
ANNUAL FINANCIAL REPORT FAYETTE COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2008



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ANNUAL FINANCIAL REPORT
FAYETTE COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2008

DEPARTMENT OF AUDIT
JUSTIN P. WILSON
Comptroller of the Treasury

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

JAMES R. ARNETTE
Director

NORMAN R. NORMENT, CGFM
Audit Manager

HORACE B. WISEMAN, CGFM
Auditor 4

MARVIN BOND, CGFM
CHARLES GROVE
ELISHA CROWELL, CFE
State Auditors

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

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Audit Highlights

Annual Financial Report
Fayette County, Tennessee
For the Year Ended June 30, 2008

Scope

We have audited the basic financial statements of Fayette County as of and for the year ended June 30, 2008.

Results

Our report on Fayette County's financial statements is unqualified.

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

Findings

The following are summaries of the audit findings:

FAYETTE COUNTY AND FAYETTE COUNTY SCHOOL DEPARTMENT

- ◆ Fayette County and the Fayette County School Department do not have the resources to produce financial statements and notes to the financial statements.
- ◆ The General, Highway Public/Works, and General Purpose School funds required material audit adjustments for proper financial statement presentation.

OFFICE OF COUNTY MAYOR

- ◆ The Solid Waste Office had deficiencies in information resources.

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The director of schools failed to comply with state statutes when entering into a lease agreement.
 - ◆ Expenditures exceeded appropriations approved by the County Commission by \$19,054 in the Transportation major appropriation category (the legal level of control) in the General Purpose School Fund.
-

OFFICE OF TRUSTEE

- ◆ The trustee did not require a depository to adequately collateralize funds.
 - ◆ The office did not review software audit logs.
-

OFFICE OF CIRCUIT COURT CLERK

- ◆ Computer-generated receipts could be manipulated.
-

OFFICE OF CLERK AND MASTER

- ◆ The office did not review software audit logs.
-

OTHER FINDING

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.

INTRODUCTORY SECTION

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Fayette County Officials
June 30, 2008

Officials

Rhea Taylor, County Mayor
James Smith, Public Works Superintendent
Myles Wilson, Director of Schools
Barbra Parker, Trustee
Mark Ward, Assessor of Property
Sue Culver, County Clerk
Connie Doyle, Circuit, General Sessions, and Juvenile Courts Clerk
Vip Lewis, Clerk and Master
Edward Pattat, Register
Bobby Riles, Sheriff

Board of County Commissioners

Rhea Taylor, Chairman	John Dowdy
Ronnie Harris	Ron Gant
Ed Allen	Willie German, Jr.
Joann Allen	Tom Karcher
Steve Anderson	Bill Kelley
Charles Brewer, Sr.	David Lillard, Sr.
Joe Burnette, Jr.	Sylvester Logan
Larry Cook	George McCloud
Odis Cox	Claude Oglesby, Jr.
Sissy Dowdle	Myles Wilson

Board of Education

Rickey Hoskins, Chairman	Dorothy Lewis
Nadalyn Shelton	Bob Morris
David Barnes	Greg Phelps
Patricia Burnette	Robert Redditt
	Marandy Wilkerson

Budget Committee

Ronnie Harris, Chairman
Joe Burnett, Jr.
Sissy Dowdle
John Dowdy
Willie German, Jr.
Claude Oglesby, Jr.
Myles Wilson

Board of Public Works

Hank Franck, Chairman
Buck Matthews
Robert McQueen
Robert Turpen
Russell Wicker

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FINANCIAL SECTION

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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 37243-1402
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INDEPENDENT AUDITOR'S REPORT

January 16, 2009

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fayette County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise Fayette County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Fayette County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented Fayette County Emergency Communications District, which represent 3.7 percent and 1.7 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Fayette County Emergency Communications District, is based on the report of the 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. 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.

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 the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fayette County, Tennessee, as of June 30, 2008, 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 January 16, 2009, on our consideration of Fayette County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note V.B., Fayette County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures.

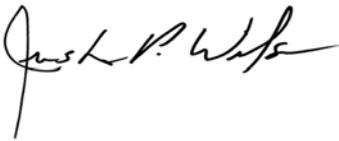
The management of Fayette County did not prepare a management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States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

The budgetary comparison, pension, and postemployment benefits information on pages 77 through 83 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 Fayette County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Fayette County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Fayette County

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke at the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

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BASIC FINANCIAL STATEMENTS

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Exhibit A

Fayette County, Tennessee
Statement of Net Assets
June 30, 2008

	Primary Government Governmental Activities	Component Units	
		Fayette County School Department	Emergency Communications District
<u>ASSETS</u>			
Cash	\$ 48,563	\$ 0	\$ 495,179
Equity in Pooled Cash and Investments	11,117,631	274,903	0
Accounts Receivable	975,530	7,379	26,351
Due from Other Governments	472,279	1,463,102	8,664
Allowance for Uncollectible	(590,419)	0	0
Property Taxes Receivable	7,427,738	6,314,010	0
Allowance for Uncollectible Property Taxes	(247,902)	(206,499)	0
Accrued Interest Receivable	0	0	738
Prepaid Expenses	0	0	280
Deferred Charges - Debt Issuance Costs	191,969	0	0
Capital Assets:			
Assets Not Depreciated:			
Land	1,577,264	359,607	0
Construction in Progress	293,052	0	0
Assets Net of Accumulated Depreciation:			
Land Improvements	0	1,978	0
Buildings and Improvements	16,669,540	12,850,418	332,678
Infrastructure	26,018,963	26,515	0
Other Capital Assets	2,093,771	1,380,841	1,632
Total Assets	<u>\$ 66,047,979</u>	<u>\$ 22,472,254</u>	<u>\$ 865,522</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 0	\$ 189,301	\$ 0
Accrued Payroll	0	209,618	0
Compensated Absences Payable	0	0	1,197
Payroll Taxes Payable	0	0	1,191
Payroll Deductions Payable	464	172,343	0
Contracts Payable	0	7,500	0
Accrued Interest Payable	375,047	29,146	0
Deferred Revenue - Current Property Taxes	6,813,387	5,809,494	0
Noncurrent Liabilities:			
Due Within One Year	2,374,760	330,680	0
Due in More Than One Year (net of unamortized discounts on debt)	26,274,891	852,046	0
Total Liabilities	<u>\$ 35,838,549</u>	<u>\$ 7,600,128</u>	<u>\$ 2,388</u>

(Continued)

Exhibit A

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

	Primary Government Governmental Activities	Component Units	
		Fayette County School Department	Emergency Communications District
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 31,173,794	\$ 13,803,570	\$ 0
Invested in Capital Assets	0	0	332,678
Restricted for:			
Capital Projects	324,561	7,618	0
Debt Service	4,132,376	0	0
Highway/Public Works	1,594,202	0	0
Adequate Facilities Development	1,441,431	0	0
Solid Waste/Sanitation	960,768	0	0
Drug Control	241,173	0	0
Computer Systems	114,038	0	0
Aging Programs	75,000	0	0
Jail Construction	456,438	0	0
Food Service	0	595,043	0
School Federal Projects	0	235,333	0
Drug Treatment	35,775	0	0
Other Purposes	80,290	15,820	0
Unrestricted	(10,420,416)	214,742	530,456
Total Net Assets	<u>\$ 30,209,430</u>	<u>\$ 14,872,126</u>	<u>\$ 863,134</u>

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

Exhibit B

Fayette County, Tennessee
Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Program Revenues						Net (Expense) Revenue and Changes in Net Assets			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Fayette County School Department	Emergency Communications District			
					Total Governmental Activities						
Primary Government:											
Governmental Activities:											
General Government	\$ 1,460,219	\$ 659,578	\$ 56,380	\$ 0	\$ 0	(744,261)	\$ 0	\$ 0	\$ 0	\$ 0	0
Finance	1,081,018	810,989	12,836	0	0	(257,193)	0	0	0	0	0
Administration of Justice	1,845,739	591,362	0	0	0	(1,254,377)	0	0	0	0	0
Public Safety	6,037,160	425,754	73,318	345,289	0	(5,192,799)	0	0	0	0	0
Public Health and Welfare	3,324,557	1,448,220	303,324	0	0	(1,573,013)	0	0	0	0	0
Social, Cultural, and Recreational Services	221,626	0	0	0	0	(221,626)	0	0	0	0	0
Agriculture and Natural Resources	183,278	0	0	0	0	(183,278)	0	0	0	0	0
Other Operations	1,938,826	52,015	1,259,992	0	0	(626,819)	0	0	0	0	0
Highways/Public Works	1,808,173	33,900	2,074,071	109,954	0	409,752	0	0	0	0	0
Interest on Long-term Debt	1,175,277	0	0	0	0	(1,175,277)	0	0	0	0	0
Other Debt Service	45,206	0	0	0	0	(45,206)	0	0	0	0	0
Total Primary Government	\$ 19,121,079	\$ 4,021,818	\$ 3,779,921	\$ 455,243	\$ 0	(10,864,097)	\$ 0	\$ 0	\$ 0	\$ 0	0
Component Units:											
Fayette County School Department	\$ 33,491,155	\$ 499,804	\$ 6,266,462	\$ 0	\$ 0	0	\$ (26,724,889)	\$ 0	\$ 0	\$ 0	0
Emergency Communications District	222,376	412,173	0	0	0	0	0	0	0	0	189,797
Total Component Unit	\$ 33,713,531	\$ 911,977	\$ 6,266,462	\$ 0	\$ 0	0	\$ (26,724,889)	\$ 0	\$ 0	\$ 189,797	0

(Continued)

Exhibit B

Fayette County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues				Expenses	Primary Government			Component Units	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities		Fayette County School Department	Emergency Communications District	Net (Expense) Revenue and Changes in Net Assets		
General Revenues:										
Taxes:										
Property Taxes Levied for General Purposes				5,741,271	\$	5,815,900	\$		0	
Property Taxes Levied for Debt Service				1,124,313		0		0	0	
Local Option Sales Taxes				375,712		2,106,200			0	
Wheel Tax				1,854,196		0			0	
Adequate Facilities/Development Tax				787,760		0			0	
Litigation Tax				270,183		0			0	
Business Tax				185,042		0			0	
Other Local Taxes				117,522		3,726			0	
Grants and Contributions Not Restricted to Specific Programs				1,047,358		17,067,360			131,042	
Unrestricted Investment Earnings				412,301		0			7,976	
Miscellaneous				164,553		236,539			369	
Total General Revenues				\$ 12,080,211		\$ 25,229,725		\$	139,387	
Change in Net Assets				\$ 1,216,114		\$ (1,495,164)		\$	329,184	
Net Assets, July 1, 2007				28,993,316		16,367,290			533,950	
Net Assets, June 30, 2008				\$ 30,209,430		\$ 14,872,126		\$	863,134	

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

Fayette County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2008

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Governmental Funds		
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	48,563
Equity in Pooled Cash and Investments	2,417,436	1,252,943	4,442,487	324,106	2,660,529	11,097,501	11,097,501
Accounts Receivable	969,174	0	2,279	0	24,207	995,660	995,660
Allowance for Uncollectibles	(590,419)	0	0	0	0	(590,419)	(590,419)
Due from Other Governments	93,046	379,233	0	0	0	472,279	472,279
Due from Other Funds	33,650	0	0	0	0	33,650	33,650
Property Taxes Receivable	6,184,914	646,371	596,453	0	0	7,427,738	7,427,738
Allowance for Uncollectible Property Taxes	(195,405)	(23,202)	(29,295)	0	0	(247,902)	(247,902)
Total Assets	\$ 8,912,396	\$ 2,255,345	\$ 5,011,924	\$ 324,106	\$ 2,733,299	\$ 19,237,070	\$ 19,237,070

ASSETS

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>	\$ 464	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	464
Payroll Deductions Payable	0	0	0	0	33,650	0	33,650
Due to Other Funds	5,719,484	586,089	507,814	0	0	6,813,387	6,813,387
Deferred Revenue - Current Property Taxes	187,525	25,768	41,212	0	0	254,505	254,505
Deferred Revenue - Delinquent Property Taxes	290,803	169,708	0	0	36,932	497,443	497,443
Other Deferred Revenues	\$ 6,198,276	\$ 781,565	\$ 549,026	\$ 0	\$ 70,582	\$ 7,599,449	\$ 7,599,449
Total Liabilities	\$ 0	\$ 435,200	\$ 0	\$ 0	\$ 0	\$ 0	435,200
<u>Fund Balances</u>	35,775	0	0	0	0	35,775	35,775
Reserved for Encumbrances	456,438	0	0	0	0	456,438	456,438
Reserved for Alcohol and Drug Treatment	3,745	0	0	0	0	3,745	3,745
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	1,113	0	0	0	0	1,113	1,113
Reserved for Sexual Offender Registration	31,868	0	0	0	0	31,868	31,868
Reserved for Courtroom Security	4,764	0	0	0	0	4,764	4,764
Reserved for Computer System - Register	42,419	0	0	0	0	42,419	42,419
Reserved for Automation Purposes - Circuit Court							
Reserved for Automation Purposes - General Sessions Court							

(Continued)

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other	Governmental Funds	
\$	3,674	0	0	0	0	0	3,674
	31,313	0	0	0	0	0	31,313
	75,000	0	0	0	0	0	75,000
	38,500	0	0	0	0	0	38,500
	1,989,511	0	0	0	0	0	1,989,511
	0	1,038,580	0	0	2,662,262	0	3,700,842
	0	0	4,462,898	0	0	0	4,462,898
	0	0	0	324,106	455	0	324,561
	\$ 2,714,120	\$ 1,473,780	\$ 4,462,898	\$ 324,106	\$ 2,662,717	\$ 0	\$ 11,637,621
	\$ 8,912,396	\$ 2,255,345	\$ 5,011,924	\$ 324,106	\$ 2,733,299	\$ 0	\$ 19,237,070

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)
Reserved for Automation Purposes - Chancery Court
Reserved for Automation Purposes - Sheriff
Reserved for Aging Programs
Reserved for Other General Purposes
Unreserved, Reported In:
General Fund
Special Revenue Funds
Debt Service Funds
Capital Projects Funds
Total Fund Balances

Total Liabilities and Fund Balances

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

Exhibit C-2

Fayette County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2008

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)		\$ 11,637,621
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 1,577,264	
Add: construction in progress	293,052	
Add: buildings and improvements net of accumulated depreciation	16,669,540	
Add: infrastructure net of accumulated depreciation	26,018,963	
Add: other capital assets net of accumulated depreciation	<u>2,093,771</u>	46,652,590
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: capital leases payable	\$ (158,256)	
Less: bonds payable	(24,355,000)	
Less: notes payable	(3,000,000)	
Add: deferred charges - debt issuance costs	191,969	
Add: deferred discount on debt issuances	37,491	
Less: compensated absences payable	(308,466)	
Less: landfill closure/postclosure care costs	(848,858)	
Less: other postemployment benefits	(16,562)	
Less: accrued interest on bonds, notes, and capital leases	<u>(375,047)</u>	(28,832,729)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>751,948</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 30,209,430</u>

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

Exhibit C-3

Fayette County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway /	General	General	Other Governmental Funds	Total Governmental Funds	
		Public Works	Debt Service	Capital Projects			
Revenues							
Local Taxes	\$ 5,992,115	\$ 1,741,183	\$ 2,043,823	\$ 0	\$ 787,760	\$ 10,564,881	
Licenses and Permits	274,534	0	0	0	0	274,534	
Fines, Forfeitures, and Penalties	118,494	0	0	0	74,997	193,491	
Charges for Current Services	699,685	0	0	0	534,280	1,233,965	
Other Local Revenues	143,758	159,191	0	2,365	794,366	1,099,680	
Fees Received from County Officials	1,422,162	0	0	0	0	1,422,162	
State of Tennessee	2,875,602	2,186,247	0	0	12,912	5,074,761	
Federal Government	345,289	0	0	0	0	345,289	
Other Governments and Citizens Groups	38,945	0	0	0	0	38,945	
Total Revenues	\$ 11,910,584	\$ 4,086,621	\$ 2,043,823	\$ 2,365	\$ 2,204,315	\$ 20,247,708	
Expenditures							
Current:							
General Government	\$ 1,108,765	\$ 0	\$ 0	\$ 0	\$ 143,598	\$ 1,252,363	
Finance	819,704	0	0	0	0	819,704	
Administration of Justice	813,761	0	0	0	25,255	839,016	
Public Safety	5,429,057	0	0	0	84,049	5,513,106	
Public Health and Welfare	1,815,447	0	0	0	889,729	2,705,176	
Social, Cultural, and Recreational Services	205,879	0	0	0	0	205,879	
Agriculture and Natural Resources	158,399	0	0	0	0	158,399	
Other Operations	3,023,540	0	0	0	18,550	3,042,090	
Highways	0	4,283,239	0	0	0	4,283,239	
Debt Service:							
Principal on Debt	0	101,603	1,020,000	0	0	1,121,603	
Interest on Debt	0	7,842	1,175,067	0	0	1,182,909	
Other Debt Service	0	0	34,150	0	0	34,150	
Capital Projects	0	2,323	0	2,954,949	0	2,957,272	
Total Expenditures	\$ 13,374,552	\$ 4,395,007	\$ 2,229,217	\$ 2,954,949	\$ 1,161,181	\$ 24,114,906	
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,463,968)	\$ (308,386)	\$ (185,394)	\$ (2,952,584)	\$ 1,043,134	\$ (3,867,198)	

(Continued)

Exhibit C-3

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

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Highway /	General	General	Capital Projects	Other Governmental Funds	Governmental Funds	
		Public Works	Debt Service	Capital				
<u>Other Financing Sources (Uses)</u>								
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 3,000,000	\$ 0	\$ 0	\$ 0	\$ 3,000,000
Capital Leases Issued	0	89,415	0	0	0	0	0	89,415
Insurance Recovery	0	0	0	0	0	2,575	0	2,575
Transfers In	0	350,000	0	118,000	0	0	0	468,000
Transfers Out	(118,000)	0	0	0	0	(350,000)	0	(468,000)
Total Other Financing Sources (Uses)	\$ (118,000)	\$ 439,415	\$ 0	\$ 3,118,000	\$ (347,425)	\$ 0	\$ 0	\$ 3,091,990
Net Change in Fund Balances	\$ (1,581,968)	\$ 131,029	\$ (185,394)	\$ 165,416	\$ 695,709	\$ 0	\$ 0	\$ (775,208)
Fund Balance, July 1, 2007	4,296,088	1,342,751	4,648,292	158,690	1,967,008	0	0	12,412,829
Fund Balance, June 30, 2008	\$ 2,714,120	\$ 1,473,780	\$ 4,462,898	\$ 324,106	\$ 2,662,717	\$ 0	\$ 0	\$ 11,637,621

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

Exhibit C-4

Fayette County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2008

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)		\$ (775,208)
(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:		
Add: capital assets purchased in the current period	\$ 6,635,906	
Less: current year depreciation expense	<u>(2,292,149)</u>	4,343,757
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Add: gain on disposal of capital assets	\$ 20,837	
Less: loss on disposal of capital assets	(11,385)	
Less: proceeds from sale of capital assets	<u>(55,749)</u>	(46,297)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2008	\$ 751,948	
Add: deferred delinquent property taxes and other deferred June 30, 2007	<u>(671,915)</u>	80,033
(4) The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items.		
Less: capital lease proceeds	\$ (89,415)	
Less: note proceeds	(3,000,000)	
Less: change in deferred debt issuance costs	(9,252)	
Less: change in discount on debt issuances	(1,804)	
Add: principal payments on bonds	1,020,000	
Add: principal payments on capital leases	<u>101,603</u>	(1,978,868)
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in accrued interest payable	\$ 7,632	
Change in compensated absences payable	(35,185)	
Change in other postemployment benefits	(16,562)	
Change in landfill closure/postclosure care costs	<u>(363,188)</u>	(407,303)
Change in net assets of governmental activities (Exhibit B)		<u>\$ 1,216,114</u>

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

Exhibit D

Fayette County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2008

	<u>Agency Funds</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 42,792
Cash	1,284,750
Due from Other Governments	<u>336,393</u>
Total Assets	<u>\$ 1,663,935</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 379,185
Due to Litigants, Heirs, and Others	<u>1,284,750</u>
Total Liabilities	<u>\$ 1,663,935</u>

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

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FAYETTE COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

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

The Fayette County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Complete financial statements of the Fayette County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

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

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

B. Government-wide and Fund Financial Statements

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

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

Fayette County issues all debt for the discretely presented Fayette County School Department.

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

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

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

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

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

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

amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

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

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

Fayette County reports the following major governmental funds:

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

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

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

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

Additionally, Fayette County reports the following fund type:

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

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

Fayette 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

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

All ambulance and property taxes receivable are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 1.79 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, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more (buildings and improvements \$10,000, heavy equipment \$10,000, and infrastructure \$25,000), and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

4. **Compensated Absences**

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

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

5. **Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

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

6. Net Assets and Fund Equity

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

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

The government-wide statement of net assets reports \$9,456,052 of restricted net assets for the primary government, of which \$1,441,431 is restricted by enabling legislation.

