

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

SINGLE AUDIT REPORT



FOR THE YEAR ENDED JUNE 30, 2007



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

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

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

*JAMES R. ARNETTE
Director*

*JEFF BAILEY, CPA, CGFM, CFE
Audit Manager*

*EUGENE HAMPTON II, CPA, CGFM
Auditor 4*

*FERMAN PRIDE, CGFM
STEPHANIE MACEINA
TERYN HORTON
KELLEY McNEAL, CPA, CGFM
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, 2007

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, 2007.

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 (GASB) Statement No. 34.

Our audit resulted in ten 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.
- ◆ Macon County has not completed the steps set forth in the implementation plan for Governmental Accounting Standards Board Statement No. 34 filed with the Comptroller of the Treasury.

OFFICE OF COUNTY MAYOR

- ◆ All financial activity of the Macon County Library Board was not subject to the budgetary control of the County Commission.
- ◆ Collections of the Ambulance Service were not deposited within three days.

OFFICE OF CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK

- ◆ The juvenile court clerk did not prepare an annual financial report.
-

OFFICE OF SHERIFF

- ◆ Commissary profits were not remitted to the county trustee.
 - ◆ The office had deficiencies in its booking procedures.
-

OTHER FINDINGS

- ◆ Competitive proposals were not solicited for the purchase of employee health insurance for the Offices of County Mayor and Supervisor of Roads and noncertified employees of the School Department.
- ◆ Duties were not segregated adequately in the Offices of County Mayor; Road Supervisor; Trustee; County Clerk; Circuit, General Sessions, and Juvenile 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, 2007

Officials

Shelvy Linville, County Mayor
Charles Porter, Supervisor of Roads
Diane Cook, Trustee
Rick Shoulders, Assessor of Property
James Howser, County Clerk
Rick Gann, Circuit, General Sessions, and Juvenile Courts Clerk
Gwendolyn Linville, Clerk and Master
Melinda Ferguson, Register
Mark Gammons, Sheriff

Board of County Commissioners

Shelvy Linville, Chairman	
Billy Bransford	Ralph Doss
David Crowder	Tony Boles
Vernon Biggs	Annette Looper
Jeff Hughes	Anna Dean Carter
Billy West	Melburn Cothron
Phillip Snow	Helen Hesson
Jerry Ray	Phillip Spears
Scott Gammons	Robert Grant Malo
Larry Tucker	Lindbergh Dennis
Mike East	Rosetta Day Driver

Purchasing Commission

Shelvy Linville, 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

February 29, 2008

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, 2007, as shown on pages 15 through 37, 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's Public Library Fund, a special revenue fund, which represent ten and six percent, respectively of the assets and revenues of the aggregate remaining fund information as of June 30, 2007. 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's 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, 2007, 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, 2007, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated February 29, 2008, 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.

The budgetary comparison and pension information on pages 41 through 47 are not required parts of the basic financial statements but they do provide supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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" with a long horizontal flourish extending to the right.

John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
ASSETS					
Cash	\$ 0	\$ 0	\$ 0	\$ 115,072	\$ 115,072
Equity in Pooled Cash and Investments	2,208,429	465,635	1,018,728	277,956	3,970,748
Accounts Receivable	539,915	180	0	339	540,434
Allowance for Uncollectibles	(170,145)	0	0	0	(170,145)
Due from Other Governments	73,816	270,880	66,430	0	411,126
Due from Other Funds	0	0	0	5,001	5,001
Property Taxes Receivable	3,947,317	378,526	0	81,106	4,406,949
Allowance for Uncollectible Property Taxes	(87,224)	(8,368)	0	(1,791)	(97,383)
Total Assets	\$ 6,512,108	\$ 1,106,853	\$ 1,085,158	\$ 477,683	\$ 9,181,802
LIABILITIES AND FUND BALANCES					
<u>Liabilities</u>					
Accrued Payroll	\$ 156	\$ 467	\$ 0	\$ 0	\$ 623
Payroll Deductions Payable	5,838	0	0	0	5,838
Due to Other Funds	5,001	0	0	0	5,001
Due to Litigants, Heirs, and Others	0	0	0	339	339
Deferred Revenue - Current Property Taxes	3,741,656	358,789	0	76,884	4,177,329
Deferred Revenue - Delinquent Property Taxes	110,598	10,616	0	2,270	123,484
Other Deferred Revenues	425,188	141,064	66,430	0	632,682
Total Liabilities	\$ 4,288,437	\$ 510,936	\$ 66,430	\$ 79,493	\$ 4,945,296
<u>Fund Balances</u>					
Reserved for Alcohol and Drug Treatment	\$ 46,302	\$ 0	\$ 0	\$ 0	\$ 46,302
Reserved for Sexual Offender Registration	1,387	0	0	0	1,387
Reserved for Courtroom Security	8,507	0	0	0	8,507
Reserved for Computer System - Register	15,063	0	0	0	15,063
Reserved for Automation Purposes - Chancery Court	524	0	0	0	524
Unreserved, Reported In:					
General Fund	2,151,888	0	0	0	2,151,888
Special Revenue Funds	0	595,917	0	398,190	994,107
Debt Service Funds	0	0	1,018,728	0	1,018,728
Total Fund Balances	\$ 2,223,671	\$ 595,917	\$ 1,018,728	\$ 398,190	\$ 4,236,506
Total Liabilities and Fund Balances	\$ 6,512,108	\$ 1,106,853	\$ 1,085,158	\$ 477,683	\$ 9,181,802

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, 2007

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 4,571,570	\$ 368,793	\$ 852,042	\$ 134,853	\$ 5,927,258
Licenses and Permits	38,539	0	0	0	38,539
Fines, Forfeitures, and Penalties	125,409	0	0	14,516	139,925
Charges for Current Services	1,262,741	0	0	375,458	1,638,199
Other Local Revenues	524,996	10,866	7,150	23,955	566,967
Fees Received from County Officials	633,821	0	0	0	633,821
State of Tennessee	501,977	1,664,857	678,874	19,130	2,864,838
Federal Government	530,597	22,103	0	4,042	556,742
Other Governments and Citizens Groups	10,288	0	329,566	7,001	346,855
Total Revenues	\$ 8,199,938	\$ 2,066,619	\$ 1,867,632	\$ 578,955	\$ 12,713,144
<u>Expenditures</u>					
Current:					
General Government	\$ 1,080,258	\$ 0	\$ 0	\$ 19,745	\$ 1,100,003
Finance	167,122	0	0	282,836	449,958
Administration of Justice	590,133	0	0	284	590,417
Public Safety	2,495,527	0	0	33,937	2,529,464
Public Health and Welfare	1,641,998	0	0	214,761	1,856,759
Social, Cultural, and Recreational Services	326,331	0	0	33,354	359,685
Agriculture and Natural Resources	57,102	0	0	0	57,102
Other Operations	1,131,081	0	0	0	1,131,081
Highways	0	1,989,186	0	0	1,989,186
Instruction	30,063	0	0	0	30,063
Debt Service:					
Principal on Debt	45,453	0	1,519,865	0	1,565,318
Interest on Debt	1,500	0	385,454	0	386,954
Other Debt Service	0	0	39,427	0	39,427
Capital Projects	199,416	0	0	0	199,416
Capital Projects - Donated	0	0	0	700,000	700,000
Total Expenditures	\$ 7,765,984	\$ 1,989,186	\$ 1,944,746	\$ 1,284,917	\$ 12,984,833
Excess (Deficiency) of Revenues Over Expenditures	\$ 433,954	\$ 77,433	\$ (77,114)	\$ (705,962)	\$ (271,689)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 293,440	\$ 0	\$ 0	\$ 700,000	\$ 993,440
Insurance Recovery	9,333	29,213	0	0	38,546
Transfers In	2,400	0	0	0	2,400
Transfers Out	0	(2,400)	0	0	(2,400)
Total Other Financing Sources (Uses)	\$ 305,173	\$ 26,813	\$ 0	\$ 700,000	\$ 1,031,986
Net Change in Fund Balances	\$ 739,127	\$ 104,246	\$ (77,114)	\$ (5,962)	\$ 760,297
Fund Balance, July 1, 2006	1,484,544	491,671	1,095,842	404,152	3,476,209
Fund Balance, June 30, 2007	\$ 2,223,671	\$ 595,917	\$ 1,018,728	\$ 398,190	\$ 4,236,506

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, 2007

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 656,929
Due from Other Governments	<u>271,242</u>
Total Assets	<u><u>\$ 928,171</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 271,242
Due to Litigants, Heirs, and Others	<u>656,929</u>
Total Liabilities	<u><u>\$ 928,171</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, 2007

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 No. 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 No. 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement No. 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, the financial information of entities that meet the criteria for discretely presented component units is not included in the fund financial statements, as required by generally accepted accounting principles. These entities would have been presented as separate columns in those statements to emphasize that they are legally separate from the county.

The 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 county’s Highway Department.

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

Additionally, Macon County reports the following fund types:

Capital Projects Fund – The Education Capital Projects Fund accounts for debt issued by Macon County that is subsequently contributed to the Macon County School Department, a component unit.

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 the Macon County School Department funds. Each fund’s portion of this pool is displayed on the balance sheets 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 one 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 Education Capital Projects Fund which adopts 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 Employee Benefits major appropriation category (the legal level of control) of the General Fund by \$18,135. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

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, 2007.

B. Insurance Recoveries

During the year, Macon County incurred damage to buildings and equipment. Insurance recoveries of \$9,333 in the General Fund and \$29,213 in the Highway/Public Works Fund were received and used to repair damages incurred.

C. Interfund Receivables, Payables, and Transfers

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

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Nonmajor governmental	General	\$ 5,001

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, 2007, consisted of the following amount:

Transfer Out	Transfer In General Fund
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.

D. 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, Notes, and Other Loans

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

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

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

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
General Obligation Bonds -			
Refunding	3.4 to 4.05 %	\$ 4,740,000	\$ 1,330,000
Other Loans	variable	8,759,000	6,594,330
Capital Outlay Notes	0 to 4.5	1,848,621	1,456,901

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, 2007, the variable interest rate was 3.89 percent, and other fees amounted to approximately .35 percent (letter of credit), .08 percent (remarketing), and \$85 per month (trustee) of the outstanding loan principal.

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

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2008	\$ 655,000	\$ 53,538	\$ 356,314	\$ 65,168
2009	675,000	27,337	172,520	46,379
2010	0	0	179,795	39,104
2011	0	0	187,349	31,550
2012	0	0	195,182	23,716
2013-2015	0	0	365,741	30,407
Total	\$ 1,330,000	\$ 80,875	\$ 1,456,901	\$ 236,324

Year Ending June 30	Other Loan (\$2,038,000)			Total
	Principal	Interest	Other Fees	
2008	\$ 83,000	\$ 59,906	\$ 6,872	\$ 149,778
2009	87,000	56,522	6,541	150,063
2010	91,000	52,982	6,196	150,178
2011	96,000	49,247	5,831	151,078
2012	101,000	45,319	5,447	151,766
2013-2017	583,000	160,696	20,798	764,494
2018-2021	582,000	40,884	7,989	630,873
Total	\$ 1,623,000	\$ 465,556	\$ 59,674	\$ 2,148,230

Year Ending June 30	Other Loan (\$6,721,000)			Total
	Principal	Interest	Other Fees	
2008	\$ 332,445	\$ 180,453	\$ 20,967	\$ 533,865
2009	345,445	167,015	19,482	531,942
2010	358,445	153,071	17,940	529,456
2011	373,445	138,544	16,335	528,324
2012	387,445	123,473	14,669	525,587
2013-2017	2,178,225	369,700	45,966	2,593,891
2018-2019	995,880	37,833	6,137	1,039,850
Total	\$ 4,971,330	\$ 1,170,089	\$ 141,496	\$ 6,282,915

There is \$1,018,728 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$65, based on the 2000 federal census. Debt per capita, including bonds, notes, and other loans totaled \$460, based on the 2000 federal census.

Changes in Long-term liabilities

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

Governmental Activities:	Bonds	Notes	Capital Leases
Balance, July 1, 2006	\$ 1,960,000	\$ 953,881	\$ 45,453
Additions	0	993,440	0
Deductions	(630,000)	(490,420)	(45,453)
Balance, June 30, 2007	<u>\$ 1,330,000</u>	<u>\$ 1,456,901</u>	<u>\$ 0</u>

	Compensated Absences	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2006	\$ 89,964	\$ 382,754
Additions	65,996	0
Deductions	(39,557)	(12,584)
Balance, June 30, 2007	<u>\$ 116,403</u>	<u>\$ 370,170</u>
Balance Due Within One Year	<u>\$ 11,640</u>	<u>\$ 17,245</u>

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

IV. OTHER INFORMATION

A. Risk Management

Macon County decided to purchase commercial insurance for the risks of employee health losses to which it is exposed. This insurance is to take effect September 15, 2007.

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. Contingent Liabilities

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

C. Changes in Administration

On August 31, 2006, the following changes in administration occurred: Glen Donoho left the Office of County Mayor and was succeeded by Shelvy 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.

D. 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 \$370,170 reported as postclosure care costs at June 30, 2007, represents the estimated cost of postclosure care. However, actual costs may be higher due to inflation, changes in technology, or changes in regulations.

E. 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 the three county mayors from Macon, Clay, and Jackson counties. Each of the remaining three members is 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 contributed \$7,000 to the Macon County Joint Economic and Community Development/Industrial Board during the 2006-07 year.

F. Retirement Commitments

Employees

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 <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, 2007, was 7.31 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 ending June 30, 2007, Macon County's annual pension cost of \$494,217 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2005, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. 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
6-30-07	\$494,217	100%	\$0
6-30-06	426,058	100	0
6-30-05	348,658	100	0

G. 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 Department and the School Department. The County Purchasing Law of 1983 provides for purchases exceeding \$10,000 to be made on a competitive basis after public advertisement.

Office of Supervisor of Roads

Purchasing procedures for the Office of Supervisor of Roads 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 Public Library Fund is a part of the Macon County Library System, which is a department of Macon County, Tennessee. Macon County has allowed the Macon County Library System 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’s Public Library Fund presented here is only for those funds mentioned above. The Macon County Library System’s 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 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 No. 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 No. 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. 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.

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 the government receives resources 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.

7. Budgets and Budgetary Accounting

The library board follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgets are adopted and approved by board vote on an annual basis. These budgets are adopted on a basis consistent with generally accepted accounting principles.
- b. The budget amounts shown in the financial statements are the final authorized amounts as (if) amended during the year.

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. The library has deposit policies to minimize custodial credit risks. 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 of 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's 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.

