
ANNUAL FINANCIAL REPORT MACON COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2010



ANNUAL FINANCIAL REPORT
MACON COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2010

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

JEFF BAILEY, CPA, CGFM, CFE
Audit Manager

EUGENE HAMPTON II, CPA, CGFM
Auditor 4

JOSEPH ENSMINGER, CFE
STEPHANIE MACEINA, CFE
FERMAN PRIDE, CGFM
KELLEY McNEAL, CPA, CGFM
State Auditors

This financial report is available at www.tn.gov/comptroller

MACON COUNTY, TENNESSEE TABLE OF CONTENTS

	Exhibit	Page(s)
Audit Highlights		6-7
<u>INTRODUCTORY SECTION</u>		8
Macon County Officials		9
<u>FINANCIAL SECTION</u>		10
Independent Auditor's Report		11-13
BASIC FINANCIAL STATEMENTS:		14
Government-wide Financial Statements:		
Statement of Net Assets	A	15
Statement of Activities	B	16-17
Governmental Funds:		
Balance Sheet	C-1	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	19
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	21
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	D	22
Notes to the Financial Statements		23-54
REQUIRED SUPPLEMENTARY INFORMATION:		55
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Fund	E-1	56-58
Highway/Public Works Fund	E-2	59
Schedule of Funding Progress – Pension Plan – Primary Government and Discretely Presented Macon County School Department	E-3	60
Schedule of Funding Progress – Other Postemployment Benefits Plan – Discretely Presented Macon County School Department	E-4	61
Notes to the Required Supplementary Information		62

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		63
Nonmajor Governmental Funds:		64
Combining Balance Sheet	F-1	65
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	66
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
Courthouse and Jail Maintenance Fund	F-3	67
Solid Waste/Sanitation Fund	F-4	68
Drug Control Fund	F-5	69
Major Governmental Fund:		70
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	G	71
Fiduciary Funds:		72
Combining Statement of Fiduciary Assets and Liabilities	H-1	73
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	H-2	74
Component Unit:		
Discretely Presented Macon County School Department:		75
Statement of Activities	I-1	76
Balance Sheet – Governmental Funds	I-2	77
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	I-3	78
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	I-4	79
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	I-5	80
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Purpose School Fund	I-6	81-82
School Federal Projects Fund	I-7	83
Miscellaneous Schedules:		84
Schedule of Changes in Long-term Notes, Other Loans, and Bonds – Primary Government and Discretely Presented Macon County School Department	J-1	85
Schedule of Long-term Debt Requirements by Year – Primary Government and Discretely Presented Macon County School Department	J-2	86-87
Schedule of Transfers – Primary Government and Discretely Presented Macon County School Department	J-3	88
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Macon County School Department	J-4	89

	Exhibit	Page(s)
Schedule of Detailed Revenues – All Governmental Fund Types	J-5	90-94
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Macon County School Department	J-6	95-96
Schedule of Detailed Expenditures – All Governmental Fund Types	J-7	97-118
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Macon County School Department	J-8	119-131
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	J-9	132
 <u>SINGLE AUDIT SECTION</u>		 133
Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		134-136
Auditor’s Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>		137-139
Schedule of Expenditures of Federal Awards and State Grants		140-141
Schedule of Audit Findings Not Corrected		142
Schedule of Findings and Questioned Costs		143-153
Auditee Reporting Responsibilities		154

Audit Highlights

Annual Financial Report
Macon County, Tennessee
For the Year Ended June 30, 2010

Scope

We have audited the basic financial statements of Macon County as of and for the year ended June 30, 2010.

Results

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

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

Findings and Best Practices

The following is a summary of the audit findings and best practices:

OFFICE OF COUNTY MAYOR

- ◆ All financial activity of the Macon County Library Board was not subject to the budgetary control of the County Commission.
- ◆ A revenue anticipation note was not issued in compliance with state statute.
- ◆ The Codes Enforcement Office had deficiencies in computer system backup procedures.
- ◆ The Codes Enforcement Office did not have adequate controls for its computer application.

OFFICE OF SUPERVISOR OF ROADS

- ◆ A truck, equipment, and fuel were stolen from the Highway Department.

OFFICE OF CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK

- ◆ A cash shortage of \$576 existed in the Office of Juvenile Court Clerk at June 30, 2010.
- ◆ Deficiencies were noted in the maintenance of accounting records.

OFFICE OF REGISTER

- ◆ The office maintained a duplicate set of accounting records.
-

OTHER FINDING

- ◆ Duties were not segregated adequately in the Offices of County Mayor; Supervisor of Roads; County Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff.
-

BEST PRACTICES

The Division of County Audit strongly believes that the items noted below are best practices that should be considered by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Macon County.