As of June 30, 2008, Fayette County had \$11,805,000 in outstanding debt for capital purposes for the discretely presented Fayette County School Department. This debt is a liability of Fayette County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Fayette County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The following table reflects designations on June 30, 2008:

<u>Fund/Purpose</u>	<u>Amount</u>
General:	
Parks and Recreation	\$ 120,750
Fire Service	13,055

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Fayette County School Department

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

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

Primary Government

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

Discretely Presented Fayette County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

The county's budgetary basis of accounting is consistent with 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

The General Purpose School Fund expenditures exceeded appropriations approved by the County Commission in the Transportation major appropriation category (the legal level of control) by \$19,054. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

C. The County Had Deposits Exposed to Custodial Credit Risk

The trustee did not require one depository holding county funds to pledge adequate securities to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2008, deposits at this depository exceeded FDIC coverage and collateral securities pledged by \$247,672. Section 5-8-201, Tennessee Code Annotated, requires any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of such county funds.

D. The School Department Entered Into an Operating Lease Without Proper Approval

On December 18, 2007, the director of schools entered into a five-year operating lease (\$540,000) for copy machines without the prior approval of the Board of Education and County Commission in violation of state statute. Details are discussed in the Schedule of Findings and Questioned Costs section of this report.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, Fayette County's deposits may not be returned to it. Fayette County does not have a formal policy that limits custodial credit risk for deposits. Separate disclosures concerning bank balances of pooled deposits

cannot be made for Fayette County and the discretely presented Fayette County School Department since both pool their deposits and investments through the county trustee. As of June 30, 2008, bank balances of \$247,672 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized \$ 247,672

The \$247,672 exposed to custodial credit risk was in pooled bank balances. Uninsured and uncollateralized deposits are a violation of state statutes.

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county’s own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer’s Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase. The county had no pooled and nonpooled investments as of June 30, 2008.

B. Capital Assets

Capital assets activity for the year ended June 30, 2008, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Not Depreciated:				
Land	\$ 1,576,618	\$ 646	\$ 0	\$ 1,577,264
Construction in Progress	12,991,725	0	12,698,673	293,052
Total Capital Assets Not Depreciated	\$ 14,568,343	\$ 646	\$ 12,698,673	\$ 1,870,316

Governmental Activities: (Cont.)

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Depreciated:				
Buildings and Improvements	\$ 3,645,890	\$ 15,172,615	\$ 0	\$ 18,818,505
Infrastructure	107,344,343	3,950,391	0	111,294,734
Other Capital Assets	6,510,335	210,927	229,552	6,491,710
Total Capital Assets Depreciated	\$ 117,500,568	\$ 19,333,933	\$ 229,552	\$ 136,604,949
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,820,400	\$ 328,565	\$ 0	\$ 2,148,965
Infrastructure	83,771,571	1,504,200	0	85,275,771
Other Capital Assets	4,121,810	459,384	183,255	4,397,939
Total Accumulated Depreciation	\$ 89,713,781	\$ 2,292,149	\$ 183,255	\$ 91,822,675
Total Capital Assets Depreciated, Net	\$ 27,786,787	\$ 17,041,784	\$ 46,297	\$ 44,782,274
Governmental Activities Capital Assets, Net	\$ 42,355,130	\$ 17,042,430	\$ 12,744,970	\$ 46,652,590

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

Governmental Activities:

General Government	\$ 61,888
Finance	4,982
Administration of Justice	53,094
Public Safety	360,469
Public Health and Welfare	114,317
Social, Cultural, and Recreational Services	10,200
Other Operations	172,925
Highway/Public Works	<u>1,514,274</u>
Total Depreciation Expense - Governmental Activities	\$ <u>2,292,149</u>

Discretely Presented Fayette County School Department

Governmental Activities:

	Balance 7-1-07	Increases	Balance 6-30-08
	<hr/>		<hr/>
Capital Assets Not Depreciated:			
Land	\$ 359,607	\$ 0	\$ 359,607
Total Capital Assets Not Depreciated	<hr/>	<hr/>	<hr/>
Capital Assets Depreciated:			
Land Improvements	\$ 127,792	\$ 0	\$ 127,792
Buildings and Improvements	34,442,172	5,084	34,447,256
Infrastructure	394,280	0	394,280
Other Capital Assets	5,514,870	483,500	5,998,370
Total Capital Assets Depreciated	<hr/>	<hr/>	<hr/>
Less Accumulated Depreciation For:			
Land Improvements	\$ 125,814	\$ 0	\$ 125,814
Buildings and Improvements	20,519,304	1,077,534	21,596,838
Infrastructure	354,921	12,844	367,765
Other Capital Assets	4,353,827	263,702	4,617,529
Total Accumulated Depreciation	<hr/>	<hr/>	<hr/>
Total Capital Assets Depreciated, Net	<hr/>	<hr/>	<hr/>
Governmental Activities Capital Assets, Net	<hr/>	<hr/>	<hr/>

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

Governmental Activities:

Instruction	\$ 760,396
Support Services	294,258
Operation of Non-Instructional Services	<hr/>
	299,426
Total Depreciation Expense - Governmental Activities	<hr/>
	\$ 1,354,080

C. Construction Commitments

At June 30, 2008, the Highway Department had uncompleted construction contracts of \$435,200 for the construction of a bridge. Funding for these future expenditures is expected to be received from state aid funds.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2008, is as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 33,650
Discretely Presented		
School Department:		
General Purpose School	School Federal Projects	792

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

Interfund Transfers:

Interfund transfers for the year ended June 30, 2008, consisted of the following amounts:

Primary Government

Transfers Out	Transfers In	
	Highway/ Public Works Fund	General Capital Projects Fund
General	\$ 0	\$ 118,000
Nonmajor governmental fund	350,000	0
Total	\$ 350,000	\$ 118,000

Discretely Presented Fayette County School Department

Transfers Out	Transfers In General Purpose School Fund
School Federal Projects Fund	\$ 792
Nonmajor governmental fund	52,277
	\$ 53,069
Total	\$ 53,069

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.

E. Operating Leases

The discretely presented Fayette County School Department rents copiers under operating leases considered to be non-cancelable. The rental expenditures for the year ended June 30, 2008, were \$128,192. There are no provisions for contingent or sublease rentals in the agreements. This lease was not entered into in compliance with state statutes. The future minimum lease payments for these leases are as follows:

Year Ending June 30	Amount
2009	\$ 205,788
2010	116,145
2011	108,000
2012	108,000
2013	45,000
	\$ 582,933
Total	\$ 582,933

F. Capital Leases

Primary Government

On September 25, 2006, Fayette County entered into a three-year lease-purchase agreement for a grader. The terms of the agreement require total lease payments of \$101,200 plus interest of 4.11 percent. Title to the

grader transfers to Fayette County at the end of the lease period. The lease payments are made by the Highway/Public Works Fund.

On February 25, 2008, Fayette County entered into a three-year lease-purchase agreement for a dump truck. The terms of the agreement require total lease payments of \$89,415 plus interest of 3.95 percent. Title to the dump truck transfers to Fayette County at the end of the lease period. The lease payments are made by the Highway/Public Works Fund.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2008, were as follows:

Year Ending June 30	Governmental Funds
2009	\$ 68,832
2010	68,832
2011	32,234
Total Minimum Lease Payments	\$ 169,898
Amount Representing Interest	(11,642)
Present Value of Minimum Lease Payments	<u>\$ 158,256</u>

Discretely Presented Fayette County School Department

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

On July 27, 2006, the School Department entered into a four-year lease-purchase agreement for school buses. The terms of the agreement require total lease payments of \$199,842 plus interest of 5.14 percent. Title to the buses transfers to the School Department at the end of the lease period. The lease payments are made by the General Purpose School Fund.

On August 14, 2007, the School Department entered into a four-year lease-purchase agreement for school buses. The terms of the agreement require total lease payments of \$220,500 plus interest of 5.07 percent. Title to the buses transfers to the School Department at the end of the lease period. The lease payments are made by the General Purpose School Fund.

On September 25, 2007, the School Department entered into a four-year lease-purchase agreement for school buses. The terms of the agreement require total lease payments of \$189,000 plus interest of 4.64 percent. Title to the buses transfers to the School Department at the end of the lease period. The lease payments are made by the General Purpose School Fund.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2008, were as follows:

Year Ending June 30	Governmental Funds
2009	\$ 249,590
2010	249,590
2011	139,185
2012	94,256
2013	<u>94,256</u>
Total Minimum Lease Payments	\$ 826,877
Amount Representing Interest	<u>(89,004)</u>
 Present Value of Minimum Lease Payments	 <u>\$ 737,873</u>

G. Long-term Debt

Primary Government

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 25 years for bonds and up to three years notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2008, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, and capital leases outstanding as of June 30, 2008, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-08
General Obligation Bonds	2.5 to 4.625 %	\$ 13,150,000	\$ 12,550,000
General Obligation Bonds - Refunding	3 to 5	12,170,000	11,805,000
Capital Outlay Notes	3.95	3,000,000	3,000,000
Capital Leases	3.95 to 4.11	190,615	158,256

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2008, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2009	\$ 1,065,000	\$ 1,066,756	\$ 2,131,756
2010	1,105,000	1,023,347	2,128,347
2011	1,145,000	977,427	2,122,427
2012	1,295,000	928,738	2,223,738
2013	1,340,000	873,061	2,213,061
2014-2018	7,750,000	3,418,430	11,168,430
2019-2023	5,400,000	1,712,265	7,112,265
2024-2028	4,280,000	790,657	5,070,657
2029	975,000	43,062	1,018,062
Total	\$ 24,355,000	\$ 10,833,743	\$ 35,188,743

Year Ending June 30	Notes		
	Principal	Interest	Total
2009	\$ 1,000,000	\$ 89,533	\$ 1,089,533
2010	1,000,000	49,375	1,049,375
2011	1,000,000	9,875	1,009,875
Total	\$ 3,000,000	\$ 148,783	\$ 3,148,783

There is \$4,462,898 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$845, based on the 2000 federal census. Debt per capita, including bonds, notes, and capital leases totaled \$955, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2007	\$ 25,375,000	\$ 0	\$ 170,444
Additions	0	3,000,000	89,415
Deductions	(1,020,000)	0	(101,603)
Balance, June 30, 2008	<u>\$ 24,355,000</u>	<u>\$ 3,000,000</u>	<u>\$ 158,256</u>

Balance Due Within One Year	<u>\$ 1,065,000</u>	<u>\$ 1,000,000</u>	<u>\$ 62,352</u>
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	Compensated Absences	Landfill Postclosure Care Costs	Other Postemployment Benefits
Balance, July 1, 2007	\$ 273,281	\$ 485,670	\$ 0
Additions	265,180	374,493	45,410
Deductions	(229,995)	(11,305)	(28,848)
Balance, June 30, 2008	<u>\$ 308,466</u>	<u>\$ 848,858</u>	<u>\$ 16,562</u>

Balance Due Within One Year	<u>\$ 235,408</u>	<u>\$ 12,000</u>	<u>\$ 0</u>
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Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 28,687,142
Less: Balance Due Within One Year	(2,374,760)
Less: Deferred Discount on Debt	<u>(37,491)</u>

Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 26,274,891</u>
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Compensated absences will be paid from the employing funds, primarily the General, Solid Waste/Sanitation, and Highway/Public Works funds. Landfill postclosure care costs will be paid from the Solid Waste/Sanitation Fund. Other postemployment benefits will be paid from the employing funds, primarily the General and Highway/Public Works funds.

Discretely Presented Fayette County School Department

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

Capital outlay notes are direct obligations and pledge the full faith and credit of the government. Capital outlay notes outstanding were issued for original terms of up to seven years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. Capital outlay notes outstanding as of June 30, 2008, will be retired from the General Purpose School Fund.

Capital outlay notes and capital leases outstanding as of June 30, 2008, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-08
Capital Outlay Note	3 %	\$ 500,000	\$ 77,916
Capital Leases	4.64 to 5.14	1,113,130	737,873

The annual requirements to amortize all notes as of June 30, 2008, including interest payments, are presented in the following table:

Year Ending June 30	Notes		
	Principal	Interest	Total
2009	\$ 77,916	\$ 2,337	\$ 80,253
Total	\$ 77,916	\$ 2,337	\$ 80,253

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Fayette County School Department for the year ended June 30, 2008, was as follows:

Governmental Activities:

	Notes	Capital Leases
Balance, July 1, 2007	\$ 153,562	\$ 461,500
Additions	0	409,500
Deductions	(75,646)	(133,127)
Balance, June 30, 2008	<u>\$ 77,916</u>	<u>\$ 737,873</u>
Balance Due Within One Year	<u>\$ 77,916</u>	<u>\$ 213,764</u>

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2007	\$ 198,915	\$ 0
Additions	59,225	246,381
Deductions	(38,158)	(99,426)
Balance, June 30, 2008	<u>\$ 219,982</u>	<u>\$ 146,955</u>
Balance Due Within One Year	<u>\$ 39,000</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 1,182,726
Less: Balance Due Within One Year	<u>(330,680)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 852,046</u>

Compensated absences will be paid from the employing funds, primarily the General Purpose School and School Federal Projects funds. Other postemployment benefits will be paid from the employing funds, primarily the General Purpose School Fund.

H. On-Behalf Payments – Discretely Presented Fayette County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Fayette County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual

Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2008, were \$40,812 and \$28,113, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

I. Short-term Debt

Fayette County issued a tax anticipation note in advance of property tax collections and deposited the proceeds in the General Purpose School Fund. This note was necessary because funds were not available to meet operating expenses coming due before current tax collections. Short-term debt activity for the year ended June 30, 2008, was as follows:

	Balance			Balance
	7-1-07	Issued	Paid	6-30-08
Tax Anticipation Notes	\$ 0	\$ 900,000	\$ (900,000)	\$ 0

V. OTHER INFORMATION

A. Risk Management

Primary Government

Liability, Property, and Casualty

Fayette County participates in the Local Government Property and Casualty Fund (LGPCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The county pays annual premiums to the LGPCF for its general liability, property, and casualty insurance coverage. The creation of the LGPCF provides for it to be self-sustaining through member premiums. The LGPCF reinsures through commercial insurance companies for claims in excess of \$100,000 for each insured event.

Workers' Compensation Insurance

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

Employee Health Insurance

Fayette County participates in the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, TCA, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

Discretely Presented Fayette County School Department

Liability, Property, Casualty, and Workers' Compensation Insurance

The School Department participates in 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 an annual premium to the TN-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of TN-RMT provides for it to be self-sustaining through member premiums. The TN-RMT reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

Employee Health Insurance

The School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, TCA, all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk of losses by this fund. Section 8-27-303, TCA, provides for the LEGIF to be self-sustaining through member premiums.

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures became effective for the year ended June 30, 2008.

GASB Statement No. 45 establishes reporting requirements for Other Postemployment Benefits (OPEB). OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. This statement establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the county's financial statements. In previous years, Fayette County and the Fayette County School Department had only recognized the current year cost (expense) of these benefits. GASB Statement No. 45 was implemented prospectively with a zero net OPEB obligation at transition.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions are sales or collateralized borrowings and provides guidance on how to account for sales or pledges of receivables or future revenues. This statement provides additional guidance for sales of receivables and future revenues within the same reporting entity. This statement also requires governments to disclose in the notes to the financial statements the nature of any receivables or future revenues that have been pledged or sold. Tennessee state statutes do not currently allow counties to sell or pledge receivables or sell future revenue streams. Therefore, those provisions of GASB Statement No. 48 that pertain to the sale or pledge receivables or sale of future revenue will not apply to Fayette County. GASB Statement No. 48 had no effect on the financial statements of Fayette County for the year ended June 30, 2008, since the county has not pledged any of its future revenues. However, it is reasonably expected that Fayette County may pledge a future revenue stream toward the payment of debt in subsequent years.

GASB Statement No. 50 amends previous guidance concerning pension information. This statement closely aligns the financial reporting requirements for pensions with those for other postemployment benefits and enhances the information disclosed in the notes to the financial statements or presented as required supplementary information for pension plans. This statement requires Fayette County to provide additional and more detailed pension plan note disclosures than in previous years.

C. Subsequent Events

On July 9, 2008, the county issued tax anticipation notes totaling \$310,000 for the General Purpose School Fund for temporary operating funds.

On July 30, 2008, the county issued tax anticipation notes totaling \$400,000 for the General Purpose School Fund for temporary operating funds.

On August 22, 2008, the county issued tax anticipation notes totaling \$500,000 for the General Purpose School Fund for temporary operating funds.

On September 16, 2008, Fayette County issued capital outlay notes totaling \$310,039 to acquire equipment and vehicles for the Solid Waste Department and county Fire Department.

D. Contingent Liabilities

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

E. Landfill Closure/Postclosure Care Costs

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Fayette County has stopped accepting household waste and has placed the final cover on its landfill. Fayette County has a liability of \$848,858 for landfill postclosure care costs at June 30, 2008. This amount represents the estimated postclosure care liability costs for the next 18 years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. Joint Ventures

On July 1, 2007, the Twenty-Fifth Judicial District Drug Task Force (DTF) was formed. The DTF is a joint venture formed by an interlocal agreement between the district attorney general of the Twenty-Fifth Judicial District, Fayette, Hardeman, Lauderdale, McNairy and Tipton counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

Office of District Attorney General
Twenty-Fifth Judicial District Drug Task Force
121 North Main
Ripley, TN 38063

G. Retirement Commitments

Employees

Plan Description

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

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

Funding Policy

Fayette County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2008, was 9.06 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Fayette County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2008, Fayette County's annual pension cost of \$1,057,150 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 postretirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Fayette County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was ten years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-08	\$1,057,150	100%	\$0
6-30-07	964,806	100	0
6-30-06	788,133	100	0

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 88.84 percent funded. The actuarial accrued liability for benefits was \$28.59 million, and the actuarial value of assets was \$25.40 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.19 million. The covered payroll (annual payroll of active employees covered by the plan) was \$10.79 million, and the ratio of the UAAL to the covered payroll was 29.55 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

School Teachers

Plan Description

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Fayette County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2008, was 6.24 percent of annual covered payroll. The employer contribution requirement for the Fayette County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2008, 2007, and 2006, were \$882,893, \$814,531, and \$681,408, respectively, equal to the required contributions for each year.

H. Other Postemployment Benefits (OPEB)

Postemployment Healthcare Plan

Plan Description

Fayette County and the School Department participate in the state-administered Local Government Group Insurance Plan and Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-302, Tennessee Code Annotated (TCA), for teachers and Section 8-27-207, TCA, for local governments. Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare supplement plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare supplement plan. During the year ended June 30, 2008, Fayette County and the discretely presented School Department contributed \$28,848 and \$99,426, respectively, for postemployment health care.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 246,381	\$ 45,410
Interest on the NPO	0	0
Adjustment to the ARC	0	0
Annual OPEB cost	\$ 246,381	\$ 45,410
Less: Amount of contribution	(99,426)	(28,848)
Increase/decrease in NPO	\$ 146,955	\$ 16,562
Net OPEB obligation, 7-1-07	0	0
Net OPEB obligation, 6-30-08	<u>\$ 146,955</u>	<u>\$ 16,562</u>

Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-08	Local Education Group	\$ 246,381	40 %	\$ 146,955
6-30-08	Local Government Group	45,410	64	16,562

*Data not available for two preceding years.

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2008, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	6-30-07	6-30-07
Actuarial accrued liability (AAL)	\$ 2,270,328	\$ 320,164
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 2,270,328	\$ 320,164
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 19,760,025	\$ 6,738,851
UAAL as a % of covered payroll	11%	5%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplemental information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the June 30, 2007, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of six percent after ten years. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

I. Purchasing Laws

Office of County Mayor

Purchasing procedures for the County Mayor's Office are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated (TCA). This act provides for all purchases exceeding \$10,000 to be made based on competitive bids solicited through newspaper advertisement.

Office of Public Works Superintendent

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

Office of Director of Schools

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

VI. OTHER NOTES – DISCRETELY PRESENTED FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

A. Organization and Reporting Entity

The Fayette County Emergency Communications District (a component unit of Fayette County, Tennessee) was established by voter referendum in November 1988, and the assessment of service fees began May 1989.

The purpose of the district is to provide a simplified means of securing emergency services by telephone to those persons living in Fayette County, Tennessee.

The district is considered a component unit of the county because its Board of Directors is appointed by the Fayette County Commission. The Fayette County Commission must approve any long-term debt issuance by the district, and also has the authority to decrease, but not increase, the user fees charged by the district.

B. Summary of Significant Accounting Policies

1. GASB Conformity

The district's financial statements have been prepared in conformity with generally accepted accounting principles as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB), Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principle Board (APB) Opinions, and Accounting Research Bulletins (ARBs), issued on or before November 30, 1989. After this date, the district has elected to apply only the GASB pronouncements.

2. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The district is considered an enterprise fund, which uses the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on a cost of services or capital maintenance measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with this activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into invested in capital assets and unrestricted net assets components. Enterprise Fund operating statements present increases (revenues) and decreases (expenses) in net total assets.

3. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits.

