Works Projects	2,038,000	Variable	9-21-01	5-25-21	1,777,000	0	75,000	1,702,000
Total Other Loans Payable					<u>\$ 7,377,220</u>	<u>\$ 0</u>	<u>\$ 383,445</u>	<u>\$ 6,993,775</u>
BONDS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
School Refunding	4,740,000	3.4 to 4.05	2-27-01	4-1-09	\$ 2,560,000	\$ 0	\$ 600,000	\$ 1,960,000
Total Bonds Payable					<u>\$ 2,560,000</u>	<u>\$ 0</u>	<u>\$ 600,000</u>	<u>\$ 1,960,000</u>

Exhibit H-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2007	\$ 630,000	\$ 78,423	\$ 708,423
2008	655,000	53,538	708,538
2009	675,000	27,337	702,337
Total	<u>\$ 1,960,000</u>	<u>\$ 159,298</u>	<u>\$ 2,119,298</u>

Exhibit H-3

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

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Highway/Public Works	General	Provide funds for loss control director salary	<u>\$ 2,400</u>
Total Transfers			<u><u>\$ 2,400</u></u>

Exhibit H-4

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA, and County Commission	\$ 59,604 (1) \$	50,000	Western Surety Company
Road Supervisor	Section 8-24-102, <u>TCA</u>	55,052	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	50,048	567,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	50,048	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	50,048	60,000	"
Circuit and General Sessions Courts Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	50,048	60,000	"
Register	Section 8-24-102, <u>TCA</u>	55,072 (2)	75,000	The Cincinnati Insurance Company
Sheriff	Section 8-24-102, <u>TCA</u>	50,048	25,000	Western Surety Company
		55,571 (3)	25,000	"
<u>Other Bonds</u>				
County Employees	Public Employee - Blanket Bond		150,000	"

(1) Includes \$1,800 for serving as a consultant to the County Commission.

(2) Includes special commissioner fees of \$5,024.

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

Exhibit H-5

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 3,464,244	\$ 0	\$ 0	\$ 71,811	\$ 0	\$ 0	\$ 332,190	\$ 0	\$ 3,868,245
Trustee's Collections - Prior Year	138,140	0	0	2,212	0	0	12,502	0	152,854
Trustee's Collections - Bankruptcy	117	0	0	3	0	0	13	47	180
Circuit/Clerk & Master Collections - Prior Years	43,598	0	0	601	0	0	3,638	0	47,837
Interest and Penalty	17,004	0	0	545	0	0	2,379	0	19,928
<u>County Local Option Taxes</u>									
Local Option Sales Tax	208,239	0	0	0	0	0	0	0	208,239
Wheel Tax	0	0	0	0	0	0	0	809,709	809,709
Litigation Tax - General	26,264	0	0	0	0	0	0	0	26,264
Litigation Tax - Special Purpose	0	51,858	0	0	0	0	0	0	51,858
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	0	0	27,894	27,894
Business Tax	105,060	0	0	0	0	0	0	0	105,060
Adequate Facilities/Development Tax	276,492	0	0	0	0	0	0	0	276,492
<u>Statutory Local Taxes</u>									
Bank Excise Tax	53,192	0	0	1,093	0	0	5,100	0	59,385
Wholesale Beer Tax	100,169	0	0	0	0	0	0	0	100,169
Interstate Telecommunications Tax	2,673	0	0	0	0	0	0	0	2,673
Total Local Taxes	\$ 4,435,192	\$ 51,858	\$ 0	\$ 76,265	\$ 0	\$ 0	\$ 355,822	\$ 837,650	\$ 5,756,787
<u>Licenses and Permits</u>									
<u>Licenses</u>									
Cable TV Franchise	\$ 3,203	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,203
<u>Permits</u>									
Beer Permits	800	0	0	0	0	0	0	0	800
Building Permits	24,570	0	0	0	0	0	0	0	24,570
Other Permits	237	0	0	0	0	0	0	0	237
Total Licenses and Permits	\$ 28,810	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 28,810
<u>Fines, Forfeitures, and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 17,887	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,887
DUI Treatment Fines	1,429	0	0	0	0	0	0	0	1,429

(Continued)

Exhibit H-5

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>									
<u>Circuit Court (Cont.)</u>									
Courtroom Security Fee	\$ 11	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	11
<u>General Sessions Court</u>									
Fines	27,824	0	0	0	0	0	0	0	27,824
Officers Costs	36,132	0	0	0	0	0	0	0	36,132
Game and Fish Fines	538	0	0	0	0	0	0	0	538
Drug Control Fines	0	0	0	0	3,354	0	0	0	3,354
Jail Fees	5,211	0	0	0	0	0	0	0	5,211
District Attorney General Fees	16,539	0	0	0	0	0	0	0	16,539
DUI Treatment Fines	6,164	0	0	0	0	0	0	0	6,164
Courtroom Security Fee	1,204	0	0	0	0	0	0	0	1,204
<u>Juvenile Court</u>									
Fines	17,359	0	0	0	0	0	0	0	17,359
Jail Fees	560	0	0	0	0	0	0	0	560
Interpreter Fees	2,034	0	0	0	0	0	0	0	2,034
Courtroom Security Fee	174	0	0	0	0	0	0	0	174
<u>Chancery Court</u>									
Officers Costs	3,528	0	0	0	0	0	0	0	3,528
Data Entry Fee - Chancery Court	1,031	0	0	0	0	0	0	0	1,031
<u>Judicial District Drug Program</u>									
Data Entry Fee - Other Courts	5,262	0	0	0	0	0	0	0	5,262
<u>Other Fines, Forfeitures, and Penalties</u>									
Proceeds from Confiscated Property	5,578	0	0	0	0	0	0	0	5,578
Total Fines, Forfeitures, and Penalties	\$ 148,465	\$ 0	\$ 0	\$ 0	\$ 3,354	\$ 0	\$ 0	\$ 0	151,819
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Other Employee Benefit Charges/Contributions	\$ 210	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	210
Transfer Waste Stations Collection Charge	0	0	0	72,075	0	0	0	0	72,075
Patient Charges	656,879	0	0	0	0	0	0	0	656,879
<u>Fees</u>									
Copy Fees	660	0	0	0	0	0	0	0	660
Library Fees	0	0	6,759	0	0	0	0	0	6,759

(Continued)

Exhibit H-5

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Charges for Current Services (Cont.)</u>									
<u>Fees (Cont.)</u>									
Vending Machine Collections	\$ 1,418	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,418
Constitutional Officers' Fees and Commissions	48	0	0	0	0	274,233	0	0	274,281
Special Commissioner Fees/Special Master Fees	0	0	0	0	0	5,024	0	0	5,024
Data Processing Fee - Register	8,524	0	0	0	0	0	0	0	8,524
Probation Fees	77,310	0	0	0	0	0	0	0	77,310
Data Processing Fee - Sheriff	3,926	0	0	0	0	0	0	0	3,926
Sexual Offender Registration Fees - Sheriff	1,520	0	0	0	0	0	0	0	1,520
Total Charges for Current Services	\$ 750,495	\$ 0	\$ 6,759	\$ 72,075	\$ 0	\$ 279,257	\$ 0	\$ 0	\$ 1,108,586
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 67,444	\$ 0	\$ 641	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 68,085
Lease/Rentals	24,224	0	0	0	0	0	0	8,584	32,808
Commissary Sales	28,944	0	0	0	0	0	0	0	28,944
Miscellaneous Refunds	114,409	0	0	200	321	0	11,947	0	126,877
<u>Nonrecurring Items</u>									
Sale of Equipment	1,290	0	0	0	208	0	4,861	0	6,359
Contributions & Gifts	113,806	0	9,051	0	0	0	0	0	122,857
<u>Other Local Revenues</u>									
Other Local Revenues	6,721	0	0	0	0	0	0	0	6,721
Total Other Local Revenues	\$ 356,838	\$ 0	\$ 9,692	\$ 200	\$ 529	\$ 0	\$ 16,808	\$ 8,584	\$ 392,651
<u>Fees Received from County Officials</u>									
<u>Excess Fees</u>									
County Clerk	\$ 74,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 74,000
Trustee	131,327	0	0	0	0	0	0	0	131,327
<u>Fees-In-Lieu of Salary</u>									
Circuit Court Clerk	186,537	0	0	0	0	0	0	0	186,537
Clerk and Master	50,885	0	0	0	0	0	0	0	50,885
Register	96,184	0	0	0	0	0	0	0	96,184
Sheriff	8,245	0	0	0	0	0	0	0	8,245
Total Fees Received from County Officials	\$ 547,178	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 547,178

(Continued)

Exhibit H-5

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
Solid Waste Grants	0	0	0	13,112	0	0	0	0	13,112
<u>Public Safety Grants</u>									
Law Enforcement Training Programs	8,299	0	0	0	0	0	0	0	8,299
<u>Health and Welfare Grants</u>									
Health Department Programs	50,100	0	0	0	0	0	0	0	50,100
<u>Public Works Grants</u>									
Bridge Program	0	0	0	0	0	0	102,515	0	102,515
State Aid Program	0	0	0	0	0	0	165,069	0	165,069
Litter Program	40,904	0	0	0	0	0	0	0	40,904
Tennessee Industrial Infrastructure Program	422,908	0	0	0	0	0	0	0	422,908
<u>Other State Revenues</u>									
Income Tax	28,029	0	0	0	0	0	0	0	28,029
Beer Tax	17,212	0	0	0	0	0	0	0	17,212
Alcoholic Beverage Tax	27,796	0	0	0	0	0	0	0	27,796
State Revenue Sharing - T.V.A.	82,617	0	0	0	0	0	0	0	82,617
Contracted Prisoner Boarding	39,089	0	0	0	0	0	0	773,515	812,604
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	1,482,004	0	1,482,004
Petroleum Special Tax	0	0	0	0	0	0	16,399	0	16,399
Reappraisal Program Reimbursement	7,770	0	0	0	0	0	0	0	7,770
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	16,380
Other State Grants	0	0	0	87,638	0	0	50,000	0	137,638
Other State Revenues	10,203	0	0	0	0	0	0	0	10,203
Total State of Tennessee	\$ 760,307	\$ 0	\$ 0	\$ 100,750	\$ 0	\$ 0	\$ 1,815,987	\$ 773,515	\$ 3,450,559
<u>Federal Government</u>									
<u>Federal Through State</u>									
Community Development	\$ 28,191	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 28,191
Homeland Security Grants	18,203	0	0	0	0	0	0	0	18,203
<u>Direct Federal Revenue</u>									
Other Direct Federal Revenue	1,000,000	0	0	0	0	0	0	0	1,000,000
Total Federal Government	\$ 1,046,394	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,046,394

(Continued)

Exhibit H-5

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Prisoner Board	\$ 668	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	668
Contributions	500	0	2,500	0	0	0	0	27,128	30,128
<u>Other</u>									
Other	1,200	0	0	0	0	0	0	0	1,200
Total Other Governments and Citizens Groups	\$ 2,368	\$ 0	\$ 2,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 27,128	\$ 31,996
Total	\$ 8,076,047	\$ 51,858	\$ 18,951	\$ 249,290	\$ 3,883	\$ 279,257	\$ 2,188,617	\$ 1,646,877	\$ 12,514,780