D. Reserved Fund Balance

The library has reserved \$2,542 for the purchase of certain types of books.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit D-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 4,571,570	\$ 4,438,004	\$ 4,438,004	\$ 133,566
Licenses and Permits	38,539	28,300	28,300	10,239
Fines, Forfeitures, and Penalties	125,409	140,610	145,000	(19,591)
Charges for Current Services	1,262,741	841,850	976,068	286,673
Other Local Revenues	524,996	156,300	496,716	28,280
Fees Received from County Officials	633,821	514,500	514,500	119,321
State of Tennessee	501,977	449,930	507,314	(5,337)
Federal Government	530,597	500	524,820	5,777
Other Governments and Citizens Groups	10,288	400	11,106	(818)
Total Revenues	\$ 8,199,938	\$ 6,570,394	\$ 7,641,828	\$ 558,110
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 50,540	\$ 52,550	\$ 60,050	\$ 9,510
Board of Equalization	2,050	2,100	2,100	50
Beer Board	30	350	350	320
Budget and Finance Committee	300	1,200	1,200	900
Other Boards and Committees	3,077	4,000	4,000	923
County Mayor/Executive	187,733	193,241	204,091	16,358
County Attorney	7,496	7,872	8,572	1,076
Election Commission	240,894	232,323	243,063	2,169
Register of Deeds	117,431	117,207	124,507	7,076
Development	0	3,260	3,260	3,260
Planning	46,984	50,150	52,875	5,891
County Buildings	112,010	122,703	128,366	16,356
Other Facilities	283,221	274,126	296,799	13,578
Other General Administration	7,581	7,501	8,051	470
Preservation of Records	3,988	4,000	4,000	12
Risk Management	16,923	14,001	17,501	578
<u>Finance</u>				
Property Assessor's Office	120,815	112,015	121,937	1,122
Reappraisal Program	11,260	11,700	12,468	1,208
County Trustee's Office	22,417	21,719	22,589	172
County Clerk's Office	12,630	11,549	12,636	6
<u>Administration of Justice</u>				
Circuit Court	265,826	250,005	291,603	25,777
General Sessions Court	88,050	85,937	92,137	4,087
Chancery Court	102,787	96,994	106,701	3,914
Juvenile Court	36,110	46,616	48,866	12,756
Judicial Commissioners	15,806	14,043	15,984	178
Probation Services	81,554	76,586	82,386	832
<u>Public Safety</u>				
Sheriff's Department	1,121,435	1,037,365	1,147,863	26,428

(Continued)

Exhibit D-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Safety (Cont.)</u>				
Administration of the Sexual Offender Registry	\$ 1,735	\$ 0	\$ 1,735	\$ 0
Jail	1,205,790	954,614	1,230,789	24,999
Workhouse	62,304	68,174	64,546	2,242
Fire Prevention and Control	6,458	6,460	6,460	2
Rural Fire Protection	13,490	13,500	13,500	10
Civil Defense	28,516	14,368	30,938	2,422
Rescue Squad	9,464	11,460	12,660	3,196
Disaster Relief	14,102	12,600	15,345	1,243
Other Emergency Management	7,127	7,350	8,000	873
County Coroner/Medical Examiner	8,380	17,050	17,050	8,670
Other Public Safety	16,726	14,000	17,082	356
<u>Public Health and Welfare</u>				
Local Health Center	35,147	28,100	37,100	1,953
Ambulance/Emergency Medical Services	1,417,495	1,228,370	1,445,588	28,093
Crippled Children Services	1,439	1,439	1,439	0
Other Local Health Services	53,625	76,406	104,797	51,172
Regional Mental Health Center	7,953	7,953	7,953	0
Appropriation to State	41,900	41,900	41,900	0
Other Local Welfare Services	66,118	52,064	71,064	4,946
Sanitation Education/Information	18,321	57,800	68,805	50,484
<u>Social, Cultural, and Recreational Services</u>				
Adult Activities	5,700	6,000	6,000	300
Senior Citizens Assistance	187,710	7,420	188,715	1,005
Libraries	115,734	114,855	124,270	8,536
Parks and Fair Boards	17,187	20,180	25,180	7,993
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	45,102	45,304	45,304	202
Soil Conservation	12,000	12,000	12,000	0
<u>Other Operations</u>				
Tourism	1,487	1,500	1,605	118
Industrial Development	397,479	7,000	397,479	0
Veterans' Services	19,909	18,630	20,080	171
Other Charges	363,750	421,000	435,325	71,575
Contributions to Other Agencies	48,511	25,990	53,490	4,979
Employee Benefits	293,370	603,000	275,235	(18,135)
Miscellaneous	6,575	6,050	6,575	0
<u>Instruction</u>				
Vocational Education Program	30,063	31,985	32,084	2,021
<u>Principal on Debt</u>				
General Government	45,453	0	45,453	0
<u>Interest on Debt</u>				
General Government	1,500	0	1,500	0

(Continued)

Exhibit D-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Capital Projects</u>				
General Administration Projects	\$ 1,245	\$ 0	\$ 7,650	\$ 6,405
Highway and Street Capital Projects	198,171	0	270,697	72,526
Total Expenditures	<u>\$ 7,765,984</u>	<u>\$ 6,785,635</u>	<u>\$ 8,259,348</u>	<u>\$ 493,364</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 433,954</u>	<u>\$ (215,241)</u>	<u>\$ (617,520)</u>	<u>\$ 1,051,474</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 293,440	\$ 97,800	\$ 292,540	\$ 900
Insurance Recovery	9,333	0	14,333	(5,000)
Transfers In	2,400	96,681	2,400	0
Total Other Financing Sources (Uses)	<u>\$ 305,173</u>	<u>\$ 194,481</u>	<u>\$ 309,273</u>	<u>\$ (4,100)</u>
Net Change in Fund Balance	\$ 739,127	\$ (20,760)	\$ (308,247)	\$ 1,047,374
Fund Balance, July 1, 2006	<u>1,484,544</u>	<u>1,420,781</u>	<u>1,420,781</u>	<u>63,763</u>
Fund Balance, June 30, 2007	<u><u>\$ 2,223,671</u></u>	<u><u>\$ 1,400,021</u></u>	<u><u>\$ 1,112,534</u></u>	<u><u>\$ 1,111,137</u></u>

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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 368,793	\$ 0	\$ 368,793	\$ 366,236	\$ 366,236	\$ 2,557
Other Local Revenues	10,866	0	10,866	11,000	11,000	(134)
State of Tennessee	1,664,857	0	1,664,857	2,016,697	2,016,697	(351,840)
Federal Government	22,103	0	22,103	0	0	22,103
Total Revenues	\$ 2,066,619	\$ 0	\$ 2,066,619	\$ 2,393,933	\$ 2,393,933	\$ (327,314)
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 154,168	\$ 0	\$ 154,168	\$ 171,611	\$ 173,754	\$ 19,586
Highway and Bridge Maintenance	1,213,735	0	1,213,735	1,330,210	1,493,210	279,475
Operation and Maintenance of Equipment	260,899	0	260,899	273,509	300,512	39,613
Other Charges	96,781	0	96,781	112,560	102,560	5,779
Employee Benefits	88,291	0	88,291	101,000	95,000	6,709
Capital Outlay	175,312	(154,459)	20,853	625,000	453,797	432,944
Total Expenditures	\$ 1,989,186	\$ (154,459)	\$ 1,834,727	\$ 2,613,890	\$ 2,618,833	\$ 784,106
Excess (Deficiency) of Revenues Over Expenditures	\$ 77,433	\$ 154,459	\$ 231,892	\$ (219,957)	\$ (224,900)	\$ 456,792
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 29,213	\$ 0	\$ 29,213	\$ 0	\$ 0	\$ 29,213
Transfers Out	(2,400)	0	(2,400)	(2,400)	(2,400)	0
Total Other Financing Sources (Uses)	\$ 26,813	\$ 0	\$ 26,813	\$ (2,400)	\$ (2,400)	\$ 29,213
Net Change in Fund Balance	\$ 104,246	\$ 154,459	\$ 258,705	\$ (222,357)	\$ (227,300)	\$ 486,005
Fund Balance, July 1, 2006	491,671	(154,459)	337,212	425,521	425,521	(88,309)
Fund Balance, June 30, 2007	\$ 595,917	\$ 0	\$ 595,917	\$ 203,164	\$ 198,221	\$ 397,696

Exhibit D-3

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

(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	93.69 %	\$ 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

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

A. BUDGETARY INFORMATION

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the 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, Beer Board, Budget and Finance Committee, 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 Employee Benefits major appropriation category (the legal level of control) of the General Fund by \$18,135. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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 operating expenses paid directly from the fee and commission accounts of the trustee, clerks, register, and sheriff.

Capital Projects Fund

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

Education Capital Projects Fund – The Education Capital Projects Fund accounts for debt issued by Macon County that is subsequently contributed to the discretely presented Macon County School Department for general capital expenditures.

Exhibit E-1

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

	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	\$ 49,313	\$ 50	\$ 0	\$ 65,709	\$ 115,072
Equity in Pooled Cash and Investments	196,133	0	58,402	23,421	0	277,956
Accounts Receivable	0	0	0	0	339	339
Due from Other Funds	0	0	5,001	0	0	5,001
Property Taxes Receivable	0	0	81,106	0	0	81,106
Allowance for Uncollectible Property Taxes	0	0	(1,791)	0	0	(1,791)
Total Assets	<u>\$ 196,133</u>	<u>\$ 49,313</u>	<u>\$ 142,768</u>	<u>\$ 23,421</u>	<u>\$ 66,048</u>	<u>\$ 477,683</u>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Due to Litigants, Heirs, and Others	\$ 0	\$ 0	\$ 0	\$ 0	\$ 339	\$ 339
Deferred Revenue - Current Property Taxes	0	0	76,884	0	0	76,884
Deferred Revenue - Delinquent Property Taxes	0	0	2,270	0	0	2,270
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 79,154</u>	<u>\$ 0</u>	<u>\$ 339</u>	<u>\$ 79,493</u>
<u>Fund Balances</u>						
Unreserved	\$ 196,133	\$ 49,313	\$ 63,614	\$ 23,421	\$ 65,709	\$ 398,190
Total Fund Balances	<u>\$ 196,133</u>	<u>\$ 49,313</u>	<u>\$ 63,614</u>	<u>\$ 23,421</u>	<u>\$ 65,709</u>	<u>\$ 398,190</u>
Total Liabilities and Fund Balances	<u>\$ 196,133</u>	<u>\$ 49,313</u>	<u>\$ 142,768</u>	<u>\$ 23,421</u>	<u>\$ 66,048</u>	<u>\$ 477,683</u>

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, 2007

	Special Revenue Funds					Total	Capital	Total
	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees		Projects Fund	
<u>Revenues</u>								
Local Taxes	\$ 55,657	\$ 0	\$ 79,196	\$ 0	\$ 0	\$ 134,853	\$ 0	\$ 134,853
Fines, Forfeitures, and Penalties	0	0	0	14,516	0	14,516	0	14,516
Charges for Current Services	0	7,571	81,190	0	286,697	375,458	0	375,458
Other Local Revenues	0	14,160	678	9,117	0	23,955	0	23,955
State of Tennessee	0	11,141	7,989	0	0	19,130	0	19,130
Federal Government	0	0	0	4,042	0	4,042	0	4,042
Other Governments and Citizens Groups	0	2,000	5,001	0	0	7,001	0	7,001
Total Revenues	<u>\$ 55,657</u>	<u>\$ 34,872</u>	<u>\$ 174,054</u>	<u>\$ 27,675</u>	<u>\$ 286,697</u>	<u>\$ 578,955</u>	<u>\$ 0</u>	<u>\$ 578,955</u>
<u>Expenditures</u>								
Current:								
General Government	\$ 19,745	\$ 0	\$ 0	\$ 0	\$ 0	\$ 19,745	\$ 0	\$ 19,745
Finance	0	0	0	0	282,836	282,836	0	282,836
Administration of Justice	0	0	0	0	284	284	0	284
Public Safety	0	0	0	33,937	0	33,937	0	33,937
Public Health and Welfare	0	0	214,761	0	0	214,761	0	214,761
Social, Cultural, and Recreational Services	0	33,354	0	0	0	33,354	0	33,354
Capital Projects - Donated	0	0	0	0	0	0	700,000	700,000
Total Expenditures	<u>\$ 19,745</u>	<u>\$ 33,354</u>	<u>\$ 214,761</u>	<u>\$ 33,937</u>	<u>\$ 283,120</u>	<u>\$ 584,917</u>	<u>\$ 700,000</u>	<u>\$ 1,284,917</u>
Excess (Deficiency) of Revenues								
Over Expenditures	\$ 35,912	\$ 1,518	\$ (40,707)	\$ (6,262)	\$ 3,577	\$ (5,962)	\$ (700,000)	\$ (705,962)
<u>Other Financing Sources (Uses)</u>								
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 700,000	\$ 700,000
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 700,000</u>	<u>\$ 700,000</u>
Net Change in Fund Balances	\$ 35,912	\$ 1,518	\$ (40,707)	\$ (6,262)	\$ 3,577	\$ (5,962)	\$ 0	\$ (5,962)
Fund Balance, July 1, 2006	160,221	47,795	104,321	29,683	62,132	404,152	0	404,152
Fund Balance, June 30, 2007	<u>\$ 196,133</u>	<u>\$ 49,313</u>	<u>\$ 63,614</u>	<u>\$ 23,421</u>	<u>\$ 65,709</u>	<u>\$ 398,190</u>	<u>\$ 0</u>	<u>\$ 398,190</u>

Exhibit E-3

Macon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Courthouse and Jail Maintenance Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 55,657	\$ 53,000	\$ 53,000	\$ 2,657
Total Revenues	\$ 55,657	\$ 53,000	\$ 53,000	\$ 2,657
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 19,745	\$ 26,700	\$ 26,700	\$ 6,955
Total Expenditures	\$ 19,745	\$ 26,700	\$ 26,700	\$ 6,955
Excess (Deficiency) of Revenues Over Expenditures	\$ 35,912	\$ 26,300	\$ 26,300	\$ 9,612
Net Change in Fund Balance	\$ 35,912	\$ 26,300	\$ 26,300	\$ 9,612
Fund Balance, July 1, 2006	160,221	164,837	164,837	(4,616)
Fund Balance, June 30, 2007	\$ 196,133	\$ 191,137	\$ 191,137	\$ 4,996