4. Accounts Receivable

Accounts receivable represent amounts due from AT&T, Millington Telephone Company, MCI Worldcom, US LEC, C/O Tax Partners, Birch Telecom, Z-Tel Communications, and state wireless charges.

5. Capital Assets

The capital assets are recorded at historical cost. Maintenance repairs and minor renewals are expensed as incurred.

Depreciation has been provided over the estimated useful lives of the capital assets by the straight-line method. The estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Furniture, fixtures, equipment and vehicles	5 – 20
Building improvements	20

6. Compensated Absences

The district allows full-time employees one day of vacation per month. The vacation days will have monetary value and may be accrued, but only 15 days may be carried over at December 31. A liability is reflected in the financial statements for \$1,197.

The district allows employees to accrue one day per month sick leave. These days can be accrued; however, they have no monetary value, and employees will not be paid for accrued sick days upon termination. Therefore, no liability is reflected in the financial statements.

C. Cash and Investments

The district has implemented GASB Statement No. 40, Deposit and Investment Risk Disclosures for financial reporting of deposit and investment risks.

The district's policies limit deposits and investments to those instruments allowed by applicable state laws and described below. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105 percent of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the district's agent in the district's name, or by the Federal Reserve banks acting as third party agents. State statutes also authorize the district to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction.

As of June 30, 2008, \$200,000 of the district's bank balance was covered by federal depository insurance, \$289,935 was covered by the Tennessee Bank Collateral Pool, and \$5,692 was under collateralized.

D. Capital Assets

Capital assets activity for the year was as follows:

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets, Depreciated:				
Furniture and Fixtures	\$ 3,581	\$ 5,851	\$ 804	\$ 8,628
Office Equipment	27,225	8,079	4,637	30,667
Communication Equipment	76,043	267,132	0	343,175
Vehicles	22,415	0	0	22,415
Total Capital Assets Depreciated	<u>\$ 129,264</u>	<u>\$ 281,062</u>	<u>\$ 5,441</u>	<u>\$ 404,885</u>
Less Accumulated Depreciation:				
Furniture and Fixtures	\$ 2,671	\$ 978	\$ 627	\$ 3,022
Office Equipment	23,852	2,352	4,637	21,567
Communication Equipment	13,534	26,604	0	40,138
Vehicles	3,312	4,168	0	7,480
Total Accumulated Depreciation	<u>\$ 43,369</u>	<u>\$ 34,102</u>	<u>\$ 5,264</u>	<u>\$ 72,207</u>
Total Capital Assets, Net	<u>\$ 85,895</u>	<u>\$ 246,960</u>	<u>\$ 177</u>	<u>\$ 332,678</u>

E. Commitments

The district has contracted with BellSouth for the provision of services relating to the operation of the VIPER system. The monthly obligation by the district under the contract is \$5,094 for a 60-month period.

F. Funding Sources

Funds for operations are provided by monthly fees from service users in Fayette County and also by the Tennessee Emergency Communications Board. AT&T and alternate local exchange carriers collect service fees from the county users and remit funds to the district. The state remits a percentage of the shared wireless charges based on the district's population.

G. Retirement Plan

Plan Description

Employees of the district 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 become vested after five years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Fayette County Emergency Communications District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

The district requires employees to contribute five percent of earnable compensation. The district is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2008, was 6.5 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the district is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2008, the district's annual pension cost of \$3,547 to TCRS was equal to the district'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 postretirement 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 investments over a five year period. The district'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 zero years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-08	\$ 3,547	100%	\$ 0
6-30-07	3,576	100%	0
6-30-06	1,831	100%	0

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 46.07 percent funded. The actuarial accrued liability for benefits was \$.04 million, and the actuarial value of assets was \$.02 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.02 million. The covered payroll (annual payroll of active employees covered by the plan) was \$.06 million, and the ration of the UAAL to the covered payroll was 38.31 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

H. Risk Management

The district is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the district to purchase commercial insurance for the risks of general liability, vehicle liability employee dishonesty, worker's compensation, and physical damage to its capital assets. Settled claims have not exceeded this commercial coverage in any coverage of the past three years.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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Exhibit E-1

Fayette County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 5,992,115	\$ 5,886,637	\$ 5,886,637	\$ 105,478
Licenses and Permits	274,534	330,700	330,700	(56,166)
Fines, Forfeitures, and Penalties	118,494	211,150	211,150	(92,656)
Charges for Current Services	699,685	905,200	905,200	(205,515)
Other Local Revenues	143,758	83,100	156,708	(12,950)
Fees Received from County Officials	1,422,162	1,512,000	1,512,000	(89,838)
State of Tennessee	2,875,602	1,920,210	3,353,277	(477,675)
Federal Government	345,289	16,000	344,734	555
Other Governments and Citizens Groups	38,945	64,000	64,000	(25,055)
Total Revenues	<u>\$ 11,910,584</u>	<u>\$ 10,928,997</u>	<u>\$ 12,764,406</u>	<u>\$ (853,822)</u>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 88,463	\$ 66,529	\$ 100,047	\$ 11,584
Beer Board	0	968	968	968
County Mayor/Executive	89,720	90,648	90,648	928
County Attorney	57,140	48,186	60,225	3,085
Election Commission	208,493	240,437	242,210	33,717
Register of Deeds	24,128	36,023	36,023	11,895
Development	185,400	237,757	228,170	42,770
Building	92,723	85,928	97,521	4,798
County Buildings	279,133	375,898	282,467	3,334
Other Facilities	6,648	15,000	15,000	8,352
Other General Administration	76,917	85,077	85,077	8,160
<u>Finance</u>				
Accounting and Budgeting	177,207	193,294	195,988	18,781
Property Assessor's Office	258,044	277,514	271,757	13,713
County Trustee's Office	168,875	171,076	171,076	2,201
County Clerk's Office	215,578	232,866	232,866	17,288
<u>Administration of Justice</u>				
Circuit Court	150,252	149,809	151,559	1,307
General Sessions Court	158,467	143,630	161,440	2,973
General Sessions Judge	170,115	168,678	171,436	1,321
General Sessions Court Clerk	40,138	64,150	64,431	24,293
Drug Court	63,371	80,000	80,000	16,629
Chancery Court	183,101	178,222	195,281	12,180
Juvenile Court	48,317	58,438	58,438	10,121
<u>Public Safety</u>				
Sheriff's Department	2,075,648	2,123,936	2,272,554	196,906
Drug Enforcement	164,009	200,708	204,658	40,649
Jail	1,775,342	1,826,918	1,991,381	216,039
Workhouse	25,020	29,789	29,789	4,769
Fire Prevention and Control	725,271	870,504	882,504	157,233

(Continued)

Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Safety (Cont.)</u>				
Civil Defense	\$ 436,967	\$ 103,145	\$ 449,585	\$ 12,618
Rescue Squad	48,690	57,084	61,084	12,394
County Coroner/Medical Examiner	29,575	20,000	30,000	425
Other Public Safety	148,535	176,709	168,932	20,397
<u>Public Health and Welfare</u>				
Local Health Center	69,353	59,927	75,716	6,363
Rabies and Animal Control	84,923	86,121	86,121	1,198
Ambulance/Emergency Medical Services	1,296,764	1,372,974	1,385,920	89,156
Dental Health Program	264,168	377,465	377,465	113,297
Crippled Children Services	2,216	2,216	2,216	0
Other Local Health Services	2,060	2,060	2,060	0
Appropriation to State	25,761	25,761	25,761	0
Aid to Dependent Children	890	2,750	2,750	1,860
Other Local Welfare Services	10,815	10,815	10,815	0
Sanitation Education/Information	58,497	55,853	59,753	1,256
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	62,145	25,145	65,145	3,000
Libraries	143,734	151,498	151,498	7,764
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	98,228	101,422	101,422	3,194
Soil Conservation	60,171	61,298	61,298	1,127
<u>Other Operations</u>				
Industrial Development	671	1,639	1,639	968
Airport	1,477,029	89,583	1,489,081	12,052
Veterans' Services	4,630	6,800	6,800	2,170
Other Charges	223,993	275,247	275,202	51,209
Contributions to Other Agencies	33,141	53,141	33,141	0
Employee Benefits	1,281,300	1,552,965	1,349,329	68,029
Miscellaneous	2,776	1,000	3,200	424
Total Expenditures	\$ 13,374,552	\$ 12,724,601	\$ 14,649,447	\$ 1,274,895
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (1,463,968)	\$ (1,795,604)	\$ (1,885,041)	\$ 421,073
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (118,000)	\$ 0	\$ (118,000)	\$ 0
Total Other Financing Sources (Uses)	\$ (118,000)	\$ 0	\$ (118,000)	\$ 0
Net Change in Fund Balance				
Fund Balance, July 1, 2007	\$ (1,581,968)	\$ (1,795,604)	\$ (2,003,041)	\$ 421,073
Fund Balance, June 30, 2008	\$ 2,714,120	\$ 2,253,011	\$ 2,045,574	\$ 668,546

Exhibit E-2

Fayette County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 Highway/Public Works Fund
 For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 1,741,183	\$ 0	\$ 0	\$ 1,741,183	\$ 2,037,993	\$ 1,687,993	\$ 53,190
Other Local Revenues	159,191	0	0	159,191	156,300	251,300	(92,109)
State of Tennessee	2,186,247	0	0	2,186,247	2,875,000	2,875,000	(688,753)
Total Revenues	\$ 4,086,621	\$ 0	\$ 0	\$ 4,086,621	\$ 5,069,293	\$ 4,814,293	\$ (727,672)
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 172,597	\$ 0	\$ 0	\$ 172,597	\$ 175,644	\$ 175,644	\$ 3,047
Highway and Bridge Maintenance	1,292,348	(3,178)	0	1,289,170	1,319,722	1,324,222	35,052
Operation and Maintenance of Equipment	497,281	0	0	497,281	478,900	518,900	21,619
Other Charges	215,049	0	0	215,049	216,300	220,800	5,751
Employee Benefits	570,784	0	0	570,784	598,425	598,425	27,641
Capital Outlay	1,535,180	(99,237)	435,200	1,871,143	2,400,243	2,426,213	555,070
<u>Principal on Debt</u>							
Highways and Streets	101,603	0	0	101,603	0	101,603	0
<u>Interest on Debt</u>							
Highways and Streets	7,842	0	0	7,842	0	7,842	0
<u>Capital Projects</u>							
Highway and Street Capital Projects	2,323	0	0	2,323	130,000	130,000	127,677
Total Expenditures	\$ 4,395,007	\$ (102,415)	\$ 435,200	\$ 4,727,792	\$ 5,319,234	\$ 5,503,649	\$ 775,857
Excess (Deficiency) of Revenues Over Expenditures	\$ (308,386)	\$ 102,415	\$ (435,200)	\$ (641,171)	\$ (249,941)	\$ (689,356)	\$ 48,185
<u>Other Financing Sources (Uses)</u>							
Capital Leases Issued	\$ 89,415	\$ 0	\$ 0	\$ 89,415	\$ 0	\$ 89,415	\$ 0
Transfers In	350,000	0	0	350,000	0	350,000	0
Total Other Financing Sources (Uses)	\$ 439,415	\$ 0	\$ 0	\$ 439,415	\$ 0	\$ 439,415	\$ 0
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ 131,029	\$ 102,415	\$ (435,200)	\$ (201,756)	\$ (249,941)	\$ (249,941)	\$ 48,185
Fund Balance, July 1, 2007	1,342,751	(102,415)	0	1,240,336	1,237,138	1,237,138	3,198
Fund Balance, June 30, 2008	\$ 1,473,780	\$ 0	\$ (435,200)	\$ 1,038,580	\$ 987,197	\$ 987,197	\$ 51,383

Exhibit E-3

Fayette County, Tennessee
Schedule of Funding Progress – Pension Plan
June 30, 2008

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-07	\$ 25,406	\$ 28,596	\$ 3,190	88.84 %	\$ 10,796	29.55 %

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made during the year; therefore, only the most current year is presented.

Exhibit E-4

Fayette County, Tennessee
Schedule of Funding Progress – Pension Plan
Discretely Presented Fayette County Emergency Communications District
June 30, 2008

(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)
6-30-07	\$ 18,000	\$ 39,000	\$ 21,000	46.07%	\$ 55,000	38.31%

Exhibit E-5

Fayette County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented Fayette County School Department
June 30, 2008

(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)
Local Government Group Plan	6-30-07	\$ 0	\$ 320	\$ 320	0 %	\$ 6,739	4.75 %
Local Education Group Plan	6-30-07	0	2,270	2,270	0	19,760	11.49

*Data not available for two preceding years.

FAYETTE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2008

BUDGETARY INFORMATION

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

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

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

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

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Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

Capital Projects Funds

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

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

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

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Exhibit F-1

Fayette County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2008

	Special Revenue Funds					Capital Projects Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Adequate Facilities/ Development Tax	Constitu- tional Officers - Fees	Total	Community Development/ Industrial Park	Other Capital Projects	Total	
Cash	\$ 100	\$ 0	\$ 0	\$ 48,463	\$ 48,563	\$ 0	\$ 0	\$ 0	\$ 48,563
Equity in Pooled Cash and Investments	940,538	241,173	1,441,431	0	2,623,142	36,932	455	37,387	2,660,529
Accounts Receivable	20,130	0	0	4,077	24,207	0	0	0	24,207
Total Assets	\$ 960,768	\$ 241,173	\$ 1,441,431	\$ 52,540	\$ 2,695,912	\$ 36,932	\$ 455	\$ 37,387	\$ 2,733,299
LIABILITIES AND FUND BALANCES									
Liabilities	\$ 0	\$ 0	\$ 0	\$ 33,650	\$ 33,650	\$ 0	\$ 0	\$ 0	\$ 33,650
Due to Other Funds	0	0	0	0	0	36,932	0	36,932	36,932
Other Deferred Revenues	0	0	0	0	0	0	0	0	0
Total Liabilities	\$ 0	\$ 0	\$ 0	\$ 33,650	\$ 33,650	\$ 36,932	\$ 0	\$ 36,932	\$ 70,582
Fund Balances	\$ 960,768	\$ 241,173	\$ 1,441,431	\$ 18,890	\$ 2,662,262	\$ 0	\$ 455	\$ 455	\$ 2,662,717
Unreserved	960,768	241,173	1,441,431	18,890	2,662,262	0	455	455	2,662,717
Total Fund Balances	\$ 960,768	\$ 241,173	\$ 1,441,431	\$ 52,540	\$ 2,695,912	\$ 36,932	\$ 455	\$ 37,387	\$ 2,733,299

Exhibit F-2

Fayette County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	Special Revenue Funds					Capital Projects		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Adequate Facilities/ Development Tax	Constitutional Officers - Fees	Total	Fund Other Capital Projects	Total	
<u>Revenues</u>								
Local Taxes	\$ 0	\$ 0	\$ 787,760	\$ 0	\$ 787,760	\$ 0	\$ 787,760	
Fines, Forfeitures, and Penalties	0	74,997	0	0	74,997	0	74,997	
Charges for Current Services	362,421	0	0	171,859	534,280	0	534,280	
Other Local Revenues	794,366	0	0	0	794,366	0	794,366	
State of Tennessee	12,912	0	0	0	12,912	0	12,912	
Total Revenues	\$ 1,169,699	\$ 74,997	\$ 787,760	\$ 171,859	\$ 2,204,315	\$ 0	\$ 2,204,315	
<u>Expenditures</u>								
Current:								
General Government	\$ 0	\$ 0	\$ 0	\$ 143,598	\$ 143,598	\$ 0	\$ 143,598	
Administration of Justice	0	0	0	25,255	25,255	0	25,255	
Public Safety	0	84,049	0	0	84,049	0	84,049	
Public Health and Welfare	889,729	0	0	0	889,729	0	889,729	
Other Operations	0	0	18,550	0	18,550	0	18,550	
Total Expenditures	\$ 889,729	\$ 84,049	\$ 18,550	\$ 168,853	\$ 1,161,181	\$ 0	\$ 1,161,181	
Excess (Deficiency) of Revenues Over Expenditures	\$ 279,970	\$ (9,052)	\$ 769,210	\$ 3,006	\$ 1,043,134	\$ 0	\$ 1,043,134	
<u>Other Financing Sources (Uses)</u>								
Insurance Recovery	\$ 2,575	\$ 0	\$ 0	\$ 0	\$ 2,575	\$ 0	\$ 2,575	
Transfers Out	0	0	(350,000)	0	(350,000)	0	(350,000)	
Total Other Financing Sources (Uses)	\$ 2,575	\$ 0	\$ (350,000)	\$ 0	\$ (347,425)	\$ 0	\$ (347,425)	
Net Change in Fund Balances	\$ 282,545	\$ (9,052)	\$ 419,210	\$ 3,006	\$ 695,709	\$ 0	\$ 695,709	
Fund Balance, July 1, 2007	678,223	250,225	1,022,221	15,884	1,966,553	455	1,967,008	
Fund Balance, June 30, 2008	\$ 960,768	\$ 241,173	\$ 1,441,431	\$ 18,890	\$ 2,662,262	\$ 455	\$ 2,662,717	

Exhibit F-3

Fayette County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 362,421	\$ 310,500	\$ 346,500	\$ 15,921
Other Local Revenues	794,366	481,850	496,850	297,516
State of Tennessee	12,912	25,000	25,000	(12,088)
Total Revenues	<u>\$ 1,169,699</u>	<u>\$ 817,350</u>	<u>\$ 868,350</u>	<u>\$ 301,349</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Convenience Centers	\$ 322,977	\$ 275,500	\$ 323,500	\$ 523
Landfill Operation and Maintenance	566,752	542,957	577,807	11,055
Total Expenditures	<u>\$ 889,729</u>	<u>\$ 818,457</u>	<u>\$ 901,307</u>	<u>\$ 11,578</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 279,970</u>	<u>\$ (1,107)</u>	<u>\$ (32,957)</u>	<u>\$ 312,927</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 2,575	\$ 0	\$ 0	\$ 2,575
Total Other Financing Sources (Uses)	<u>\$ 2,575</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,575</u>
Net Change in Fund Balance	\$ 282,545	\$ (1,107)	\$ (32,957)	\$ 315,502
Fund Balance, July 1, 2007	678,223	426,551	426,551	251,672
Fund Balance, June 30, 2008	<u>\$ 960,768</u>	<u>\$ 425,444</u>	<u>\$ 393,594</u>	<u>\$ 567,174</u>

Exhibit F-4

Fayette County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 74,997	\$ 61,000	\$ 74,396	\$ 601
Total Revenues	\$ 74,997	\$ 61,000	\$ 74,396	\$ 601
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 84,049	\$ 94,000	\$ 123,154	\$ 39,105
Total Expenditures	\$ 84,049	\$ 94,000	\$ 123,154	\$ 39,105
Excess (Deficiency) of Revenues Over Expenditures	\$ (9,052)	\$ (33,000)	\$ (48,758)	\$ 39,706
Net Change in Fund Balance	\$ (9,052)	\$ (33,000)	\$ (48,758)	\$ 39,706
Fund Balance, July 1, 2007	250,225	177,867	177,867	72,358
Fund Balance, June 30, 2008	\$ 241,173	\$ 144,867	\$ 129,109	\$ 112,064

Exhibit F-5

Fayette County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Adequate Facilities/Development Tax Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 787,760	\$ 700,000	\$ 710,950	\$ 76,810
Total Revenues	\$ 787,760	\$ 700,000	\$ 710,950	\$ 76,810
<u>Expenditures</u>				
<u>Other Operations</u>				
Other Charges	\$ 18,550	\$ 7,600	\$ 18,550	\$ 0
Total Expenditures	\$ 18,550	\$ 7,600	\$ 18,550	\$ 0
Excess (Deficiency) of Revenues Over Expenditures	\$ 769,210	\$ 692,400	\$ 692,400	\$ 76,810
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (350,000)	\$ (357,600)	\$ (357,600)	\$ 7,600
Total Other Financing Sources (Uses)	\$ (350,000)	\$ (357,600)	\$ (357,600)	\$ 7,600
Net Change in Fund Balance	\$ 419,210	\$ 334,800	\$ 334,800	\$ 84,410
Fund Balance, July 1, 2007	1,022,221	1,019,004	1,019,004	3,217
Fund Balance, June 30, 2008	\$ 1,441,431	\$ 1,353,804	\$ 1,353,804	\$ 87,627

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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.