Exhibit H-6

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

General Fund

General Government

County Commission

County Official/Administrative Officer	\$	1,800	
Board and Committee Members Fees		36,800	
Audit Services		4,651	
Consultants		1,250	
Dues and Memberships		1,200	
Legal Services		990	
Legal Notices, Recording, and Court Costs		964	
Total County Commission			\$ 47,655

Board of Equalization

Board and Committee Members Fees	\$	1,350	
Total Board of Equalization			1,350

Beer Board

Legal Notices, Recording, and Court Costs	\$	308	
Total Beer Board			308

Budget and Finance Committee

Legal Notices, Recording, and Court Costs	\$	750	
Total Budget and Finance Committee			750

Other Boards and Committees

Legal Notices, Recording, and Court Costs	\$	2,227	
Other Supplies and Materials		42	
Total Other Boards and Committees			2,269

County Mayor/Executive

County Official/Administrative Officer	\$	57,804	
Accountants/Bookkeepers		86,475	
Overtime Pay		2,250	
Dues and Memberships		1,654	
Maintenance & Repair Services - Office Equipment		4,418	
Postal Charges		987	
Printing, Stationery, and Forms		1,503	
Travel		5,621	
Other Contracted Services		3,703	
Office Supplies		2,329	
Premiums on Corporate Surety Bonds		175	
Office Equipment		114	
Total County Mayor/Executive			167,033

(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

County Attorney

County Official/Administrative Officer	\$ 7,871	
Total County Attorney		\$ 7,871

Election Commission

County Official/Administrative Officer	\$ 42,541	
Deputy(ies)	24,620	
Temporary Personnel	4,800	
Overtime Pay	583	
Election Commission	8,410	
Election Workers	6,370	
Dues and Memberships	1,175	
Legal Notices, Recording, and Court Costs	1,510	
Maintenance & Repair Services - Equipment	3,852	
Postal Charges	1,240	
Printing, Stationery, and Forms	5,539	
Travel	1,190	
Office Supplies	2,721	
Utilities	4,633	
Administration Equipment	2,987	
Total Election Commission		112,171

Register of Deeds

County Official/Administrative Officer	\$ 50,048	
Deputy(ies)	38,862	
Dues and Memberships	463	
Legal Notices, Recording, and Court Costs	254	
Postal Charges	379	
Printing, Stationery, and Forms	5,726	
Office Supplies	648	
Other Supplies and Materials	2,103	
Premiums on Corporate Surety Bonds	88	
Data Processing Equipment	6,267	
Office Equipment	226	
Total Register of Deeds		105,064

Development

Other Supplies and Materials	\$ 30	
Other Charges	93,356	
Total Development		93,386

(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

Planning

Assistant(s)	\$	19,200	
Supervisor/Director		17,896	
Contracts with Government Agencies		8,500	
Legal Notices, Recording, and Court Costs		1,046	
Postal Charges		111	
Travel		3,107	
Office Supplies		1,290	
Other Supplies and Materials		3,311	
Premiums on Corporate Surety Bonds		700	
Total Planning			\$ 55,161

County Buildings

Supervisor/Director	\$	22,493	
Custodial Personnel		8,150	
Temporary Personnel		10,580	
Overtime Pay		3,050	
Communication		28,149	
Licenses		252	
Maintenance & Repair Services - Buildings		2,216	
Electricity		12,717	
Water and Sewer		8,970	
Other Supplies and Materials		6,712	
Office Equipment		3,735	
Site Development		52,478	
Other Construction		663	
Total County Buildings			160,165

Other Facilities

Custodial Personnel	\$	34,004	
Maintenance Personnel		25,878	
Other Salaries & Wages		1,481	
Communication		30,386	
Maintenance & Repair Services - Buildings		6,108	
Pest Control		2,560	
Custodial Supplies		9,065	
Electricity		66,506	
Water and Sewer		33,491	
Other Supplies and Materials		6,595	
Total Other Facilities			216,074

(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

Other General Administration

Supervisor/Director	\$	6,000	
Communication		1,204	
Total Other General Administration			\$ 7,204

Preservation of Records

Other Supplies and Materials	\$	3,481	
Total Preservation of Records			3,481

Risk Management

Supervisor/Director	\$	11,801	
Other Contracted Services		1,980	
Total Risk Management			13,781

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	50,048	
Deputy(ies)		48,121	
Overtime Pay		1,592	
Other Salaries & Wages		3,179	
Contracts with Other Public Agencies		2,222	
Dues and Memberships		1,037	
Legal Notices, Recording, and Court Costs		166	
Maintenance & Repair Services - Vehicles		229	
Postal Charges		252	
Travel		1,131	
Office Supplies		144	
Premiums on Corporate Surety Bonds		100	
Total Property Assessor's Office			108,221

Reappraisal Program

Other Salaries & Wages	\$	945	
Contracts with Other Public Agencies		4,159	
Maintenance & Repair Services - Vehicles		131	
Postal Charges		78	
Travel		2,786	
Gasoline		964	
Office Supplies		99	
Total Reappraisal Program			9,162

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office

In-Service Training	\$	1,500	
Data Processing Services		6,643	
Legal Notices, Recording, and Court Costs		446	
Maintenance & Repair Services - Office Equipment		3,337	
Postal Charges		2,892	
Printing, Stationery, and Forms		700	
Office Supplies		490	
Premiums on Corporate Surety Bonds		3,085	
Data Processing Equipment		551	
Office Equipment		613	
Total County Trustee's Office			\$ 20,257

County Clerk's Office

In-Service Training	\$	1,500	
Maintenance & Repair Services - Office Equipment		1,958	
Postal Charges		1,921	
Printing, Stationery, and Forms		2,900	
Office Supplies		1,315	
Other Supplies and Materials		2,151	
Premiums on Corporate Surety Bonds		800	
Office Equipment		257	
Total County Clerk's Office			12,802

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	50,048	
Deputy(ies)		119,140	
Overtime Pay		1,790	
Board and Committee Members Fees		450	
Jury and Witness Fees		985	
Dues and Memberships		348	
Maintenance & Repair Services - Equipment		906	
Postal Charges		832	
Printing, Stationery, and Forms		5,996	
Travel		242	
Other Contracted Services		17,779	
Office Supplies		3,804	
Premiums on Corporate Surety Bonds		325	
Other Charges		744	
Data Processing Equipment		15,035	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Office Equipment	\$ 2,086	
Total Circuit Court		\$ 220,510

General Sessions Court

Judge(s)	\$ 67,830	
Dues and Memberships	50	
Printing, Stationery, and Forms	420	
Travel	1,077	
Other Contracted Services	1,500	
Office Supplies	88	
Total General Sessions Court		70,965

Chancery Court

County Official/Administrative Officer	\$ 50,048	
Deputy(ies)	24,620	
Temporary Personnel	9,416	
Dues and Memberships	408	
Postal Charges	1,692	
Printing, Stationery, and Forms	2,495	
Travel	1,298	
Office Supplies	1,382	
Premiums on Corporate Surety Bonds	275	
Office Equipment	794	
Total Chancery Court		92,428

Juvenile Court

Youth Service Officer(s)	\$ 27,172	
Temporary Personnel	105	
Contracts with Government Agencies	1,800	
Dues and Memberships	260	
Evaluation and Testing	120	
Legal Services	1,648	
Postal Charges	191	
Printing, Stationery, and Forms	160	
Travel	1,801	
Office Supplies	1,065	
Data Processing Equipment	1,200	
Office Equipment	2,222	
Total Juvenile Court		37,744

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Judicial Commissioners

County Official/Administrative Officer	\$	13,183	
Assistant(s)		230	
Total Judicial Commissioners			\$ 13,413

Probation Services

Probation Officer(s)	\$	70,422	
Overtime Pay		899	
Evaluation and Testing		891	
Postal Charges		78	
Printing, Stationery, and Forms		458	
Office Supplies		1,113	
Premiums on Corporate Surety Bonds		100	
Office Equipment		827	
Total Probation Services			74,788

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	55,052	
Deputy(ies)		651,167	
Accountants/Bookkeepers		24,620	
Salary Supplements		8,299	
Overtime Pay		6,493	
Other Salaries & Wages		31,337	
In-Service Training		4,835	
Contracts with Private Agencies		2,032	
Confidential Drug Enforcement Payments		5,008	
Dues and Memberships		1,200	
Maintenance & Repair Services - Equipment		461	
Maintenance & Repair Services - Vehicles		13,234	
Travel		4,366	
Food Supplies		333	
Gasoline		71,964	
Lubricants		1,294	
Office Supplies		5,284	
Tires and Tubes		4,300	
Uniforms		8,151	
Premiums on Corporate Surety Bonds		2,525	
Law Enforcement Equipment		7,636	
Motor Vehicles		23,322	
Total Sheriff's Department			932,913

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Administration of the Sexual Offender Registry

Law Enforcement Equipment	\$ 763	
Total Administration of the Sexual Offender Registry		\$ 763

Jail

County Official/Administrative Officer	\$ 28,068	
Accountants/Bookkeepers	26,984	
Dispatchers/Radio Operators	144,750	
Guards	418,726	
Cafeteria Personnel	57,550	
Overtime Pay	3,473	
Other Salaries & Wages	38,135	
Medical and Dental Services	179,989	
Travel	1,378	
Custodial Supplies	3,480	
Food Supplies	97,302	
Office Supplies	1,988	
Uniforms	1,361	
Other Supplies and Materials	3,826	
Communication Equipment	3,191	
Data Processing Equipment	8,917	
Law Enforcement Equipment	364	
Office Equipment	1,187	
Other Equipment	19,424	
Total Jail		1,040,093

Workhouse

Truck Drivers	\$ 16,898	
Guards	19,837	
Maintenance & Repair Services - Vehicles	415	
Instructional Supplies and Materials	13,851	
Other Charges	1,115	
Other Equipment	1,218	
Total Workhouse		53,334

Fire Prevention and Control

Contributions	\$ 1,500	
Maintenance Agreements	104	
Total Fire Prevention and Control		1,604

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Rural Fire Protection

Other Salaries & Wages	\$	10,385	
Contributions		5,000	
Total Rural Fire Protection			\$ 15,385

Civil Defense

Supervisor/Director	\$	5,618	
Maintenance & Repair Services - Vehicles		832	
Gasoline		384	
Utilities		4,642	
Other Supplies and Materials		14,800	
Other Charges		4,000	
Communication Equipment		40	
Other Equipment		644	
Total Civil Defense			30,960

Rescue Squad

Other Salaries & Wages	\$	3,780	
Maintenance & Repair Services - Vehicles		168	
Gasoline		1,063	
Other Equipment		248	
Total Rescue Squad			5,259

Disaster Relief

Other Salaries & Wages	\$	1,500	
Maintenance & Repair Services - Buildings		580	
Maintenance & Repair Services - Vehicles		569	
Gasoline		379	
Utilities		2,065	
Other Equipment		3,538	
Total Disaster Relief			8,631

Other Emergency Management

In-Service Training	\$	233	
Maintenance & Repair Services - Vehicles		176	
Gasoline		207	
Utilities		1,091	
Other Equipment		100	
Total Other Emergency Management			1,807