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 79,196	\$ 77,322	\$ 77,322	\$ 1,874
Charges for Current Services	81,190	67,500	67,500	13,690
Other Local Revenues	678	0	0	678
State of Tennessee	7,989	9,000	9,000	(1,011)
Other Governments and Citizens Groups	5,001	0	0	5,001
Total Revenues	<u>\$ 174,054</u>	<u>\$ 153,822</u>	<u>\$ 153,822</u>	<u>\$ 20,232</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Transfer Stations	\$ 214,761	\$ 235,914	\$ 235,914	\$ 21,153
Total Expenditures	<u>\$ 214,761</u>	<u>\$ 235,914</u>	<u>\$ 235,914</u>	<u>\$ 21,153</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (40,707)</u>	<u>\$ (82,092)</u>	<u>\$ (82,092)</u>	<u>\$ 41,385</u>
Net Change in Fund Balance	\$ (40,707)	\$ (82,092)	\$ (82,092)	\$ 41,385
Fund Balance, July 1, 2006	104,321	104,438	104,438	(117)
Fund Balance, June 30, 2007	<u>\$ 63,614</u>	<u>\$ 22,346</u>	<u>\$ 22,346</u>	<u>\$ 41,268</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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 14,516	\$ 4,000	\$ 4,000	\$ 10,516
Other Local Revenues	9,117	250	9,652	(535)
Federal Government	4,042	2,767	5,534	(1,492)
Total Revenues	<u>\$ 27,675</u>	<u>\$ 7,017</u>	<u>\$ 19,186</u>	<u>\$ 8,489</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 33,937	\$ 12,700	\$ 36,869	\$ 2,932
Total Expenditures	<u>\$ 33,937</u>	<u>\$ 12,700</u>	<u>\$ 36,869</u>	<u>\$ 2,932</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (6,262)</u>	<u>\$ (5,683)</u>	<u>\$ (17,683)</u>	<u>\$ 11,421</u>
Net Change in Fund Balance	\$ (6,262)	\$ (5,683)	\$ (17,683)	\$ 11,421
Fund Balance, July 1, 2006	<u>29,683</u>	<u>29,787</u>	<u>29,787</u>	<u>(104)</u>
Fund Balance, June 30, 2007	<u>\$ 23,421</u>	<u>\$ 24,104</u>	<u>\$ 12,104</u>	<u>\$ 11,317</u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit 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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 852,042	\$ 788,000	\$ 788,000	\$ 64,042
Other Local Revenues	7,150	7,800	7,800	(650)
State of Tennessee	678,874	800,000	800,000	(121,126)
Other Governments and Citizens Groups	329,566	30,000	359,566	(30,000)
Total Revenues	<u>\$ 1,867,632</u>	<u>\$ 1,625,800</u>	<u>\$ 1,955,366</u>	<u>\$ (87,734)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 505,843	\$ 399,445	\$ 523,843	\$ 18,000
Education	1,014,022	730,000	1,014,022	0
<u>Interest on Debt</u>				
General Government	268,331	299,946	318,637	50,306
Education	117,123	101,145	117,123	0
<u>Other Debt Service</u>				
General Government	39,427	59,100	52,302	12,875
Total Expenditures	<u>\$ 1,944,746</u>	<u>\$ 1,589,636</u>	<u>\$ 2,025,927</u>	<u>\$ 81,181</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (77,114)</u>	<u>\$ 36,164</u>	<u>\$ (70,561)</u>	<u>\$ (6,553)</u>
Net Change in Fund Balance	\$ (77,114)	\$ 36,164	\$ (70,561)	\$ (6,553)
Fund Balance, July 1, 2006	<u>1,095,842</u>	<u>1,098,154</u>	<u>1,098,154</u>	<u>(2,312)</u>
Fund Balance, June 30, 2007	<u>\$ 1,018,728</u>	<u>\$ 1,134,318</u>	<u>\$ 1,027,593</u>	<u>\$ (8,865)</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, 2007

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 656,929	\$ 656,929
Due from Other Governments	271,242	0	271,242
Total Assets	<u>\$ 271,242</u>	<u>\$ 656,929</u>	<u>\$ 928,171</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 271,242	\$ 0	\$ 271,242
Due to Litigants, Heirs, and Others	0	656,929	656,929
Total Liabilities	<u>\$ 271,242</u>	<u>\$ 656,929</u>	<u>\$ 928,171</u>

Exhibit G-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,562,426	\$ 1,562,426	\$ 0
Due from Other Governments	265,856	271,242	265,856	271,242
Total Assets	\$ 265,856	\$ 1,833,668	\$ 1,828,282	\$ 271,242
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 265,856	\$ 1,833,668	\$ 1,828,282	\$ 271,242
Total Liabilities	\$ 265,856	\$ 1,833,668	\$ 1,828,282	\$ 271,242
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 552,838	\$ 4,584,502	\$ 4,480,411	\$ 656,929
Total Assets	\$ 552,838	\$ 4,584,502	\$ 4,480,411	\$ 656,929
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 552,838	\$ 4,584,502	\$ 4,480,411	\$ 656,929
Total Liabilities	\$ 552,838	\$ 4,584,502	\$ 4,480,411	\$ 656,929
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,562,426	\$ 1,562,426	\$ 0
Cash	552,838	4,584,502	4,480,411	656,929
Due from Other Governments	265,856	271,242	265,856	271,242
Total Assets	\$ 818,694	\$ 6,418,170	\$ 6,308,693	\$ 928,171
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 265,856	\$ 1,833,668	\$ 1,828,282	\$ 271,242
Due to Litigants, Heirs, and Others	552,838	4,584,502	4,480,411	656,929
Total Liabilities	\$ 818,694	\$ 6,418,170	\$ 6,308,693	\$ 928,171

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, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-07
NOTES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
School Roof	\$ 900,000	4.3 %	5-10-06	5-10-15	\$ 900,000	\$ 0	\$ 84,022	\$ 815,978
Energy Efficiency Loan	42,279	0	10-25-05	10-31-12	42,279	0	6,040	36,239
Energy Efficiency Loan	11,602	0	4-26-06	4-15-13	11,602	0	1,658	9,944
Solid Waste Monitoring and Grinder	98,700	4.19	7-25-06	4-17-07	0	98,700	98,700	0
Track Loader	167,240	4.35	1-22-07	1-23-08	0	167,240	0	167,240
School Roof Replacement	700,000	4.5	2-2-07	2-2-13	0	700,000	300,000	400,000
UCHRA Roof	27,500	4.15	4-2-07	10-1-07	0	27,500	0	27,500
Total Notes Payable					<u>\$ 953,881</u>	<u>\$ 993,440</u>	<u>\$ 490,420</u>	<u>\$ 1,456,901</u>
CAPITAL LEASES PAYABLE								
<u>Payable through General Fund</u>								
Six Patrol Cars	136,406	3.03	1-9-05	1-24-07	\$ 45,453	\$ 0	\$ 45,453	\$ 0
Total Capital Leases Payable					<u>\$ 45,453</u>	<u>\$ 0</u>	<u>\$ 45,453</u>	<u>\$ 0</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	\$ 5,291,775	\$ 0	\$ 320,445	\$ 4,971,330
Other Public Works Projects	2,038,000	Variable	9-21-01	5-25-21	1,702,000	0	79,000	1,623,000
Total Other Loans Payable					<u>\$ 6,993,775</u>	<u>\$ 0</u>	<u>\$ 399,445</u>	<u>\$ 6,594,330</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	\$ 1,960,000	\$ 0	\$ 630,000	\$ 1,330,000
Total Bonds Payable					<u>\$ 1,960,000</u>	<u>\$ 0</u>	<u>\$ 630,000</u>	<u>\$ 1,330,000</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
2008	\$ 655,000	\$ 53,538	\$ 708,538
2009	675,000	27,337	702,337
Total	<u>\$ 1,330,000</u>	<u>\$ 80,875</u>	<u>\$ 1,410,875</u>

Exhibit H-3

Macon County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2007

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Highway/Public Works	General	Funds for loss control director's 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, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor:				
Glen Donoho (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u> , and County Commission	\$ 11,689 (1)	\$ 50,000	Western Surety Company
Shelvy Linville (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u> , and County Commission	50,255 (2)	50,000	"
Supervisor of Roads	Section 8-24-102, <u>TCA</u>	57,276	100,000	"
Trustee:				
Donnie Morgan (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	13,017	567,000	"
Diane Cook (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	39,052	567,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	52,069	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	52,069	50,000	"
Circuit and General Sessions Courts Clerk:				
Jennifer Hudson (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	9,774	60,000	"
Rick Gann (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	42,295	60,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	52,353 (3)	75,000	The Cincinnati Insurance Company
Register	Section 8-24-102, <u>TCA</u>	52,069	25,000	Western Surety Company
Sheriff:				
Joe Ferguson (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	10,752	25,000	"
Mark Gammons (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	47,081 (4)	25,000	"
<u>Other Bonds</u>				
County Employees	Public Employee - Blanket Bond		150,000	"

- (1) Includes \$400 for serving as a consultant to the County Commission.
(2) Includes \$1,450 for serving as a consultant to the County Commission.
(3) Includes special commissioner fees of \$284.
(4) Includes \$600 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, 2007

	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	\$ 3,613,184	\$ 0	\$ 0	\$ 74,242	\$ 0	\$ 0	\$ 346,473	\$ 0	\$ 4,033,899
Trustee's Collections - Prior Year	112,252	0	0	2,308	0	0	10,766	27	125,353
Trustee's Collections - Bankruptcy	401	0	0	15	0	0	54	155	625
Circuit/Clerk & Master Collections - Prior Years	61,212	0	0	1,258	0	0	5,151	0	67,621
Interest and Penalty	20,886	0	0	431	0	0	1,951	27	23,295
<u>County Local Option Taxes</u>									
Local Option Sales Tax	208,675	0	0	0	0	0	0	0	208,675
Wheel Tax	0	0	0	0	0	0	0	824,063	824,063
Litigation Tax - General	27,828	0	0	0	0	0	0	0	27,828
Litigation Tax - Special Purpose	0	55,657	0	0	0	0	0	0	55,657
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	0	0	27,770	27,770
Business Tax	114,234	0	0	0	0	0	0	0	114,234
Adequate Facilities/Development Tax	252,992	0	0	0	0	0	0	0	252,992
<u>Statutory Local Taxes</u>									
Bank Excise Tax	45,870	0	0	942	0	0	4,398	0	51,210
Wholesale Beer Tax	111,473	0	0	0	0	0	0	0	111,473
Interstate Telecommunications Tax	2,563	0	0	0	0	0	0	0	2,563
Total Local Taxes	\$ 4,571,570	\$ 55,657	\$ 0	\$ 79,196	\$ 0	\$ 0	\$ 368,793	\$ 852,042	\$ 5,927,258
<u>Licenses and Permits</u>									
<u>Licenses</u>									
Cable TV Franchise	\$ 10,242	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,242
<u>Permits</u>									
Beer Permits	665	0	0	0	0	0	0	0	665
Building Permits	27,394	0	0	0	0	0	0	0	27,394
Other Permits	238	0	0	0	0	0	0	0	238
Total Licenses and Permits	\$ 38,539	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 38,539
<u>Fines, Forfeitures, and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 14,318	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,318
DUI Treatment Fines	718	0	0	0	0	0	0	0	718

(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>General Sessions Court</u>									
Fines	\$ 19,638	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 19,638
Officers Costs	34,580	0	0	0	0	0	0	0	34,580
Game and Fish Fines	529	0	0	0	0	0	0	0	529
Drug Control Fines	0	0	0	0	14,516	0	0	0	14,516
Jail Fees	4,991	0	0	0	0	0	0	0	4,991
District Attorney General Fees	9,700	0	0	0	0	0	0	0	9,700
DUI Treatment Fines	9,114	0	0	0	0	0	0	0	9,114
Courtroom Security Fee	3,174	0	0	0	0	0	0	0	3,174
<u>Juvenile Court</u>									
Fines	5,177	0	0	0	0	0	0	0	5,177
Officers Costs	7,109	0	0	0	0	0	0	0	7,109
Interpreter Fees	5,305	0	0	0	0	0	0	0	5,305
Data Entry Fee - Juvenile Court	290	0	0	0	0	0	0	0	290
Courtroom Security Fee	215	0	0	0	0	0	0	0	215
<u>Chancery Court</u>									
Officers Costs	3,702	0	0	0	0	0	0	0	3,702
Data Entry Fee - Chancery Court	1,284	0	0	0	0	0	0	0	1,284
<u>Judicial District Drug Program</u>									
Data Entry Fee - Other Courts	5,365	0	0	0	0	0	0	0	5,365
<u>Other Fines, Forfeitures, and Penalties</u>									
Proceeds from Confiscated Property	200	0	0	0	0	0	0	0	200
Total Fines, Forfeitures, and Penalties	\$ 125,409	\$ 0	\$ 0	\$ 0	\$ 14,516	\$ 0	\$ 0	\$ 0	\$ 139,925
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Transfer Waste Stations Collection Charge	\$ 0	\$ 0	\$ 0	\$ 81,190	\$ 0	\$ 0	\$ 0	\$ 0	\$ 81,190
Patient Charges	1,174,094	0	0	0	0	0	0	0	1,174,094
<u>Fees</u>									
Copy Fees	265	0	0	0	0	0	0	0	265
Library Fees	0	0	7,571	0	0	0	0	0	7,571
Vending Machine Collections	1,773	0	0	0	0	0	0	0	1,773
Constitutional Officers' Fees and Commissions	0	0	0	0	0	286,697	0	0	286,697

(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>									
Data Processing Fee - Register	\$ 9,743	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,743
Probation Fees	70,954	0	0	0	0	0	0	0	70,954
Data Processing Fee - Sheriff	4,312	0	0	0	0	0	0	0	4,312
Sexual Offender Registration Fees - Sheriff	1,600	0	0	0	0	0	0	0	1,600
Total Charges for Current Services	\$ 1,262,741	\$ 0	\$ 7,571	\$ 81,190	\$ 0	\$ 286,697	\$ 0	\$ 0	\$ 1,638,199
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 110,981	\$ 0	\$ 1,017	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 111,998
Lease/Rentals	25,658	0	0	0	0	0	0	7,150	32,808
Sale of Materials and Supplies	0	0	0	0	0	0	290	0	290
Commissary Sales	55,156	0	0	0	0	0	0	0	55,156
Miscellaneous Refunds	183,122	0	0	678	0	0	10,576	0	194,376
<u>Nonrecurring Items</u>									
Sale of Equipment	8,853	0	0	0	8,846	0	0	0	17,699
Contributions and Gifts	119,055	0	13,143	0	271	0	0	0	132,469
<u>Other Local Revenues</u>									
Other Local Revenues	22,171	0	0	0	0	0	0	0	22,171
Total Other Local Revenues	\$ 524,996	\$ 0	\$ 14,160	\$ 678	\$ 9,117	\$ 0	\$ 10,866	\$ 7,150	\$ 566,967
<u>Fees Received from County Officials</u>									
<u>Excess Fees</u>									
County Clerk	\$ 47,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 47,500
Trustee	142,237	0	0	0	0	0	0	0	142,237
<u>Fees-In-Lieu of Salary</u>									
Circuit Court Clerk	233,888	0	0	0	0	0	0	0	233,888
Clerk and Master	73,679	0	0	0	0	0	0	0	73,679
Juvenile Court Clerk	27,129	0	0	0	0	0	0	0	27,129
Register	100,199	0	0	0	0	0	0	0	100,199
Sheriff	9,189	0	0	0	0	0	0	0	9,189
Total Fees Received from County Officials	\$ 633,821	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 633,821