- Macon County should adopt a central system of accounting, budgeting, and purchasing.
- Macon County should establish an Audit Committee.

INTRODUCTORY SECTION

Macon County Officials
June 30, 2010

Officials

Shelvy Linville, County Mayor
Audie Cook, Supervisor of Roads
Dan Hampton, Director of Schools
Diane Cook, Trustee
Rick Shoulders, Assessor of Property
James Howser, County Clerk
Rick Gann, Circuit, General Sessions, and Juvenile Courts Clerk
Kristin Reid, Clerk and Master
Melinda Ferguson, Register
Mark Gammons, Sheriff

Board of County Commissioners

Shelvy Linville, County Mayor, Chairman	
Billy Bransford	Ralph Doss
David Crowder	Tony Boles
Vernon Biggs	Annette Looper
Jeff Hughes	Ron Morey
Billy West	Ronnie McDuffee
Phillip Snow	Helen Hesson
Jerry Ray	Wendell Jones
Scott Gammons	Robert Grant Malo
Larry Tucker	Benton Bartley
Mike East	Rosetta Day Driver

Purchasing Commission

Shelvy Linville, County Mayor
James Howser, County Clerk
Kristin Reid, Clerk and Master

Board of Education

Steve Walton, Chairman
Ronald Birdwell
John Wheeley
Jimmy Cook
Bill Wilmore

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841**

INDEPENDENT AUDITOR'S REPORT

February 23, 2011

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Macon County, Tennessee, as of and for the year ended June 30, 2010, which collectively comprise Macon County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Macon County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Macon County Library System's Public Library Fund, a nonmajor special revenue fund, which represents 4.7 percent and 4.2 percent, respectively, of the assets and revenues of the aggregate remaining fund information as of June 30, 2010. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Macon County Library System's Public Library Fund, is based solely on the report of other auditors.

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

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

In our opinion, except for the effects of not including the financial statements of the Macon County Emergency Communications District as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Macon County, Tennessee, as of June 30, 2010, and the results of operations of the aggregate discretely presented component units, for the year ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, 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, each major fund, and the aggregate remaining fund information of Macon County, Tennessee, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 23, 2011, on our consideration of Macon County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

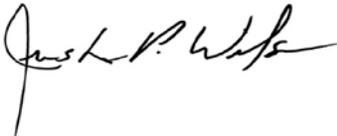
As described in Note V.B., Macon County has adopted the provisions of Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which became effective for the year ended June 30, 2010.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison, pension, and other postemployment benefits information on pages 56 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Macon County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Macon 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 Macon County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our report, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Macon County, Tennessee
Statement of Net Assets
June 30, 2010

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Macon County School Department</u>
<u>ASSETS</u>		
Cash	\$ 85,859	\$ 0
Equity in Pooled Cash and Investments	5,472,425	4,458,488
Accounts Receivable	938,986	0
Allowance for Uncollectible	(275,016)	0
Due from Other Governments	350,306	542,250
Property Taxes Receivable	4,661,507	3,114,439
Allowance for Uncollectible Property Taxes	(103,656)	(68,632)
Cash Shortage	576	0
Capital Assets:		
Assets Not Depreciated:		
Land	760,894	346,263
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	7,120,875	13,028,558
Infrastructure	14,334,068	0
Other Capital Assets	1,538,786	1,735,460
Total Assets	<u>\$ 34,885,610</u>	<u>\$ 23,156,826</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 0	\$ 89,000
Accrued Payroll	0	1,141
Payroll Deductions Payable	11,825	44,831
Accrued Interest Payable	160,549	55,716
Deferred Revenue - Current Property Taxes	4,261,758	2,851,842
Noncurrent Liabilities:		
Due Within One Year	1,057,377	480,000
Due in More Than One Year	10,429,256	5,033,365
Total Liabilities	<u>\$ 15,920,765</u>	<u>\$ 8,555,895</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 15,546,260	\$ 10,455,281
Restricted for:		
Debt Service	1,874,165	0
Highway/Public Works	1,888,844	0
Courthouse and Jail Maintenance	81,689	0
Public Library	64,171	0
School Federal Projects	0	17,563
Basic Education Program	0	4,031,858
ARRA - Grants to Health Centers Programs	132,730	0
Alcohol and Drug Treatment	65,434	0
Other Purposes	126,947	97,138
Unrestricted	(815,395)	(909)
Total Net Assets	<u>\$ 18,964,845</u>	<u>\$ 14,600,931</u>