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

County Coroner/Medical Examiner

Medical Personnel	\$	650	
Medical and Dental Services		15,385	
Total County Coroner/Medical Examiner			\$ 16,035

Other Public Safety

Maintenance Personnel	\$	2,788	
In-Service Training		958	
Road Signs		1,508	
Motor Vehicles		72,716	
Office Equipment		4,595	
Total Other Public Safety			82,565

Public Health and Welfare

Local Health Center

Janitorial Services	\$	6,817	
Maintenance & Repair Services - Buildings		2,909	
Custodial Supplies		555	
Drugs and Medical Supplies		766	
Office Supplies		1,699	
Utilities		13,082	
Other Supplies and Materials		8,284	
Total Local Health Center			34,112

Ambulance/Emergency Medical Services

Supervisor/Director	\$	34,200
Accountants/Bookkeepers		20,900
Medical Personnel		346,017
Dispatchers/Radio Operators		95,969
Overtime Pay		211,446
Data Processing Services		2,802
Dues and Memberships		159
Laundry Service		1,196
Operating Lease Payments		1,867
Licenses		3,585
Maintenance & Repair Services - Buildings		3,707
Maintenance & Repair Services - Vehicles		16,366
Postal Charges		116
Travel		771
Other Contracted Services		99,488
Custodial Supplies		2,299

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Drugs and Medical Supplies	\$ 36,467	
Gasoline	25,226	
Instructional Supplies and Materials	1,888	
Office Supplies	7,798	
Tires and Tubes	3,349	
Uniforms	5,073	
Utilities	35,255	
Premiums on Corporate Surety Bonds	170	
Communication Equipment	5,638	
Motor Vehicles	54,830	
Total Ambulance/Emergency Medical Services		\$ 1,016,582

Crippled Children Services

Contracts with Government Agencies	\$ 1,439	
Total Crippled Children Services		1,439

Other Local Health Services

Psychological Personnel	\$ 31,412	
Temporary Personnel	10,943	
Social Security	3,212	
State Retirement	1,571	
Travel	3,855	
Total Other Local Health Services		50,993

Regional Mental Health Center

Contributions	\$ 7,953	
Total Regional Mental Health Center		7,953

Appropriation to State

Other Contracted Services	\$ 41,900	
Total Appropriation to State		41,900

Other Local Welfare Services

Temporary Personnel	\$ 42,228	
Maintenance & Repair Services - Vehicles	92	
Pauper Burials	100	
Drugs and Medical Supplies	845	
Utilities	7,953	
Total Other Local Welfare Services		51,218

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Social, Cultural, and Recreational Services

Adult Activities

Matching Share	\$ 5,700	
Total Adult Activities		\$ 5,700

Senior Citizens Assistance

Contributions	\$ 1,300	
Utilities	5,364	
Total Senior Citizens Assistance		6,664

Libraries

Supervisor/Director	\$ 23,836	
Librarians	14,407	
Clerical Personnel	39,668	
Custodial Personnel	4,018	
Communication	3,831	
Maintenance & Repair Services - Buildings	731	
Postal Charges	751	
Printing, Stationery, and Forms	217	
Travel	323	
Library Books/Media	3,306	
Office Supplies	271	
Utilities	15,143	
Other Supplies and Materials	982	
Data Processing Equipment	1,467	
Office Equipment	811	
Total Libraries		109,762

Parks and Fair Boards

Contributions	\$ 21,080	
Total Parks and Fair Boards		21,080

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$ 26,745	
Secretary(ies)	6,692	
State Retirement	5,498	
Maintenance & Repair Services - Buildings	495	
Utilities	4,705	
Total Agriculture Extension Service		44,135

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Soil Conservation

Contributions	\$ 7,500	
Total Soil Conservation		\$ 7,500

Other Operations

Industrial Development

Contributions	\$ 7,000	
Engineering Services	54,405	
Other Construction	763,146	
Total Industrial Development		824,551

Veterans' Services

Supervisor/Director	\$ 18,030	
Dues and Memberships	83	
Travel	271	
Total Veterans' Services		18,384

Other Charges

Liability Insurance	\$ 111,005	
Trustee's Commission	89,637	
Workers' Compensation Insurance	174,877	
Total Other Charges		375,519

Contributions to Other Agencies

Salary Supplements	\$ 4,500	
Maintenance & Repair Services - Buildings	1,307	
Matching Share	7,922	
Gasoline	8,500	
Total Contributions to Other Agencies		22,229

Employee Benefits

Social Security	\$ 284,828	
State Retirement	208,313	
Unemployment Compensation	16,804	
Total Employee Benefits		509,945

Miscellaneous

Dues and Memberships	\$ 4,988	
Total Miscellaneous		4,988

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Instruction

Vocational Education Program

Contracts with Government Agencies	\$ 16,644	
Total Vocational Education Program		\$ 16,644

Principal on Debt

General Government

Principal on Capital Leases	\$ 44,000	
Total General Government		44,000

Interest on Debt

General Government

Interest on Capital Leases	\$ 2,952	
Total General Government		2,952

Capital Projects

General Administration Projects

Consultants	\$ 28,191	
Site Development	32,841	
Total General Administration Projects		61,032

Highway & Street Capital Projects

Engineering Services	\$ 7,166	
Legal Notices, Recording, and Court Costs	1,028	
Bridge Construction	69,500	
Highway Construction	95,224	
Total Highway & Street Capital Projects		172,918

Capital Projects - Donated

Capital Projects Donated to School Department

Contributions	\$ 900,000	
Total Capital Projects Donated to School Department		<u>900,000</u>

Total General Fund		\$ 8,195,562
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Courthouse & Jail Maintenance Fund

General Government

County Buildings

Maintenance & Repair Services - Buildings	\$ 9,989	
Trustee's Commission	525	
Other Equipment	2,827	
Total County Buildings		<u>\$ 13,341</u>

Total Courthouse & Jail Maintenance Fund		13,341
--	--	--------

(Continued)

Exhibit H-6

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

Public Library Fund

Social, Cultural, and Recreational Services

Libraries

Audit Services	\$	415	
Dues and Memberships		525	
Maintenance & Repair Services - Buildings		2,240	
Travel		279	
Food Supplies		508	
Library Books/Media		11,226	
Office Supplies		2,527	
Periodicals		164	
In Service/Staff Development		230	
Other Charges		1,058	
Furniture and Fixtures		5,124	
Total Libraries			\$ 24,296

Total Public Library Fund \$ 24,296

Solid Waste/Sanitation Fund

Public Health and Welfare

Transfer Stations

Accountants/Bookkeepers	\$	33,190	
Equipment Operators - Heavy		56,844	
Overtime Pay		2,506	
Other Salaries & Wages		323	
Social Security		7,104	
State Retirement		3,881	
Maintenance & Repair Services - Vehicles		7,025	
Travel		787	
Contracts for Landfill Facilities		52,265	
Custodial Supplies		2,233	
Equipment and Machinery Parts		10,789	
Gasoline		12,550	
Office Supplies		667	
Utilities		6,771	
Other Supplies and Materials		6,553	
Premiums on Corporate Surety Bonds		100	
Trustee's Commission		2,254	
Landfill Closure/Postclosure Care Costs		12,864	
Total Transfer Stations			\$ 218,706

Total Solid Waste/Sanitation Fund 218,706

(Continued)

Exhibit H-6

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

Drug Control Fund

Public Safety

Drug Enforcement

Trustee's Commission	\$ 31	
Law Enforcement Equipment	7,650	
Total Drug Enforcement	<u>7,650</u>	\$ 7,681

Total Drug Control Fund \$ 7,681

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$ 109,527	
Total County Trustee's Office		\$ 109,527

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 164,090	
Total County Clerk's Office		164,090

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$ 5,024	
Total Chancery Court		<u>5,024</u>

Total Constitutional Officers - Fees Fund 278,641

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 55,052	
Secretary(ies)	43,142	
State Retirement	39,803	
Advertising	207	
Data Processing Services	3,465	
Dues and Memberships	2,091	
Postal Charges	308	
Printing, Stationery, and Forms	1,166	
Travel	274	
Office Supplies	2,052	
Other Supplies and Materials	80	
Fines, Assessments, and Penalties	396	
Other Charges	154	
Data Processing Equipment	383	
Total Administration	<u>148,573</u>	\$ 148,573

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance

Equipment Operators	\$	190,943	
Truck Drivers		184,288	
Laborers		147,133	
Rentals		8	
Other Contracted Services		30,212	
Asphalt		152,711	
Asphalt - Cold Mix		45,285	
Concrete		2,480	
Crushed Stone		258,198	
Diesel Fuel		148,597	
Ice		115	
Pipe - Metal		19,703	
Road Signs		1,781	
Small Tools		759	
Wood Products		15,824	
Other Supplies and Materials		258	
Fines, Assessments, and Penalties		2,800	
Other Charges		100	
Total Highway and Bridge Maintenance			\$ 1,201,195

Operation and Maintenance of Equipment

Mechanic(s)	\$	73,858	
Freight Expenses		113	
Maintenance & Repair Services - Equipment		6,438	
Tow-in Services		565	
Other Contracted Services		31,671	
Equipment and Machinery Parts		70,424	
Garage Supplies		14,400	
Gasoline		24,482	
Lubricants		7,820	
Natural Gas		260	
Small Tools		785	
Tires and Tubes		31,069	
Other Supplies and Materials		70	
Total Operation and Maintenance of Equipment			261,955

Other Charges

Communication	\$	9,918	
Pest Control		95	
Electricity		3,328	

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges (Cont.)

Water and Sewer	\$ 1,247	
Liability Insurance	58,743	
Premiums on Corporate Surety Bonds	350	
Trustee's Commission	22,157	
Total Other Charges	95,837	\$ 95,838

Employee Benefits

Social Security	\$ 43,023	
Unemployment Compensation	5,337	
Employer Medicare	10,062	
Workers' Compensation Insurance	33,288	
Fines, Assessments, and Penalties	1,627	
Total Employee Benefits	93,337	93,337

Capital Outlay

Engineering Services	\$ 24,731	
Bridge Construction	112,146	
Furniture and Fixtures	623	
Highway Construction	215,094	
Highway Equipment	27,800	
Total Capital Outlay	380,394	380,394

Total Highway/Public Works Fund \$ 2,181,292

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$ 155,000	
Principal on Other Loans	383,445	
Total General Government	538,445	\$ 538,445

Education

Principal on Bonds	\$ 600,000	
Total Education	600,000	600,000

Interest on Debt

General Government

Interest on Notes	\$ 3,070	
Interest on Other Loans	231,121	
Total General Government	234,191	234,191

(Continued)

Exhibit H-6

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

General Debt Service Fund (Cont.)

Interest on Debt (Cont.)