(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	7,989	0	0	0	0	7,989
<u>Public Safety Grants</u>									
Law Enforcement Training Programs	10,800	0	0	0	0	0	0	0	10,800
<u>Health and Welfare Grants</u>									
Health Department Programs	59,663	0	0	0	0	0	0	0	59,663
<u>Public Works Grants</u>									
Bridge Program	0	0	0	0	0	0	147,238	0	147,238
Litter Program	13,088	0	0	0	0	0	0	0	13,088
Tennessee Industrial Infrastructure Program	68,453	0	0	0	0	0	0	0	68,453
<u>Other State Revenues</u>									
Beer Tax	18,753	0	0	0	0	0	0	0	18,753
Alcoholic Beverage Tax	30,486	0	0	0	0	0	0	0	30,486
State Revenue Sharing - T.V.A.	122,817	0	0	0	0	0	0	0	122,817
Contracted Prisoner Boarding	147,179	0	0	0	0	0	0	678,874	826,053
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	1,501,220	0	1,501,220
Petroleum Special Tax	0	0	0	0	0	0	16,399	0	16,399
Reappraisal Program Reimbursement	7,953	0	0	0	0	0	0	0	7,953
Registrar's Salary Supplement	12,285	0	0	0	0	0	0	0	12,285
Other State Revenues	1,500	0	11,141	0	0	0	0	0	12,641
Total State of Tennessee	\$ 501,977	\$ 0	\$ 11,141	\$ 7,989	\$ 0	\$ 0	\$ 1,664,857	\$ 678,874	\$ 2,864,838
<u>Federal Government</u>									
<u>Federal Through State</u>									
Community Development	\$ 390,479	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 390,479
Disaster Relief	7,095	0	0	0	0	0	22,103	0	29,198
Homeland Security Grants	14,752	0	0	0	0	0	0	0	14,752
Law Enforcement Grants	0	0	0	0	4,042	0	0	0	4,042
Other Federal through State	118,271	0	0	0	0	0	0	0	118,271
Total Federal Government	\$ 530,597	\$ 0	\$ 0	\$ 0	\$ 4,042	\$ 0	\$ 22,103	\$ 0	\$ 556,742

(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	\$ 6,838	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	6,838
Contributions	250	0	2,000	5,001	0	0	0	329,566	336,817
<u>Other</u>									
Other	3,200	0	0	0	0	0	0	0	3,200
Total Other Governments and Citizens Groups	\$ 10,288	\$ 0	\$ 2,000	\$ 5,001	\$ 0	\$ 0	\$ 0	\$ 329,566	\$ 346,855
Total	\$ 8,199,938	\$ 55,657	\$ 34,872	\$ 174,054	\$ 27,675	\$ 286,697	\$ 2,066,619	\$ 1,867,632	\$ 12,713,144

Exhibit H-6

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

General FundGeneral GovernmentCounty Commission

County Official/Administrative Officer	\$	1,850	
Board and Committee Members Fees		37,200	
Social Security		2,945	
Audit Services		4,667	
Consultants		1,250	
Dues and Memberships		1,350	
Legal Notices, Recording, and Court Costs		1,278	
Total County Commission			\$ 50,540

Board of Equalization

Board and Committee Members Fees	\$	2,050	
Total Board of Equalization			2,050

Beer Board

Legal Notices, Recording, and Court Costs	\$	30	
Total Beer Board			30

Budget and Finance Committee

Legal Notices, Recording, and Court Costs	\$	300	
Total Budget and Finance Committee			300

Other Boards and Committees

Legal Notices, Recording, and Court Costs	\$	3,077	
Total Other Boards and Committees			3,077

County Mayor/Executive

County Official/Administrative Officer	\$	60,094	
Accountants/Bookkeepers		90,933	
Overtime Pay		1,975	
Social Security		8,213	
Dues and Memberships		1,200	
Maintenance and Repair Services - Office Equipment		4,903	
Postal Charges		989	
Printing, Stationery, and Forms		4,777	
Travel		2,050	
Other Contracted Services		5,403	
Office Supplies		2,472	
Premiums on Corporate Surety Bonds		175	
Data Processing Equipment		2,679	
Office Equipment		1,870	
Total County Mayor/Executive			187,733

(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	\$	6,963	
Social Security		533	
Total County Attorney			\$ 7,496

Election Commission

County Official/Administrative Officer	\$	46,779	
Deputy(ies)		24,620	
Temporary Personnel		7,260	
Overtime Pay		654	
Election Commission		7,440	
Election Workers		7,230	
Social Security		6,637	
Dues and Memberships		150	
Maintenance and Repair Services - Buildings		122	
Maintenance and Repair Services - Equipment		3,232	
Postal Charges		960	
Printing, Stationery, and Forms		9,196	
Travel		2,360	
Office Supplies		1,829	
Utilities		4,653	
Administration Equipment		117,772	
Total Election Commission			240,894

Register of Deeds

County Official/Administrative Officer	\$	52,069	
Deputy(ies)		38,019	
Social Security		6,889	
Dues and Memberships		494	
Legal Notices, Recording, and Court Costs		518	
Printing, Stationery, and Forms		6,499	
Office Supplies		822	
Other Supplies and Materials		3,675	
Premiums on Corporate Surety Bonds		100	
Data Processing Equipment		7,992	
Office Equipment		354	
Total Register of Deeds			117,431

Planning

Supervisor/Director	\$	30,000	
Social Security		2,295	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

Planning (Cont.)

Contracts with Government Agencies	\$	8,500	
Dues and Memberships		100	
Legal Notices, Recording, and Court Costs		546	
Postal Charges		39	
Travel		3,937	
Office Supplies		324	
Other Supplies and Materials		543	
Premiums on Corporate Surety Bonds		700	
Total Planning			\$ 46,984

County Buildings

Supervisor/Director	\$	22,493	
Custodial Personnel		7,014	
Overtime Pay		2,650	
Social Security		2,460	
Communication		29,335	
Licenses		175	
Maintenance and Repair Services - Buildings		8,090	
Other Contracted Services		1,463	
Electricity		11,033	
Water and Sewer		7,675	
Other Supplies and Materials		10,539	
Building Improvements		3,627	
Office Equipment		3,956	
Site Development		1,500	
Total County Buildings			112,010

Other Facilities

Custodial Personnel	\$	32,849	
Maintenance Personnel		26,160	
Overtime Pay		288	
Other Salaries and Wages		1,469	
Social Security		4,649	
Communication		34,139	
Maintenance and Repair Services - Buildings		14,445	
Pest Control		2,744	
Custodial Supplies		7,827	
Electricity		72,188	
Water and Sewer		37,599	
Other Supplies and Materials		4,664	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

Other Facilities (Cont.)

Other Charges	\$ 44,200	
Total Other Facilities		\$ 283,221

Other General Administration

Supervisor/Director	\$ 6,000	
Social Security	459	
Communication	1,122	
Total Other General Administration		7,581

Preservation of Records

Other Supplies and Materials	\$ 3,988	
Total Preservation of Records		3,988

Risk Management

Supervisor/Director	\$ 11,803	
Social Security	903	
Other Contracted Services	4,135	
Office Equipment	82	
Total Risk Management		16,923

Finance

Property Assessor's Office

County Official/Administrative Officer	\$ 52,069	
Deputy(ies)	48,120	
Overtime Pay	2,805	
Other Salaries and Wages	2,755	
Social Security	8,103	
Contracts with Other Public Agencies	4,375	
Dues and Memberships	1,025	
Maintenance and Repair Services - Vehicles	61	
Printing, Stationery, and Forms	265	
Travel	1,068	
Office Supplies	69	
Premiums on Corporate Surety Bonds	100	
Total Property Assessor's Office		120,815

Reappraisal Program

Other Salaries and Wages	\$ 565	
Social Security	27	
Contracts with Other Public Agencies	6,801	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program (Cont.)

Maintenance and Repair Services - Vehicles	\$	1,126	
Postal Charges		78	
Gasoline		2,574	
Office Supplies		89	
Total Reappraisal Program			\$ 11,260

County Trustee's Office

Data Processing Services	\$	6,747	
Legal Notices, Recording, and Court Costs		440	
Maintenance and Repair Services - Office Equipment		3,333	
Postal Charges		3,307	
Printing, Stationery, and Forms		864	
Office Supplies		721	
Premiums on Corporate Surety Bonds		3,955	
Data Processing Equipment		3,020	
Office Equipment		30	
Total County Trustee's Office			22,417

County Clerk's Office

Maintenance and Repair Services - Office Equipment	\$	1,948	
Postal Charges		2,282	
Printing, Stationery, and Forms		2,894	
Office Supplies		1,587	
Other Supplies and Materials		2,729	
Premiums on Corporate Surety Bonds		650	
Office Equipment		540	
Total County Clerk's Office			12,630

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	52,069	
Deputy(ies)		140,104	
Overtime Pay		2,438	
Board and Committee Members Fees		750	
Jury and Witness Fees		4,748	
Social Security		14,942	
Dues and Memberships		499	
Legal Notices, Recording, and Court Costs		164	
Maintenance and Repair Services - Equipment		178	
Postal Charges		1,615	

(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.)

Printing, Stationery, and Forms	\$	7,165	
Travel		748	
Other Contracted Services		11,429	
Office Supplies		8,860	
Premiums on Corporate Surety Bonds		965	
Data Processing Equipment		17,710	
Office Equipment		1,442	
Total Circuit Court			\$ 265,826

General Sessions Court

Judge(s)	\$	79,074	
Social Security		6,049	
Dues and Memberships		50	
Travel		1,252	
Other Contracted Services		1,625	
Total General Sessions Court			88,050

Chancery Court

County Official/Administrative Officer	\$	52,069	
Deputy(ies)		24,620	
Temporary Personnel		8,849	
Social Security		6,684	
Dues and Memberships		429	
Legal Notices, Recording, and Court Costs		1,025	
Postal Charges		1,960	
Printing, Stationery, and Forms		700	
Travel		410	
Office Supplies		741	
Premiums on Corporate Surety Bonds		275	
Data Processing Equipment		4,425	
Office Equipment		600	
Total Chancery Court			102,787

Juvenile Court

Youth Service Officer(s)	\$	27,172	
Social Security		2,079	
Contracts with Government Agencies		2,100	
Dues and Memberships		221	
Legal Services		62	
Postal Charges		156	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Printing, Stationery, and Forms	\$	168	
Travel		1,204	
Office Supplies		1,325	
Other Supplies and Materials		205	
Data Processing Equipment		1,200	
Office Equipment		218	
Total Juvenile Court			\$ 36,110

Judicial Commissioners

County Official/Administrative Officer	\$	13,745	
Assistant(s)		938	
Social Security		1,123	
Total Judicial Commissioners			15,806

Probation Services

Probation Officer(s)	\$	71,665	
Overtime Pay		844	
Social Security		5,547	
Evaluation and Testing		1,643	
Postal Charges		100	
Printing, Stationery, and Forms		438	
Office Supplies		1,023	
Office Equipment		294	
Total Probation Services			81,554

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	57,233	
Deputy(ies)		692,686	
Accountants/Bookkeepers		6,418	
Salary Supplements		10,800	
Overtime Pay		9,184	
Other Salaries and Wages		34,893	
In-Service Training		6,427	
Social Security		62,037	
Contracts with Private Agencies		1,600	
Confidential Drug Enforcement Payments		3,780	
Dues and Memberships		1,200	
Maintenance and Repair Services - Equipment		932	
Maintenance and Repair Services - Vehicles		20,107	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Travel	\$	4,636	
Gasoline		69,052	
Lubricants		1,911	
Office Supplies		9,098	
Tires and Tubes		3,833	
Uniforms		11,950	
Premiums on Corporate Surety Bonds		2,325	
Law Enforcement Equipment		25,848	
Motor Vehicles		85,139	
Office Equipment		346	
Total Sheriff's Department			\$ 1,121,435

Administration of the Sexual Offender Registry

Law Enforcement Equipment	\$	1,735	
Total Administration of the Sexual Offender Registry			1,735

Jail

County Official/Administrative Officer	\$	29,120	
Accountants/Bookkeepers		27,205	
Dispatchers/Radio Operators		155,158	
Guards		417,831	
Cafeteria Personnel		50,801	
Overtime Pay		6,408	
Other Salaries and Wages		37,013	
Social Security		55,424	
Medical and Dental Services		254,633	
Travel		2,471	
Custodial Supplies		9,331	
Food Supplies		98,117	
Office Supplies		2,328	
Uniforms		2,629	
Other Supplies and Materials		8,924	
Communication Equipment		1,845	
Data Processing Equipment		8,489	
Law Enforcement Equipment		23,353	
Office Equipment		1,330	
Other Equipment		13,380	
Total Jail			1,205,790

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Workhouse

Truck Drivers	\$	19,659	
Guards		21,458	
Social Security		3,145	
Maintenance and Repair Services - Vehicles		301	
Instructional Supplies and Materials		11,075	
Other Charges		2,236	
Motor Vehicles		2,250	
Other Equipment		2,180	
Total Workhouse			\$ 62,304

Fire Prevention and Control

Contributions	\$	1,500	
Maintenance Agreements		1,098	
Maintenance and Repair Services - Vehicles		3,860	
Total Fire Prevention and Control			6,458

Rural Fire Protection

Other Salaries and Wages	\$	10,990	
Contributions		2,500	
Total Rural Fire Protection			13,490

Civil Defense

Supervisor/Director	\$	5,618	
Social Security		430	
Maintenance and Repair Services - Vehicles		985	
Gasoline		715	
Utilities		3,784	
Other Supplies and Materials		14,165	
Other Equipment		2,819	
Total Civil Defense			28,516

Rescue Squad

Other Salaries and Wages	\$	3,192	
Maintenance and Repair Services - Vehicles		2,691	
Gasoline		664	
Other Equipment		2,917	
Total Rescue Squad			9,464

Disaster Relief

In-Service Training	\$	620	
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(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Disaster Relief (Cont.)