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Exhibit G

Fayette County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,043,823	\$ 2,152,439	\$ 2,152,439	\$ (108,616)
Total Revenues	\$ 2,043,823	\$ 2,152,439	\$ 2,152,439	\$ (108,616)
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 290,000	\$ 290,000	\$ 290,000	\$ 0
Education	730,000	730,000	730,000	0
<u>Interest on Debt</u>				
General Government	574,957	629,329	615,129	40,172
Education	600,110	600,110	600,110	0
<u>Other Debt Service</u>				
General Government	31,226	20,000	32,000	774
Education	2,924	1,000	3,200	276
Total Expenditures	\$ 2,229,217	\$ 2,270,439	\$ 2,270,439	\$ 41,222
Excess (Deficiency) of Revenues Over Expenditures	\$ (185,394)	\$ (118,000)	\$ (118,000)	\$ (67,394)
Net Change in Fund Balance	\$ (185,394)	\$ (118,000)	\$ (118,000)	\$ (67,394)
Fund Balance, July 1, 2007	4,648,292	4,803,940	4,803,940	(155,648)
Fund Balance, June 30, 2008	\$ 4,462,898	\$ 4,685,940	\$ 4,685,940	\$ (223,042)

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Fiduciary Funds

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

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

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

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

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Exhibit H-1

Fayette County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2008

	<u>Agency Funds</u>			Total
	Cities - Sales Tax	Watershed District	Constitu- tional Officers - Agency	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 42,792	\$ 0	\$ 42,792
Cash	0	0	1,284,750	1,284,750
Due from Other Governments	336,393	0	0	336,393
Total Assets	<u>\$ 336,393</u>	<u>\$ 42,792</u>	<u>\$ 1,284,750</u>	<u>\$ 1,663,935</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 336,393	\$ 42,792	\$ 0	\$ 379,185
Due to Litigants, Heirs, and Others	0	0	1,284,750	1,284,750
Total Liabilities	<u>\$ 336,393</u>	<u>\$ 42,792</u>	<u>\$ 1,284,750</u>	<u>\$ 1,663,935</u>

Exhibit H-2

Fayette County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2008

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,594,736	\$ 1,594,736	\$ 0
Due from Other Governments	238,934	336,393	238,934	336,393
Total Assets	\$ 238,934	\$ 1,931,129	\$ 1,833,670	\$ 336,393
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 238,934	\$ 1,931,129	\$ 1,833,670	\$ 336,393
Total Liabilities	\$ 238,934	\$ 1,931,129	\$ 1,833,670	\$ 336,393
<u>Watershed District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 42,792	\$ 0	\$ 0	\$ 42,792
Total Assets	\$ 42,792	\$ 0	\$ 0	\$ 42,792
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 42,792	\$ 0	\$ 0	\$ 42,792
Total Liabilities	\$ 42,792	\$ 0	\$ 0	\$ 42,792
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 2,284,483	\$ 9,089,662	\$ 10,089,395	\$ 1,284,750
Total Assets	\$ 2,284,483	\$ 9,089,662	\$ 10,089,395	\$ 1,284,750
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 2,284,483	\$ 9,089,662	\$ 10,089,395	\$ 1,284,750
Total Liabilities	\$ 2,284,483	\$ 9,089,662	\$ 10,089,395	\$ 1,284,750
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 42,792	\$ 1,594,736	\$ 1,594,736	\$ 42,792
Cash	2,284,483	9,089,662	10,089,395	1,284,750
Due from Other Governments	238,934	336,393	238,934	336,393
Total Assets	\$ 2,566,209	\$ 11,020,791	\$ 11,923,065	\$ 1,663,935
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 281,726	\$ 1,931,129	\$ 1,833,670	\$ 379,185
Due to Litigants, Heirs, and Others	2,284,483	9,089,662	10,089,395	1,284,750
Total Liabilities	\$ 2,566,209	\$ 11,020,791	\$ 11,923,065	\$ 1,663,935

Fayette County School Department

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

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

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

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

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

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Exhibit I-1

Fayette County, Tennessee
Statement of Activities
Discretely Presented Fayette County School Department
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 18,883,377	\$ 48,884	\$ 3,163,675	\$ (15,670,818)
Support Services	10,912,045	36,267	965,376	(9,910,402)
Operation of Non-Instructional Services	3,639,204	414,653	2,137,411	(1,087,140)
Interest on Long-term Debt	56,529	0	0	(56,529)
Total Governmental Activities	\$ 33,491,155	\$ 499,804	\$ 6,266,462	\$ (26,724,889)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 5,815,900
Local Option Sales Taxes				2,106,200
Other Local Taxes				3,726
Grants and Contributions Not Restricted to Specific Programs				17,067,360
Miscellaneous				236,539
Total General Revenues				\$ 25,229,725
Change in Net Assets				\$ (1,495,164)
Net Assets, July 1, 2007				16,367,290
Net Assets, June 30, 2008				<u>\$ 14,872,126</u>

Exhibit I-2

Fayette County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Fayette County School Department
June 30, 2008

	Major Funds		Nonmajor	Total
	General	School	Other	
	Purpose	Federal	Govern-	
	School	Projects	mental	Funds
ASSETS				
Equity in Pooled Cash and Investments	\$ 217	\$ 122	\$ 274,564	\$ 274,903
Accounts Receivable	4,246	0	3,133	7,379
Due from Other Governments	735,809	398,321	328,972	1,463,102
Due from Other Funds	792	0	0	792
Property Taxes Receivable	6,314,010	0	0	6,314,010
Allowance for Uncollectible Property Taxes	(206,499)	0	0	(206,499)
Total Assets	\$ 6,848,575	\$ 398,443	\$ 606,669	\$ 7,853,687
LIABILITIES AND FUND BALANCES				
<u>Liabilities</u>				
Accounts Payable	\$ 123,796	\$ 65,311	\$ 194	\$ 189,301
Accrued Payroll	120,924	87,158	1,536	209,618
Payroll Deductions Payable	161,216	9,849	1,278	172,343
Contracts Payable	6,500	0	1,000	7,500
Due to Other Funds	0	792	0	792
Deferred Revenue - Current Property Taxes	5,809,494	0	0	5,809,494
Deferred Revenue - Delinquent Property Taxes	206,940	0	0	206,940
Other Deferred Revenues	220,407	0	0	220,407
Total Liabilities	\$ 6,649,277	\$ 163,110	\$ 4,008	\$ 6,816,395
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 7,999	\$ 71,568	\$ 0	\$ 79,567
Other Local Education Reserves	2,646	0	0	2,646
Reserved for Career Ladder - Extended Contract	7,274	0	0	7,274
Reserved for Career Ladder Program	5,900	0	0	5,900
Reserved for Title I Grants to Local Education Agencies	0	97,661	0	97,661
Reserved for Special Education - Grants to States	0	47,684	0	47,684
Other Federal Reserves	0	18,420	0	18,420
Unreserved, Reported In:				
General Fund	175,479	0	0	175,479
Special Revenue Funds	0	0	595,043	595,043
Capital Projects Funds	0	0	7,618	7,618
Total Fund Balances	\$ 199,298	\$ 235,333	\$ 602,661	\$ 1,037,292
Total Liabilities and Fund Balances	\$ 6,848,575	\$ 398,443	\$ 606,669	\$ 7,853,687

Exhibit I-3

Fayette County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Assets
Discretely Presented Fayette County School Department
June 30, 2008

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$	1,037,292
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	359,607	
Add: land improvements net of accumulated depreciation		1,978	
Add: buildings and improvements net of accumulated depreciation		12,850,418	
Add: infrastructure net of accumulated depreciation		26,515	
Add: other capital assets net of accumulated depreciation		<u>1,380,841</u>	14,619,359
(2) Long-term liabilities are not due and payable in the current-period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(77,916)	
Less: capital leases payable		(737,873)	
Less: compensated absences payable		(219,982)	
Less: accrued interest on capital leases		(28,562)	
Less: other postemployment benefits		(146,955)	
Less: accrued interest on notes		<u>(584)</u>	(1,211,872)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>427,347</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>14,872,126</u></u>

Exhibit I-4

Fayette County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Fayette County School Department
For the Year Ended June 30, 2008

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>School</u>	<u>Funds</u>	
			<u>Other</u>	
	<u>Purpose</u>	<u>Federal</u>	<u>Govern-</u>	<u>Governmental</u>
	<u>School</u>	<u>Projects</u>	<u>mental</u>	<u>Funds</u>
			<u>Funds</u>	<u>Funds</u>
<u>Revenues</u>				
Local Taxes	\$ 7,821,231	\$ 0	\$ 0	\$ 7,821,231
Licenses and Permits	2,762	0	0	2,762
Charges for Current Services	54,416	0	414,701	469,117
Other Local Revenues	303,538	0	19,913	323,451
State of Tennessee	16,462,886	0	22,965	16,485,851
Federal Government	636,285	4,265,222	1,966,547	6,868,054
Other Governments and Citizens Groups	2,646	0	0	2,646
Total Revenues	\$ 25,283,764	\$ 4,265,222	\$ 2,424,126	\$ 31,973,112
<u>Expenditures</u>				
Current:				
Instruction	\$ 14,840,687	\$ 3,013,687	\$ 0	\$ 17,854,374
Support Services	9,410,237	1,274,440	0	10,684,677
Operation of Non-Instructional Services	813,338	0	2,398,945	3,212,283
Capital Outlay	557,935	0	0	557,935
Debt Service:				
Principal on Debt	208,773	0	0	208,773
Interest on Debt	44,075	0	0	44,075
Total Expenditures	\$ 25,875,045	\$ 4,288,127	\$ 2,398,945	\$ 32,562,117
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (591,281)	\$ (22,905)	\$ 25,181	\$ (589,005)
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 409,500	\$ 0	\$ 0	\$ 409,500
Insurance Recovery	31,945	0	0	31,945
Transfers In	53,069	0	0	53,069
Transfers Out	0	(792)	(52,277)	(53,069)
Total Other Financing Sources (Uses)	\$ 494,514	\$ (792)	\$ (52,277)	\$ 441,445
Net Change in Fund Balances				
Fund Balance, July 1, 2007	\$ 296,065	\$ 259,030	\$ 629,757	\$ 1,184,852
Fund Balance, June 30, 2008	\$ 199,298	\$ 235,333	\$ 602,661	\$ 1,037,292

Exhibit I-5

Fayette County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Fayette County School Department
For the Year Ended June 30, 2008

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

Net change in fund balances - total governmental funds (Exhibit I-4)		\$	(147,560)
(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:			
Add: capital assets purchased in the current period	\$	488,584	
Less: current year depreciation expense		<u>(1,354,080)</u>	(865,496)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2008	\$	427,347	
Less: deferred delinquent property taxes and other deferred June 30, 2007		<u>(528,252)</u>	(100,905)
(3) The issuance of long-term debt (e.g. notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.			
Less: capital lease proceeds	\$	(409,500)	
Add: principal payments on notes		75,646	
Add: principal payments on capital leases		<u>133,127</u>	(200,727)
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Change in accrued interest	\$	(12,454)	
Change in other postemployment benefits		(146,955)	
Change in compensated absences payable		<u>(21,067)</u>	(180,476)
Change in net assets of governmental activities (Exhibit B)			<u>\$ (1,495,164)</u>

Exhibit I-6

Fayette County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Fayette County School Department
June 30, 2008

	Special Revenue Fund <u>Central Cafeteria</u>	Capital Projects Fund <u>Education Capital Projects</u>	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 266,946	\$ 7,618	\$ 274,564
Accounts Receivable	3,133	0	3,133
Due from Other Governments	328,972	0	328,972
Total Assets	<u>\$ 599,051</u>	<u>\$ 7,618</u>	<u>\$ 606,669</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 194	\$ 0	\$ 194
Accrued Payroll	1,536	0	1,536
Payroll Deductions Payable	1,278	0	1,278
Contracts Payable	1,000	0	1,000
Total Liabilities	<u>\$ 4,008</u>	<u>\$ 0</u>	<u>\$ 4,008</u>
<u>Fund Balances</u>			
Unreserved	\$ 595,043	\$ 7,618	\$ 602,661
Total Fund Balances	<u>\$ 595,043</u>	<u>\$ 7,618</u>	<u>\$ 602,661</u>
Total Liabilities and Fund Balances	<u>\$ 599,051</u>	<u>\$ 7,618</u>	<u>\$ 606,669</u>

Exhibit I-7

Fayette County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Fayette County School Department
For the Year Ended June 30, 2008

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Central Cafeteria	Education Capital Projects	
<u>Revenues</u>			
Charges for Current Services	\$ 414,701	\$ 0	\$ 414,701
Other Local Revenues	19,913	0	19,913
State of Tennessee	22,965	0	22,965
Federal Government	1,966,547	0	1,966,547
Total Revenues	<u>\$ 2,424,126</u>	<u>\$ 0</u>	<u>\$ 2,424,126</u>
<u>Expenditures</u>			
Current:			
Operation of Non-Instructional Services	\$ 2,398,945	\$ 0	\$ 2,398,945
Total Expenditures	<u>\$ 2,398,945</u>	<u>\$ 0</u>	<u>\$ 2,398,945</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 25,181</u>	<u>\$ 0</u>	<u>\$ 25,181</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (52,277)	\$ 0	\$ (52,277)
Total Other Financing Sources (Uses)	<u>\$ (52,277)</u>	<u>\$ 0</u>	<u>\$ (52,277)</u>
Net Change in Fund Balances	\$ (27,096)	\$ 0	\$ (27,096)
Fund Balance, July 1, 2007	622,139	7,618	629,757
Fund Balance, June 30, 2008	<u>\$ 595,043</u>	<u>\$ 7,618</u>	<u>\$ 602,661</u>

Exhibit I-8

Fayette County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Fayette County School Department
General Purpose School Fund
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 7,821,231	\$ 0	\$ 0	\$ 7,821,231	\$ 8,070,710	\$ 8,070,710	\$ (249,479)
Licenses and Permits	2,762	0	0	2,762	3,000	3,000	(238)
Charges for Current Services	54,416	0	0	54,416	61,304	61,304	(6,888)
Other Local Revenues	303,538	0	0	303,538	62,945	289,385	14,153
State of Tennessee	16,462,886	0	0	16,462,886	16,312,142	16,506,710	(43,824)
Federal Government	636,285	0	0	636,285	1,214,315	868,394	(232,109)
Other Governments and Citizens Groups	2,646	0	0	2,646	0	0	2,646
Total Revenues	\$ 25,283,764	\$ 0	\$ 0	\$ 25,283,764	\$ 25,724,416	\$ 25,799,503	\$ (515,739)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 12,032,843	\$ (13,642)	\$ 0	\$ 12,019,201	\$ 11,871,164	\$ 12,238,466	\$ 219,265
Special Education Program	1,871,763	0	0	1,871,763	1,965,629	1,888,622	16,859
Vocational Education Program	903,264	0	0	903,264	932,614	936,789	33,525
Adult Education Program	32,817	0	0	32,817	38,500	34,770	1,953
<u>Support Services</u>							
Attendance	84,248	0	0	84,248	85,735	85,735	1,487
Health Services	168,993	0	0	168,993	167,492	180,687	11,694
Other Student Support	551,001	(5,979)	322	545,344	610,721	625,650	80,306
Regular Instruction Program	839,869	0	0	839,869	986,624	990,995	151,126
Special Education Program	316,050	0	0	316,050	324,547	324,547	8,497
Vocational Education Program	391,309	0	0	391,309	684,252	481,405	90,096
Adult Programs	280,409	0	0	280,409	299,528	318,258	37,849
Other Programs	68,925	0	0	68,925	0	68,925	0

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Board of Education	\$ 403,312	\$ 0	\$ 0	\$ 403,312	\$ 447,039	\$ 437,039	\$ 33,727
Director of Schools	241,617	(1,018)	0	240,599	241,915	241,915	1,316
Office of the Principal	1,283,151	0	0	1,283,151	1,283,654	1,283,438	287
Fiscal Services	196,991	(1,513)	0	195,478	194,923	198,063	2,585
Operation of Plant	1,677,953	0	0	1,677,953	1,616,499	1,703,217	25,264
Maintenance of Plant	593,191	(13,371)	7,677	587,497	588,857	588,857	1,360
Transportation	2,133,108	0	0	2,133,108	1,978,078	2,114,054	(19,054)
Central and Other	180,110	0	0	180,110	147,520	183,380	3,270
<u>Operation of Non-Instructional Services</u>							
Community Services	53,896	0	0	53,896	65,536	65,536	11,640
Early Childhood Education	759,442	0	0	759,442	797,396	797,396	37,954
<u>Capital Outlay</u>							
Regular Capital Outlay	557,935	(6,868)	0	551,067	149,000	558,500	7,433
<u>Principal on Debt</u>							
Education	208,773	0	0	208,773	248,295	248,295	39,522
Interest on Debt	44,075	0	0	44,075	52,970	54,231	10,156
Education	\$ 25,875,045	\$ (42,391)	\$ 7,999	\$ 25,840,653	\$ 25,778,488	\$ 26,648,770	\$ 808,117
Total Expenditures							
Excess (Deficiency) of Revenues Over Expenditures	\$ (591,281)	\$ 42,391	\$ (7,999)	\$ (556,889)	\$ (54,072)	\$ (849,267)	\$ 292,378

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses)</u>							
Capital Leases Issued	\$ 409,500	\$ 0	\$ 0	\$ 409,500	\$ 0	\$ 409,500	\$ 0
Insurance Recovery	31,945	0	0	31,945	0	31,945	0
Transfers In	53,069	0	0	53,069	54,071	187,123	(134,054)
Total Other Financing Sources (Uses)	\$ 494,514	\$ 0	\$ 0	\$ 494,514	\$ 54,071	\$ 628,568	\$ (134,054)
Net Change in Fund Balance	\$ (96,767)	\$ 42,391	\$ (7,999)	\$ (62,375)	\$ (1)	\$ (220,699)	\$ 158,324
Fund Balance, July 1, 2007	296,065	(42,391)	0	253,674	220,699	220,699	32,975
Fund Balance, June 30, 2008	\$ 199,298	\$ 0	\$ (7,999)	\$ 191,299	\$ 220,698	\$ 0	\$ 191,299

Exhibit I-9

Fayette County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Fayette County School Department
School Federal Projects Fund
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 4,265,222	\$ 0	\$ 0	\$ 4,265,222	\$ 3,650,430	\$ 4,458,053	\$ (192,831)
Total Revenues	\$ 4,265,222	\$ 0	\$ 0	\$ 4,265,222	\$ 3,650,430	\$ 4,458,053	\$ (192,831)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 2,207,528	\$ (1,744)	\$ 58,763	\$ 2,264,547	\$ 1,565,098	\$ 2,365,930	\$ 101,383
Special Education Program	734,665	0	0	734,665	791,449	839,840	105,175
Vocational Education Program	71,494	0	0	71,494	64,447	71,494	0
<u>Support Services</u>							
Other Student Support	48,348	0	0	48,348	55,218	53,609	5,261
Regular Instruction Program	940,202	0	12,805	953,007	1,193,911	1,084,948	131,941
Special Education Program	233,223	0	0	233,223	151,795	236,456	3,233
Vocational Education Program	3,357	0	0	3,357	3,451	3,357	0
Transportation	49,310	0	0	49,310	80,296	57,654	8,344
Total Expenditures	\$ 4,288,127	\$ (1,744)	\$ 71,568	\$ 4,357,951	\$ 3,905,665	\$ 4,713,288	\$ 355,337
Excess (Deficiency) of Revenues Over Expenditures	\$ (22,905)	\$ 1,744	\$ (71,568)	\$ (92,729)	\$ (255,235)	\$ (255,235)	\$ 162,506
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (792)	\$ 0	\$ 0	\$ (792)	\$ (1,071)	\$ (1,071)	\$ 279
Total Other Financing Sources (Uses)	\$ (792)	\$ 0	\$ 0	\$ (792)	\$ (1,071)	\$ (1,071)	\$ 279
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ (23,697)	\$ 1,744	\$ (71,568)	\$ (93,521)	\$ (256,306)	\$ (256,306)	\$ 162,785
	\$ 259,030	\$ (1,744)	\$ 0	\$ 257,286	\$ 257,286	\$ 257,286	\$ 0
Fund Balance, June 30, 2008	\$ 235,333	\$ 0	\$ (71,568)	\$ 163,765	\$ 980	\$ 980	\$ 162,785

Exhibit I-10

Fayette County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 Discretely Presented Fayette County School Department
 Central Cafeteria Fund
 For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 414,701	\$ 0	\$ 414,701	\$ 502,000	\$ 433,786	\$ (19,085)
Other Local Revenues	19,913	0	19,913	25,000	25,000	(5,087)
State of Tennessee	22,965	0	22,965	24,000	22,965	0
Federal Government	1,966,547	0	1,966,547	1,757,057	1,929,057	37,490
Total Revenues	\$ 2,424,126	\$ 0	\$ 2,424,126	\$ 2,308,057	\$ 2,410,808	\$ 13,318
<u>Expenditures</u>						
<u>Operation of Non-Instructional Services</u>						
Food Service	\$ 2,398,945	\$ (1,000)	\$ 2,397,945	\$ 2,380,892	\$ 2,498,228	\$ 100,283
Total Expenditures	\$ 2,398,945	\$ (1,000)	\$ 2,397,945	\$ 2,380,892	\$ 2,498,228	\$ 100,283
Excess (Deficiency) of Revenues Over Expenditures	\$ 25,181	\$ 1,000	\$ 26,181	\$ (72,835)	\$ (87,420)	\$ 113,601
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ (52,277)	\$ 0	\$ (52,277)	\$ (53,000)	\$ (53,000)	\$ 723
Total Other Financing Sources (Uses)	\$ (52,277)	\$ 0	\$ (52,277)	\$ (53,000)	\$ (53,000)	\$ 723
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ (27,096)	\$ 1,000	\$ (26,096)	\$ (125,835)	\$ (140,420)	\$ 114,324
	622,139	(1,000)	621,139	620,740	620,740	399
Fund Balance, June 30, 2008	\$ 595,043	\$ 0	\$ 595,043	\$ 494,905	\$ 480,320	\$ 114,723

MISCELLANEOUS SCHEDULES

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Exhibit J-1

Fayette County, Tennessee
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds
Primary Government and Discretely Presented Fayette County School Department
For the Year Ended June 30, 2008

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-08
PRIMARY GOVERNMENT								
NOTES PAYABLE								
Payable through General Debt Service Fund								
Criminal Justice Complex COB - Series 2007	\$ 3,000,000	3.95 %	8-24-07	8-24-10	\$ 0	\$ 3,000,000	\$ 0	\$ 3,000,000
Total Notes Payable					\$ 0	\$ 3,000,000	\$ 0	\$ 3,000,000
CAPITAL LEASES PAYABLE								
Payable through Highway/Public Works Fund								
John Deere Motor Grader	101,200	4.11	9-25-06	9-25-09	\$ 101,200	\$ 0	\$ 32,359	\$ 68,841
Mack Dump Truck	69,244	4.11	12-5-06	12-5-09	69,244	0	69,244	0
Mack Dump Truck	89,415	3.95	2-25-08	1-25-11	0	89,415	0	89,415
Total Payable through Highway/Public Works Fund					\$ 170,444	\$ 89,415	\$ 101,603	\$ 158,256
Total Capital Leases Payable					\$ 170,444	\$ 89,415	\$ 101,603	\$ 158,256
BONDS PAYABLE								
Payable through General Debt Service Fund								
School Bonds, Series 2000	15,000,000	5 to 5.6	7-19-00	2-1-08	\$ 675,000	\$ 0	\$ 675,000	\$ 0
School Refunding Bonds, Series 2001	9,960,000	3 to 5	12-1-01	2-1-18	9,650,000	0	55,000	9,595,000
School Refunding Bonds, Series 2002	2,210,000	5	1-2-02	2-1-20	2,210,000	0	0	2,210,000
General Obligation Bonds, Series 2004	8,200,000	2.5 to 4.625	10-1-04	4-1-29	8,100,000	0	150,000	7,950,000
General Obligation Bonds, Series 2006	4,950,000	3.5 to 4	11-28-06	4-1-29	4,740,000	0	140,000	4,600,000
Total Bonds Payable					\$ 25,375,000	\$ 0	\$ 1,020,000	\$ 24,355,000

(Continued)

Exhibit J-1

Fayette County, Tennessee
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds
Primary Government and Discretely Presented Fayette County School Department (Cont.)