Education

Interest on Bonds	<u>\$ 101,522</u>	
Total Education		\$ 101,522

Other Debt Service

General Government

Trustee's Commission	\$ 7,839	
Other Debt Service	<u>33,494</u>	
Total General Government		<u>41,333</u>

Total General Debt Service Fund		<u>\$ 1,515,491</u>
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Total Governmental Funds - Primary Government		<u><u>\$ 12,435,010</u></u>
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Exhibit H-7

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

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 1,489,823
Total Cash Receipts	<u>\$ 1,489,823</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,474,925
Trustee's Commission	<u>14,898</u>
Total Cash Disbursements	<u>\$ 1,489,823</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2005	<u>0</u>
 Cash Balance, June 30, 2006	 <u><u>\$ 0</u></u>

ANNUAL FINANCIAL REPORT
MACON COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF MACON COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2006

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

CARL LOWE, CGFM
Audit Manager

STEVE REEDER, CPA, CGFM, CFE
Auditor 4

TIM BRASHEARS
RODNEY MALIN, CGFM
GARY RAMSEY, CPA
CHRISTY TENNANT, CPA
MELODIE WHEELER, CFE
KELLEY McNEAL, CPA, CGFM
State Auditors

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

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

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

Scope

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

Results

Our report on the Macon County School Department's financial statements is unqualified.

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

Findings

The following are summaries of the audit findings:

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ Retainage of \$39,246 withheld from contractor payments was not deposited into an escrow account as required by state statute.
- ◆ Purchase orders were not issued in some required instances. Also, in several instances, invoices were not on file to support the purchase, and some invoices were paid without documentation that goods had been received or services had been rendered.
- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately among the official and the employees at the School Department.

INTRODUCTORY SECTION

Macon County School Officials
June 30, 2006

Official

Mike Prock, Director of Schools

Board of Education

Gene Carter, Chairman

Wayne Marsh

Mike Marshall

Diana Carter

Vacant

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

April 3, 2007

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

To the Director of Schools and Board of Education:

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

We conducted our audit in accordance with the auditing standards 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Macon County School Department 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 April 3, 2007, on our consideration of the Macon County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note IV.B, the Macon County School Department has adopted the provisions of Governmental Accounting Standards Board Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries.

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

The budgetary comparison information on pages 37 through 39 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Macon County School Department's basic financial statements. The introductory section, budgetary comparison schedule of the nonmajor governmental fund, and miscellaneous schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The budgetary comparison schedule of the nonmajor governmental fund and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Macon County, Tennessee
Statement of Net Assets
Macon County School Department
June 30, 2006

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 3,175,797
Accounts Receivable	22,025
Due from Other Governments	432,000
Property Taxes Receivable	2,793,624
Allowance for Uncollectible Property Taxes	(52,674)
Capital Assets:	
Assets Not Depreciated:	
Land	346,263
Construction in Progress	388,437
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	13,674,714
Other Capital Assets	1,486,635
Total Assets	<u>\$ 22,266,821</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 454,469
Accrued Payroll	20,219
Retainage Payable	39,246
Accrued Interest Payable	74,644
Deferred Revenue - Current Property Taxes	2,642,695
Noncurrent Liabilities:	
Due Within One Year	400,000
Due in More Than One Year	5,965,000
Total Liabilities	<u>\$ 9,596,273</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 9,531,049
Restricted for:	
Capital Projects	71,678
Other Purposes	1,730,209
Unrestricted	1,337,612
Total Net Assets	<u>\$ 12,670,548</u>

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

Exhibit B

Macon County, Tennessee
Statement of Activities
Macon County School Department
For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Assets Total Governmental Activities
Component Unit:					
Governmental Activities:					
Instruction	\$ 13,770,535	\$ 74,051	\$ 1,401,535	\$ 900,000	\$ (11,394,949)
Support Services	6,757,491	4,550	45,070	0	(6,707,871)
Operation of Noninstructional Services	963,553	0	983,826	0	20,273
Interest on Long-term Debt	307,112	0	0	0	(307,112)
Other Debt Service	27,128	0	0	0	(27,128)
Total Governmental Activities	\$ 21,825,819	\$ 78,601	\$ 2,430,431	\$ 900,000	\$ (18,416,787)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 2,743,351
Local Option Sales Tax					1,720,917
Other Local Taxes					3,833
Grants and Contributions Not Restricted to Specific Programs					15,510,552
Miscellaneous					32,036
Total General Revenues					\$ 20,010,689
Change in Net Assets					\$ 1,593,902
Net Assets, July 1, 2005					11,076,646
Net Assets, June 30, 2006					\$ 12,670,548

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

Exhibit C-1

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

	<u>Major Fund</u>	<u>Nonmajor Fund</u>	<u>Total</u>
	General Purpose School	School Federal Projects Fund	Govern-mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 3,058,206	\$ 117,591	\$ 3,175,797
Accounts Receivable	22,025	0	22,025
Due from Other Governments	399,426	32,574	432,000
Property Taxes Receivable	2,793,624	0	2,793,624
Allowance for Uncollectible Property Taxes	(52,674)	0	(52,674)
Total Assets	<u>\$ 6,220,607</u>	<u>\$ 150,165</u>	<u>\$ 6,370,772</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 454,469	\$ 0	\$ 454,469
Accrued Payroll	20,219	0	20,219
Retainage Payable	39,246	0	39,246
Deferred Revenue - Current Property Taxes	2,642,695	0	2,642,695
Deferred Revenue - Delinquent Property Taxes	92,627	0	92,627
Other Deferred Revenues	152,279	0	152,279
Total Liabilities	<u>\$ 3,401,535</u>	<u>\$ 0</u>	<u>\$ 3,401,535</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 439,885	\$ 0	\$ 439,885
Reserved for Capital Outlay	71,678	0	71,678
Reserved for Driver Education	30,275	0	30,275
Reserved for Career Ladder - Extended Contract	27,175	0	27,175
Reserved for Career Ladder Program	7,659	0	7,659
Reserved for Technology	17,591	0	17,591
Reserved for Basic Education Program	1,497,344	0	1,497,344
Reserved for Title I Grants to Local Education Agencies	0	83,528	83,528
Reserved for Innovative Education Program Strategies	0	16,090	16,090
Reserved for Special Education - Grants to States	0	50,547	50,547
Unreserved, Reported In:			
General Fund	727,465	0	727,465
Total Fund Balances	<u>\$ 2,819,072</u>	<u>\$ 150,165</u>	<u>\$ 2,969,237</u>
Total Liabilities and Fund Balances	<u>\$ 6,220,607</u>	<u>\$ 150,165</u>	<u>\$ 6,370,772</u>

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

Exhibit C-2

Macon County, Tennessee
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Assets
Macon 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 C-1)		\$ 2,969,237
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 346,263	
Add: construction in progress	388,437	
Add: buildings and improvements net of accumulated depreciation	13,674,714	
Add: other capital assets net of accumulated depreciation	<u>1,486,635</u>	15,896,049
(2) Long-term liabilities are not due in the current period and therefore are not reported in the governmental funds.		
Less: bonds payable	\$ (6,365,000)	
Less: accrued interest on bonds, notes, other loans, and capital leases	<u>(74,644)</u>	(6,439,644)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>244,906</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 12,670,548</u>

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

Exhibit D-1

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

	<u>Major Fund</u>	<u>Nonmajor Fund</u>	
	General Purpose School	School Federal Projects Fund	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 4,433,212	\$ 0	\$ 4,433,212
Licenses and Permits	1,691	0	1,691
Charges for Current Services	74,051	0	74,051
Other Local Revenues	30,501	9,145	39,646
State of Tennessee	15,070,100	0	15,070,100
Federal Government	937,113	1,768,528	2,705,641
Other Governments and Citizens Groups	900,000	0	900,000
Total Revenues	<u>\$ 21,446,668</u>	<u>\$ 1,777,673</u>	<u>\$ 23,224,341</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 11,665,492	\$ 1,310,174	\$ 12,975,666
Support Services	6,538,400	455,614	6,994,014
Operation of Non-Instructional Services	873,486	0	873,486
Capital Outlay	919,618	0	919,618
Debt Service:			
Principal on Debt	385,000	0	385,000
Interest on Debt	314,938	0	314,938
Other Debt Service	27,128	0	27,128
Total Expenditures	<u>\$ 20,724,062</u>	<u>\$ 1,765,788</u>	<u>\$ 22,489,850</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 722,606</u>	<u>\$ 11,885</u>	<u>\$ 734,491</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 107,663	\$ 0	\$ 107,663
Total Other Financing Sources (Uses)	<u>\$ 107,663</u>	<u>\$ 0</u>	<u>\$ 107,663</u>
Net Change in Fund Balances	\$ 830,269	\$ 11,885	\$ 842,154
Fund Balance, July 1, 2005	1,988,803	138,280	2,127,083
Fund Balance, June 30, 2006	<u>\$ 2,819,072</u>	<u>\$ 150,165</u>	<u>\$ 2,969,237</u>

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

Exhibit D-2

Macon County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Macon 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 D-1)		\$ 842,154
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 1,040,987	
Less: current year depreciation	<u>(755,628)</u>	285,359
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.</p>		
Add: deferred delinquent property taxes/other deferred June 30, 2006	\$ 244,906	
Less: deferred delinquent property taxes/other deferred June 30, 2005	<u>(171,343)</u>	73,563
<p>(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:</p>		
Add: principal payment on notes		385,000
<p>(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Change in accrued interest on bonds		<u>7,826</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 1,593,902</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Macon County School Department'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 the School Department:

A. Reporting Entity

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

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 School Department. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the School Department does not have any business-type activities to report.

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

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

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

The School Department reports the following major governmental fund:

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

Additionally, the School Department reports the following fund type:

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

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 School Department's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all Macon County (excluding the Public Library Fund) and the School Department funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the primary government's General Fund. Macon County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the

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

2. **Receivables and Payables**

All property taxes receivables are shown net of an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to .98 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 represents amounts withheld from payments made to contractors to ensure contract performance.

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, and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the School Department as assets with an initial, individual cost of \$25,000 or more and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Building and Improvements	20-40
Other Capital Assets	5-15

4. Compensated Absences

It is the School Department's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The School Department's leave policy does not guarantee payment for accumulated vacation when employees separate from service with the department. In the prior year, the School Department changed its policy regarding payment of sick leave. Custodians, maintenance employees, mechanics, bookkeepers, and cafeteria managers are now paid for all unused sick leave at the end of the fiscal year.

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 issues 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 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.

As of June 30, 2006, the Macon County primary government has \$3,642,620 outstanding debt for capital purposes for the School Department. The debt is a liability of Macon County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, the School Department received assets

significantly increasing its unrestricted net assets with no corresponding increase in the School Department's liabilities.

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

Exhibit D-2 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

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. All annual appropriations lapse at fiscal year end.

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

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

appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

B. Expenditures and Encumbrances Exceeded Appropriations

Expenditures and encumbrances exceeded appropriations approved by the Macon County Commission in the Other Debt Service major appropriation category (the legal level of control) of the General Purpose School Fund by \$3,128. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Macon County (excluding the Public Library Fund) and the Macon 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.

Deposits

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

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with

collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the county.

Investments

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

The county had no pooled and nonpooled investments as of June 30, 2006.

B. Capital Assets

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

Governmental Activities:

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets				
Not Depreciated:				
Land	\$ 346,263	\$ 0	\$ 0	\$ 346,263
Construction in Progress	67,626	524,106	(203,295)	388,437
Total Capital Assets Not Depreciated	<u>\$ 413,889</u>	<u>\$ 524,106</u>	<u>\$ (203,295)</u>	<u>\$ 734,700</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 21,396,770	\$ 203,295	\$ 0	\$ 21,600,065
Other Capital Assets	2,435,197	516,881	0	2,952,078
Total Capital Assets Depreciated	<u>\$ 23,831,967</u>	<u>\$ 720,176</u>	<u>\$ 0</u>	<u>\$ 24,552,143</u>

Governmental Activities: (Cont.)