Maintenance and Repair Services - Vehicles	\$	205	
Gasoline		315	
Utilities		1,403	
Other Equipment		11,559	
Total Disaster Relief			\$ 14,102

Other Emergency Management

In-Service Training	\$	278	
Maintenance and Repair Services - Equipment		1,738	
Maintenance and Repair Services - Vehicles		604	
Gasoline		296	
Utilities		1,178	
Other Equipment		3,033	
Total Other Emergency Management			7,127

County Coroner/Medical Examiner

Medical Personnel	\$	500	
Medical and Dental Services		7,880	
Total County Coroner/Medical Examiner			8,380

Other Public Safety

Maintenance Personnel	\$	2,996	
In-Service Training		2,656	
Maintenance and Repair Services - Buildings		3,082	
Road Signs		3,998	
Office Equipment		3,994	
Total Other Public Safety			16,726

Public Health and Welfare

Local Health Center

Janitorial Services	\$	6,100	
Maintenance and Repair Services - Buildings		5,789	
Custodial Supplies		935	
Drugs and Medical Supplies		1,623	
Office Supplies		492	
Utilities		11,953	
Other Supplies and Materials		8,255	
Total Local Health Center			35,147

(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

Supervisor/Director	\$	55,440	
Accountants/Bookkeepers		28,600	
Medical Personnel		507,832	
Dispatchers/Radio Operators		126,647	
Overtime Pay		299,852	
Social Security		77,904	
Data Processing Services		2,612	
Dues and Memberships		230	
Laundry Service		3,647	
Operating Lease Payments		16,244	
Licenses		5,417	
Maintenance and Repair Services - Buildings		8,854	
Maintenance and Repair Services - Vehicles		32,266	
Postal Charges		831	
Travel		161	
Other Contracted Services		16,806	
Custodial Supplies		3,233	
Drugs and Medical Supplies		40,926	
Gasoline		41,096	
Instructional Supplies and Materials		3,465	
Office Supplies		10,316	
Tires and Tubes		2,104	
Uniforms		8,443	
Utilities		40,799	
Building Construction		8,129	
Communication Equipment		17,045	
Motor Vehicles		54,931	
Site Development		3,665	
Total Ambulance/Emergency Medical Services			\$ 1,417,495

Crippled Children Services

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

Other Local Health Services

Psychological Personnel	\$	30,725	
Temporary Personnel		13,604	
Social Security		5,259	
State Retirement		847	
Travel		3,190	
Total Other Local Health Services			53,625

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

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	\$ 53,199	
Social Security	4,070	
Drugs and Medical Supplies	542	
Utilities	8,307	
Total Other Local Welfare Services		66,118

Sanitation Education/Information

Other Charges	\$ 18,321	
Total Sanitation Education/Information		18,321

Social, Cultural, and Recreational Services

Adult Activities

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

Senior Citizens Assistance

Contributions	\$ 182,835	
Utilities	4,875	
Total Senior Citizens Assistance		187,710

Libraries

Supervisor/Director	\$ 24,561
Librarians	15,454
Clerical Personnel	40,986
Custodial Personnel	4,420
Social Security	6,535
Communication	3,826
Maintenance and Repair Services - Buildings	967
Postal Charges	834
Printing, Stationery, and Forms	173
Travel	187
Library Books/Media	3,480

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Office Supplies	\$	296	
Utilities		12,407	
Other Supplies and Materials		583	
Data Processing Equipment		1,025	
Total Libraries			\$ 115,734

Parks and Fair Boards

Contributions	\$	17,187	
Total Parks and Fair Boards			17,187

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	26,956	
Secretary(ies)		6,745	
State Retirement		5,517	
Maintenance and Repair Services - Buildings		801	
Utilities		5,083	
Total Agriculture Extension Service			45,102

Soil Conservation

Contributions	\$	12,000	
Total Soil Conservation			12,000

Other Operations

Tourism

Other Supplies and Materials	\$	1,487	
Total Tourism			1,487

Industrial Development

Contributions	\$	7,000	
Other Equipment		85,277	
Other Construction		305,202	
Total Industrial Development			397,479

Veterans' Services

Supervisor/Director	\$	18,029	
Social Security		1,379	
Dues and Memberships		73	
Travel		302	
Office Supplies		126	
Total Veterans' Services			19,909

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Other Operations (Cont.)

Other Charges

Liability Insurance	\$ 110,119	
Trustee's Commission	97,707	
Workers' Compensation Insurance	155,924	
Total Other Charges		\$ 363,750

Contributions to Other Agencies

Salary Supplements	\$ 200	
Maintenance and Repair Services - Buildings	29,389	
Matching Share	10,422	
Gasoline	8,500	
Total Contributions to Other Agencies		48,511

Employee Benefits

Social Security	\$ 20,966	
State Retirement	252,755	
Unemployment Compensation	19,649	
Total Employee Benefits		293,370

Miscellaneous

Dues and Memberships	\$ 6,575	
Total Miscellaneous		6,575

Instruction

Vocational Education Program

Contracts with Government Agencies	\$ 14,623	
Maintenance and Repair Services - Buildings	15,440	
Total Vocational Education Program		30,063

Principal on Debt

General Government

Principal on Capital Leases	\$ 45,453	
Total General Government		45,453

Interest on Debt

General Government

Interest on Capital Leases	\$ 1,500	
Total General Government		1,500

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Capital Projects

General Administration Projects

Site Development	\$ 1,245	
Total General Administration Projects		\$ 1,245

Highway and Street Capital Projects

Equipment and Machinery Parts	\$ 167,190	
Bridge Construction	30,981	
Total Highway and Street Capital Projects		198,171

Total General Fund		\$ 7,765,984
--------------------	--	--------------

Courthouse and Jail Maintenance Fund

General Government

County Buildings

Maintenance and Repair Services - Buildings	\$ 8,128	
Trustee's Commission	556	
Other Equipment	11,061	
Total County Buildings		\$ 19,745

Total Courthouse and Jail Maintenance Fund		19,745
--	--	--------

Public Library Fund

Social, Cultural, and Recreational Services

Libraries

Other Salaries and Wages	\$ 2,850	
Audit Services	1,000	
Dues and Memberships	385	
Maintenance and Repair Services - Buildings	2,817	
Travel	272	
Food Supplies	769	
Library Books/Media	5,615	
Office Supplies	2,236	
Periodicals	239	
In Service/Staff Development	100	
Other Charges	825	
Furniture and Fixtures	7,321	
Other Capital Outlay	8,925	
Total Libraries		\$ 33,354

Total Public Library Fund		33,354
---------------------------	--	--------

(Continued)

Exhibit H-6

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

Solid Waste/Sanitation Fund

Public Health and Welfare

Transfer Stations

Accountants/Bookkeepers	\$	33,195	
Equipment Operators - Heavy		59,338	
Overtime Pay		2,700	
Other Salaries and Wages		342	
Social Security		7,234	
State Retirement		4,055	
Maintenance and Repair Services - Vehicles		6,100	
Travel		50	
Contracts for Landfill Facilities		59,276	
Custodial Supplies		1,160	
Gasoline		13,032	
Office Supplies		1,031	
Utilities		6,724	
Other Supplies and Materials		5,455	
Premiums on Corporate Surety Bonds		100	
Trustee's Commission		2,385	
Landfill Closure/Postclosure Care Costs		12,584	
Total Transfer Stations			\$ 214,761

Total Solid Waste/Sanitation Fund \$ 214,761

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	500	
Trustee's Commission		146	
Law Enforcement Equipment		33,291	
Total Drug Enforcement			\$ 33,937

Total Drug Control Fund 33,937

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	111,792	
Total County Trustee's Office			\$ 111,792

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	171,044	
Total County Clerk's Office			171,044

(Continued)

Exhibit H-6

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

Constitutional Officers - Fees Fund (Cont.)

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$ 284	
Total Chancery Court		\$ 284

Total Constitutional Officers - Fees Fund \$ 283,120

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 57,276	
Secretary(ies)	44,086	
State Retirement	39,354	
Advertising	418	
Data Processing Services	3,559	
Dues and Memberships	2,366	
Evaluation and Testing	815	
Postal Charges	241	
Printing, Stationery, and Forms	504	
Travel	113	
Office Supplies	2,269	
Other Charges	191	
Data Processing Equipment	2,976	
Total Administration		\$ 154,168

Highway and Bridge Maintenance

Equipment Operators	\$ 161,922	
Truck Drivers	177,028	
Laborers	125,693	
Rentals	175	
Asphalt	274,194	
Asphalt - Cold Mix	60,358	
Concrete	16	
Crushed Stone	241,895	
Diesel Fuel	129,770	
Ice	113	
Pipe - Metal	35,170	
Road Signs	1,213	
Salt	2,986	
Small Tools	1,436	
Wood Products	1,578	
Other Supplies and Materials	188	
Total Highway and Bridge Maintenance		1,213,735

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment

Mechanic(s)	\$	73,435	
Freight Expenses		115	
Maintenance and Repair Services - Equipment		1,416	
Tow-in Services		150	
Other Contracted Services		30,767	
Equipment and Machinery Parts		87,566	
Garage Supplies		12,014	
Gasoline		21,018	
Lubricants		10,792	
Small Tools		365	
Tires and Tubes		23,261	
Total Operation and Maintenance of Equipment			\$ 260,899

Other Charges

Communication	\$	9,413	
Pest Control		95	
Electricity		3,677	
Water and Sewer		1,245	
Liability Insurance		59,295	
Premiums on Corporate Surety Bonds		25	
Trustee's Commission		22,469	
Liability Claims		482	
Other Charges		80	
Total Other Charges			96,781

Employee Benefits

Social Security	\$	39,616	
Unemployment Compensation		5,540	
Employer Medicare		9,265	
Workers' Compensation Insurance		33,870	
Total Employee Benefits			88,291

Capital Outlay

General Construction Materials	\$	1,753	
Bridge Construction		155,959	
Highway Equipment		17,600	
Total Capital Outlay			175,312

Total Highway/Public Works Fund \$ 1,989,186

(Continued)

Exhibit H-6

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

<u>General Debt Service Fund</u>		
<u>Principal on Debt</u>		
<u>General Government</u>		
Principal on Notes	\$ 106,398	
Principal on Other Loans	399,445	
Total General Government		\$ 505,843
 <u>Education</u>		
Principal on Bonds	\$ 630,000	
Principal on Notes	384,022	
Total Education		1,014,022
 <u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Notes	\$ 3,025	
Interest on Other Loans	265,306	
Total General Government		268,331
 <u>Education</u>		
Interest on Bonds	\$ 78,423	
Interest on Notes	38,700	
Total Education		117,123
 <u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 8,446	
Other Debt Service	30,981	
Total General Government		39,427
Total General Debt Service Fund		\$ 1,944,746
 <u>Education Capital Projects Fund</u>		
<u>Capital Projects - Donated</u>		
<u>Capital Projects Donated to School Department</u>		
Contributions	\$ 700,000	
Total Capital Projects Donated to School Department		\$ 700,000
Total Education Capital Projects Fund		700,000
Total Governmental Funds - Primary Government		<u>\$ 12,984,833</u>

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, 2007

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	<u>\$ 1,562,426</u>
Total Cash Receipts	<u>\$ 1,562,426</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,546,802
Trustee's Commission	<u>15,624</u>
Total Cash Disbursements	<u>\$ 1,562,426</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2006	<u>0</u>
 Cash Balance, June 30, 2007	 <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, 2007

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

JAMES R. ARNETTE
Director

JEFF BAILEY, CPA, CGFM, CFE
Audit Manager

EUGENE HAMPTON II, CPA, CGFM
Auditor 4

FERMAN PRIDE, CGFM
STEPHANIE MACEINA
TERYN HORTON
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, 2007

Scope

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

Results

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

Our audit resulted in three 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

- ◆ Competitive proposals were not solicited for the purchase of health insurance for noncertified employees of the School Department.
- ◆ Duties were not segregated adequately among the official and the employees at the School Department.
- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.

INTRODUCTORY SECTION

Macon County School Officials
June 30, 2007

Official

Mike Prock, Director of Schools

Board of Education

Mike Marshall, Chairman

Diana Carter

Jimmy Cook

Steve Walton

Bill Wilmore

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

February 29, 2008

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, 2007, 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, 2007, 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 February 29, 2008, 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.

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 35 through 37 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/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Macon County, Tennessee
Statement of Net Assets
Macon County School Department
June 30, 2007

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 2,897,076
Due from Other Governments	552,559
Property Taxes Receivable	2,892,907
Allowance for Uncollectible Property Taxes	(63,927)
Capital Assets:	
Assets Not Depreciated:	
Land	346,263
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	13,853,293
Other Capital Assets	1,495,925
Total Assets	<u>\$ 21,974,096</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 383,020
Accrued Payroll	23,244
Accrued Interest Payable	70,294
Deferred Revenue - Current Property Taxes	2,742,172
Noncurrent Liabilities:	
Due Within One Year	420,000
Due in More Than One Year	5,545,000
Total Liabilities	<u>\$ 9,183,730</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt Restricted for:	\$ 9,730,481
Basic Education Program	1,869,243
Other Purposes	140,762
Unrestricted	1,049,880
Total Net Assets	<u>\$ 12,790,366</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, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Total
					Governmental Activities
Component Unit:					
Governmental Activities:					
Instruction	\$ 13,765,579	\$ 72,863	\$ 1,773,257	\$ 700,000	\$ (11,219,459)
Support Services	8,623,782	33,969	0	0	(8,589,813)
Operation of Non-Instructional Services	1,282,970	0	1,026,821	0	(256,149)
Interest on Long-term Debt	294,225	0	0	0	(294,225)
Other Debt Service	332,716	0	0	0	(332,716)
Total Governmental Activities	\$ 24,299,272	\$ 106,832	\$ 2,800,078	\$ 700,000	\$ (20,692,362)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 2,779,376
Local Option Sales Taxes					1,776,492
Other Local Taxes					3,296
Grants and Contributions Not Restricted to Specific Programs					16,242,906
Miscellaneous					10,110
Total General Revenues					\$ 20,812,180
Change in Net Assets					\$ 119,818
Net Assets, July 1, 2006					12,670,548
Net Assets, June 30, 2007					\$ 12,790,366

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, 2007

	<u>Major Fund</u>	<u>Nonmajor Fund</u>	
	General Purpose School	School Federal Projects Fund	Total Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 2,865,740	\$ 31,336	\$ 2,897,076
Due from Other Governments	535,215	17,344	552,559
Property Taxes Receivable	2,892,907	0	2,892,907
Allowance for Uncollectible Property Taxes	(63,927)	0	(63,927)
Total Assets	\$ 6,229,935	\$ 48,680	\$ 6,278,615
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 383,020	\$ 0	\$ 383,020
Accrued Payroll	23,244	0	23,244
Deferred Revenue - Current Property Taxes	2,742,172	0	2,742,172
Deferred Revenue - Delinquent Property Taxes	81,062	0	81,062
Other Deferred Revenues	156,317	0	156,317
Total Liabilities	\$ 3,385,815	\$ 0	\$ 3,385,815
<u>Fund Balances</u>			
Reserved for Driver Education	\$ 28,157	\$ 0	\$ 28,157
Reserved for Career Ladder - Extended Contract	18,720	0	18,720
Reserved for Career Ladder Program	12,054	0	12,054
Reserved for Technology	33,151	0	33,151
Reserved for Basic Education Program	1,869,243	0	1,869,243
Reserved for Title I Grants to Local Education Agencies	0	26,915	26,915
Reserved for Innovative Education Program Strategies	0	25,201	25,201
Other Federal Reserves	0	398	398
Unreserved, Reported In:			
General Fund	882,795	0	882,795
Special Revenue Funds (Deficit)	0	(3,834)	(3,834)
Total Fund Balances	\$ 2,844,120	\$ 48,680	\$ 2,892,800
Total Liabilities and Fund Balances	\$ 6,229,935	\$ 48,680	\$ 6,278,615