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-08
<u>DISCRETELY PRESENTED FAYETTE COUNTY SCHOOL DEPARTMENT</u>								
<u>NOTES PAYABLE</u>								
Payable through General Purpose School Fund								
Local Government Energy Loan	\$ 500,000	3 %	3-31-02	3-31-09	\$ 153,562	\$ 0	\$ 75,646	\$ 77,916
Total Notes Payable					\$ 153,562	\$ 0	\$ 75,646	\$ 77,916
<u>CAPITAL LEASES PAYABLE</u>								
Payable through General Purpose School Fund								
School Buses	503,788	4.64	9-15-05	9-15-09	\$ 302,703	\$ 0	\$ 96,361	\$ 206,342
School Buses	199,842	5.14	7-27-06	12-15-10	158,797	0	36,766	122,031
School Buses	220,500	5.07	8-14-07	8-1-12	0	220,500	0	220,500
School Buses	189,000	4.64	9-25-07	9-24-12	0	189,000	0	189,000
Total Capital Leases Payable					\$ 461,500	\$ 409,500	\$ 133,127	\$ 737,873

Exhibit J-2

Fayette County, Tennessee
Schedule of Long-term Debt Requirements by Year
Primary Government and Discretely Presented Fayette County School Department

PRIMARY GOVERNMENT

Year Ending June 30	Note Principal	Note Interest	Total Note Requirements
2009	\$ 1,000,000	\$ 89,533	\$ 1,089,533
2010	1,000,000	49,375	1,049,375
2011	1,000,000	9,875	1,009,875
Total	\$ 3,000,000	\$ 148,783	\$ 3,148,783

Year Ending June 30	Capital Lease Principal	Capital Lease Interest	Total Capital Lease Requirements
2009	\$ 62,352	\$ 6,480	\$ 68,832
2010	64,916	3,916	68,832
2011	30,988	1,246	32,234
Total	\$ 158,256	\$ 11,642	\$ 169,898

Year Ending June 30	Bond Principal	Bond Interest	Total Bond Requirements
2009	\$ 1,065,000	\$ 1,066,756	\$ 2,131,756
2010	1,105,000	1,023,347	2,128,347
2011	1,145,000	977,427	2,122,427
2012	1,295,000	928,738	2,223,738
2013	1,340,000	873,061	2,213,061
2014	1,390,000	814,861	2,204,861
2015	1,500,000	753,681	2,253,681
2016	1,555,000	687,741	2,242,741
2017	1,620,000	618,026	2,238,026
2018	1,685,000	544,121	2,229,121
2019	1,755,000	465,971	2,220,971
2020	1,485,000	384,146	1,869,146
2021	690,000	315,426	1,005,426
2022	720,000	287,941	1,007,941
2023	750,000	258,781	1,008,781
2024	785,000	227,906	1,012,906
2025	815,000	194,669	1,009,669
2026	855,000	160,025	1,015,025
2027	890,000	123,688	1,013,688
2028	935,000	84,369	1,019,369
2029	975,000	43,062	1,018,062
Total	\$ 24,355,000	\$ 10,833,743	\$ 35,188,743

(Continued)

Exhibit J-2

Fayette County, Tennessee

Schedule of Long-term Debt Requirements by Year

Primary Government and Discretely Presented Fayette County School Department (Cont.)

DISCRETELY PRESENTED FAYETTE COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Note Principal	Note Interest	Total Note Requirements
2009	\$ 77,916	\$ 2,337	\$ 80,253
Total	\$ 77,916	\$ 2,337	\$ 80,253

Year Ending June 30	Capital Lease Principal	Capital Lease Interest	Total Capital Lease Requirements
2009	\$ 213,764	\$ 35,826	\$ 249,590
2010	224,078	25,512	249,590
2011	124,452	14,733	139,185
2012	85,702	8,554	94,256
2013	89,877	4,379	94,256
Total	\$ 737,873	\$ 89,004	\$ 826,877

Exhibit J-3

Fayette County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Fayette County School Department
For the Year Ended June 30, 2008

From Fund	To Fund	Purpose	Amount
<u>PRIMARY GOVERNMENT</u>			
General	General Capital Projects	Jail construction	\$ 118,000
Adequate Facilities/Development Tax	Highway/Public Works	Road paving	<u>350,000</u>
Total Transfers Primary Government			<u>\$ 468,000</u>
<u>DISCRETELY PRESENTED FAYETTE COUNTY</u>			
<u>SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 792
Central Cafeteria	General Purpose School	Indirect costs	<u>52,277</u>
Total Transfers Discretely Presented Fayette County School Department			<u>\$ 53,069</u>

Exhibit J-4

Fayette County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Fayette County School Department
For the Year Ended June 30, 2008

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 78,198	\$ 50,000	Western Surety Company
Public Works Superintendent	Section 234, Private Acts of 1974 and Section 8-24-102, <u>TCA</u>	72,204	100,000	"
Director of Schools	State Board of Education and County Board of Education	107,566 (1)	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	58,872	1,014,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	58,872	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	58,872	50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	58,872	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	58,872 (2)	100,000	"
Register	Section 8-24-102, <u>TCA</u>	58,872	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u> , and County Commission	74,474 (3)	25,000	"
Employees Blanket Bond:				
Office:				
County Mayor:				
All Employees			150,000	Local Government Property and Casualty
Public Works Superintendent:				
All Employees			150,000	"
Director of Schools:				
All Employees			150,000	Tennessee Risk Management Trust

(1) Includes chief executive officer training supplement of \$1,000.
(2) Does not include special commissioner fees of \$25,255.
(3) Does not include law enforcement training supplement of \$600.

Exhibit J-5

Fayette County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2008

	Special Revenue Funds							Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste/ Sanitation	Drug Control	Adequate Facilities/ Development Tax	Constitu- tional Officers - Fees	Highway/ Public Works	General Debt Service			
Local Taxes										
<u>County Property Taxes</u>										
Current Property Tax	\$ 4,713,544	\$ 0	\$ 0	\$ 0	\$ 0	\$ 543,945	\$ 1,040,753	\$ 0	\$ 0	\$ 6,298,242
Trustee's Collections - Prior Year	237,412	0	0	0	0	21,260	52,156	0	0	310,828
Circuit/Clerk & Master Collections - Prior Years	116,396	0	0	0	0	13,638	12,881	0	0	142,915
Interest and Penalty	34,334	0	0	0	0	4,036	7,569	0	0	45,939
Payments in-Lieu-of Taxes - Local Utilities	3,002	0	0	0	0	393	1,292	0	0	4,687
Payments in-Lieu-of Taxes - Other	9,424	0	0	0	0	1,521	2,074	0	0	13,019
<u>County Local Option Taxes</u>										
Local Option Sales Tax	0	0	0	0	0	414,712	0	0	0	414,712
Hotel/Motel Tax	6,199	0	0	0	0	0	0	0	0	6,199
Wheel Tax	185,420	0	0	0	0	741,678	927,098	0	0	1,854,196
Litigation Tax - General	181,345	0	0	0	0	0	0	0	0	181,345
Litigation Tax - Jail, Workhouse, or Courthouse	88,838	0	0	0	0	0	0	0	0	88,838
Business Tax	185,042	0	0	0	0	0	0	0	0	185,042
Adequate Facilities/Development Tax	0	0	0	787,760	0	0	0	0	0	787,760
<u>Statutory Local Taxes</u>										
Bank Excise Tax	119,836	0	0	0	0	0	0	0	0	119,836
Wholesale Beer Tax	109,021	0	0	0	0	0	0	0	0	109,021
Interstate Telecommunications Tax	2,302	0	0	0	0	0	0	0	0	2,302
Total Local Taxes	\$ 5,992,115	\$ 0	\$ 0	\$ 787,760	\$ 0	\$ 1,741,183	\$ 2,043,823	\$ 0	\$ 0	\$ 10,564,881
Licenses and Permits										
<u>Licenses</u>										
Animal Registration	\$ 4,392	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,392
Cable TV Franchise	111,911	0	0	0	0	0	0	0	0	111,911
<u>Permits</u>										
Beer Permits	760	0	0	0	0	0	0	0	0	760
Building Permits	140,471	0	0	0	0	0	0	0	0	140,471
Other Permits	17,000	0	0	0	0	0	0	0	0	17,000
Total Licenses and Permits	\$ 274,534	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 274,534

(Continued)

Exhibit J-5

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

	General	Special Revenue Funds							Debt Service Fund	Capital Projects Fund	Total	
		Solid Waste / Sanitation	Drug Control	Adequate Facilities/ Development Tax	Constitutional Officers - Fees	Highway / Public Works	Debt Service Fund					Capital Projects Fund
							General	Debt Service				
<u>Circuit Court</u>												
Fines	\$ 3,535	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,535		
Officers Costs	10,362	0	0	0	0	0	0	0	0	10,362		
Drug Control Fines	4,095	0	0	0	0	0	0	0	0	4,095		
Drug Court Fees	566	0	0	0	0	0	0	0	0	566		
DUI Treatment Fines	1,159	0	0	0	0	0	0	0	0	1,159		
Data Entry Fee - Circuit Court	534	0	0	0	0	0	0	0	0	534		
<u>Criminal Court</u>												
Drug Control Fines	0	13,338	0	0	0	0	0	0	0	13,338		
<u>General Sessions Court</u>												
Fines	13,127	0	0	0	0	0	0	0	0	13,127		
Officers Costs	46,901	0	0	0	0	0	0	0	0	46,901		
Game and Fish Fines	754	0	0	0	0	0	0	0	0	754		
Drug Control Fines	5,923	0	7,612	0	0	0	0	0	0	13,535		
Drug Court Fees	5,196	0	0	0	0	0	0	0	0	5,196		
Jail Fees	4,134	0	0	0	0	0	0	0	0	4,134		
DUI Treatment Fines	8,149	0	0	0	0	0	0	0	0	8,149		
Data Entry Fee - General Sessions Court	6,631	0	0	0	0	0	0	0	0	6,631		
Courtroom Security Fee	295	0	0	0	0	0	0	0	0	295		
<u>Juvenile Court</u>												
Fines	28	0	0	0	0	0	0	0	0	28		
Officers Costs	2,716	0	0	0	0	0	0	0	0	2,716		
<u>Chancery Court</u>												
Officers Costs	2,594	0	0	0	0	0	0	0	0	2,594		
Data Entry Fee - Chancery Court	1,746	0	0	0	0	0	0	0	0	1,746		
<u>Other Courts - In-county</u>												
Game and Fish Fines	45	0	0	0	0	0	0	0	0	45		
<u>Judicial District Drug Program</u>												
Courtroom Security Fee	4	0	0	0	0	0	0	0	0	4		
<u>Other Fines, Forfeitures, and Penalties</u>												
Proceeds from Confiscated Property	0	45,814	0	0	0	0	0	0	0	45,814		

(Continued)

Exhibit J-5

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

	Special Revenue Funds										Debt Service Fund	Capital Projects Fund	Total	
	General	Solid Waste / Sanitation	Drug Control	Adequate Facilities/ Development Tax	Constitutional Officers - Fees	Highway / Public Works	Debt Service Fund		Capital Projects Fund					
							General	Debt Service	General	Capital Projects				
<u>Fines, Forfeitures, and Penalties (Cont.)</u>														
<u>Other Fines, Forfeitures, and Penalties (Cont.)</u>														
Other Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 8,233	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,233
Total Fines, Forfeitures, and Penalties	\$ 118,494	\$ 0	\$ 74,997	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 193,491
<u>Charges for Current Services</u>														
<u>General Service Charges</u>														
Solid Waste Disposal Fees	\$ 0	\$ 362,421	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 362,421
Patient Charges	629,827	0	0	0	0	0	0	0	0	0	0	0	0	629,827
Service Charges	4,560	0	0	0	0	0	0	0	0	0	0	0	0	4,560
<u>Fees</u>														
Airport Fees	11,248	0	0	0	0	0	0	0	0	0	0	0	0	11,248
Copy Fees	246	0	0	0	0	0	0	0	0	0	0	0	0	246
Telephone Commissions	19,550	0	0	0	0	0	0	0	0	0	0	0	0	19,550
Vending Machine Collections	4,446	0	0	0	0	0	0	0	0	0	0	0	0	4,446
Constitutional Officers' Fees and Commissions	0	0	0	0	171,859	0	0	0	0	0	0	0	0	171,859
Data Processing Fee - Register	20,110	0	0	0	0	0	0	0	0	0	0	0	0	20,110
Data Processing Fee - Sheriff	5,298	0	0	0	0	0	0	0	0	0	0	0	0	5,298
Sexual Offender Registration Fees - Sheriff	1,500	0	0	0	0	0	0	0	0	0	0	0	0	1,500
<u>Other Charges for Services</u>														
Other Charges for Services	2,900	0	0	0	0	0	0	0	0	0	0	0	0	2,900
Total Charges for Current Services	\$ 699,685	\$ 362,421	\$ 0	\$ 0	\$ 171,859	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,233,965
<u>Other Local Revenues</u>														
<u>Recurring Items</u>														
Investment Income	\$ 0	\$ 647,144	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,365	\$ 0	\$ 0	\$ 649,509
Lease/Rentals	57,477	0	0	0	0	0	0	0	0	0	0	0	0	57,477
Sale of Materials and Supplies	623	0	0	0	0	0	0	0	0	0	0	0	0	623
Commissary Sales	3,121	0	0	0	0	0	0	0	0	0	0	0	0	3,121
Sale of Gasoline	43,027	0	0	0	0	0	0	0	0	0	0	0	0	43,027
Sale of Recycled Materials	0	146,242	0	0	0	0	9,975	0	0	0	0	0	0	156,217
Miscellaneous Refunds	0	980	0	0	0	0	68,566	0	0	0	0	0	0	69,546

(Continued)

Exhibit J-5

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

	Special Revenue Funds										Debt Service Fund	Capital Projects Fund	Total	
	Adequate Facilities/ Development Tax		Constitu- tional Officers - Fees		Highway/ Public Works		General Fund		Debt Service					
	General	Solid Waste/ Sanitation	Drug Control	Waste/ Sanitation	Constitu- tional Officers - Fees	Highway/ Public Works	General Fund	Debt Service	General Fund	Debt Service				
<u>Other Local Revenues (Cont.)</u>														
<u>Nonrecurring Items</u>														
Sale of Equipment	\$ 13,215	\$ 0	\$ 0	\$ 0	\$ 0	\$ 46,750	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 59,965	
Contributions and Gifts	705	0	0	0	0	33,900	0	0	0	0	0	0	34,605	
<u>Other Local Revenues</u>														
Other Local Revenues	25,590	0	0	0	0	0	0	0	0	0	0	0	25,590	
Total Other Local Revenues	\$ 143,758	\$ 794,366	\$ 0	\$ 0	\$ 0	\$ 159,191	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,365	\$ 0	\$ 1,099,680	
<u>Fees Received from County Officials</u>														
<u>Excess Fees</u>														
Register	\$ 150,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 150,000	
<u>Fees in-Lieu-of Salary</u>														
County Clerk	328,984	0	0	0	0	0	0	0	0	0	0	0	328,984	
Circuit Court Clerk	83,075	0	0	0	0	0	0	0	0	0	0	0	83,075	
General Sessions Court Clerk	177,647	0	0	0	0	0	0	0	0	0	0	0	177,647	
Clerk and Master	152,513	0	0	0	0	0	0	0	0	0	0	0	152,513	
Juvenile Court Clerk	30,450	0	0	0	0	0	0	0	0	0	0	0	30,450	
Sheriff	17,734	0	0	0	0	0	0	0	0	0	0	0	17,734	
Trustee	481,759	0	0	0	0	0	0	0	0	0	0	0	481,759	
Total Fees Received from County Officials	\$ 1,422,162	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,422,162	
<u>State of Tennessee</u>														
<u>General Government Grants</u>														
Airport Maintenance Program	\$ 1,259,992	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,259,992	
Aging Programs	40,000	0	0	0	0	0	0	0	0	0	0	0	40,000	
State Reappraisal Grant	12,836	0	0	0	0	0	0	0	0	0	0	0	12,836	
Solid Waste Grants	0	12,912	0	0	0	0	0	0	0	0	0	0	12,912	
Public Safety Grants														
Law Enforcement Training Programs	18,600	0	0	0	0	0	0	0	0	0	0	0	18,600	
Other Public Safety Grants	46,218	0	0	0	0	0	0	0	0	0	0	0	46,218	
Health and Welfare Grants														
Health Department Programs	242,294	0	0	0	0	0	0	0	0	0	0	0	242,294	

(Continued)

Exhibit J-5

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

	Special Revenue Funds							Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste/ Sanitation	Drug Control	Adequate Facilities/ Development Tax	Constitu- tional Officers - Fees	Highway/ Public Works	General Fund			
<u>State of Tennessee (Cont.)</u>										
<u>Health and Welfare Grants (Cont.)</u>										
Other Health and Welfare Grants	\$ 15,789	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,789
<u>Public Works Grants</u>										
State Aid Program	0	0	0	0	0	109,954	0	0	0	109,954
Litter Program	32,329	0	0	0	0	0	0	0	0	32,329
<u>Other State Revenues</u>										
Beer Tax	19,312	0	0	0	0	0	0	0	0	19,312
Alcoholic Beverage Tax	57,306	0	0	0	0	0	0	0	0	57,306
Mixed Drink Tax	206	0	0	0	0	0	0	0	0	206
State Revenue Sharing - T.V.A.	690,757	0	0	0	0	0	0	0	0	690,757
Contracted Prisoner Boarding	282,173	0	0	0	0	0	0	0	0	282,173
Gasoline and Motor Fuel Tax	0	0	0	0	0	2,053,167	0	0	0	2,053,167
Petroleum Special Tax	0	0	0	0	0	23,126	0	0	0	23,126
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	0	16,380
Other State Grants	110,399	0	0	0	0	0	0	0	0	110,399
Other State Revenues	31,011	0	0	0	0	0	0	0	0	31,011
Total State of Tennessee	\$ 2,875,602	\$ 12,912	\$ 0	\$ 0	\$ 0	\$ 2,186,247	\$ 0	\$ 0	\$ 0	\$ 5,074,761
<u>Federal Government</u>										
Federal Through State	\$ 345,289	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 345,289
Homeland Security Grants	\$ 345,289	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 345,289
Total Federal Government	\$ 345,289	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 345,289
<u>Other Governments and Citizens Groups</u>										
<u>Other Governments</u>										
Contributions	\$ 8,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,500
Contracted Services	30,325	0	0	0	0	0	0	0	0	30,325
Other	120	0	0	0	0	0	0	0	0	120
Total Other Governments and Citizens Groups	\$ 38,945	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 38,945
Total	\$ 11,910,584	\$ 1,169,699	\$ 74,997	\$ 787,760	\$ 171,859	\$ 4,086,621	\$ 2,043,823	\$ 2,365	\$ 20,247,708	