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Less Accumulated Depreciation For: Buildings and Improvements	\$ 7,382,396	\$ 542,955	\$ 0	\$ 7,925,351
Other Capital Assets	1,252,770	212,673	0	1,465,443
Total Accumulated Depreciation	<u>\$ 8,635,166</u>	<u>\$ 755,628</u>	<u>\$ 0</u>	<u>\$ 9,390,794</u>
Total Capital Assets Depreciated, Net	<u>\$ 15,196,801</u>	<u>\$ (35,452)</u>	<u>\$ 0</u>	<u>\$ 15,161,349</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,610,690</u>	<u>\$ 488,654</u>	<u>\$ (203,295)</u>	<u>\$ 15,896,049</u>

Depreciation expense was charged to functions of the School Department as follows:

Governmental Activities:

Instruction	\$ 542,955
Support Services	<u>212,673</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 755,628</u>

C. Insurance Recoveries

During the year, the School Department incurred damage to buildings and equipment. Insurance recoveries of \$107,663 were received and used to repair damage to the buildings and repair and/or replace damaged equipment.

D. Construction Commitments

At June 30, 2006, the General Purpose School Fund had uncompleted construction contracts of approximately \$439,885 for renovations to a school building. Funding has been received for these future expenditures.

E. Long-term Debt

In prior years, Macon County issued \$8,900,000 refunding bonds for the School Department, and the School Department has committed to retire these bonds. Refunding bonds were issued for original terms of up to 20 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. Bonds totaling \$6,365,000 with interest ranging from 3.7 to 4.85 percent included in long-term debt as of June 30, 2006, will be retired from the General Purpose School Fund.

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2006, including interest payments, are as follows:

Year Ending June 30	Bonds	
	Principal	Interest
2007	\$ 400,000	\$ 298,575
2008	420,000	281,175
2009	435,000	262,695
2010	455,000	243,338
2011	480,000	222,862
2012-2016	2,740,000	755,594
2017-2018	1,435,000	109,025
Total	<u>\$ 6,365,000</u>	<u>\$ 2,173,264</u>

Bonded debt per capita totaled \$312, 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:

	Bonds
Balance, July 1, 2005	\$ 6,750,000
Deductions	<u>(385,000)</u>
Balance, June 30, 2006	<u>\$ 6,365,000</u>
Balance Due Within One Year	<u>\$ 400,000</u>

V. OTHER INFORMATION

A. Risk Management

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

B. Accounting Changes

During the year ended June 30, 2006, the Macon County School Department adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries. 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.

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 Macon 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 Macon County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. The School Department had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that the Macon County School Department will be required to disclose net assets restricted by enabling legislation in subsequent years.

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

C. Subsequent Event

On March 8, 2007, the Macon County Board of Education voted not to renew the contract of Mike Prock as director of schools. The director's current contract expires June 30, 2007.

D. Contingent Liabilities

The School Department is involved in several pending lawsuits. School Department officials estimate that the potential claims not covered by insurance resulting from such litigation would not materially affect the financial statements of the School Department.

E. Retirement Commitments

Plan Description

Employees of Macon County, including the School Department, are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members

become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Macon 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/>.

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

SCHOOL TEACHERS

Plan Description

The Macon 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 SETHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us. 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 Macon 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 Macon 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 \$564,949, \$562,775, and \$326,876, respectively, equal to the required contributions for each year.

F. Purchasing Law

Purchasing procedures for the School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, Tennessee Code Annotated, which provides for the 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 advertisements on all purchases exceeding \$10,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E

Macon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Macon 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	\$ 4,433,212	\$ 0	\$ 0	\$ 4,433,212	\$ 4,253,365	\$ 4,303,365	\$ 129,847
Licenses and Permits	1,691	0	0	1,691	2,000	2,000	(309)
Charges for Current Services	74,051	0	0	74,051	49,000	49,000	25,051
Other Local Revenues	30,501	0	0	30,501	45,600	44,600	(14,099)
State of Tennessee	15,070,100	0	0	15,070,100	15,055,599	15,109,599	(39,499)
Federal Government	937,113	0	0	937,113	1,008,000	1,022,360	(85,247)
Other Governments and Citizens Groups	900,000	0	0	900,000	0	900,000	0
Total Revenues	\$ 21,446,668	\$ 0	\$ 0	\$ 21,446,668	\$ 20,413,564	\$ 21,430,924	\$ 15,744
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 9,660,839	\$ 0	\$ 0	\$ 9,660,839	\$ 9,959,080	\$ 9,786,690	\$ 125,851
Alternative Instruction Program	127,885	0	0	127,885	135,510	141,130	13,245
Special Education Program	1,281,073	0	0	1,281,073	1,417,655	1,419,355	138,282
Vocational Education Program	561,991	0	0	561,991	567,576	579,446	17,455
Adult Education Program	33,704	0	0	33,704	22,170	39,730	6,026
<u>Support Services</u>							
Attendance	100,899	0	0	100,899	100,425	101,625	726
Health Services	209,130	0	0	209,130	202,318	219,128	9,998
Other Student Support	426,756	0	0	426,756	426,010	440,410	13,654
Regular Instruction Program	582,946	0	0	582,946	618,585	628,685	45,739
Special Education Program	223,049	0	0	223,049	233,980	233,980	10,931
Vocational Education Program	24,111	0	0	24,111	22,550	24,270	159
Adult Programs	74,741	0	0	74,741	73,890	77,410	2,669
Board of Education	250,225	0	0	250,225	262,100	265,800	15,575
Director of Schools	130,000	0	0	130,000	138,325	139,175	9,175

(Continued)

Exhibit E

Macon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Macon 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>							
Office of the Principal	\$ 1,007,682	\$ 0	\$ 0	\$ 1,007,682	\$ 1,007,370	\$ 1,031,470	\$ 23,788
Fiscal Services	132,232	0	0	132,232	151,560	152,460	20,228
Operation of Plant	1,559,525	0	0	1,559,525	1,501,560	1,559,860	335
Maintenance of Plant	491,296	0	0	491,296	419,560	529,360	38,064
Transportation	1,325,808	0	0	1,325,808	1,239,400	1,338,400	12,592
<u>Operation of Non-Instructional Services</u>							
Food Service	873,486	0	0	873,486	973,580	973,980	100,494
<u>Capital Outlay</u>							
Regular Capital Outlay	919,618	(116,925)	439,885	1,242,578	400,000	1,300,000	57,422
<u>Principal on Debt</u>							
Education	385,000	0	0	385,000	403,000	385,000	0
<u>Interest on Debt</u>							
Education	314,938	0	0	314,938	321,000	315,000	62
<u>Other Debt Service</u>							
Education	27,128	0	0	27,128	0	24,000	(3,128)
Total Expenditures	\$ 20,724,062	\$ (116,925)	\$ 439,885	\$ 21,047,022	\$ 20,597,204	\$ 21,706,364	\$ 659,342
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 722,606	\$ 116,925	\$ (439,885)	\$ 399,646	\$ (183,640)	\$ (275,440)	\$ 675,086
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 107,663	\$ 0	\$ 0	\$ 107,663	\$ 0	\$ 48,000	\$ 59,663
Transfers In	0	0	0	0	7,000	7,000	(7,000)
Total Other Financing Sources (Uses)	\$ 107,663	\$ 0	\$ 0	\$ 107,663	\$ 7,000	\$ 55,000	\$ 52,663
Net Change in Fund Balance	\$ 830,269	\$ 116,925	\$ (439,885)	\$ 507,309	\$ (176,640)	\$ (220,440)	\$ 727,749
Fund Balance, July 1, 2005	1,988,803	(116,925)	0	1,871,878	1,274,440	1,274,440	597,438
Fund Balance, June 30, 2006	\$ 2,819,072	\$ 0	\$ (439,885)	\$ 2,379,187	\$ 1,097,800	\$ 1,054,000	\$ 1,325,187

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

A. BUDGETARY INFORMATION

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

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

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

B. EXPENDITURES AND ENCUMBRANCES EXCEEDED APPROPRIATIONS

Expenditures and encumbrances exceeded appropriations approved by the County Commission in the Other Debt Service major appropriation category (the legal level of control) in the General Purpose School Fund by \$3,128. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

INDIVIDUAL FUND FINANCIAL SCHEDULES

Nonmajor Governmental Fund

Special Revenue Fund

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

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

Exhibit F

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 9,145	\$ 9,145	\$ 9,145	\$ 0
Federal Government	1,768,528	2,061,481	2,061,481	(292,953)
Total Revenues	<u>\$ 1,777,673</u>	<u>\$ 2,070,626</u>	<u>\$ 2,070,626</u>	<u>\$ (292,953)</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 738,591	\$ 814,747	\$ 820,203	\$ 81,612
Special Education Program	480,039	758,454	753,469	273,430
Vocational Education Program	91,544	91,985	91,985	441
<u>Support Services</u>				
Other Student Support	24,262	31,278	31,278	7,016
Regular Instruction Program	302,561	355,506	350,049	47,488
Special Education Program	34,529	60,706	60,706	26,177
Transportation	94,262	91,232	96,217	1,955
Total Expenditures	<u>\$ 1,765,788</u>	<u>\$ 2,203,908</u>	<u>\$ 2,203,907</u>	<u>\$ 438,119</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 11,885	\$ (133,282)	\$ (133,281)	\$ 145,166
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ 0	\$ (5,000)	\$ (5,000)	\$ 5,000
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ (5,000)</u>	<u>\$ (5,000)</u>	<u>\$ 5,000</u>
Net Change in Fund Balance	\$ 11,885	\$ (138,282)	\$ (138,281)	\$ 150,166
Fund Balance, July 1, 2005	138,280	138,282	138,281	(1)
Fund Balance, June 30, 2006	<u>\$ 150,165</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 150,165</u>

MISCELLANEOUS SCHEDULES

Exhibit G-1

Macon County, Tennessee
Schedule of Changes in Long-term Bonds
Macon 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	Paid and/or Matured During Period	Outstanding 6-30-06
<u>BONDS PAYABLE</u>							
<u>Payable through General Purpose School Fund</u>							
School Refunding	\$ 8,900,000	3.7 to 4.85 %	7-1-1998	4-1-18	\$ 6,750,000	\$ 385,000	\$ 6,365,000
Total Bonds Payable					\$ 6,750,000	\$ 385,000	\$ 6,365,000

Exhibit G-2

Macon County, Tennessee
Schedule of Bond and Interest Requirements by Year
Macon County School Department

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2007	\$ 400,000	\$ 298,575	\$ 698,575
2008	420,000	281,175	701,175
2009	435,000	262,695	697,695
2010	455,000	243,338	698,338
2011	480,000	222,862	702,862
2012	500,000	200,542	700,542
2013	525,000	177,042	702,042
2014	545,000	152,105	697,105
2015	570,000	126,490	696,490
2016	600,000	99,415	699,415
2017	645,000	70,315	715,315
2018	790,000	38,710	828,710
Total	\$ 6,365,000	\$ 2,173,264	\$ 8,538,264

Exhibit G-3

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Local Board of Education	\$ 83,137 (1)	(2)	
<u>Employee Bonds</u>				
School Department Employees			\$ 150,000	Tennessee School Boards Risk Management Trust

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

(2) Employee blanket bond coverage includes the director of schools.