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, 2007

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$ 2,892,800	
(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: buildings and improvements net of accumulated depreciation	13,853,293		
Add: other capital assets net of accumulated depreciation	<u>1,495,925</u>	15,695,481	
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: bonds payable	\$ (5,965,000)		
Less: accrued interest on bonds	<u>(70,294)</u>	(6,035,294)	
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>237,379</u>
Net assets of governmental activities (Exhibit A)			<u>\$ 12,790,366</u>

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

Exhibit C-3

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

	<u>Major Fund</u>	<u>Nonmajor Fund</u>	
	General Purpose School	School Federal Projects Fund	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 4,600,030	\$ 0	\$ 4,600,030
Licenses and Permits	1,796	0	1,796
Charges for Current Services	72,863	0	72,863
Other Local Revenues	45,608	0	45,608
State of Tennessee	16,189,469	0	16,189,469
Federal Government	1,036,785	1,706,679	2,743,464
Other Governments and Citizens Groups	700,000	0	700,000
Total Revenues	\$ 22,646,551	\$ 1,706,679	\$ 24,353,230
<u>Expenditures</u>			
Current:			
Instruction	\$ 12,098,627	\$ 1,466,101	\$ 13,564,728
Support Services	6,882,891	327,961	7,210,852
Operation of Non-Instructional Services	1,209,583	0	1,209,583
Capital Outlay	1,477,755	0	1,477,755
Debt Service:			
Principal on Debt	400,000	0	400,000
Interest on Debt	298,575	0	298,575
Other Debt Service	332,716	0	332,716
Total Expenditures	\$ 22,700,147	\$ 1,794,062	\$ 24,494,209
Excess (Deficiency) of Revenues Over Expenditures	\$ (53,596)	\$ (87,383)	\$ (140,979)
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 64,542	\$ 0	\$ 64,542
Transfers In	14,102	0	14,102
Transfers Out	0	(14,102)	(14,102)
Total Other Financing Sources (Uses)	\$ 78,644	\$ (14,102)	\$ 64,542
Net Change in Fund Balances	\$ 25,048	\$ (101,485)	\$ (76,437)
Fund Balance, July 1, 2006	2,819,072	150,165	2,969,237
Fund Balance, June 30, 2007	\$ 2,844,120	\$ 48,680	\$ 2,892,800

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

Exhibit C-4

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, 2007

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ (76,437)
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these 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	\$ 564,186	
Less: current year depreciation expense	<u>(764,754)</u>	(200,568)
<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 and other deferred June 30, 2007	\$ 237,379	
Less: deferred delinquent property taxes and other deferred June 30, 2006	<u>(244,906)</u>	(7,527)
<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 payments on bonds		400,000
<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 the governmental funds.</p>		
Change in accrued interest on bonds		<u>4,350</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 119,818</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, 2007**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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 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 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.

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

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

When both restricted and unrestricted resources are available for use, it is the 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 one 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.

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. Custodians, maintenance employees, mechanics, bookkeepers, and cafeteria managers are paid for all unused sick leave at the end of the fiscal year. The School Department's leave policy does not guarantee payment for accumulated vacation when employees separate from service with the department.

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

In the fund financial statements, governmental funds recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt 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, 2007, the Macon County primary government has \$4,146,608 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 C-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. **Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds. 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. Fund Deficit

The School Federal Projects Fund (special revenue fund) had a deficit in unreserved fund balance of \$3,834 at June 30, 2007. This deficit resulted because School Department personnel had not requested reimbursements for Special Education funds on a timely basis. The School Department requested grant reimbursements to liquidate the deficit.

C. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the Macon County Commission in the Instruction – Vocational Education Program major appropriation category (the legal level of control) of the School Federal Projects Fund by \$350. 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, 2007.

B. Capital Assets

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

Governmental Activities:

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
Capital Assets				
Not Depreciated:				
Land	\$ 346,263	\$ 0	\$ 0	\$ 346,263
Construction in Progress	388,437	228,009	(616,446)	0
Total Capital Assets Not Depreciated	\$ 734,700	\$ 228,009	\$ (616,446)	\$ 346,263
Capital Assets Depreciated:				
Buildings and Improvements	\$ 21,600,065	\$ 727,652	\$ 0	\$ 22,327,717
Other Capital Assets	2,952,078	224,971	(117,638)	3,059,411
Total Capital Assets Depreciated	\$ 24,552,143	\$ 952,623	\$ (117,638)	\$ 25,387,128
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 7,925,351	\$ 549,073	\$ 0	\$ 8,474,424
Other Capital Assets	1,465,443	215,681	(117,638)	1,563,486
Total Accumulated Depreciation	\$ 9,390,794	\$ 764,754	\$ (117,638)	\$ 10,037,910
Total Capital Assets Depreciated, Net	\$ 15,161,349	\$ 187,869	\$ 0	\$ 15,349,218
Governmental Activities Capital Assets, Net	\$ 15,896,049	\$ 415,878	\$ (616,446)	\$ 15,695,481

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

Governmental Activities:

Instruction	\$ 549,073
Support Services	215,681
Total Depreciation Expense - Governmental Activities	\$ 764,754

C. Insurance Recoveries

During the year, the School Department incurred damage to buildings and equipment. Insurance recoveries of \$64,542 were received and used to repair damage to the buildings and repair and/or replace damaged equipment.

D. 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 \$5,965,000 with interest ranging from 3.7 to 4.85 percent included in long-term debt as of June 30, 2007, will be retired from the General Purpose School Fund.

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2007, including interest payments, are as follows:

Year Ending June 30	Bonds	
	Principal	Interest
2008	\$ 420,000	\$ 281,175
2009	435,000	262,695
2010	455,000	243,338
2011	480,000	222,862
2012	500,000	200,542
2013-2017	2,885,000	625,367
2018	790,000	38,710
Total	<u>\$ 5,965,000</u>	<u>\$ 1,874,689</u>

Bonded debt per capita totaled \$293, based on the 2000 federal census.

Changes in Long-term Liabilities

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

	<u>Bonds</u>
Balance, July 1, 2006	\$ 6,365,000
Deductions	<u>(400,000)</u>
Balance, June 30, 2007	<u>\$ 5,965,000</u>
Balance Due Within One Year	<u>\$ 420,000</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2007	\$ 5,965,000
Less: Balance Due Within One Year	<u>(420,000)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 5,545,000</u>

V. OTHER INFORMATION

A. Risk Management

The School Department decided to purchase commercial insurance for the risks of employee health losses to which it is exposed for non-certified personnel. This insurance is to take effect September 15, 2007.

The School Department joined the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The School Department pays annual premiums to the TN-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

B. Change in Administration

Mike Prock left the Office of Director of Schools on June 30, 2007, and was succeeded by Darrel Law.

C. 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.

D. Retirement Commitments

Employees

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Macon County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2007, was 6.13 percent of annual covered payroll. The employer contribution requirement for 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, 2007, 2006, and 2005, were \$653,438, \$564,949, and \$562,775, respectively, equal to the required contributions for each year.

E. 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 D-1

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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 4,600,030	\$ 0	\$ 4,600,030	\$ 4,467,720	\$ 4,467,720	\$ 132,310
Licenses and Permits	1,796	0	1,796	2,000	2,000	(204)
Charges for Current Services	72,863	0	72,863	45,500	45,500	27,363
Other Local Revenues	45,608	0	45,608	31,900	29,900	15,708
State of Tennessee	16,189,469	0	16,189,469	15,867,538	16,090,538	98,931
Federal Government	1,036,785	0	1,036,785	1,020,000	1,031,000	5,785
Other Governments and Citizens Groups	700,000	0	700,000	0	700,000	0
Total Revenues	<u>\$ 22,646,551</u>	<u>\$ 0</u>	<u>\$ 22,646,551</u>	<u>\$ 21,434,658</u>	<u>\$ 22,366,658</u>	<u>\$ 279,893</u>
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 9,947,026	\$ 0	\$ 9,947,026	\$ 10,272,270	\$ 10,254,240	\$ 307,214
Alternative Instruction Program	131,904	0	131,904	144,240	147,620	15,716
Special Education Program	1,357,350	0	1,357,350	1,491,830	1,495,830	138,480
Vocational Education Program	626,860	0	626,860	624,660	630,490	3,630
Adult Education Program	35,487	0	35,487	20,640	40,460	4,973
<u>Support Services</u>						
Attendance	100,830	0	100,830	104,180	104,580	3,750
Health Services	181,698	0	181,698	206,090	192,790	11,092
Other Student Support	453,508	0	453,508	455,990	461,770	8,262
Regular Instruction Program	702,570	0	702,570	683,330	710,880	8,310
Special Education Program	234,894	0	234,894	242,430	243,170	8,276
Vocational Education Program	23,352	0	23,352	23,230	23,590	238
Adult Programs	79,623	0	79,623	86,140	83,490	3,867
Board of Education	264,374	0	264,374	289,100	296,450	32,076
Director of Schools	142,619	0	142,619	142,310	153,170	10,551

(Continued)

Exhibit D-1

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 7/1/2006	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	\$ 1,061,764	\$ 0	\$ 1,061,764	\$ 1,074,400	\$ 1,088,050	\$ 26,286
Fiscal Services	133,060	0	133,060	153,920	153,920	20,860
Operation of Plant	1,613,520	0	1,613,520	1,663,590	1,614,960	1,440
Maintenance of Plant	480,763	0	480,763	491,510	522,670	41,907
Transportation	1,410,316	0	1,410,316	1,379,250	1,498,980	88,664
<u>Operation of Non-Instructional Services</u>						
Food Service	967,632	0	967,632	974,240	974,240	6,608
Early Childhood Education	241,951	0	241,951	181,908	272,908	30,957
<u>Capital Outlay</u>						
Regular Capital Outlay	1,477,755	(439,885)	1,037,870	375,000	1,100,000	62,130
<u>Principal on Debt</u>						
Education	400,000	0	400,000	418,000	400,000	0
<u>Interest on Debt</u>						
Education	298,575	0	298,575	320,500	301,850	3,275
<u>Other Debt Service</u>						
Education	332,716	0	332,716	0	336,650	3,934
Total Expenditures	\$ 22,700,147	\$ (439,885)	\$ 22,260,262	\$ 21,818,758	\$ 23,102,758	\$ 842,496
<u>Excess (Deficiency) of Revenues</u>						
Over Expenditures	\$ (53,596)	\$ 439,885	\$ 386,289	\$ (384,100)	\$ (736,100)	\$ 1,122,389
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 64,542	\$ 0	\$ 64,542	\$ 0	\$ 52,000	\$ 12,542
Transfers In	14,102	0	14,102	7,000	7,000	7,102
Total Other Financing Sources (Uses)	\$ 78,644	\$ 0	\$ 78,644	\$ 7,000	\$ 59,000	\$ 19,644
<u>Net Change in Fund Balance</u>						
Fund Balance, July 1, 2006	\$ 2,819,072	(439,885)	2,379,187	1,885,874	1,885,874	493,313
Fund Balance, June 30, 2007	\$ 2,844,120	\$ 0	\$ 2,844,120	\$ 1,508,774	\$ 1,208,774	\$ 1,635,346

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

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: Instruction - Regular Instruction Program, Support Services – Attendance, Operation of Non-Instructional Services – Food Service, etc.). Management may make revisions within major categories, but only the 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.

**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 E

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,706,679	\$ 2,114,665	\$ 2,114,665	\$ (407,986)
Total Revenues	\$ 1,706,679	\$ 2,114,665	\$ 2,114,665	\$ (407,986)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 736,655	\$ 801,979	\$ 804,979	\$ 68,324
Special Education Program	675,245	949,630	939,490	264,245
Vocational Education Program	54,201	53,851	53,851	(350)
<u>Support Services</u>				
Other Student Support	26,318	44,353	44,353	18,035
Regular Instruction Program	219,064	312,545	303,545	84,481
Special Education Program	57,262	70,250	77,790	20,528
Transportation	25,317	25,222	27,822	2,505
Total Expenditures	\$ 1,794,062	\$ 2,257,830	\$ 2,251,830	\$ 457,768
Excess (Deficiency) of Revenues Over Expenditures	\$ (87,383)	\$ (143,165)	\$ (137,165)	\$ 49,782
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 115,989	\$ 0	\$ 0
Transfers Out	(14,102)	(122,989)	(13,000)	(1,102)
Total Other Financing Sources (Uses)	\$ (14,102)	\$ (7,000)	\$ (13,000)	\$ (1,102)
Net Change in Fund Balance	\$ (101,485)	\$ (150,165)	\$ (150,165)	\$ 48,680
Fund Balance, July 1, 2006	150,165	150,165	150,165	0
Fund Balance, June 30, 2007	\$ 48,680	\$ 0	\$ 0	\$ 48,680

MISCELLANEOUS SCHEDULES

Exhibit F-1

Macon County, Tennessee
Schedule of Changes in Long-term Bonds
Macon County School Department
For the Year Ended June 30, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Paid and/or Matured During Period	Outstanding 6-30-07
<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	\$ 6,365,000	\$ 400,000	\$ 5,965,000
Total Bonds Payable					\$ 6,365,000	\$ 400,000	\$ 5,965,000

Exhibit F-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
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	<u>\$ 5,965,000</u>	<u>\$ 1,874,689</u>	<u>\$ 7,839,689</u>

Exhibit F-3

Macon County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2007

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 14,102</u>
Total Transfers			<u><u>\$ 14,102</u></u>

Exhibit F-4

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Local Board of Education	\$ 93,308 (1)	(2)	
<u>Employee Bonds</u>				
School Department Employees			\$ 150,000	Tennessee Risk Management Trust

- (1) Includes \$1,000 for chief executive officer training.
(2) Employee blanket bond coverage includes the director of schools.