Exhibit J-6

Fayette County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Fayette County School Department
For the Year Ended June 30, 2008

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 5,457,713	\$ 0	\$ 0	\$ 5,457,713
Trustee's Collections - Prior Year	170,864	0	0	170,864
Circuit/Clerk & Master Collections - Prior Years	100,977	0	0	100,977
Interest and Penalty	31,359	0	0	31,359
Payments in-Lieu-of Taxes - Other	10,507	0	0	10,507
<u>County Local Option Taxes</u>				
Local Option Sales Tax	2,046,101	0	0	2,046,101
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	3,710	0	0	3,710
Total Local Taxes	\$ 7,821,231	\$ 0	\$ 0	\$ 7,821,231
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 2,762	\$ 0	\$ 0	\$ 2,762
Total Licenses and Permits	\$ 2,762	\$ 0	\$ 0	\$ 2,762
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Summer School	\$ 375	\$ 0	\$ 0	\$ 375
Tuition - Other	48,509	0	0	48,509
Lunch Payments - Children	0	0	80,086	80,086
Lunch Payments - Adults	0	0	25,060	25,060
Income from Breakfast	0	0	25,810	25,810
TBI Criminal Background Fees	5,532	0	48	5,580
<u>Other Charges for Services</u>				
Other Charges for Services	0	0	283,697	283,697
Total Charges for Current Services	\$ 54,416	\$ 0	\$ 414,701	\$ 469,117
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 19,913	\$ 19,913
Lease/Rentals	25,414	0	0	25,414
Sale of Materials and Supplies	5,273	0	0	5,273
Miscellaneous Refunds	222,863	0	0	222,863
<u>Nonrecurring Items</u>				
Sale of Equipment	8,359	0	0	8,359
Damages Recovered from Individuals	5,317	0	0	5,317
Contributions and Gifts	10,232	0	0	10,232
<u>Other Local Revenues</u>				
Other Local Revenues	26,080	0	0	26,080
Total Other Local Revenues	\$ 303,538	\$ 0	\$ 19,913	\$ 323,451
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 68,925	\$ 0	\$ 0	\$ 68,925
<u>State Education Funds</u>				
Basic Education Program	14,992,155	0	0	14,992,155
Early Childhood Education	754,903	0	0	754,903

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
School Food Service	\$ 0	\$ 0	\$ 22,965	\$ 22,965
Driver Education	11,830	0	0	11,830
Other State Education Funds	177,749	0	0	177,749
Career Ladder Program	140,077	0	0	140,077
Career Ladder - Extended Contract	64,913	0	0	64,913
Other Vocational	6,930	0	0	6,930
<u>Other State Revenues</u>				
Income Tax	245,204	0	0	245,204
Mixed Drink Tax	200	0	0	200
Total State of Tennessee	<u>\$ 16,462,886</u>	<u>\$ 0</u>	<u>\$ 22,965</u>	<u>\$ 16,485,851</u>
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,308,627	\$ 1,308,627
Breakfast	0	0	632,115	632,115
USDA - Other	0	0	25,805	25,805
Vocational Education - Basic Grants to States	0	95,763	0	95,763
Title I Grants to Local Education Agencies	0	1,196,048	0	1,196,048
Innovative Education Program Strategies	0	6,634	0	6,634
Special Education - Grants to States	0	826,292	0	826,292
Special Education Preschool Grants	0	33,862	0	33,862
Eisenhower Professional Development State Grants	0	278,322	0	278,322
Title XX	5,824	0	0	5,824
Job Training Partnership Act	203,652	0	0	203,652
Other Federal through State	426,809	1,828,301	0	2,255,110
Total Federal Government	<u>\$ 636,285</u>	<u>\$ 4,265,222</u>	<u>\$ 1,966,547</u>	<u>\$ 6,868,054</u>
<u>Other Governments and Citizens Groups</u>				
<u>Other</u>				
Other	\$ 2,646	\$ 0	\$ 0	\$ 2,646
Total Other Governments and Citizens Groups	<u>\$ 2,646</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,646</u>
Total	<u>\$ 25,283,764</u>	<u>\$ 4,265,222</u>	<u>\$ 2,424,126</u>	<u>\$ 31,973,112</u>

Exhibit J-7

Fayette County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2008

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	42,682	
State Retirement		2,083	
Communication		1,069	
Legal Services		35,183	
Rentals		1,198	
Travel		201	
Duplicating Supplies		3,000	
Gasoline		713	
Office Supplies		1,734	
Other Charges		600	
Total County Commission			\$ 88,463

County Mayor/Executive

County Official/Administrative Officer	\$	78,198	
Communication		2,169	
Dues and Memberships		200	
Legal Notices, Recording, and Court Costs		1,700	
Maintenance and Repair Services - Vehicles		591	
Postal Charges		100	
Printing, Stationery, and Forms		1,474	
Rentals		549	
Travel		1,231	
Other Contracted Services		1,058	
Gasoline		1,800	
Office Supplies		600	
Periodicals		50	
Total County Mayor/Executive			89,720

County Attorney

Other Salaries and Wages	\$	19,109	
Board and Committee Members Fees		1,855	
Other Per Diem and Fees		32,494	
Social Security		2,984	
Employer Medicare		698	
Total County Attorney			57,140

Election Commission

Assistant(s)	\$	30,000	
Supervisor/Director		52,987	
Deputy(ies)		26,500	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Part-time Personnel	\$	8,939	
Election Commission		8,069	
Election Workers		20,920	
In-Service Training		675	
Communication		3,166	
Data Processing Services		6,000	
Dues and Memberships		200	
Legal Notices, Recording, and Court Costs		2,300	
Maintenance and Repair Services - Office Equipment		3,419	
Postal Charges		5,000	
Printing, Stationery, and Forms		4,927	
Rentals		2,555	
Travel		3,869	
Office Supplies		5,000	
Other Supplies and Materials		4,856	
Data Processing Equipment		16,119	
Office Equipment		2,992	
Total Election Commission			\$ 208,493

Register of Deeds

Communication	\$	579	
Data Processing Services		19,457	
Postal Charges		98	
Printing, Stationery, and Forms		431	
Rentals		1,402	
Travel		865	
Office Supplies		1,296	
Total Register of Deeds			24,128

Development

Assistant(s)	\$	41,763	
Supervisor/Director		52,905	
Deputy(ies)		12,083	
Secretary(ies)		27,059	
Board and Committee Members Fees		5,932	
Communication		3,038	
Legal Notices, Recording, and Court Costs		4,106	
Maintenance and Repair Services - Office Equipment		527	
Postal Charges		82	
Rentals		2,018	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Development (Cont.)

Travel	\$	3,860	
Other Contracted Services		236	
Office Supplies		2,798	
Other Supplies and Materials		28,983	
Other Charges		10	
Total Development			\$ 185,400

Building

Assistant(s)	\$	77,402	
Board and Committee Members Fees		1,421	
In-Service Training		615	
Communication		3,405	
Legal Notices, Recording, and Court Costs		284	
Maintenance and Repair Services - Vehicles		1,272	
Printing, Stationery, and Forms		600	
Travel		912	
Gasoline		5,101	
Office Supplies		428	
Other Supplies and Materials		947	
Other Charges		336	
Total Building			92,723

County Buildings

Custodial Personnel	\$	26,103	
Temporary Personnel		956	
Communication		750	
Maintenance and Repair Services - Buildings		92,586	
Maintenance and Repair Services - Vehicles		603	
Postal Charges		19,918	
Rentals		27,513	
Custodial Supplies		5,656	
Gasoline		2,281	
Small Tools		942	
Uniforms		500	
Utilities		35,642	
Disabilities Act Improvements		46,368	
Other Construction		19,315	
Total County Buildings			279,133

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Other Facilities

Communication	\$	1,090	
Maintenance and Repair Services - Buildings		1,319	
Electricity		2,968	
Propane Gas		1,271	
Total Other Facilities			\$ 6,648

Other General Administration

Dues and Memberships	\$	76,917	
Total Other General Administration			76,917

Finance

Accounting and Budgeting

Assistant(s)	\$	16,377	
Supervisor/Director		41,610	
Purchasing Personnel		43,289	
Clerical Personnel		43,538	
In-Service Training		1,044	
Accounting Services		1,250	
Audit Services		7,500	
Communication		1,558	
Data Processing Services		7,900	
Legal Notices, Recording, and Court Costs		800	
Maintenance and Repair Services - Office Equipment		100	
Printing, Stationery, and Forms		1,996	
Rentals		702	
Travel		2,671	
Duplicating Supplies		1,600	
Office Supplies		1,549	
Data Processing Equipment		2,000	
Office Equipment		1,723	
Total Accounting and Budgeting			177,207

Property Assessor's Office

County Official/Administrative Officer	\$	58,872	
Assistant(s)		30,000	
Deputy(ies)		75,263	
Investigator(s)		27,096	
Board and Committee Members Fees		420	
In-Service Training		115	
Communication		643	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Consultants	\$	22,965	
Data Processing Services		15,638	
Dues and Memberships		233	
Legal Notices, Recording, and Court Costs		70	
Maintenance and Repair Services - Office Equipment		158	
Maintenance and Repair Services - Vehicles		876	
Postal Charges		1,486	
Printing, Stationery, and Forms		1,060	
Rentals		802	
Travel		799	
Gasoline		4,603	
Office Supplies		3,069	
Other Supplies and Materials		1,865	
Data Processing Equipment		2,001	
Furniture and Fixtures		370	
Office Equipment		9,640	
Total Property Assessor's Office			\$ 258,044

County Trustee's Office

County Official/Administrative Officer	\$	58,872	
Assistant(s)		30,000	
Deputy(ies)		51,500	
Longevity Pay		2,300	
In-Service Training		878	
Communication		1,081	
Data Processing Services		8,893	
Dues and Memberships		225	
Legal Notices, Recording, and Court Costs		198	
Maintenance and Repair Services - Office Equipment		678	
Postal Charges		156	
Printing, Stationery, and Forms		2,755	
Rentals		1,125	
Travel		3,334	
Office Supplies		892	
Other Supplies and Materials		1,067	
Data Processing Equipment		4,416	
Office Equipment		505	
Total County Trustee's Office			168,875

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office

County Official/Administrative Officer	\$	58,872	
Assistant(s)		30,000	
Deputy(ies)		115,989	
In-Service Training		330	
Communication		1,018	
Data Processing Services		258	
Dues and Memberships		150	
Legal Notices, Recording, and Court Costs		1,089	
Maintenance and Repair Services - Office Equipment		251	
Printing, Stationery, and Forms		1,246	
Rentals		2,426	
Travel		1,187	
Office Supplies		1,642	
Other Supplies and Materials		300	
Other Charges		181	
Office Equipment		639	
Total County Clerk's Office			\$ 215,578

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	58,872	
Assistant(s)		30,000	
Deputy(ies)		27,667	
Jury and Witness Fees		18,835	
In-Service Training		447	
Communication		2,476	
Data Processing Services		4,525	
Dues and Memberships		95	
Maintenance and Repair Services - Office Equipment		102	
Postal Charges		104	
Printing, Stationery, and Forms		1,855	
Transportation - Other than Students		600	
Travel		2,015	
Office Supplies		1,991	
Office Equipment		668	
Total Circuit Court			150,252

General Sessions Court

Assistant(s)	\$	30,000
Deputy(ies)		99,519

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Communication	\$	843	
Data Processing Services		223	
Maintenance and Repair Services - Office Equipment		340	
Postal Charges		100	
Printing, Stationery, and Forms		1,563	
Rentals		3,545	
Office Supplies		1,719	
Data Processing Equipment		19,841	
Office Equipment		774	
Total General Sessions Court			\$ 158,467

General Sessions Judge

Judge(s)	\$	139,036	
Deputy(ies)		13,250	
Other Salaries and Wages		13,250	
In-Service Training		215	
Communication		834	
Travel		982	
Library Books/Media		1,461	
Office Supplies		387	
Other Supplies and Materials		700	
Total General Sessions Judge			170,115

General Sessions Court Clerk

Assistant(s)	\$	27,667	
Deputy(ies)		2,893	
Data Processing Services		6,881	
Printing, Stationery, and Forms		94	
Rentals		1,509	
Travel		813	
Office Supplies		281	
Total General Sessions Court Clerk			40,138

Drug Court

Temporary Personnel	\$	31,883	
Social Security		1,484	
Employee and Dependent Insurance		1,868	
Employer Medicare		347	
Communication		144	
Evaluation and Testing		2,229	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Drug Court (Cont.)

Postal Charges	\$	200	
Printing, Stationery, and Forms		34	
Travel		2,000	
Other Contracted Services		20,700	
Data Processing Supplies		1,460	
Office Supplies		1,022	
Total Drug Court			\$ 63,371

Chancery Court

County Official/Administrative Officer	\$	58,872	
Assistant(s)		30,000	
Deputy(ies)		51,500	
In-Service Training		447	
Communication		827	
Data Processing Services		6,161	
Dues and Memberships		600	
Legal Notices, Recording, and Court Costs		5,112	
Maintenance and Repair Services - Office Equipment		4,859	
Postal Charges		100	
Printing, Stationery, and Forms		2,485	
Rentals		2,542	
Travel		983	
Data Processing Supplies		708	
Office Supplies		1,718	
Building Improvements		16,187	
Total Chancery Court			183,101

Juvenile Court

Youth Service Officer(s)	\$	37,813	
In-Service Training		545	
Communication		2,258	
Contracts with Government Agencies		4,425	
Dues and Memberships		120	
Maintenance and Repair Services - Office Equipment		326	
Postal Charges		125	
Travel		134	
Other Contracted Services		873	
Library Books/Media		16	
Office Supplies		1,531	
Other Supplies and Materials		151	
Total Juvenile Court			48,317

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	74,474	
Supervisor/Director		80,074	
Deputy(ies)		627,949	
Investigator(s)		131,285	
Captain(s)		116,845	
Lieutenant(s)		79,124	
Sergeant(s)		116,185	
Salary Supplements		16,200	
Part-time Personnel		36,020	
Overtime Pay		62,602	
In-Service Training		8,721	
Employee and Dependent Insurance		153,820	
Communication		14,830	
Maintenance and Repair Services - Buildings		377	
Maintenance and Repair Services - Office Equipment		7,627	
Maintenance and Repair Services - Vehicles		51,721	
Medical and Dental Services		5,930	
Postal Charges		1,858	
Printing, Stationery, and Forms		5,889	
Rentals		9,922	
Travel		2,599	
Gasoline		218,974	
Office Supplies		20,379	
Uniforms		27,120	
Utilities		8,019	
Other Supplies and Materials		34,949	
Liability Insurance		71,033	
Other Charges		390	
Building Improvements		5,103	
Communication Equipment		450	
Data Processing Equipment		2,919	
Motor Vehicles		82,260	
Total Sheriff's Department			\$ 2,075,648

Drug Enforcement

Supervisor/Director	\$	39,716
Investigator(s)		77,814
Salary Supplements		1,800
Longevity Pay		1,100
Overtime Pay		6,826

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Social Security	\$	7,640	
State Retirement		11,267	
Employee and Dependent Insurance		16,059	
Employer Medicare		1,787	
Total Drug Enforcement			\$ 164,009

Jail

Assistant(s)	\$	40,624
Supervisor/Director		42,704
Lieutenant(s)		58,955
Sergeant(s)		54,713
Data Processing Personnel		29,500
Salary Supplements		600
Dispatchers/Radio Operators		260,284
Guards		428,593
Secretary(ies)		30,000
Cafeteria Personnel		23,838
Maintenance Personnel		21,817
Part-time Personnel		12,828
Overtime Pay		41,500
In-Service Training		340
Employee and Dependent Insurance		175,032
Data Processing Services		8,647
Maintenance and Repair Services - Buildings		36,022
Medical and Dental Services		140,852
Postal Charges		250
Printing, Stationery, and Forms		1,239
Travel		3,163
Custodial Supplies		39,231
Food Preparation Supplies		1,789
Food Supplies		81,823
Gasoline		12,460
Office Supplies		1,764
Prisoners Clothing		4,425
Uniforms		7,833
Utilities		120,285
Other Supplies and Materials		4,378
Liability Insurance		36,878
Communication Equipment		13,025
Furniture and Fixtures		75

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Law Enforcement Equipment	\$	24,598	
Other Equipment		<u>15,277</u>	
Total Jail			\$ 1,775,342

Workhouse

Guards	\$	15,007	
Cafeteria Personnel		9,768	
Medical and Dental Services		<u>245</u>	
Total Workhouse			25,020

Fire Prevention and Control

Assistant(s)	\$	22,180	
Supervisor/Director		40,170	
Part-time Personnel		44,999	
In-Service Training		10,136	
Communication		7,238	
Contracts with Government Agencies		180,000	
Contracts with Other Public Agencies		900	
Dues and Memberships		1,333	
Forest Resource Services		2,000	
Operating Lease Payments		10,200	
Licenses		216	
Maintenance and Repair Services - Buildings		12,900	
Maintenance and Repair Services - Equipment		5,012	
Maintenance and Repair Services - Vehicles		34,939	
Postal Charges		418	
Printing, Stationery, and Forms		231	
Travel		2,032	
Data Processing Supplies		1,505	
Diesel Fuel		12,527	
Gasoline		9,538	
Natural Gas		3,331	
Office Supplies		214	
Propane Gas		5,202	
Uniforms		11,637	
Utilities		5,986	
Other Supplies and Materials		19,899	
Building and Contents Insurance		7,008	
Liability Insurance		6,567	
Vehicle and Equipment Insurance		37,285	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Other Charges	\$	5,725	
Administration Equipment		1,173	
Building Improvements		49,970	
Communication Equipment		22,564	
Motor Vehicles		114,590	
Office Equipment		2,612	
Other Equipment		25,101	
Other Construction		7,933	
Total Fire Prevention and Control	\$		725,271

Civil Defense

Assistant(s)	\$	18,125	
Supervisor/Director		42,000	
Deputy(ies)		7,000	
Part-time Personnel		3,150	
Communication		4,057	
Legal Notices, Recording, and Court Costs		44	
Maintenance and Repair Services - Vehicles		1,320	
Postal Charges		124	
Rentals		914	
Travel		1,115	
Gasoline		5,303	
Office Supplies		465	
Uniforms		644	
Utilities		1,252	
Other Supplies and Materials		346,883	
Other Charges		2,561	
Office Equipment		230	
Other Equipment		1,780	
Total Civil Defense			436,967

Rescue Squad

Maintenance and Repair Services - Vehicles	\$	946	
Diesel Fuel		3,751	
Gasoline		4,282	
Other Supplies and Materials		20,836	
Liability Insurance		1,580	
Motor Vehicles		17,295	
Total Rescue Squad			48,690

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

County Coroner/Medical Examiner

Contracts with Government Agencies	\$ 29,575	
Total County Coroner/Medical Examiner		\$ 29,575

Other Public Safety

Mechanic(s)	\$ 60,058	
Employee and Dependent Insurance	10,706	
Communication	183	
Rentals	7,600	
Equipment Parts - Light	48,659	
Gasoline	10,193	
Uniforms	595	
Utilities	7,403	
Maintenance Equipment	3,138	
Total Other Public Safety		148,535

Public Health and Welfare

Local Health Center

Board and Committee Members Fees	\$ 420	
Communication	2,934	
Janitorial Services	12,519	
Maintenance and Repair Services - Buildings	10,652	
Postal Charges	3,140	
Travel	375	
Drugs and Medical Supplies	6,104	
Instructional Supplies and Materials	15,776	
Office Supplies	4,532	
Utilities	12,901	
Total Local Health Center		69,353

Rabies and Animal Control

Deputy(ies)	\$ 26,854	
Investigator(s)	28,267	
Communication	194	
Maintenance and Repair Services - Buildings	50	
Maintenance and Repair Services - Vehicles	5,891	
Veterinary Services	97	
Animal Food and Supplies	518	
Gasoline	13,434	
Uniforms	588	
Utilities	1,452	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Rabies and Animal Control (Cont.)