Exhibit G-4

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

	General Purpose School	School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 2,561,346	\$ 0	\$ 2,561,346
Trustee's Collections - Prior Year	78,810	0	78,810
Trustee's Collections - Bankruptcy	106	0	106
Circuit/Clerk & Master Collections - Prior Years	24,448	0	24,448
Interest and Penalty	18,189	0	18,189
<u>County Local Option Taxes</u>			
Local Option Sales Tax	1,707,809	0	1,707,809
<u>Statutory Local Taxes</u>			
Bank Excise Tax	38,984	0	38,984
Interstate Telecommunications Tax	3,520	0	3,520
Total Local Taxes	\$ 4,433,212	\$ 0	\$ 4,433,212
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 1,691	\$ 0	\$ 1,691
Total Licenses and Permits	\$ 1,691	\$ 0	\$ 1,691
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
Tuition - Regular Day Students	\$ 4,050	\$ 0	\$ 4,050
Tuition - Adult Education	1,000	0	1,000
Tuition - Other	4,660	0	4,660
Receipts from Individual Schools	64,341	0	64,341
Total Charges for Current Services	\$ 74,051	\$ 0	\$ 74,051
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Lease/Rentals	\$ 4,550	\$ 0	\$ 4,550
Miscellaneous Refunds	22,409	9,145	31,554
<u>Nonrecurring Items</u>			
Sale of Equipment	301	0	301
Damages Recovered from Individuals	181	0	181
Contributions & Gifts	2,750	0	2,750
<u>Other Local Revenues</u>			
Other Local Revenues	310	0	310
Total Other Local Revenues	\$ 30,501	\$ 9,145	\$ 39,646
<u>State of Tennessee</u>			
<u>State Education Funds</u>			
Basic Education Program	\$ 14,492,306	\$ 0	\$ 14,492,306
School Food Service	20,348	0	20,348
Driver Education	6,378	0	6,378
Other State Education Funds	134,565	0	134,565
Career Ladder Program	187,250	0	187,250
Career Ladder - Extended Contract	47,623	0	47,623
<u>Other State Revenues</u>			
State Revenue Sharing - T.V.A.	181,630	0	181,630
Total State of Tennessee	\$ 15,070,100	\$ 0	\$ 15,070,100

(Continued)

Exhibit G-4

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

	General Purpose School	School Federal Projects	Total
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 631,483	\$ 0	\$ 631,483
Breakfast	210,178	0	210,178
Adult Education State Grant Program	72,074	0	72,074
Vocational Education - Basic Grants to States	0	111,258	111,258
Title I Grants to Local Education Agencies	0	776,369	776,369
Innovative Education Program Strategies	0	11,984	11,984
Special Education - Grants to States	15,790	605,534	621,324
Special Education Preschool Grants	0	32,336	32,336
Eisenhower Professional Development State Grants	0	207,338	207,338
Other Federal through State	0	23,709	23,709
<u>Direct Federal Revenue</u>			
Public Law 874 - Maintenance and Operation	7,588	0	7,588
Total Federal Government	\$ 937,113	\$ 1,768,528	\$ 2,705,641
<u>Other Governments and Citizens Groups</u>			
<u>Other Governments</u>			
Contributions	\$ 900,000	\$ 0	\$ 900,000
Total Other Governments and Citizens Groups	\$ 900,000	\$ 0	\$ 900,000
Total	\$ 21,446,668	\$ 1,777,673	\$ 23,224,341

Exhibit G-5

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 6,824,302	
Career Ladder Program	118,050	
Career Ladder Extended Contracts	32,500	
Homebound Teachers	46,998	
Educational Assistants	322,233	
Other Salaries & Wages	11,833	
Certified Substitute Teachers	34,320	
Non-certified Substitute Teachers	90,882	
Social Security	434,674	
State Retirement	400,289	
Life Insurance	6,382	
Medical Insurance	648,643	
Unemployment Compensation	6,969	
Employer Medicare	101,657	
Contracts with Private Agencies	13,930	
Maintenance & Repair Services - Equipment	68,663	
Instructional Supplies and Materials	67,587	
Textbooks	206,831	
Fee Waivers	13,037	
Regular Instruction Equipment	188,023	
Other Equipment	23,036	
Total Regular Instruction Program		\$ 9,660,839

Alternative Instruction Program

Teachers	\$ 87,521	
Career Ladder Program	1,000	
Other Salaries & Wages	11,678	
Certified Substitute Teachers	1,760	
Non-certified Substitute Teachers	2,750	
Social Security	6,177	
State Retirement	4,821	
Life Insurance	69	
Medical Insurance	9,982	
Unemployment Compensation	116	
Employer Medicare	1,445	
Instructional Supplies and Materials	566	
Total Alternative Instruction Program		127,885

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program

Teachers	\$	796,419	
Career Ladder Program		8,797	
Homebound Teachers		8,808	
Educational Assistants		124,870	
Certified Substitute Teachers		3,200	
Non-certified Substitute Teachers		12,478	
Social Security		55,327	
State Retirement		50,191	
Life Insurance		731	
Medical Insurance		82,292	
Unemployment Compensation		1,103	
Employer Medicare		12,940	
Maintenance & Repair Services - Equipment		3,314	
Other Contracted Services		116,223	
Instructional Supplies and Materials		3,572	
Other Supplies and Materials		808	
Total Special Education Program			\$ 1,281,073

Vocational Education Program

Teachers	\$	194,213	
Career Ladder Program		4,000	
Certified Substitute Teachers		7,520	
Non-certified Substitute Teachers		5,250	
Social Security		12,518	
State Retirement		10,902	
Life Insurance		171	
Medical Insurance		13,465	
Unemployment Compensation		179	
Employer Medicare		2,928	
Contracts with Other School Systems		298,623	
Instructional Supplies and Materials		11,122	
Vocational Instruction Equipment		1,100	
Total Vocational Education Program			561,991

Adult Education Program

Teachers	\$	11,490
Other Salaries & Wages		615
Social Security		746
State Retirement		136

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Adult Education Program (Cont.)

Employer Medicare	\$	174	
Other Supplies and Materials		20,543	
Total Adult Education Program			\$ 33,704

Support Services

Attendance

Supervisor/Director	\$	55,530	
Career Ladder Program		1,000	
Other Salaries & Wages		11,678	
Social Security		4,114	
State Retirement		3,895	
Life Insurance		34	
Medical Insurance		3,652	
Unemployment Compensation		42	
Employer Medicare		962	
Travel		967	
Other Supplies and Materials		4,189	
Attendance Equipment		14,836	
Total Attendance			100,899

Health Services

Supervisor/Director	\$	57,970	
Medical Personnel		88,964	
Other Salaries & Wages		10,977	
Social Security		9,562	
State Retirement		8,136	
Life Insurance		34	
Unemployment Compensation		232	
Employer Medicare		2,236	
Travel		2,571	
Other Contracted Services		6,000	
Drugs and Medical Supplies		4,315	
Other Supplies and Materials		1,653	
Other Charges		14,763	
Health Equipment		1,717	
Total Health Services			209,130

Other Student Support

Career Ladder Program	\$	5,000	
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(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Guidance Personnel	\$	253,748	
Social Security		14,871	
State Retirement		14,231	
Life Insurance		203	
Medical Insurance		24,533	
Unemployment Compensation		168	
Employer Medicare		3,478	
Contracts with Government Agencies		96,681	
Evaluation and Testing		13,843	
Total Other Student Support			\$ 426,756

Regular Instruction Program

Supervisor/Director	\$	61,433	
Career Ladder Program		14,833	
Career Ladder Extended Contracts		6,000	
Librarians		276,322	
Instructional Computer Personnel		61,250	
Clerical Personnel		17,707	
In-Service Training		1,500	
Social Security		26,416	
State Retirement		24,364	
Life Insurance		306	
Medical Insurance		14,748	
Unemployment Compensation		336	
Employer Medicare		6,179	
Travel		6,266	
Library Books/Media		25,695	
Other Supplies and Materials		6,791	
In Service/Staff Development		1,752	
Other Charges		8,344	
Other Equipment		22,704	
Total Regular Instruction Program			582,946

Special Education Program

Supervisor/Director	\$	57,962
Career Ladder Program		4,000
Psychological Personnel		51,827
Assessment Personnel		43,925
Clerical Personnel		17,474

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Social Security	\$	10,015	
State Retirement		9,850	
Life Insurance		97	
Medical Insurance		16,415	
Unemployment Compensation		112	
Employer Medicare		2,342	
Travel		6,168	
Other Contracted Services		2,000	
In Service/Staff Development		862	
Total Special Education Program			\$ 223,049

Vocational Education Program

Other Salaries & Wages	\$	20,878	
Social Security		1,294	
Unemployment Compensation		28	
Employer Medicare		303	
Travel		551	
Other Supplies and Materials		1,057	
Total Vocational Education Program			24,111

Adult Programs

Supervisor/Director	\$	51,278	
Clerical Personnel		6,200	
Social Security		3,227	
State Retirement		2,820	
Life Insurance		17	
Medical Insurance		6,573	
Unemployment Compensation		40	
Employer Medicare		755	
Travel		802	
Other Supplies and Materials		1,500	
Other Charges		162	
Other Equipment		1,367	
Total Adult Programs			74,741

Board of Education

Board and Committee Members Fees	\$	9,350	
Social Security		580	
Employer Medicare		136	

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Audit Services	\$	5,150	
Dues and Memberships		13,373	
Legal Services		3,980	
Travel		2,505	
Trustee's Commission		105,034	
Workers' Compensation Insurance		88,990	
Refund to Applicant for Criminal Investigation		4,080	
Other Charges		17,047	
Total Board of Education			\$ 250,225

Director of Schools

County Official/Administrative Officer	\$	82,137	
Career Ladder Program		1,000	
Social Security		5,017	
State Retirement		4,573	
Life Insurance		34	
Medical Insurance		3,652	
Unemployment Compensation		28	
Employer Medicare		1,173	
Communication		17,347	
Dues and Memberships		1,472	
Postal Charges		3,959	
Travel		1,827	
Other Contracted Services		2,151	
Office Supplies		5,630	
Total Director of Schools			130,000

Office of the Principal

Principals	\$	418,719	
Career Ladder Program		8,083	
Accountants/Bookkeepers		86,041	
Assistant Principals		143,066	
Secretary(ies)		36,202	
Other Salaries & Wages		171,664	
Social Security		51,528	
State Retirement		45,164	
Life Insurance		328	
Medical Insurance		32,960	
Unemployment Compensation		900	

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Employer Medicare	\$	12,051	
Communication		976	
Total Office of the Principal			\$ 1,007,682

Fiscal Services

Accountants/Bookkeepers	\$	67,198	
Clerical Personnel		39,085	
Social Security		6,449	
State Retirement		7,150	
Unemployment Compensation		112	
Employer Medicare		1,509	
Data Processing Services		6,755	
Travel		103	
Other Contracted Services		1,426	
Data Processing Supplies		1,809	
Office Supplies		636	
Total Fiscal Services			132,232