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

	General Purpose School	School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 2,648,018	\$ 0	\$ 2,648,018
Trustee's Collections - Prior Year	82,295	0	82,295
Trustee's Collections - Bankruptcy	435	0	435
Circuit/Clerk & Master Collections - Prior Years	44,861	0	44,861
Interest and Penalty	15,332	0	15,332
<u>County Local Option Taxes</u>			
Local Option Sales Tax	1,772,096	0	1,772,096
<u>Statutory Local Taxes</u>			
Bank Excise Tax	33,618	0	33,618
Interstate Telecommunications Tax	3,375	0	3,375
Total Local Taxes	\$ 4,600,030	\$ 0	\$ 4,600,030
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 1,796	\$ 0	\$ 1,796
Total Licenses and Permits	\$ 1,796	\$ 0	\$ 1,796
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
Tuition - Regular Day Students	\$ 5,600	\$ 0	\$ 5,600
Tuition - Adult Education	1,700	0	1,700
Tuition - Other	2,502	0	2,502
Receipts from Individual Schools	63,061	0	63,061
Total Charges for Current Services	\$ 72,863	\$ 0	\$ 72,863
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Lease/Rentals	\$ 5,275	\$ 0	\$ 5,275
Refund of Telecommunication & Internet Fees (E-Rate)	28,694	0	28,694
Miscellaneous Refunds	4,537	0	4,537
<u>Nonrecurring Items</u>			
Sale of Equipment	4,937	0	4,937
Damages Recovered from Individuals	636	0	636
Contributions and Gifts	1,250	0	1,250
<u>Other Local Revenues</u>			
Other Local Revenues	279	0	279
Total Other Local Revenues	\$ 45,608	\$ 0	\$ 45,608
<u>State of Tennessee</u>			
<u>State Education Funds</u>			
Basic Education Program	\$ 15,232,399	\$ 0	\$ 15,232,399
Early Childhood Education	241,952	0	241,952
School Food Service	20,234	0	20,234
Driver Education	4,114	0	4,114
Other State Education Funds	701	0	701
Career Ladder Program	176,134	0	176,134
Career Ladder - Extended Contract	47,603	0	47,603

(Continued)

Exhibit F-5

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

	General Purpose School	School Federal Projects	Total
<u>State of Tennessee (Cont.)</u>			
<u>Other State Revenues</u>			
State Revenue Sharing - T.V.A.	\$ 181,630	\$ 0	\$ 181,630
Other State Grants	143,221	0	143,221
Other State Revenues	141,481	0	141,481
Total State of Tennessee	\$ 16,189,469	\$ 0	\$ 16,189,469
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 693,782	\$ 0	\$ 693,782
Breakfast	239,418	0	239,418
Adult Education State Grant Program	77,067	0	77,067
Vocational Education - Basic Grants to States	0	76,204	76,204
Title I Grants to Local Education Agencies	0	728,757	728,757
Innovative Education Program Strategies	0	5,909	5,909
Special Education - Grants to States	15,082	668,707	683,789
Special Education Preschool Grants	8,629	31,735	40,364
Eisenhower Professional Development State Grants	0	174,948	174,948
Other Federal through State	2,807	20,419	23,226
Total Federal Government	\$ 1,036,785	\$ 1,706,679	\$ 2,743,464
<u>Other Governments and Citizens Groups</u>			
<u>Other Governments</u>			
Contributions	\$ 700,000	\$ 0	\$ 700,000
Total Other Governments and Citizens Groups	\$ 700,000	\$ 0	\$ 700,000
Total	\$ 22,646,551	\$ 1,706,679	\$ 24,353,230

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 6,984,385	
Career Ladder Program	108,247	
Career Ladder Extended Contracts	43,269	
Homebound Teachers	63,227	
Educational Assistants	314,341	
Other Salaries and Wages	15,660	
Certified Substitute Teachers	51,320	
Non-certified Substitute Teachers	75,725	
Social Security	443,696	
State Retirement	463,785	
Life Insurance	7,035	
Medical Insurance	698,730	
Unemployment Compensation	6,716	
Employer Medicare	103,768	
Contracts with Private Agencies	15,336	
Maintenance and Repair Services - Equipment	56,184	
Instructional Supplies and Materials	73,000	
Textbooks	188,223	
Fee Waivers	19,525	
Other Charges	6,232	
Regular Instruction Equipment	208,622	
Total Regular Instruction Program		\$ 9,947,026

Alternative Instruction Program

Teachers	\$ 88,217	
Career Ladder Program	1,000	
Other Salaries and Wages	10,899	
Certified Substitute Teachers	5,000	
Non-certified Substitute Teachers	1,842	
Social Security	6,279	
State Retirement	5,356	
Life Insurance	39	
Medical Insurance	10,886	
Unemployment Compensation	142	
Employer Medicare	1,468	
Instructional Supplies and Materials	776	
Total Alternative Instruction Program		131,904

(Continued)

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	\$	814,521	
Career Ladder Program		6,752	
Homebound Teachers		7,010	
Educational Assistants		115,962	
Speech Pathologist		70,731	
Certified Substitute Teachers		7,680	
Non-certified Substitute Teachers		15,075	
Social Security		60,232	
State Retirement		61,058	
Life Insurance		843	
Medical Insurance		104,710	
Unemployment Compensation		1,106	
Employer Medicare		14,087	
Maintenance and Repair Services - Equipment		1,595	
Other Contracted Services		69,340	
Instructional Supplies and Materials		5,750	
Other Supplies and Materials		110	
Special Education Equipment		788	
Total Special Education Program			\$ 1,357,350

Vocational Education Program

Teachers	\$	200,574	
Career Ladder Program		4,000	
Certified Substitute Teachers		1,880	
Non-certified Substitute Teachers		5,750	
Social Security		12,438	
State Retirement		12,551	
Life Insurance		195	
Medical Insurance		18,207	
Unemployment Compensation		164	
Employer Medicare		2,906	
Contracts with Other School Systems		352,628	
Instructional Supplies and Materials		11,570	
Vocational Instruction Equipment		3,997	
Total Vocational Education Program			626,860

Adult Education Program

Teachers	\$	25,395	
Other Salaries and Wages		1,140	

(Continued)

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.)

Social Security	\$	1,645	
Unemployment Compensation		55	
Employer Medicare		385	
Other Supplies and Materials		6,867	
Total Adult Education Program			\$ 35,487

Support Services

Attendance

Supervisor/Director	\$	57,173	
Career Ladder Program		1,000	
Other Salaries and Wages		10,324	
Social Security		4,131	
State Retirement		4,286	
Life Insurance		39	
Medical Insurance		3,970	
Unemployment Compensation		42	
Employer Medicare		966	
Travel		1,119	
Other Supplies and Materials		3,648	
Attendance Equipment		14,132	
Total Attendance			100,830

Health Services

Supervisor/Director	\$	57,967	
Medical Personnel		61,174	
Other Salaries and Wages		11,760	
Social Security		7,907	
State Retirement		7,419	
Life Insurance		39	
Unemployment Compensation		236	
Employer Medicare		1,849	
Travel		4,038	
Other Contracted Services		6,000	
Drugs and Medical Supplies		3,231	
Other Supplies and Materials		1,504	
Other Charges		10,109	
Health Equipment		8,465	
Total Health Services			181,698

(Continued)

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

Career Ladder Program	\$	5,000	
Guidance Personnel		268,957	
Social Security		15,513	
State Retirement		16,794	
Life Insurance		234	
Medical Insurance		33,611	
Unemployment Compensation		168	
Employer Medicare		3,628	
Contracts with Government Agencies		98,710	
Evaluation and Testing		10,893	
Total Other Student Support	\$		453,508

Regular Instruction Program

Supervisor/Director	\$	52,627	
Career Ladder Program		13,208	
Career Ladder Extended Contracts		6,000	
Librarians		295,521	
Instructional Computer Personnel		63,004	
Clerical Personnel		17,307	
Other Salaries and Wages		52,090	
In-Service Training		2,750	
Social Security		30,637	
State Retirement		30,916	
Life Insurance		329	
Medical Insurance		15,782	
Unemployment Compensation		333	
Employer Medicare		7,165	
Travel		5,751	
Library Books/Media		25,184	
Other Supplies and Materials		13,080	
In Service/Staff Development		2,914	
Other Charges		43,444	
Other Equipment		24,528	
Total Regular Instruction Program			702,570

Special Education Program

Supervisor/Director	\$	61,088	
Career Ladder Program		4,000	
Psychological Personnel		53,368	

(Continued)

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.)

Assessment Personnel	\$	46,052	
Clerical Personnel		20,894	
Social Security		10,549	
State Retirement		11,570	
Life Insurance		117	
Medical Insurance		18,958	
Unemployment Compensation		112	
Employer Medicare		2,467	
Travel		4,845	
In Service/Staff Development		874	
Total Special Education Program			\$ 234,894

Vocational Education Program

Other Salaries and Wages	\$	20,163	
Social Security		1,250	
Unemployment Compensation		28	
Employer Medicare		292	
Travel		462	
Other Supplies and Materials		1,157	
Total Vocational Education Program			23,352

Adult Programs

Supervisor/Director	\$	52,816	
Clerical Personnel		504	
Social Security		2,963	
State Retirement		3,238	
Life Insurance		29	
Medical Insurance		7,139	
Unemployment Compensation		27	
Employer Medicare		693	
Travel		1,226	
Other Supplies and Materials		9,139	
Other Charges		52	
Other Equipment		1,797	
Total Adult Programs			79,623

Board of Education

Board and Committee Members Fees	\$	8,500	
Social Security		527	

(Continued)

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.)

Employer Medicare	\$	123	
Payments to Retirees		5,160	
Audit Services		5,450	
Dues and Memberships		13,760	
Legal Services		1,244	
Travel		2,574	
Trustee's Commission		107,010	
Workers' Compensation Insurance		92,869	
Refund to Applicant for Criminal Investigation		3,744	
Other Charges		23,413	
Total Board of Education			\$ 264,374

Director of Schools

County Official/Administrative Officer	\$	93,308	
Social Security		5,516	
State Retirement		5,676	
Life Insurance		39	
Medical Insurance		3,970	
Unemployment Compensation		28	
Employer Medicare		1,290	
Communication		16,866	
Dues and Memberships		1,924	
Postal Charges		4,465	
Travel		1,500	
Other Contracted Services		2,427	
Office Supplies		5,610	
Total Director of Schools			142,619

Office of the Principal

Principals	\$	441,739	
Career Ladder Program		7,875	
Accountants/Bookkeepers		85,898	
Assistant Principals		154,805	
Secretary(ies)		35,931	
Other Salaries and Wages		172,822	
Social Security		53,508	
State Retirement		51,623	
Life Insurance		406	
Medical Insurance		42,713	

(Continued)

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.)

Unemployment Compensation	\$	911	
Employer Medicare		12,514	
Communication		1,019	
Total Office of the Principal			\$ 1,061,764

Fiscal Services

Accountants/Bookkeepers	\$	66,702	
Clerical Personnel		39,085	
Social Security		6,220	
State Retirement		7,746	
Unemployment Compensation		112	
Employer Medicare		1,455	
Data Processing Services		6,955	
Travel		652	
Other Contracted Services		1,128	
Data Processing Supplies		2,316	
Office Supplies		689	
Total Fiscal Services			133,060

Operation of Plant

Custodial Personnel	\$	463,797	
Maintenance Personnel		7,117	
Social Security		28,713	
State Retirement		26,633	
Unemployment Compensation		886	
Employer Medicare		6,715	
Custodial Supplies		118,036	
Electricity		541,279	
Fuel Oil		9,920	
Natural Gas		156,983	
Water and Sewer		113,133	
Other Supplies and Materials		2,472	
Building and Contents Insurance		137,836	
Total Operation of Plant			1,613,520

Maintenance of Plant

Supervisor/Director	\$	35,054	
Maintenance Personnel		161,523	
Other Salaries and Wages		16,560	

(Continued)

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.)

Social Security	\$	13,534	
State Retirement		13,311	
Unemployment Compensation		258	
Employer Medicare		3,165	
Other Contracted Services		84,932	
Other Supplies and Materials		144,896	
Maintenance Equipment		7,530	
Total Maintenance of Plant			\$ 480,763

Transportation

Supervisor/Director	\$	35,054	
Mechanic(s)		129,928	
Bus Drivers		481,112	
Other Salaries and Wages		17,250	
Social Security		40,597	
State Retirement		35,490	
Unemployment Compensation		1,183	
Employer Medicare		9,495	
Medical and Dental Services		3,966	
Travel		1,091	
Diesel Fuel		211,268	
Garage Supplies		14,571	
Lubricants		8,883	
Tires and Tubes		20,438	
Vehicle Parts		112,045	
Other Charges		7,312	
Transportation Equipment		280,633	
Total Transportation			1,410,316

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	25,041	
Cafeteria Personnel		3,049	
In-Service Training		1,600	
Social Security		1,710	
State Retirement		301	
Unemployment Compensation		40	
Employer Medicare		400	
Communication		757	

(Continued)

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.)

Payments to Schools - Breakfast	\$	239,418	
Payments to Schools - Lunch		693,782	
Travel		34	
Other Charges		1,500	
Total Food Service			\$ 967,632

Early Childhood Education

Teachers	\$	95,806	
Educational Assistants		29,709	
Non-certified Substitute Teachers		430	
Social Security		6,915	
State Retirement		7,517	
Life Insurance		106	
Medical Insurance		19,973	
Unemployment Compensation		201	
Employer Medicare		1,617	
Instructional Supplies and Materials		60,964	
In Service/Staff Development		713	
Other Equipment		18,000	
Total Early Childhood Education			241,951

Capital Outlay

Regular Capital Outlay

Architects	\$	41,323	
Building Improvements		1,194,552	
Other Capital Outlay		241,880	
Total Regular Capital Outlay			1,477,755

Principal on Debt

Education

Principal on Bonds	\$	400,000	
Total Education			400,000

Interest on Debt

Education

Interest on Bonds	\$	298,575	
Total Education			298,575

(Continued)

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

General Purpose School Fund (Cont.)

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	329,566	
Other Debt Service		3,150	
Total Education			\$ 332,716

Total General Purpose School Fund \$ 22,700,147

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	311,088	
Educational Assistants		194,771	
Certified Substitute Teachers		2,320	
Non-certified Substitute Teachers		6,050	
Social Security		29,978	
State Retirement		29,904	
Life Insurance		312	
Medical Insurance		38,919	
Unemployment Compensation		748	
Employer Medicare		7,011	
Instructional Supplies and Materials		107,393	
Other Supplies and Materials		3,600	
Regular Instruction Equipment		4,561	
Total Regular Instruction Program			\$ 736,655

Special Education Program

Educational Assistants	\$	269,207	
Other Salaries and Wages		44,850	
Social Security		19,174	
State Retirement		20,311	
Unemployment Compensation		732	
Employer Medicare		4,434	
Maintenance and Repair Services - Equipment		7,781	
Other Contracted Services		106,390	
Instructional Supplies and Materials		177,450	
Other Supplies and Materials		24,916	
Total Special Education Program			675,245

Vocational Education Program

Teachers	\$	5,000	
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(Continued)

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Social Security	\$	310	
State Retirement		275	
Employer Medicare		75	
Vocational Instruction Equipment		48,541	
Total Vocational Education Program			\$ 54,201

Support Services

Other Student Support

Clerical Personnel	\$	12,000	
Social Security		750	
State Retirement		810	
Employer Medicare		175	
Other Contracted Services		6,250	
In Service/Staff Development		2,018	
Other Charges		4,315	
Total Other Student Support			26,318

Regular Instruction Program

Supervisor/Director	\$	61,235	
Clerical Personnel		8,653	
Other Salaries and Wages		45,042	
In-Service Training		1,250	
Social Security		6,764	
State Retirement		7,211	
Life Insurance		74	
Medical Insurance		10,808	
Unemployment Compensation		53	
Employer Medicare		1,582	
Travel		1,494	
Tuition		3,521	
Instructional Supplies and Materials		406	
Other Supplies and Materials		12,272	
In Service/Staff Development		56,839	
Other Equipment		1,860	
Total Regular Instruction Program			219,064

Special Education Program

Other Salaries and Wages	\$	4,105	
Social Security		214	

(Continued)

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

State Retirement	\$	300	
Life Insurance		7	
Medical Insurance		640	
Employer Medicare		97	
Maintenance and Repair Services - Equipment		720	
Travel		2,667	
Other Supplies and Materials		23,981	
In Service/Staff Development		24,531	
Total Special Education Program			\$ 57,262

Transportation

Bus Drivers	\$	19,382	
Social Security		1,202	
State Retirement		1,417	
Unemployment Compensation		35	
Employer Medicare		281	
Transportation Equipment		3,000	
Total Transportation			<u>25,317</u>

Total School Federal Projects Fund \$ 1,794,062

Total Governmental Funds - Macon County School Department \$ 24,494,209

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

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

JAMES R. ARNETTE
Director

JEFF BAILEY, CPA, CGFM, CFE
Audit Manager

EUGENE HAMPTON II, CPA, CGFM
Auditor 4

FERMAN PRIDE, CGFM
STEPHANIE MACEINA
TERYN HORTON
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
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841

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

February 29, 2008

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, 2007, 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 February 29, 2008. 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 is unqualified. Our report on Macon County was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Public Library Fund, a non-major special revenue fund, as described in our report on Macon County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting: 07.09.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Macon County's and the Macon County School Department's statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance

or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items: 07.01, 07.02, 07.03, 07.04, 07.05, 07.06, 07.07, and 07.08.