Other Supplies and Materials	\$	1,578	
Motor Vehicles		6,000	
Total Rabies and Animal Control			\$ 84,923

Ambulance/Emergency Medical Services

Supervisor/Director	\$	46,769	
Secretary(ies)		30,000	
Attendants		472,641	
Part-time Personnel		78,589	
Overtime Pay		231,742	
In-Service Training		1,994	
Social Security		46,409	
State Retirement		63,072	
Employee and Dependent Insurance		99,573	
Employer Medicare		10,854	
Communication		3,689	
Licenses		900	
Maintenance and Repair Services - Buildings		3,127	
Maintenance and Repair Services - Office Equipment		593	
Maintenance and Repair Services - Vehicles		19,000	
Postal Charges		5,000	
Printing, Stationery, and Forms		1,167	
Rentals		75	
Travel		542	
Custodial Supplies		2,130	
Diesel Fuel		62,485	
Drugs and Medical Supplies		50,778	
Gasoline		2,196	
Office Supplies		4,141	
Uniforms		3,604	
Utilities		7,366	
Building and Contents Insurance		625	
Vehicle and Equipment Insurance		25,936	
Communication Equipment		2,827	
Data Processing Equipment		15,180	
Furniture and Fixtures		150	
Other Construction		3,610	
Total Ambulance/Emergency Medical Services			1,296,764

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Dental Health Program

Medical Personnel	\$ 113,916	
Paraprofessionals	21,221	
Clerical Personnel	55,454	
Longevity Pay	1,000	
Social Security	11,090	
State Retirement	16,162	
Employee and Dependent Insurance	16,893	
Employer Medicare	2,593	
Other Fringe Benefits	2,147	
Travel	4,087	
Drugs and Medical Supplies	<u>19,605</u>	
Total Dental Health Program		\$ 264,168

Crippled Children Services

Contracts with Government Agencies	\$ <u>2,216</u>	
Total Crippled Children Services		2,216

Other Local Health Services

Contracts with Other Public Agencies	\$ <u>2,060</u>	
Total Other Local Health Services		2,060

Appropriation to State

Contracts with Government Agencies	\$ <u>25,761</u>	
Total Appropriation to State		25,761

Aid to Dependent Children

Other Supplies and Materials	\$ <u>890</u>	
Total Aid to Dependent Children		890

Other Local Welfare Services

Contributions	\$ <u>10,815</u>	
Total Other Local Welfare Services		10,815

Sanitation Education/Information

Foremen	\$ 32,782
Social Security	2,010
State Retirement	2,970
Employee and Dependent Insurance	5,353
Employer Medicare	470
Rentals	2,625

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Education/Information (Cont.)

Uniforms	\$	425	
Other Supplies and Materials		5,091	
Other Charges		6,771	
Total Sanitation Education/Information			\$ 58,497

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Matching Share	\$	22,145	
Other Charges		3,000	
Other Construction		37,000	
Total Senior Citizens Assistance			62,145

Libraries

Assistant(s)	\$	30,000	
Supervisor/Director		30,900	
Librarians		16,727	
Part-time Personnel		5,280	
Social Security		5,100	
State Retirement		5,518	
Employee and Dependent Insurance		10,706	
Employer Medicare		1,193	
Communication		1,600	
Maintenance and Repair Services - Buildings		4,680	
Maintenance and Repair Services - Office Equipment		232	
Printing, Stationery, and Forms		200	
Library Books/Media		21,549	
Office Supplies		254	
Utilities		8,500	
Other Supplies and Materials		777	
Data Processing Equipment		518	
Total Libraries			143,734

Agriculture and Natural Resources

Agriculture Extension Service

Board and Committee Members Fees	\$	1,419	
Communication		4,378	
Contracts with Government Agencies		69,255	
Contributions		500	
Dues and Memberships		490	
Maintenance and Repair Services - Buildings		1,574	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

Rentals	\$	12,844	
Travel		500	
Other Contracted Services		1,434	
Custodial Supplies		351	
Utilities		4,623	
Office Equipment		860	
Total Agriculture Extension Service	\$		98,228

Soil Conservation

Secretary(ies)	\$	26,500	
Educational Assistants		28,600	
Dues and Memberships		1,645	
Rentals		2,044	
Travel		1,182	
Office Supplies		200	
Total Soil Conservation			60,171

Other Operations

Industrial Development

Board and Committee Members Fees	\$	20	
Utilities		651	
Total Industrial Development			671

Airport

Temporary Personnel	\$	40,364	
Communication		3,799	
Maintenance and Repair Services - Buildings		17,095	
Other Contracted Services		1,338,115	
Gasoline		56,586	
Utilities		9,764	
Liability Insurance		11,306	
Total Airport			1,477,029

Veterans' Services

Communication	\$	463	
Travel		2,991	
Office Supplies		1,176	
Total Veterans' Services			4,630

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Other Charges

Boiler Insurance	\$	45	
Liability Insurance		69,857	
Premiums on Corporate Surety Bonds		12,245	
Trustee's Commission		141,846	
Total Other Charges			\$ 223,993

Contributions to Other Agencies

Contracts with Other Public Agencies	\$	17,326	
Contributions		15,815	
Total Contributions to Other Agencies			33,141

Employee Benefits

Longevity Pay	\$	64,400	
Social Security		256,335	
State Retirement		396,412	
Employee and Dependent Insurance		228,226	
Unemployment Compensation		1,624	
Employer Medicare		66,263	
Medical and Dental Services		5,130	
Workers' Compensation Insurance		262,910	
Total Employee Benefits			1,281,300

Miscellaneous

Other Supplies and Materials	\$	98	
Refunds		2,678	
Total Miscellaneous			2,776

Total General Fund \$ 13,374,552

Solid Waste/Sanitation Fund

Public Health and Welfare

Convenience Centers

Contracts with Public Carriers	\$	322,977	
Total Convenience Centers			\$ 322,977

Landfill Operation and Maintenance

Supervisor/Director	\$	51,028	
Accountants/Bookkeepers		31,177	
Equipment Operators - Heavy		112,064	
Temporary Personnel		18,800	

(Continued)

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Landfill Operation and Maintenance (Cont.)

Longevity Pay	\$	3,500	
Overtime Pay		18,212	
Board and Committee Members Fees		323	
In-Service Training		1,019	
Social Security		14,385	
State Retirement		16,768	
Employee and Dependent Insurance		30,034	
Employer Medicare		3,364	
Communication		3,584	
Consultants		725	
Data Processing Services		6,509	
Evaluation and Testing		5,870	
Legal Notices, Recording, and Court Costs		512	
Licenses		3,596	
Maintenance and Repair Services - Equipment		4,741	
Travel		703	
Diesel Fuel		5,689	
Equipment and Machinery Parts		36,043	
Gasoline		16,512	
Lubricants		1,847	
Tires and Tubes		2,501	
Utilities		9,474	
Other Supplies and Materials		2,992	
Liability Insurance		36,033	
Trustee's Commission		10,224	
Workers' Compensation Insurance		20,396	
Other Charges		6,356	
Site Development		79,021	
Solid Waste Equipment		12,750	
Total Landfill Operation and Maintenance			\$ 566,752

Total Solid Waste/Sanitation Fund \$ 889,729

Drug Control Fund

Public Safety

Drug Enforcement

Communication	\$	3,317
Confidential Drug Enforcement Payments		3,000
Remittance of Revenue Collected		5,163
Uniforms		789

(Continued)

Exhibit J-7

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Other Supplies and Materials	\$ 23,991	
Trustee's Commission	750	
Other Equipment	47,039	
Total Drug Enforcement		\$ 84,049

Total Drug Control Fund \$ 84,049

Adequate Facilities/Development Tax Fund

Other Operations

Other Charges

Refunds	\$ 10,639	
Trustee's Commission	7,911	
Total Other Charges		\$ 18,550

Total Adequate Facilities/Development Tax Fund 18,550

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Constitutional Officers' Operating Expenses	\$ 143,598	
Total Register of Deeds		\$ 143,598

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$ 25,255	
Total Chancery Court		25,255

Total Constitutional Officers - Fees Fund 168,853

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 72,204
Accountants/Bookkeepers	60,000
Board and Committee Members Fees	6,740
In-Service Training	2,497
Data Processing Services	8,948
Dues and Memberships	3,729
Rentals	2,762
Office Supplies	2,918

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Other Charges	\$ 12,799	
Total Administration		\$ 172,597

Highway and Bridge Maintenance

Supervisor/Director	\$ 136,559	
Foremen	103,933	
Equipment Operators	207,122	
Equipment Operators - Light	83,603	
Truck Drivers	251,809	
Laborers	232,391	
Clerical Personnel	28,800	
Longevity Pay	42,700	
Overtime Pay	15,853	
Freight Expenses	99,242	
Other Contracted Services	3,341	
Asphalt - Liquid	17,948	
Crushed Stone	54,691	
Road Signs	7,979	
Small Tools	408	
Gravel and Chert	3,002	
Other Supplies and Materials	2,967	
Total Highway and Bridge Maintenance		1,292,348

Operation and Maintenance of Equipment

Mechanic(s)	\$ 126,761	
Maintenance and Repair Services - Equipment	18,653	
Diesel Fuel	146,651	
Equipment and Machinery Parts	97,635	
Garage Supplies	7,737	
Gasoline	49,474	
Lubricants	10,249	
Small Tools	1,292	
Tires and Tubes	24,069	
Other Supplies and Materials	4,855	
Other Capital Outlay	9,905	
Total Operation and Maintenance of Equipment		497,281

Other Charges

Communication	\$ 8,179	
Utilities	18,208	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)Highways (Cont.)Other Charges (Cont.)

Liability Insurance	\$	140,014	
Premiums on Corporate Surety Bonds		520	
Trustee's Commission		47,286	
Liability Claims		842	
Total Other Charges			\$ 215,049

Employee Benefits

Social Security	\$	101,247	
State Retirement		120,694	
Employee and Dependent Insurance		217,822	
Evaluation and Testing		1,160	
Workers' Compensation Insurance		129,861	
Total Employee Benefits			570,784

Capital Outlay

Bridge Construction	\$	100,014	
Highway Equipment		234,437	
State Aid Projects		393,463	
Other Construction		807,266	
Total Capital Outlay			1,535,180

Principal on DebtHighways and Streets

Principal on Capital Leases	\$	101,603	
Total Highways and Streets			101,603

Interest on DebtHighways and Streets

Interest on Capital Leases	\$	7,842	
Total Highways and Streets			7,842

Capital ProjectsHighway and Street Capital Projects

Other Capital Outlay	\$	2,323	
Total Highway and Street Capital Projects			2,323

Total Highway/Public Works Fund			\$ 4,395,007
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(Continued)

Exhibit J-7

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

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 290,000	
Total General Government		\$ 290,000

Education

Principal on Bonds	\$ 730,000	
Total Education		730,000

Interest on Debt

General Government

Interest on Bonds	\$ 511,329	
Interest on Notes	63,628	
Total General Government		574,957

Education

Interest on Bonds	\$ 600,110	
Total Education		600,110

Other Debt Service

General Government

Trustee's Commission	\$ 31,226	
Total General Government		31,226

Education

Other Debt Service	\$ 2,924	
Total Education		<u>2,924</u>

Total General Debt Service Fund		\$ 2,229,217
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General Capital Projects Fund

Capital Projects

Administration of Justice Projects

Architects	\$ 33,059	
Legal Services	3,000	
Building Construction	2,774,132	
Site Development	144,758	
Total Administration of Justice Projects		<u>\$ 2,954,949</u>

Total General Capital Projects Fund		<u>2,954,949</u>
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Total Governmental Funds - Primary Government		<u>\$ 24,114,906</u>
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Exhibit J-8

Fayette County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Fayette County School Department
For the Year Ended June 30, 2008

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 8,514,946	
Career Ladder Program	61,712	
Career Ladder Extended Contracts	55,957	
Homebound Teachers	4,014	
Educational Assistants	577,773	
Non-certified Substitute Teachers	151,030	
Social Security	556,988	
State Retirement	577,499	
Medical Insurance	694,725	
Employer Medicare	130,944	
Other Fringe Benefits	204	
Maintenance and Repair Services - Equipment	550	
Other Contracted Services	256,327	
Instructional Supplies and Materials	112,715	
Textbooks	327,762	
Other Charges	4,181	
Regular Instruction Equipment	5,516	
Total Regular Instruction Program		\$ 12,032,843

Special Education Program

Teachers	\$ 1,170,355	
Career Ladder Program	11,500	
Educational Assistants	81,348	
Other Salaries and Wages	44,413	
Non-certified Substitute Teachers	6,330	
Social Security	77,480	
State Retirement	82,472	
Medical Insurance	112,258	
Employer Medicare	18,129	
Other Fringe Benefits	40,000	
Contracts with Other School Systems	44,984	
Contracts with Private Agencies	167,791	
Special Education Equipment	14,703	
Total Special Education Program		1,871,763

Vocational Education Program

Teachers	\$ 700,233
Career Ladder Program	6,990
Non-certified Substitute Teachers	9,850

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Social Security	\$	41,786	
State Retirement		44,191	
Medical Insurance		57,212	
Employer Medicare		9,795	
Other Fringe Benefits		147	
Travel		818	
Other Contracted Services		3,509	
Instructional Supplies and Materials		19,987	
Vocational Instruction Equipment		8,746	
Total Vocational Education Program			\$ 903,264

Adult Education Program

Teachers	\$	28,533	
Social Security		416	
State Retirement		318	
Employer Medicare		414	
Instructional Supplies and Materials		3,136	
Total Adult Education Program			32,817

Support Services

Attendance

Supervisor/Director	\$	49,021	
Career Ladder Program		1,000	
Clerical Personnel		13,491	
Social Security		3,572	
State Retirement		4,284	
Medical Insurance		9,659	
Employer Medicare		835	
Travel		2,191	
Other Supplies and Materials		195	
Total Attendance			84,248

Health Services

Medical Personnel	\$	110,499	
Social Security		6,669	
State Retirement		8,783	
Medical Insurance		6,971	
Employer Medicare		1,560	
Other Fringe Benefits		528	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services (Cont.)

Communication	\$	1,305	
Travel		5,511	
Drugs and Medical Supplies		1,001	
Other Supplies and Materials		13,383	
In Service/Staff Development		432	
Other Charges		1,673	
Health Equipment		10,678	
Total Health Services			\$ 168,993

Other Student Support

Career Ladder Program	\$	5,000	
Guidance Personnel		374,672	
Assessment Personnel		12,710	
Clerical Personnel		16,009	
Other Salaries and Wages		12,000	
Social Security		25,322	
State Retirement		25,841	
Medical Insurance		32,124	
Employer Medicare		5,922	
Other Fringe Benefits		59	
Contracts with Private Agencies		18,000	
Evaluation and Testing		5,918	
Travel		5,753	
Instructional Supplies and Materials		3,250	
Other Charges		8,421	
Total Other Student Support			551,001

Regular Instruction Program

Supervisor/Director	\$	168,983	
Career Ladder Program		11,998	
Career Ladder Extended Contracts		4,788	
Librarians		406,641	
Instructional Computer Personnel		45,194	
Social Security		37,532	
State Retirement		41,061	
Medical Insurance		53,690	
Employer Medicare		8,778	
Maintenance and Repair Services - Equipment		18,211	
Travel		9,771	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Library Books/Media	\$	978	
Other Supplies and Materials		1,079	
In Service/Staff Development		24,645	
Other Charges		6,520	
Total Regular Instruction Program			\$ 839,869

Special Education Program

Supervisor/Director	\$	54,600	
Career Ladder Program		3,000	
Psychological Personnel		37,255	
Assessment Personnel		42,381	
Secretary(ies)		25,065	
Clerical Personnel		21,917	
Other Salaries and Wages		51,672	
Social Security		13,743	
State Retirement		16,044	
Medical Insurance		25,585	
Employer Medicare		3,214	
Other Fringe Benefits		6,708	
Communication		5,361	
Travel		9,505	
Total Special Education Program			316,050

Vocational Education Program

Supervisor/Director	\$	55,646	
Career Ladder Program		3,000	
Secretary(ies)		26,921	
Other Salaries and Wages		194,092	
Social Security		16,994	
State Retirement		19,689	
Medical Insurance		11,828	
Employer Medicare		3,974	
Other Fringe Benefits		922	
Communication		4,006	
Maintenance and Repair Services - Equipment		3,193	
Travel		6,031	
Other Supplies and Materials		13,609	
Other Charges		31,404	
Total Vocational Education Program			391,309

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs

Supervisor/Director	\$	52,974	
Career Ladder Program		1,000	
Other Salaries and Wages		119,681	
Social Security		10,009	
State Retirement		11,436	
Medical Insurance		5,933	
Employer Medicare		2,493	
Travel		608	
Other Contracted Services		40,449	
Other Supplies and Materials		100	
In Service/Staff Development		113	
Other Charges		26,712	
Regular Instruction Equipment		8,901	
Total Adult Programs			\$ 280,409

Other Programs

On-Behalf Payments to OPEB	\$	68,925	
Total Other Programs			68,925

Board of Education

Longevity Pay	\$	36,450	
Board and Committee Members Fees		17,234	
Social Security		3,153	
State Retirement		3,476	
Unemployment Compensation		14,491	
Employer Medicare		763	
Audit Services		6,500	
Dues and Memberships		17,767	
Legal Services		3,428	
Travel		7,652	
Liability Insurance		34,460	
Premiums on Corporate Surety Bonds		3,342	
Trustee's Commission		183,341	
Workers' Compensation Insurance		61,139	
Criminal Investigation of Applicants - TBI		5,472	
Other Charges		4,644	
Total Board of Education			403,312

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools

County Official/Administrative Officer	\$	106,566	
Assistant(s)		20,283	
Career Ladder Program		1,000	
Secretary(ies)		27,851	
Clerical Personnel		21,351	
Social Security		10,419	
State Retirement		12,436	
Medical Insurance		4,984	
Employer Medicare		2,571	
Communication		26,947	
Dues and Memberships		220	
Travel		4,125	
Office Supplies		980	
Other Charges		1,884	
Total Director of Schools			\$ 241,617

Office of the Principal

Principals	\$	558,564	
Career Ladder Program		8,000	
Career Ladder Extended Contracts		9,576	
Assistant Principals		273,114	
Secretary(ies)		165,866	
Social Security		60,506	
State Retirement		68,816	
Medical Insurance		61,692	
Employer Medicare		14,226	
Communication		53,601	
Dues and Memberships		4,850	
Other Contracted Services		4,340	
Total Office of the Principal			1,283,151

Fiscal Services

Supervisor/Director	\$	43,896	
Accountants/Bookkeepers		28,468	
Clerical Personnel		30,172	
Other Salaries and Wages		41,494	
Social Security		8,892	
State Retirement		11,798	
Medical Insurance		20,331	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Employer Medicare	\$	2,080	
Data Processing Services		999	
Dues and Memberships		50	
Travel		3,038	
Data Processing Supplies		3,820	
Office Supplies		556	
Other Charges		413	
Administration Equipment		984	
Total Fiscal Services			\$ 196,991

Operation of Plant

Secretary(ies)	\$	23,516	
Custodial Personnel		511,432	
Social Security		32,626	
State Retirement		43,785	
Medical Insurance		20,360	
Employer Medicare		7,756	
Rentals		11,400	
Travel		1,569	
Other Contracted Services		76,128	
Custodial Supplies		42,802	
Electricity		522,419	
Natural Gas		210,597	
Water and Sewer		54,298	
Other Supplies and Materials		3,548	
Boiler Insurance		5,654	
Building and Contents Insurance		103,196	
Other Charges		4,504	
Plant Operation Equipment		2,363	
Total Operation of Plant			1,677,953

Maintenance of Plant

Supervisor/Director	\$	47,446	
Maintenance Personnel		268,684	
Social Security		19,618	
State Retirement		28,579	
Medical Insurance		41,173	
Employer Medicare		4,588	
Maintenance and Repair Services - Buildings		6,839	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Maintenance and Repair Services - Equipment	\$	59,199	
Other Contracted Services		22,767	
General Construction Materials		26,000	
Other Supplies and Materials		64,498	
Other Charges		1,676	
Maintenance Equipment		2,124	
Total Maintenance of Plant			\$ 593,191

Transportation

Supervisor/Director	\$	47,598	
Mechanic(s)		221,374	
Bus Drivers		717,916	
Clerical Personnel		24,755	
Social Security		61,507	
State Retirement		81,327	
Medical Insurance		39,785	
Employer Medicare		14,479	
Other Fringe Benefits		6,183	
Communication		15,500	
Maintenance and Repair Services - Vehicles		10,278	
Travel		2,208	
Other Contracted Services		7,145	
Diesel Fuel		523,030	
Equipment and Machinery Parts		3,591	
Gasoline		75,473	
Lubricants		13,997	
Tires and Tubes		35,966	
Vehicle Parts		167,998	
Other Supplies and Materials		9,388	
Vehicle and Equipment Insurance		31,808	
Other Charges		10,802	
Transportation Equipment		11,000	
Total Transportation			2,133,108

Central and Other

Other Salaries and Wages	\$	129,670	
Social Security		7,942	
State Retirement		10,888	
Employer Medicare		1,856	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Central and Other (Cont.)

Other Contracted Services	\$	10,885	
Other Supplies and Materials		4,338	
Other Equipment		14,531	
Total Central and Other			\$ 180,110

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	6,600	
Other Salaries and Wages		33,246	
Social Security		2,141	
State Retirement		2,120	
Employer Medicare		578	
Other Supplies and Materials		9,211	
Total Community Services			53,896

Early Childhood Education

Supervisor/Director	\$	37,888	
Teachers		324,862	
Career Ladder Program		3,985	
Educational Assistants		78,680	
Other Salaries and Wages		27,067	
Non-certified Substitute Teachers		4,355	
Social Security		28,325	
State Retirement		31,692	
Medical Insurance		30,604	
Employer Medicare		6,624	
Other Fringe Benefits		1,950	
Contracts with Other Public Agencies		22,557	
Travel		6,604	
Instructional Supplies and Materials		71,674	
In Service/Staff Development		6,758	
Other Charges		6,156	
Other Equipment		69,661	
Total Early Childhood Education			759,442

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	85,054	
Transportation Equipment		409,500	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Capital Outlay (Cont.)