Operation of Plant

Custodial Personnel	\$	467,106	
Maintenance Personnel		5,157	
Social Security		28,857	
State Retirement		24,357	
Unemployment Compensation		869	
Employer Medicare		6,749	
Custodial Supplies		71,231	
Electricity		512,825	
Fuel Oil		20,809	
Natural Gas		186,615	
Water and Sewer		90,460	
Other Supplies and Materials		2,005	
Building and Contents Insurance		142,485	
Total Operation of Plant			1,559,525

Maintenance of Plant

Supervisor/Director	\$	35,054	
Maintenance Personnel		166,039	
Other Salaries & Wages		14,640	
Social Security		13,749	

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

State Retirement	\$	12,668	
Unemployment Compensation		268	
Employer Medicare		3,216	
Travel		430	
Other Contracted Services		70,674	
Other Supplies and Materials		164,375	
Administration Equipment		1,491	
Maintenance Equipment		8,692	
Total Maintenance of Plant			\$ 491,296

Transportation

Supervisor/Director	\$	32,800	
Mechanic(s)		129,912	
Bus Drivers		475,592	
Other Salaries & Wages		16,369	
Social Security		40,036	
State Retirement		31,272	
Unemployment Compensation		1,217	
Employer Medicare		9,375	
Medical and Dental Services		5,426	
Travel		908	
Diesel Fuel		206,172	
Garage Supplies		14,047	
Lubricants		7,030	
Tires and Tubes		19,259	
Vehicle Parts		91,960	
Other Charges		5,517	
Transportation Equipment		238,916	
Total Transportation			1,325,808

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	25,960
Cafeteria Personnel		470
In-Service Training		1,315
Social Security		1,383
State Retirement		51
Unemployment Compensation		40
Employer Medicare		400

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Communication	\$	575	
Payments to Schools - Breakfast		210,178	
Payments to Schools - Lunch		631,483	
Travel		62	
In Service/Staff Development		80	
Other Charges		1,489	
Total Food Service			\$ 873,486

Capital Outlay

Regular Capital Outlay

Architects	\$	33,643	
Building Construction		138,522	
Building Improvements		565,463	
Site Development		23,100	
Other Capital Outlay		158,890	
Total Regular Capital Outlay			919,618

Principal on Debt

Education

Principal on Bonds	\$	385,000	
Total Education			385,000

Interest on Debt

Education

Interest on Bonds	\$	314,938	
Total Education			314,938

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	27,128	
Total Education			27,128

Total General Purpose School Fund \$ 20,724,062

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	333,241	
Educational Assistants		174,803	

(Continued)

Exhibit G-5

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Other Salaries & Wages	\$	2,125	
Certified Substitute Teachers		4,243	
Non-certified Substitute Teachers		12,810	
Social Security		30,650	
State Retirement		26,415	
Life Insurance		315	
Medical Insurance		37,078	
Unemployment Compensation		913	
Employer Medicare		7,166	
Instructional Supplies and Materials		108,832	
Total Regular Instruction Program			\$ 738,591

Special Education Program

Educational Assistants	\$	210,951	
Other Salaries & Wages		43,818	
Social Security		15,513	
State Retirement		14,687	
Unemployment Compensation		647	
Employer Medicare		3,629	
Maintenance & Repair Services - Equipment		8,745	
Other Contracted Services		97,946	
Instructional Supplies and Materials		31,086	
Other Supplies and Materials		6,020	
Special Education Equipment		46,997	
Total Special Education Program			480,039

Vocational Education Program

Teachers	\$	5,000	
Social Security		310	
State Retirement		75	
Employer Medicare		275	
Vocational Instruction Equipment		85,884	
Total Vocational Education Program			91,544

Support Services

Other Student Support

Clerical Personnel	\$	12,000	
Social Security		750	
State Retirement		175	

(Continued)

Exhibit G-5

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Employer Medicare	\$	810	
Other Contracted Services		3,675	
In Service/Staff Development		2,304	
Other Charges		4,548	
Total Other Student Support			\$ 24,262

Regular Instruction Program

Supervisor/Director	\$	62,823	
Clerical Personnel		8,253	
Other Salaries & Wages		97,905	
In-Service Training		1,150	
Social Security		9,780	
State Retirement		9,459	
Life Insurance		99	
Medical Insurance		16,410	
Unemployment Compensation		79	
Employer Medicare		2,287	
Travel		536	
Tuition		17,126	
Other Supplies and Materials		2,044	
In Service/Staff Development		63,791	
Other Charges		152	
Other Equipment		10,667	
Total Regular Instruction Program			302,561

Special Education Program

Other Salaries & Wages	\$	5,419	
Social Security		297	
State Retirement		347	
Life Insurance		3	
Medical Insurance		583	
Employer Medicare		69	
Maintenance & Repair Services - Equipment		340	
Travel		413	
Other Contracted Services		10,053	
Other Supplies and Materials		5,861	
In Service/Staff Development		11,144	
Total Special Education Program			34,529

(Continued)

Exhibit G-5

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Transportation

Bus Drivers	\$ 8,980	
Social Security	554	
State Retirement	605	
Unemployment Compensation	12	
Employer Medicare	129	
Transportation Equipment	83,982	
Total Transportation	83,982	\$ 94,262

Total School Federal Projects Fund \$ 1,765,788

Total Governmental Funds - Macon County School Department \$ 22,489,850

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

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

CARL LOWE, CGFM
Audit Manager

STEVE REEDER, CPA, CGFM, CFE
Auditor 4

TIM BRASHEARS
RODNEY MALIN, CGFM
GARY RAMSEY, CPA
CHRISTY TENNANT, CPA
MELODIE WHEELER, CFE
KELLEY McNEAL, CPA, CGFM
State Auditors

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

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
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JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
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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

April 3, 2007

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

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

We have audited the financial statements of each major fund and the aggregate remaining fund information of Macon County, Tennessee, and the governmental activities, the major fund, and the aggregate remaining fund information of the Macon County School Department, as of and for the year ended June 30, 2006, which collectively comprise a portion of Macon County's and the Macon County School Department's basic financial statements and have issued our reports thereon dated April 3, 2007. Our report on the financial statements of Macon County expressed an adverse opinion because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Macon County School Department expressed an unqualified opinion. 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 Macon County's and the Macon County School Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting

and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Macon County's and the Macon County School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.03(B), 06.05, 06.06, 06.08, 06.11, 06.12(C), 06.13, and 06.14.

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 none of the reportable conditions described above is a material weakness.

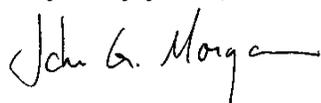
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Macon County's and the Macon County School Department's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 06.01, 06.02, 06.03(A), 06.04, 06.07, 06.09, 06.10, and 06.12(A,B).

We noted certain other matters that we reported to the management of Macon County and the Macon County School Department in separate communications.

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

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/sb



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

April 3, 2007

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

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

Compliance

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

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

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

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

Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Macon County's and the Macon County School Department's ability to administer major federal programs in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.13 and 06.15.

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

Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Macon County, Tennessee, and the governmental activities, the major fund, and the aggregate remaining fund information of the Macon County School Department as of and for the year ended June 30, 2006, and have issued our reports thereon dated April 3, 2007. Our report on the financial statements of Macon County,

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

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/sb

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

For the Macon County Library System – Public Library Fund

To the Macon County Library Board
Lafayette, Tennessee

I have audited the financial statements of the Macon County Library System – Public Library Fund as of and for the year ended June 30, 2006, and have issued a report thereon. I conducted the audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the library's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

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

2006-1 Separation of Duties

Due to the limited number of personnel employed by the library, several functions, which ideally should be performed by different individuals, are regularly performed by one or two persons. We recommend that the library strengthen its internal control in cash receipts, cash disbursements, and reconciliation of cash.

Disposition:

Due to the size of the office, a complete separation of duties is not possible. However we are continuing to monitor office responsibilities and segregate duties as needed.

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

This report is intended solely for the information and use of the audit committee, management, and the State Comptrollers Office and is not intended to be and should not be used by anyone other than these specified parties.

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying/ Contract Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture: Food Distribution (Noncash Assistance)	10.550	N/A	\$ 121,817
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	210,178
National School Lunch Program	10.555	N/A	631,483
Total U.S. Department of Agriculture			\$ 963,478
U.S. Department of Commerce:			
Direct Program:			
Grants for Public Works and Economic Development Facilities	11.300	N/A	\$ 1,000,000
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants State's Program	14.228	GG-06-12313-00	\$ 28,191
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-06-027794-00	\$ 72,074
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	781,780
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	586,397
Special Education - Preschool Grants	84.173	N/A	34,226
Vocational Education - Basic Grants to States	84.048	N/A	111,258
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	24,315
State Grants for Innovative Programs	84.298	N/A	11,984
Education Technology State Grants	84.318	(2)	18,934
Improving Teacher Quality State Grants	84.367	N/A	203,538
Improving Teacher Quality State Grants	84.938	(2)	7,588
Passed-through Dekalb County School Department:			
English Language Acquisition Grants	84.365	N/A	9,145
Total U.S. Department of Education			\$ 1,861,239
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-04-020120-00	\$ 1,228
Homeland Security Preparedness Technical Assistance Program	97.007	Z-04-020183-00	8,000
Pre-Disaster Mitigation	97.047	GG-04-10754-00	8,975
Total U.S. Department of Homeland Security			\$ 18,203
Total Expenditures of Federal Grants			\$ 3,871,111

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 7,770
Juvenile Justice - State Commission on Children and Youth	N/A	Z-06-002620-00	9,000
Adult Education - State Department of Labor and Workforce Development	N/A	Z-06-027794-00	19,159
Coordinate School Health Grant - State Department of Education	N/A	(2)	91,458
Safe Schools Act - State Department of Education	N/A	(2)	23,440
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	13,112
Waste Reduction Grant - State Department of Environment and Conservation	N/A	(2)	69,822
Recycling Equipment Grant - State Department of Environment and Conservation	N/A	(2)	17,816
Tennessee Industrial Infrastructure Program - State Department of Economic and Community Development	N/A	GG-05-11625-00	357,735
Rural Health Services - State Department of Health	N/A	Z-06-025958-01	50,100
Litter Program - State Department of Transportation	N/A	(3)	<u>40,904</u>
Total State Grants			<u>\$ 700,316</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

(1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.

(2) Information not available.

(3) Z-05-021525-00: \$14,534; Z-06-027986-00: \$26,370.