We consider item 07.10 described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over the financial operations. We also noted certain matters that we reported to the management of Macon County and the Macon County School Department in separate communications.

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

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu



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

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

February 29, 2008

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, 2007. 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 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 of 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, 2007.

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 the 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 the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Macon County's and the Macon County School Department's internal control over compliance.

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of 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, 2007, and have issued our reports thereon dated February 29, 2008. Our report on the financial statements of Macon County expresses an adverse opinion because 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 is unqualified. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Macon County's and the Macon County School Department's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

This report is intended solely for the information and use of management, the county mayor, director of schools, supervisor of roads, County Commission, Board of Education, others within Macon County, 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.

Yours very truly,



John G. Morgan
Comptroller of the Treasury

JGM/yu

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, 2007

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	(2)	\$ 73,387
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	239,418
National School Lunch Program	10.555	(2)	693,782
Total U.S. Department of Agriculture			<u>\$ 1,006,587</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants State's Program	14.228	(2)	\$ 390,479
Total U.S. Department of Housing and Urban Development			<u>\$ 390,479</u>
U.S. Department of Transportation:			
Passed-through Governor's Highway Safety Office:			
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	Z-07-035874-00	\$ 4,881
Total U.S. Department of Transportation			<u>\$ 4,881</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-07-033714-00	\$ 77,067
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	785,225
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	732,612
Special Education - Preschool Grants	84.173	N/A	45,922
Vocational Education - Basic Grants to States	84.048	N/A	76,204
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	17,419
State Grants for Innovative Programs	84.298	(2)	5,909
Education Technology State Grants	84.318	(2)	9,143
Improving Teacher Quality State Grants	84.367	(2)	156,838
Hurricane Education Recovery	84.938	(2)	2,807
Passed-through Dekalb County School Department:			
English Language Acquisition Grants	84.365	(2)	2,602
Total U.S. Department of Education			<u>\$ 1,911,748</u>
U.S. Election Assistance Commission:			
Passed-through Tennessee Secretary of State's Office:			
Help America Vote Act Requirements Payment	90.401	(2)	\$ 113,390
Total U.S. Election Assistance Commission			<u>\$ 113,390</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Preparedness Technical Assistance Program	97.007	Z-05-025183-00	\$ 14,752
Public Assistance (Presidentially-Declared Disasters)	97.036	(3)	29,198
Total U.S. Department of Homeland Security			<u>\$ 43,950</u>
Total Expenditures of Federal Grants			<u>\$ 3,471,035</u>

(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)	\$ 7,953
Juvenile Justice - State Commission on Children and Youth	N/A	Z-07-036556-00	9,000
Adult Education - State Department of Labor and Workforce Development	N/A	Z-07-033714-00	24,922
Coordinate School Health Grant - State Department of Education	N/A	(2)	96,296
Safe Schools Act - State Department of Education	N/A	(2)	22,003
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	7,989
Tennessee Industrial Infrastructure Program - State Department of Economic and Community Development	N/A	GG-05-11625-00	68,453
Rural Health Services - State Department of Health	N/A	Z-07-031522-00	59,663
Litter Program - State Department of Transportation	N/A	Z-07-033824-00	13,088
Total State Grants			\$ 309,367

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-02-010505-00: \$22,103; Z-07-033714-00: \$7,095.

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

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

MACON COUNTY

Finding Number	Page Number	Subject
06.01	14	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

OFFICE OF COUNTY MAYOR

Finding Number	Page Number	Subject
06.02	15	All financial activity of the Macon County Library Board was not subject to the budgetary control of the County Commission
06.07	17	Ambulance Service collections were not deposited within three days

OFFICE OF SHERIFF

Finding Number	Page Number	Subject
06.12(B)	20	The office had deficiencies in the operation of the commissary

OTHER FINDINGS

Finding Number	Page Number	Subject
06.13	20	Duties were not segregated adequately in the Offices of County Mayor, Supervisor of Roads, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff
06.14	21	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, 2007

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 a significant deficiency in internal control. This deficiency was not 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 no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), Community Development Block Grants State's Program (CFDA No. 14.228), and Title I Grants to Local Educational Agencies (CFDA No. 84.010) were determined to be major programs.
8. A \$300,000 threshold 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, director of schools, and sheriff are paraphrased in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

MACON COUNTY

FINDING 07.01 **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 No. 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 No. 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.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

We concur. Macon County is in the process of implementing the provisions of GASB Statement No. 34. The County Commission has adopted a capitalization policy that included defining terms, inventory methods, threshold amounts for recording capital assets

and infrastructure, determination of useful lives, and depreciation methods for various classes of assets and infrastructure. We are in the process of identifying and valuing our capital assets and have completed approximately 90 percent. We have established useful lives, salvage values, and depreciation schedules for these capital assets. We are still in the process of establishing useful lives, salvage values, and depreciation schedules for our infrastructure.

FINDING 07.02 MACON COUNTY HAS NOT COMPLETED THE STEPS SET FORTH IN THE IMPLEMENTATION PLAN FOR GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 34 FILED WITH THE COMPTROLLER OF THE TREASURY
(Material Noncompliance Under Government Auditing Standards)

As noted in finding 07.01, Macon County has not taken the necessary steps to present its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34. To encourage local governments to comply with GASB Statement No. 34, the Tennessee General Assembly passed legislation (Sections 9-3-401 through 9-3-405, Tennessee Code Annotated), requiring local governments that were not in compliance with GASB Statement No. 34 to file an implementation plan with the Comptroller of the Treasury showing the steps and the timeline the local government would follow to implement the standard no later than June 30, 2008. An examination of the plan Macon County filed with the Comptroller's Office shows the county has failed to perform the steps in accordance with the timeline set forth in its plan. If Macon County does not comply with GASB Statement No. 34 by June 30, 2008, the statutes further provide that the state may withhold certain state funds from the county.

RECOMMENDATION

Macon County should take the steps necessary to ensure compliance with GASB Statement No. 34 by June 30, 2008.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

We concur. As noted in our response to finding 07.01, Macon County is in the process of implementing the provisions of GASB Statement No. 34. Like several county governments in Tennessee, Macon County has never maintained cost records or detailed ownership records of its capital assets. The amount of effort it has taken to identify and value our capital assets was underestimated at the time we completed our work plan for implementation of the provision of GASB Statement No. 34. We are confident that we will finish the steps to comply by the deadline of June 30, 2008.

OFFICE OF COUNTY MAYOR

FINDING 07.03 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 (\$115,734) which is subject to the budgetary control of the County Commission; however, the Library Board maintained four checking accounts to deposit various revenues and pay certain operating expenses (\$33,354) which were not subject to the budgetary control of the County Commission. The balance of these four checking accounts totaled \$49,313 on June 30, 2007. Macon County did contract for an audit of the four 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

The Public Library Fund should be budgeted by the County Commission as required by state statute.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

We concur. The checking accounts maintained by the Macon County Library Board are used primarily to account for contributions and other local library revenues. The County Commission has adopted a resolution to allow the library to continue its operation and to allow the Library Board to contract with a private accounting firm for audit. As noted, the Macon County Library Board did contract with a private accounting firm for an internal audit of its internal funds, and this audit was submitted to the County Commission for inclusion in the annual audit performed by the Division of County Audit.

FINDING 07.04 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.

MANAGEMENT’S RESPONSE – COUNTY MAYOR

We concur. Every effort will be made to ensure that the collections are deposited within three days as required by statute.

OFFICE OF CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK

FINDING 07.05 **THE JUVENILE COURT CLERK DID NOT PREPARE AN ANNUAL FINANCIAL REPORT**
(Noncompliance Under Government Auditing Standards)

The juvenile court clerk did not prepare an annual financial report. Section 5-8-505, Tennessee Code Annotated, states, “All appointive or elective county public officials, official county boards, committees and commissions ... having in their charge and custody public funds or moneys are required to file with the county mayor and with the county clerk ... an annual financial report ...”

RECOMMENDATION

The juvenile court clerk should prepare an annual financial report as required by state statute.

OFFICE OF SHERIFF

FINDING 07.06 **COMMISSARY PROFITS WERE NOT REMITTED TO THE COUNTY TRUSTEE**
(Noncompliance Under Government Auditing Standards)

Profits from commissary operations were not determined and remitted to the county as required by Section 8-24-103, Tennessee Code Annotated. This statute requires all fees and commissions collected by the sheriff to be remitted to the county. At June 30, 2007, accounting records of the office identified \$10,597 as profits from commissary sales that had not been remitted to the county.

RECOMMENDATION

Profits from commissary operations should be determined and remitted to the county in accordance with state statute.

MANAGEMENT’S RESPONSE – SHERIFF

This was an oversight due to the election and new office holders; however, this oversight has been corrected.

FINDING 07.07 **THE SHERIFF’S OFFICE HAD DEFICIENCIES IN ITS BOOKING PROCEDURES**
(Noncompliance Under Government Auditing Standards)

The Sheriff’s Department purchased an electronic fingerprint imaging machine in prior years. The sheriff advised that the department did take and file all fingerprints with the Tennessee Bureau of Investigation (TBI) during the period; however our review revealed that 1,586 fingerprints were taken, but only 686 were accepted by the TBI. Section 8-4-115, Tennessee Code Annotated, requires that law enforcement agencies file the fingerprints with the TBI.

RECOMMENDATION

The Sheriff’s Department should follow-up on all fingerprint images submitted to the TBI to ensure that the images are accepted.

MANAGEMENT’S RESPONSE – SHERIFF

The Sheriff Department found the problem with the new electronic fingerprint-imaging machine and corrected the problem. I do not feel that an auditor should have a finding when our department found the problem and was correcting the problem. The auditor did not find the problem as insinuated in the finding. The problem with the fingerprints was that the machine showed that the prints had been successfully sent to the TBI when in fact the TBI hadn’t received them. This was clearly a problem with the electronic fingerprint-imaging machine; it was not an error with the department. But the audit never stated that the problem was with the new imaging machine.

REBUTTAL

We are reporting a deficiency that did in fact occur during the period under examination, which generally accepted accounting principles require us to report. The Sheriff Department is responsible for ensuring that all fingerprints taken have been filed with and accepted by the TBI.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 07.08 **COMPETITIVE PROPOSALS WERE NOT SOLICITED FOR THE PURCHASE OF EMPLOYEE HEALTH INSURANCE** (Noncompliance Under Government Auditing Standards)

Competitive proposals were not solicited for the purchase of employee health insurance for the Offices of County Mayor and Supervisor of Roads and noncertified personnel of the School Department. This insurance is to be effective September 15, 2007. Purchasing procedures for the Office of County Mayor (Sections 5-14-201 through 5-14-206, Tennessee Code Annotated (TCA) and Chapter 161, Private Acts of 1937), the Office of Supervisor of Roads (Chapter 234, Private Acts of 1965, as amended, and the Uniform Road Law, Section 54-7-113, TCA), and the School Department (Section 49-2-203, TCA) require all purchases exceeding \$10,000 to be based on competitive bids solicited through public advertisement.

RECOMMENDATION

Competitive bids should be solicited for all purchases exceeding \$10,000 as required by state statutes and private acts.

MANAGEMENTS' RESPONSES – COUNTY MAYOR AND DIRECTOR OF SCHOOLS

Bids were obtained by the Adams Firm who serves as administrator for our plan.

REBUTTAL

Correspondence from the Adams Firm revealed that a price quote was obtained from Blue-Cross/Blue-Shield insurance. This quote was given to the other insurance companies for a competitive quote. Purchasing procedures for these offices and departments require purchases exceeding \$10,000 to be made on a competitive basis after public advertisement.

FINDING 07.09 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY MAYOR; SUPERVISOR OF ROADS; DIRECTOR OF SCHOOLS; TRUSTEE; COUNTY CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; CLERK AND MASTER; REGISTER; AND SHERIFF** (Internal Control – Significant Deficiency Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Offices of County Mayor; Supervisor of Roads; Director of Schools; Trustee; County Clerk; Circuit, General Sessions, and Juvenile 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 – COUNTY MAYOR

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

REBUTTAL TO COUNTY MAYOR’S RESPONSE

We have not recommended hiring additional employees. We are recommending that these offices segregate duties to the extent possible.

MANAGEMENT’S RESPONSE – SHERIFF

The Sheriff’s Department did segregate the duties, but the auditor did not ask anyone in our department about who receipts the money or who deposits the money for the department. If he or she had asked, they would have realized we did this. The dispatchers receipt the money, the bookkeeper records it in the journal, and the chief deputy deposits the money. In my opinion, that is segregation of duties.

REBUTTAL TO SHERIFF’S RESPONSE

On December 21, 2007, an auditor spoke with the bookkeeper who stated that she issues receipts, makes deposits, endorses checks, and posts activity to the official cash journal. We consider this a lack of segregation of duties.

FINDING 07.10 **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Control Deficiency Under Government Auditing Standards)

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

RECOMMENDATION

County officials should consider adopting the County Financial Management System of 1981 or a private act, 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**

There were no findings and questioned costs for federal awards.

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

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

Office of County Mayor – Summary Schedule of Prior Year's Findings

FINDINGS 06.13 and 06.15

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

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

FINDINGS 06.13 and 06.15

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