Regular Capital Outlay (Cont.)

Other Capital Outlay	\$ 63,381	
Total Regular Capital Outlay		\$ 557,935

Principal on Debt

Education

Principal on Notes	\$ 75,646	
Principal on Capital Leases	133,127	
Total Education		208,773

Interest on Debt

Education

Interest on Notes	\$ 21,867	
Interest on Capital Leases	22,208	
Total Education		44,075

Total General Purpose School Fund		\$ 25,875,045
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School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 766,591	
Educational Assistants	76,772	
Non-certified Substitute Teachers	3,330	
Social Security	48,903	
State Retirement	53,112	
Medical Insurance	43,232	
Employer Medicare	11,861	
Other Fringe Benefits	2,957	
Instructional Supplies and Materials	931,266	
Other Charges	14,432	
Regular Instruction Equipment	255,072	
Total Regular Instruction Program		\$ 2,207,528

Special Education Program

Clerical Personnel	\$ 1,200
Educational Assistants	249,312
Other Salaries and Wages	16,136
Social Security	16,526
State Retirement	22,416

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Employer Medicare	\$	3,865	
Other Fringe Benefits		8,002	
Contracts with Private Agencies		102,465	
Maintenance and Repair Services - Equipment		4,568	
Other Contracted Services		162,119	
Instructional Supplies and Materials		9,405	
Other Supplies and Materials		19,995	
In Service/Staff Development		88,052	
Other Charges		30,604	
Total Special Education Program			\$ 734,665

Vocational Education Program

Educational Assistants	\$	14,699	
Social Security		911	
State Retirement		1,332	
Employer Medicare		213	
Other Fringe Benefits		66	
Travel		13,181	
Other Contracted Services		1,500	
Instructional Supplies and Materials		280	
Other Supplies and Materials		3,499	
Other Charges		283	
Vocational Instruction Equipment		35,530	
Total Vocational Education Program			71,494

Support Services

Other Student Support

Other Salaries and Wages	\$	21,800	
Social Security		1,331	
State Retirement		1,975	
Employer Medicare		311	
Other Fringe Benefits		98	
Travel		18,000	
Other Supplies and Materials		1,921	
In Service/Staff Development		2,912	
Total Other Student Support			48,348

Regular Instruction Program

Supervisor/Director	\$	77,579	
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(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Instructional Computer Personnel	\$	44,835	
Secretary(ies)		54,168	
Educational Incentive - Other County Employees		58,777	
Other Salaries and Wages		56,890	
Social Security		17,399	
State Retirement		20,658	
Medical Insurance		24,243	
Employer Medicare		4,069	
Other Fringe Benefits		1,058	
Travel		126,055	
Other Contracted Services		185,346	
In Service/Staff Development		268,182	
Other Charges		943	
Total Regular Instruction Program			\$ 940,202

Special Education Program

Other Salaries and Wages	\$	169,293	
Social Security		10,445	
State Retirement		13,724	
Medical Insurance		10,407	
Employer Medicare		2,443	
Other Fringe Benefits		4,661	
Travel		8,292	
Other Contracted Services		13,958	
Total Special Education Program			233,223

Vocational Education Program

In-Service Training	\$	1,365	
Social Security		85	
State Retirement		97	
Employer Medicare		20	
Travel		1,790	
Total Vocational Education Program			3,357

Transportation

Bus Drivers	\$	34,000	
Social Security		2,108	
State Retirement		2,954	
Employer Medicare		493	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Other Fringe Benefits	\$	2,155	
Diesel Fuel		<u>7,600</u>	
Total Transportation			<u>\$ 49,310</u>

Total School Federal Projects Fund \$ 4,288,127

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	49,812	
Accountants/Bookkeepers		22,590	
Cafeteria Personnel		949,011	
Longevity Pay		3,000	
Other Salaries and Wages		37,206	
Social Security		63,483	
State Retirement		84,785	
Medical Insurance		17,471	
Unemployment Compensation		1,576	
Employer Medicare		15,262	
Communication		7,032	
Maintenance and Repair Services - Buildings		492	
Maintenance and Repair Services - Equipment		3,162	
Travel		848	
Other Contracted Services		59,537	
Food Supplies		909,591	
Other Supplies and Materials		128,811	
Workers' Compensation Insurance		18,767	
Food Service Equipment		<u>26,509</u>	
Total Food Service			<u>\$ 2,398,945</u>

Total Central Cafeteria Fund 2,398,945

Total Governmental Funds - Fayette County School Department \$ 32,562,117

Exhibit J-9

Fayette County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2008

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 1,594,736
Total Cash Receipts	<u>\$ 1,594,736</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,578,789
Trustee's Commission	<u>15,947</u>
Total Cash Disbursements	<u>\$ 1,594,736</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2007	<u>0</u>
Cash Balance, June 30, 2008	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION

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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 37243-1402
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

January 16, 2009

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fayette County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise Fayette County's basic financial statements and have issued our report thereon dated January 16, 2009. Our report 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 Fayette County Emergency Communications District, a discretely presented component unit, as described in our report on Fayette 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 Fayette County'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 Fayette County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fayette County's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 08.01, 08.02, 08.03, 08.07, 08.08, and 08.09.

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 Fayette County'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. However, of the significant deficiencies described above, we consider items 08.01 and 08.02 to be material weaknesses.

Compliance and Other Matters

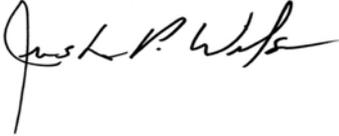
As part of obtaining reasonable assurance about whether Fayette County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items: 08.04, 08.05, and 08.06.

We consider item 08.10 described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations. We also noted certain matters that we reported to management of Fayette County in separate communications.

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

This report is intended solely for the information and use of management, the county mayor, director of schools, public works superintendent, County Commission, Board of Education, Public Works Board, others within Fayette 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, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke extending downwards from the end of the name.

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

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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 37243-1402
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

January 16, 2009

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Fayette County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Fayette County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Fayette County's management. Our responsibility is to express an opinion on Fayette County's compliance based on our audit.

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

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

In our opinion, Fayette County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Fayette County 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 Fayette County'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 Fayette County's internal control over compliance.

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

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

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

Schedule of Expenditures of Federal Awards

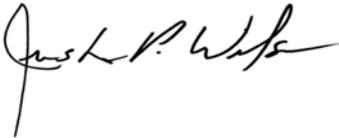
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fayette County as of and for the year ended June 30, 2008, and have issued our report thereon dated January 16, 2009. Our audit was performed for the purpose of

forming our opinions on the financial statements that collectively comprise Fayette County'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.

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

This report is intended solely for the information and use of management, the county mayor, director of schools, public works superintendent, County Commission, Board of Education, Public Works Board, others within Fayette 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.

Yours very truly,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke at the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

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Fayette County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year-Ended June 30, 2008

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ 123,784 (3)
Rural Business Opportunity Grants	10.773	N/A	5,824
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	1,308,627
National School Lunch Program	10.555	N/A	632,115 (3)
Summer Food Service Program for Children	10.559	N/A	25,805
Total U.S. Department of Agriculture			<u>\$ 2,096,155</u>
U.S. Department of Labor:			
Passed-through City of Memphis, Tennessee:			
WIA Cluster:			
WIA Adult Program	17.258	(2)	\$ 203,652
WIA Youth Activities	17.259	(2)	363,316
Total U.S. Department of Labor			<u>\$ 566,968</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-08-020776-00	\$ 63,493
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	1,109,758
Special Education - Grants to States	84.027	N/A	813,451
Vocational Education - Basic Grants to States	84.048	N/A	251,180
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	15,377
State Grants for Innovative Programs	84.298	N/A	6,634
Education Technology State Grant	84.318	(2)	8,331
Comprehensive School Reform Demonstration	84.332	(2)	35,446
Reading First State Grants	84.357	N/A	1,760,581
English Language Acquisition Grants	84.365	N/A	16,509
Improving Teacher Quality State Grants	84.367	N/A	271,651
Total U.S. Department of Education			<u>\$ 4,352,411</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Grant Program	97.067	Z-05-025153-00	\$ 345,289
Total U.S. Department of Homeland Security			<u>\$ 345,289</u>
Total Expenditures of Federal Awards			<u>\$ 7,360,823</u>

(Continued)

Fayette County, Tennessee
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
State Grants:			
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 12,836
Adult Basic Education - State Department of Education	N/A	Z-08-020776-00	27,170
Dental Program - State Department of Health	N/A	DG-08-20416-00	242,294
Tobacco Use Prevention and Cessation Grant - State Department of Health	N/A	CG-08-23348-00	15,789
Litter Program - State Department of Transportation	N/A	Z-08-20989-00	32,329
Enforcing Underage Drinking - State Department of Education	N/A	Z-08-73510-00	39,971
Coordinated School Health - State Department of Education	N/A	(2)	83,719
Drug Court Grant - Tennessee Secretary of State	N/A	DG-05-01938-03	67,567
Computer Equipment Grant - Tennessee Secretary of State	N/A	(2)	1,773
Courtroom Security Grant - Administrative Office of the Courts	N/A	(2)	25,059
Early Childhood Education - State Department of Education	N/A	(2)	754,903
Waste Tire Grant Program - State Department of Environment and Conservation	N/A	(2)	12,912
High Schools That Works - State Department of Education	N/A	(2)	6,930
Highway Safety Grant - State Department of Transportation	N/A	(2)	46,218
Community Enhancement Grant - State Department of Education	N/A	(2)	16,000
Safe Schools Act - State Department of Education	N/A	(2)	26,888
Total State Grants			\$ 1,412,358

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) Total CFDA No. 10.555 is \$755,899.

Fayette County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2008

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Fayette County, Tennessee, for the year ended June 30, 2007, which have not been corrected.

OFFICE OF DIRECTOR OF SCHOOLS

Finding Number	Page Number	Subject
07.07	169	The office had deficiencies in budget operations

OFFICE OF CIRCUIT COURT CLERK

Finding Number	Page Number	Subject
07.09	170	The office did not implement adequate controls to protect its information resources

OTHER FINDING

Finding Number	Page Number	Subject
07.10	170	A central system of accounting, budgeting, and purchasing had not been adopted

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FAYETTE COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2008

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Fayette County is unqualified.
2. The audit of the financial statements of Fayette County disclosed significant deficiencies in internal control. Two of these conditions were considered to be material weaknesses.
3. The audit disclosed one instance of noncompliance that was material to the financial statements of Fayette County.
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 WIA Cluster: WIA Adult Program and WIA Youth Activities (CFDA Nos. 17.258 and 17.259), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), the Special Education – Grants to States (CFDA No. 84.027), and the Reading First State Grants (CFDA No. 84.357) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Fayette County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

FAYETTE COUNTY AND FAYETTE COUNTY SCHOOL DEPARTMENT

FINDING 08.01 **FAYETTE COUNTY AND THE FAYETTE COUNTY SCHOOL DEPARTMENT DO NOT HAVE THE RESOURCES TO PRODUCE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS**

(Internal Control – Material Weakness Under Government Auditing Standards)

Generally accepted auditing standards require that Fayette County's and the Fayette County School Department's financial statements be the product of financial reporting systems that offer reasonable assurance management is able to produce financial statements and notes to the financial statements that comply with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires that the county and the School Department have internal controls over reporting government-wide and fund financial information and preparing the related notes. It is permissible for us, as the external auditors, to assist the county and the School Department in preparing their financial statements and notes as a matter of convenience as long as the county and the School Department have the skills needed to prepare the financial statements and notes. However, management, including the accounting staff, does not have the technical skills to prepare GAAP financial statements and disclosures. The inability to prepare financial statements and notes is an indication of a lack of controls, or ineffective controls, because material misstatements may not be detected.

RECOMMENDATION

Fayette County and the Fayette County School Department should develop the ability to produce financial statements and notes to the financial statements that comply with GAAP. This could include having at least one staff member trained in financial statement preparation. This staff member should have sufficient skills necessary to prepare a complete set of year-end financial statements even though the external auditors prepare the county's and the School Department's financial statements as a matter of convenience. If we, as the external auditors, continue to prepare the county's and the School Department's financial statements, this individual must have sufficient knowledge to determine the completeness of financial statement information and disclosures.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

County management concurs with this finding only to the extent that we do not have a person on staff or on contract that is capable of producing external financial statements in compliance with GAAP as defined by the Governmental Accounting Standards Board.

County management believes that it should be noted by the users of this financial report that the Government Finance Officers Association (GFOA) Executive Board, on October 19, 2007, released a recommended practice for “Mitigating the Negative Effects of Statement on Auditing Standards No. 112.” In this publication, the GFOA recommended against governments engaging the services of a second accounting firm to assist in preparing its financial statements solely to avoid having a significant deficiency or material weakness reported.

The GFOA further recommends that if management deems that the costs of remedying a significant deficiency or material weakness in its financial reporting system cannot be justified by the benefits to be obtained, it should take care to alert the governing body as early as possible to explain its conclusion.

County management will act upon this recommendation in the near future and alert the County Commission on this matter.

AUDITOR’S COMMENT

We agree that management should notify the County Commission that management does not believe that the costs of remedying this material weakness cannot be justified; however, that notification does not lessen the fact that the county needs an accounting staff with the technical skills necessary either to prepare GAAP financial statements and disclosures or at least have sufficient knowledge to determine the completeness of the financial statements and disclosures prepared by the auditors.

**FINDING 08.02 SEVERAL FUNDS REQUIRED MATERIAL AUDIT
ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT
PRESENTATION**
(Internal Control – Material Weakness Under Government Auditing
Standards)

Generally accepted accounting principles require Fayette County and the Fayette County School Department to have adequate internal controls over the maintenance of their accounting records. At June 30, 2008, certain general ledger account balances in the General, Highway/Public Works, and General Purpose School funds were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Therefore, the county’s and the School Department’s financial reporting systems did not prevent, detect, or correct potential misstatements in the accounting records. Although it is permissible for us, as the external auditors, to assist the county and the School Department in preparing their financial statements, it is a strong indicator of a material weakness in internal controls if the county and the School Department have ineffective controls over the maintenance of their accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

Fayette County and the Fayette County School Department should have appropriate processes in place to ensure that their general ledgers are materially correct.

OFFICE OF COUNTY MAYOR

FINDING 08.03 **THE SOLID WASTE OFFICE HAD DEFICIENCIES IN INFORMATION RESOURCES)**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The following deficiencies were noted in the information resources of the Solid Waste Office:

- A. System backups were not stored off-site until several months into the fiscal year. Sound business practices dictate that system backups be stored off-site. This deficiency is the result of management's failure to implement adequate disaster recovery planning procedures. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process. Proper system backup procedures are now in place.
 - B. The office did not implement adequate controls to protect its information resources. This finding does not identify specific vulnerabilities that could allow someone to exploit the office's information system or misuse county funds. Disclosing those vulnerabilities could present a potential security risk by providing the readers with information that might be confidential pursuant to Section 10-7-504(i), Tennessee Code Annotated. Sound business practices dictate that proper controls be implemented. Without these controls, unauthorized system activity could occur. This deficiency was corrected after it was brought to the official's attention.
-

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 08.04 **THE DIRECTOR OF SCHOOLS FAILED TO COMPLY WITH STATE STATUTES WHEN ENTERING INTO A LEASE AGREEMENT**
(Material Noncompliance Under Government Auditing Standards)

Our audit of the School Department revealed the following deficiencies concerning the lease of copy machines:

- A. On December 18, 2007, the director of schools entered into a five-year operating lease agreement with H&H Services, Inc., for 15 copy machines (\$540,000). This agreement had not been approved by the Board of Education and the County Commission as required by Section 7-51-904, Tennessee Code Annotated (TCA). This statute provides that lease agreements must be approved by the governing body prior to the agreement being finalized.

It should also be noted that on November 12, 2004, the director of schools had entered into a five-year noncancellable operating lease with Memphis Communications Corporation for 25 copy machines (\$488,000) for the School Department. The copiers provided under this lease agreement are presently stored in a school building and will be returned to the vendor at the end of the lease agreement in November 2009. The School Department makes monthly lease payments for these unused machines. The School Department has received a payment of \$171,125 from H&H Services, Inc., to provide funding for the remaining lease payments to be made under the November 12, 2004, lease agreement with Memphis Communications Corporation.

Also, it should be noted that during our audit, we observed other copy machines not included in the December 18, 2007, lease that were located in various schools and had been provided by H&H Services, Inc.; however, neither the director of schools nor H&H Services, Inc., could provide us with documentation concerning any arrangement between the two entities for these extra copy machines.

The director of schools contends that the School Department will save money by utilizing the copiers obtained under the December 18, 2007, lease. We requested calculations of the purported savings from both the director of schools and H&H Services, Inc.; however, we were not provided any documentation.

The two-year overlap of the two lease agreements, the payment of \$171,125 to the School Department by H&H Services, Inc., to provide funds to pay the remaining lease obligations to Memphis Communications Corporation, the lack of documentation of the alleged savings, and the other copy machines not included in the 2007 lease agreement that were provided the department leave questions as to the propriety of these transactions.

- B. Competitive bids were not solicited for the December 18, 2007, lease agreement for copy machines (\$540,000). Section 49-2-203, TCA, requires competitive bids to be solicited through public advertisement for all expenditures exceeding \$10,000. The director of schools was of the opinion that bids would not be required for the lease of the copy machines since the monthly lease payment was under \$10,000.

RECOMMENDATION

School Department leases should be approved by the Board of Education and the County Commission as required by state statute. Calculations should be on file to support the purported cost savings benefits from the selection of H&H Services, Inc., to provide copy machines while still under contract with Memphis Communications Corporation. Documentation should be on file to support the existence of the copy machines provided to the department that were not included in the lease with H&H Services, Inc. Competitive bids should be solicited for all expenditures exceeding \$10,000 as required by state statute.

FINDING 08.05 **EXPENDITURES EXCEEDED APPROPRIATIONS** (Noncompliance Under Government Auditing Standards)

Expenditures exceeded appropriations approved by the County Commission by \$19,054 in the Transportation major appropriation category (the legal level of control) in the General Purpose School Fund. Section 5-9-401, Tennessee Code Annotated, 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.” This deficiency exists because management ignored the spending limit authorized by the County Commission and resulted in unauthorized expenditures.

RECOMMENDATION

County officials should ensure that expenditures are held within appropriations approved by the County Commission.

OFFICE OF TRUSTEE

FINDING 08.06 **THE TRUSTEE DID NOT REQUIRE A DEPOSITORY TO ADEQUATELY COLLATERALIZE FUNDS** (Noncompliance Under Government Auditing Standards)

The trustee did not require a depository holding county funds to pledge adequate securities to protect county funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2008, deposits at this depository exceeded FDIC coverage and collateral securities by \$247,672. Section 5-8-201, Tennessee Code Annotated, provides for county officials to require any bank that is a depository of county funds to deposit collateral security equal to 105 percent of funds exceeding FDIC coverage into an escrow account in a second bank. Subsequent to June 30, 2008, the trustee transferred a portion of this deposit to a separate depository to ensure adequate protection of county funds.

RECOMMENDATION

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

FINDING 08.07 **THE OFFICE DID NOT REVIEW SOFTWARE AUDIT LOGS**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The software application used by the office generated a daily log that displayed changes made by users. Since this log provided the only audit trail of these changes, it should be reviewed daily for inappropriate activity. Because they were not aware of its existence, management did not begin reviewing this log until several months into the fiscal year. Procedures for reviewing this log are currently in place.

OFFICE OF CIRCUIT COURT CLERK

FINDING 08.08 **THE COMPUTER-GENERATED RECEIPTS COULD BE MANIPULATED**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

In-lieu-of using prenumbered receipt stock, the office generated receipts on plain paper. Because the court software provided users the ability to change the computer-generated receipt number, duplicate receipt numbers could be assigned or a gap in receipt numbers could be created. Section 9-2-103, Tennessee Code Annotated, provides for receipts to be prenumbered consecutively. In-lieu-of prenumbered receipts, computer-generated receipts may be printed on plain paper if the receipt number generated by the software cannot be manipulated. Sound business practices dictate that proper application controls be implemented. Since the vendor did not design the system with the proper control, inappropriate system activity could occur if prenumbered receipt stock was not used. The office began using prenumbered receipt stock in July 2008.

OFFICE OF CLERK AND MASTER

FINDING 08.09 **THE OFFICE DID NOT REVIEW SOFTWARE AUDIT LOGS**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The software application used by the office generated a daily log that displayed changes made by users. Since this log provided the only audit trail of these changes, it should be reviewed daily for inappropriate activity. Because they were not aware of its existence, management did not review the log during the audit period.

RECOMMENDATION

Management should review the audit log on a routine basis. Any unusual transactions should be investigated.

OTHER FINDING AND RECOMMENDATION

FINDING 08.10 **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.

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FAYETTE COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2008

There were no audit findings relative to federal awards presented in the prior- or current- years' Schedules of Findings and Questioned Costs.