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

Exhibit B

Macon County, Tennessee
Statement of Activities
For the Year Ended June 30, 2010

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Unit Macon County School Department
					Total Governmental Activities		
Primary Government:							
Governmental Activities:							
General Government	\$ 1,174,376	\$ 124,586	\$ 16,925	\$ 14,391	\$ (1,018,474)	\$	0
Finance	690,433	464,323	6,509	0	(219,601)		0
Administration of Justice	854,025	506,067	23,490	16,800	(307,668)		0
Public Safety	3,027,595	868,228	115,904	0	(2,043,463)		0
Public Health and Welfare	2,355,940	1,618,928	121,309	150,046	(465,657)		0
Social, Cultural, and Recreational Services	222,493	36,479	13,031	0	(172,983)		0
Agriculture and Natural Resources	69,264	0	0	0	(69,264)		0
Other Operations	266,520	0	0	144,697	(121,823)		0
Highways/Public Works	5,454,508	0	1,445,686	412,499	(3,596,323)		0
Interest on Long-term Debt	223,781	0	0	0	(223,781)		0
Other Debt Service	37,777	0	0	0	(37,777)		0
Total Primary Government	\$ 14,376,712	\$ 3,618,611	\$ 1,742,854	\$ 738,433	\$ (8,276,814)	\$	0
Component Unit:							
Macon County School Department	\$ 25,950,517	\$ 129,916	\$ 3,442,544	\$ 0	0	\$	(22,378,057)
Total Component Unit	\$ 25,950,517	\$ 129,916	\$ 3,442,544	\$ 0	0	\$	(22,378,057)

(Continued)

Exhibit B

Macon County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component Unit
				Government Total	Macon County School Department
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				\$ 4,306,272	\$ 2,821,624
Local Option Sales Tax				217,361	1,699,586
Interstate Telecommunications Tax				1,275	1,769
Wheel Tax				980,847	0
Litigation Tax				184,432	0
Business Tax				99,630	0
Adequate Facilities/Development Tax				159,991	0
Wholesale Beer Tax				136,576	0
Grants and Contributions Not Restricted to Specific Purposes				400,827	18,809,718
Unrestricted Investment Earnings				106,626	0
Miscellaneous				138,880	21,370
Total General Revenues				<u>\$ 6,732,717</u>	<u>\$ 23,354,067</u>
Change in Net Assets				\$ (1,544,097)	\$ 976,010
Net Assets, July 1, 2009				20,508,942	13,624,921
Net Assets, June 30, 2010				<u>\$ 18,964,845</u>	<u>\$ 14,600,931</u>

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

Exhibit C-1

Macon County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2010

	Major Funds			Nonmajor	Total
	General	Highway /	General	Funds	
		Public	Debt	Other	
	Works	Service	Governmental	Governmental	
			Funds	Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 85,859	\$ 85,859
Equity in Pooled Cash and Investments	1,702,139	1,895,941	1,731,154	143,191	5,472,425
Accounts Receivable	935,903	0	800	2,283	939,562
Allowance for Uncollectibles	(275,016)	0	0	0	(275,016)
Due from Other Governments	50,212	242,729	57,365	0	350,306
Property Taxes Receivable	4,105,210	431,219	0	125,078	4,661,507
Allowance for Uncollectible Property Taxes	(91,389)	(9,510)	0	(2,757)	(103,656)
Cash Shortage	576	0	0	0	576
Advances to Other Funds	250,000	0	0	0	250,000
Total Assets	\$ 6,677,635	\$ 2,560,379	\$ 1,789,319	\$ 353,654	\$ 11,380,987
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Payroll Deductions Payable	\$ 10,479	\$ 617	\$ 0	\$ 729	\$ 11,825
Advances Payable to Other Funds	0	250,000	0	0	250,000
Deferred Revenue - Current Property Taxes	3,752,424	394,805	0	114,529	4,261,758
Deferred Revenue - Delinquent Property Taxes	245,395	25,257	0	7,315	277,967
Other Deferred Revenues	629,493	121,364	0	0	750,857
Total Liabilities	\$ 4,637,791	\$ 792,043	\$ 0	\$ 122,573	\$ 5,552,407
<u>Fund Balances</u>					
Reserved for Alcohol and Drug Treatment	\$ 65,434	\$ 0	\$ 0	\$ 0	\$ 65,434
Reserved for Sexual Offender Registration	4,625	0	0	0	4,625
Reserved for Courtroom Security	20,497	0	0	0	20,497
Reserved for Computer System - Register	21,220	0	0	0	21,220
Reserved for Automation Purposes - Chancery Court	3,045	0	0	0	3,045
Reserved for Automation Purposes - Sheriff	4,486	0	0	0	4,486
Reserved for Capital Outlay	17,000	0	0	0	17,000
Reserved for ARRA Grant # 2	132,730	0	0	0	132,730
Reserved for Other General Purposes	0	0	0	2,042	2,042
Unreserved, Reported In:					
General Fund	1,770,807	0	0	0	1,770,807
Special Revenue Funds	0	1,768,336	0	229,039	1,997,375
Debt Service Funds	0	0	1,789,319	0	1,789,319
Total Fund Balances	\$ 2,039,844	\$ 1,768,336	\$ 1,789,319	\$ 231,081	\$ 5,828,580
Total Liabilities and Fund Balances	\$ 6,677,635	\$ 2,560,379	\$ 1,789,319	\$ 353,654	\$ 11,380,987