Macon County, Tennessee, and the Macon County School Department
Schedule of Audit Findings Not Corrected
June 30, 2006

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

MACON COUNTY

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

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.02	13	All financial activity of the Macon County Library Board was not subject to the budgetary control of the County Commission
05.04	14	Written guidelines governing the use of fuel cards had not been adopted
05.05	15	A report on debt obligations was not filed with the state director of Local Finance

OFFICE OF ROAD SUPERVISOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.06	16	The county road list was not prepared adequately

OTHER FINDINGS

Finding Number	Page Number	Subject
05.09	17	Duties were not segregated adequately in the Offices of Road Supervisor, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff
05.11	19	A central system of accounting, budgeting, and purchasing had not been adopted

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2006

PART I, SUMMARY OF AUDITOR'S RESULTS

1. An adverse opinion was issued on the financial statements of Macon County, and an unqualified opinion was issued on the financial statements of the Macon County School Department.
2. The audit of the financial statements of Macon County and the Macon County School Department disclosed reportable conditions in internal control. None of these conditions were considered to be a material weakness.
3. The audit disclosed two instances of noncompliance that are material to the financial statements of Macon County. The audit did not disclose any instances of noncompliance that are material to the financial statements of the Macon County School Department.
4. The audit disclosed one reportable condition in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Grants for Public Works and Economic Development Facilities Program (CFDA No. 11.300), Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: Special Education-Grants to States and Special Education-Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Macon County and the Macon County School Department did not qualify as low-risk auditees.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written responses of the county mayor and director of schools 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.

MACON COUNTY

FINDING 06.01 **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**
(Material Noncompliance Under Government Auditing Standards)

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

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

RECOMMENDATION

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

OFFICE OF COUNTY MAYOR

FINDING 06.02 ALL FINANCIAL ACTIVITY OF THE MACON COUNTY LIBRARY BOARD WAS NOT SUBJECT TO THE BUDGETARY CONTROL OF THE COUNTY COMMISSION
(Noncompliance Under Government Auditing Standards)

The Macon County Library operated as a department within the county's General Fund. A significant portion of the library's expenditures was paid through the county's General Fund (\$109,762) which is subject to the budgetary control of the County Commission; however, the Library Board maintained three checking accounts to deposit various revenues and pay certain operating expenses (\$24,296) which were not subject to the budgetary control of the County Commission. The balance of these three checking accounts totaled \$47,795 on June 30, 2006. Macon County did contract for an audit of the three checking accounts, and that financial activity has been included in the financial statements of this report as the Public Library Fund.

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

RECOMMENDATION

All revenues and expenditures of the Macon County Library should be subject to the budgetary control of the County Commission as required by state statutes.

FINDING 06.03 DEFICIENCIES WERE NOTED IN THE MAINTENANCE OF ACCOUNTING RECORDS
(A. Material Noncompliance Under Government Auditing Standards;
B. Internal Control – Reportable Condition Under Government Auditing Standards)

Our audit noted the following deficiencies in the maintenance of the accounting records:

- A. Payables were not properly determined and recorded on the accounting records of the General Fund at June 30, 2006, as required by generally accepted accounting principles. We performed additional audit procedures to determine the proper amounts of payables. Audit adjustments totaling \$102,390 were presented to management for approval and posting to the financial records to correctly present these liabilities in the financial statements of this report.

- B. General ledger payroll liability accounts were not reconciled monthly with payroll reports and payments. The failure to regularly reconcile payroll deduction accounts allows errors to remain undiscovered and uncorrected. Adjustments have been provided to management for approval and posting to correctly present these liability accounts in the financial statements of this report.

RECOMMENDATION

Payables should be properly determined and recorded on the accounting records as required by generally accepted accounting principles. General ledger payroll liability accounts should be reconciled monthly with payroll reports and payments, and errors should be corrected promptly.

**FINDING 06.04 A REPORT ON DEBT OBLIGATIONS WAS NOT FILED WITH THE STATE DIRECTOR OF LOCAL FINANCE
(Noncompliance Under Government Auditing Standards)**

The office did not file a Report on Debt Obligations with the state director of Local Finance for a \$900,000 capital outlay note issued for a roofing project. 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 costs of issuance.

RECOMMENDATION

The office should file a Report on Debt Obligations with the state director of Local Finance for each debt issuance as required by state statute.

**FINDING 06.05 THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES
(Internal Control – Reportable Condition Under Government Auditing Standards)**

Our examination of purchasing procedures revealed the following deficiencies:

- A. The office did not issue purchase orders for some applicable purchases. Purchase orders are necessary to control who has purchasing authority for the office and to document purchasing commitments. Also, descriptions and dollar amounts of purchases were not listed on some purchase orders.

- B. In several instances, invoices were paid without documentation that goods had been received and/or services had been rendered. This practice weakens control over the purchasing process. We extended our audit procedures and determined that these goods were received and services were rendered.

RECOMMENDATION

Purchase orders should be issued for all applicable purchases and should include the dollar amounts and descriptions for items purchased. Documentation should be obtained indicating that goods have been received and/or services have been rendered before invoices are paid.

FINDING 06.06 **WRITTEN GUIDELINES GOVERNING THE USE OF FUEL CARDS HAD NOT BEEN ADOPTED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The county had fuel cards available for employees to use. However, the County Commission had not adopted written guidelines governing the use of these cards. The failure to implement and maintain a formal policy increases the risk of abuse or theft of county assets.

RECOMMENDATION

The County Commission should adopt written guidelines governing the use of fuel cards. These guidelines should identify those who are entitled to use the fuel cards and the purposes for which the fuel cards can be used.

FINDING 06.07 **AMBULANCE SERVICE COLLECTIONS WERE NOT DEPOSITED WITHIN THREE DAYS**
(Noncompliance Under Government Auditing Standards)

Funds collected at the Ambulance Service were not deposited with the county trustee within three days of collection as required by Section 5-8-207, Tennessee Code Annotated.

RECOMMENDATION

All Ambulance Service collections should be deposited with the county trustee within three days of collection as required by state statute.

OFFICE OF ROAD SUPERVISOR

FINDING 06.08 APPROPRIATIONS EXCEEDED ESTIMATED AVAILABLE FUNDS
(Internal Control – Reportable Condition Under Government Auditing Standards)

The budget and subsequent amendments submitted to and approved by the County Commission for the Highway/Public Works Fund contained appropriations that exceeded estimated available funding by \$72,622.

RECOMMENDATION

Appropriations that exceed estimated available funding should not be submitted to the County Commission, and the County Commission should not approve such appropriations.

FINDING 06.09 A COMPLETE COUNTY ROAD LIST WAS NOT SUBMITTED TO THE COUNTY COMMISSION FOR APPROVAL
(Noncompliance Under Government Auditing Standards)

The road supervisor submitted a list of county road names to the County Commission; however, this list did not include the classification of each road and did not include a summary of changes from the prior year. Section 54-10-103, Tennessee Code Annotated, requires the road supervisor to submit a list of county roads to the County Commission for its approval at the January session each year. This list must include the classification, width and distance of each county-maintained road, and a summary of changes from the prior year that provides the road name, date the change was approved by the County Commission, and the reason for the change.

RECOMMENDATION

The road supervisor should submit to the County Commission a list of county roads that includes the classification, width and distance of each road, and a summary of changes as required by state statute.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 06.10 RETAINAGE WITHHELD FROM CONTRACTOR PAYMENTS WAS NOT DEPOSITED INTO AN ESCROW ACCOUNT IN COMPLIANCE WITH STATE STATUTE
(Noncompliance Under Government Auditing Standards)

The office did not deposit retainage of \$39,246 withheld from contractor payments into an escrow account. Section 66-11-144, Tennessee Code Annotated, requires that retainage withheld from contractor payments be deposited into an escrow account for contracts of \$500,000 or more.

RECOMMENDATION

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

FINDING 06.11 THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination of purchasing procedures revealed the following deficiencies:

- A. Purchase orders were not issued in some required instances. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments.
- B. In several instances, invoices were not on file to support the purchase, and some invoices were paid without documentation that goods had been received or services had been rendered. These practices weaken controls over the purchasing process. We extended our audit procedures by obtaining copies of invoices and documentation of goods received or services rendered to document these purchases.

RECOMMENDATION

The office should improve purchasing procedures by issuing purchase orders for all applicable purchases. Invoices should be on file to support purchases, and documentation should be on file indicating that goods have been received or services rendered before invoices are paid.

OFFICE OF SHERIFF

FINDING 06.12 **THE OFFICE HAD DEFICIENCIES IN THE OPERATION OF THE COMMISSARY**

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

Our examination of commissary operations revealed the following deficiencies:

- A. In some instances, funds were not deposited to the office bank account within three days of collection as required by Section 5-8-207, Tennessee Code Annotated (TCA). This statute requires county officials to deposit funds to the office bank account within three days of collection.
- B. Profits from commissary operations were not determined and remitted to the county as required by Section 8-24-103, TCA. This statute requires all fees and commissions collected by the sheriff to be remitted to the county. At June 30, 2006, accounting records of the office identified \$32,957 as profits from commissary sales that had not been remitted to the county.
- C. The office maintained accounting records for commissary funds but did not reflect these transactions on the office cash journal. The cash journal is the official cash control record and should reflect all financial activity of the office.

RECOMMENDATION

Funds should be deposited to the office bank account within three days of collection, and profits from commissary operations should be determined and remitted to the county in accordance with state statutes. Furthermore, all commissary transactions should be reflected on the cash journal.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 06.13 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY MAYOR, ROAD SUPERVISOR, DIRECTOR OF SCHOOLS, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**

(Internal Control – Reportable Condition Under Government Auditing Standards and OMB Circular A-133)

Duties were not segregated adequately among the officials and employees in the Offices of County Mayor, Road Supervisor, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. Employees

responsible for maintaining the accounting records were also involved in receipting, depositing, and/or disbursing funds.

RECOMMENDATION

To strengthen internal controls over operations, these offices should segregate duties adequately among employees.

MANAGEMENT’S RESPONSE – CURRENT COUNTY MAYOR – SHELVEY LINVILLE (DIRECT QUOTE)

Due to the budget situation, this office is not budgeted for extra personnel in order to adequately segregate duties.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS (DIRECT QUOTE)

Macon County is a small county and we do not have the financial capability to employ enough personnel to be able to segregate duties in the central office as your audit recommended.

REBUTTAL

We have not recommended hiring additional employees. We realize that due to limited resources and personnel, management may not be able to fully segregate duties among employees; however, we do believe some duties in these offices can be better segregated.

FINDING 06.14 **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.

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

<u>Federal/Pass-through Agency</u>	<u>Finding Number</u>	<u>Federal CFDA Number</u>	<u>Criteria</u>	<u>Explanation</u>	<u>Amount Questioned</u>
U.S. Department of Commerce: Grants for Public Works and Economic Development Facilities	06.15	11.300	Circular A-133, Section 500(c)(3)	Reportable Condition in Internal Control See Finding 06.13 - Duties were not adequately segregated in the Offices of County Mayor and Director of Schools	\$ 0
U.S. Department of Education: Passed-through State Department of Education: Title 1 Grants to Local Educational Agencies		84.010			
Special Education Cluster: Special Education - Grants to States		84.027			
Special Education - Preschool Grants		84.173			

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

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

Office of County Mayor – Corrective Action Plan for Current Year Findings

FINDINGS 06.13 and 06.15

Contact person: Shelvy Linville (Current County Mayor)

Corrective action planned: Due to limited resources and personnel, management is not able to properly segregate duties among employees.

Anticipated completion date: None

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

FINDINGS 06.13 and 06.15

Contact person: Mike Prock - Director of Schools

Corrective action planned: Due to limited resources and personnel, management is not able to properly segregate duties among employees.

Anticipated completion date: None