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

Macon County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Assets
June 30, 2010

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)		\$	5,828,580
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	760,894	
Add: buildings and improvements net of accumulated depreciation		7,120,875	
Add: infrastructure net of accumulated depreciation		14,334,068	
Add: other capital assets net of accumulated depreciation		<u>1,538,786</u>	23,754,623
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			1,028,824
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(5,582,427)	
Less: other loans payable		(5,296,995)	
Less: accrued interest on notes		(160,549)	
Less: compensated absences payable		(139,141)	
Less: landfill postclosure costs		<u>(468,070)</u>	<u>(11,647,182)</u>
Net assets of governmental activities (Exhibit A)		\$	<u>18,964,845</u>

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

Exhibit C-3

Macon County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 4,497,026	\$ 387,490	\$ 1,032,500	\$ 117,530	\$ 6,034,546
Licenses and Permits	45,341	0	0	0	45,341
Fines, Forfeitures, and Penalties	113,663	0	0	12,677	126,340
Charges for Current Services	1,553,451	0	0	286,857	1,840,308
Other Local Revenues	255,136	22,953	8,800	29,260	316,149
Fees Received from County Officials	634,350	0	0	0	634,350
State of Tennessee	427,894	1,810,059	776,743	51,735	3,066,431
Federal Government	331,343	0	0	0	331,343
Other Governments and Citizens Groups	148,716	0	0	4,000	152,716
Total Revenues	<u>\$ 8,006,920</u>	<u>\$ 2,220,502</u>	<u>\$ 1,818,043</u>	<u>\$ 502,059</u>	<u>\$ 12,547,524</u>
<u>Expenditures</u>					
Current:					
General Government	\$ 1,026,406	\$ 0	\$ 0	\$ 45,897	\$ 1,072,303
Finance	347,021	0	0	184,590	531,611
Administration of Justice	644,667	0	0	14,570	659,237
Public Safety	2,768,341	0	0	23,179	2,791,520
Public Health and Welfare	1,875,640	0	0	223,830	2,099,470
Social, Cultural, and Recreational Services	362,932	0	0	18,057	380,989
Agriculture and Natural Resources	69,264	0	0	0	69,264
Other Operations	943,061	0	0	0	943,061
Highways	0	5,082,174	0	0	5,082,174
Instruction	14,964	0	0	0	14,964
Support Services	2,408	0	0	0	2,408
Debt Service:					
Principal on Debt	0	0	1,248,424	0	1,248,424
Interest on Debt	0	0	78,753	0	78,753
Other Debt Service	0	0	37,777	0	37,777
Capital Projects	169,606	229,374	0	0	398,980
Total Expenditures	<u>\$ 8,224,310</u>	<u>\$ 5,311,548</u>	<u>\$ 1,364,954</u>	<u>\$ 510,123</u>	<u>\$ 15,410,935</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (217,390)</u>	<u>\$ (3,091,046)</u>	<u>\$ 453,089</u>	<u>\$ (8,064)</u>	<u>\$ (2,857,823)</u>
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 4,000,000	\$ 224,500	\$ 0	\$ 4,224,500
Refunding Debt Issued	0	0	645,531	0	645,531
Insurance Recovery	36,352	11,579	0	0	47,931
Transfers In	2,400	221,913	0	0	224,313
Transfers Out	(221,913)	(2,400)	0	0	(224,313)
Payments to Refunded Debt Escrow Agent	0	0	(645,531)	0	(645,531)
Total Other Financing Sources (Uses)	<u>\$ (183,161)</u>	<u>\$ 4,231,092</u>	<u>\$ 224,500</u>	<u>\$ 0</u>	<u>\$ 4,272,431</u>
Net Change in Fund Balances	\$ (400,551)	\$ 1,140,046	\$ 677,589	\$ (8,064)	\$ 1,409,020
Fund Balance, July 1, 2009	2,440,395	628,290	1,111,730	239,145	4,419,560
Fund Balance, June 30, 2010	<u>\$ 2,039,844</u>	<u>\$ 1,768,336</u>	<u>\$ 1,789,319</u>	<u>\$ 231,081</u>	<u>\$ 5,828,580</u>

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

Macon 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, 2010

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)		\$ 1,409,020
(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 outlays in the current period	\$ 809,873	
Less: current year depreciation	<u>(735,310)</u>	74,563
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Add: assets donated and capitalized	\$ 67,820	
Less: loss on disposal of capital assets	<u>(190,114)</u>	(122,294)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Less: deferred delinquent property taxes and other deferred June 30, 2009	\$ (811,553)	
Add: deferred delinquent property taxes and other deferred June 30, 2010	<u>1,028,824</u>	217,271
(4) The issuance of long-term debt (e.g., notes, bonds, loans) 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.		
Less: note proceeds	\$ (4,870,031)	
Add: principal payments on notes	798,979	
Add: principal payments on other loans	449,445	
Add: refunded debt payments	<u>637,041</u>	(2,984,566)
(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 the governmental funds.		
Change in accrued interest payable	\$ (136,538)	
Change in landfill postclosure care costs	(3,728)	
Change in compensated absences payable	<u>2,175</u>	(138,091)
Change in net assets of governmental activities (Exhibit B)		<u><u>\$ (1,544,097)</u></u>

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

Exhibit D

Macon County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2010

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 736,311
Accounts Receivable	220
Due from Other Governments	<u>260,015</u>
Total Assets	<u>\$ 996,546</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 260,015
Due to Litigants, Heirs, and Others	<u>736,531</u>
Total Liabilities	<u>\$ 996,546</u>

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

MACON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Macon 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 Macon County:

A. Reporting Entity

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

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

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

The Macon 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. Although required by GAAP, the financial statements of the Macon

County Emergency Communications District were not available in time for inclusion, as previously mentioned. Complete financial statements of the Macon County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

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

B. 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 Macon 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 Macon 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.

Macon County issues most debt for the discretely presented Macon County School Department. No debt issues were contributed by the county to the School Department during the year ended June 30, 2010.

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

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

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

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not

measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Fiduciary fund financial statements are reported using the economic resources measurement focus (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.

Macon County reports the following major governmental funds:

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

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

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

Additionally, Macon County reports the following fund type:

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

The discretely presented Macon County School Department reports the following major governmental fund:

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial

statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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

When both restricted and unrestricted resources are available for use, it is the 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; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

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

investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

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

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

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

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

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

3. Capital Assets

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

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 and an estimated useful life in excess of 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>
Building and Improvements	5-40
Other Capital Assets	5-20
Infrastructure:	
Roads	20-50
Bridges	75
Waterway	30-50

4. Compensated Absences

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

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

5. Long-term Obligations

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

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

As of June 30, 2010, Macon County had \$2,671,059 in outstanding debt for capital purposes for the discretely presented Macon County School Department. This debt is a liability of Macon County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Macon 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. Macon County reflected a designation for community enhancement funds totaling \$34,496 in the General Fund.

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 Macon 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 Macon 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 and the Public Library funds (special revenue funds), which were not budgeted. 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 County Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, Beer Board, Budget and Finance Committee, etc.). Management may make revisions within major categories, but only the 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 GAAP basis is presented on the face of each budgetary schedule.

B. Cash Shortage

The Office of Juvenile Court Clerk had a cash shortage of \$576 at June 30, 2010. Details of this cash shortage are discussed in the Schedule of Findings and Questioned Costs section of this report.

C. Expenditures Exceeded Appropriations

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

<u>Fund/Major Category</u>	<u>Amount</u>
<u>Primary Government</u>	
General:	
Administration of the Sexual Offender Registry	\$ 100
General Debt Service:	
Other Debt Service - General Government	7,777
<u>Discretely Presented Macon County School Department</u>	
General Purpose School:	
Food Service	24,193
School Federal Projects:	
Support Services - Regular Instruction Program	19,244

Such overexpenditures are a violation of state statutes. These overexpenditures were funded from available fund balances.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

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; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; 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 Comptroller's Office 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 fair value of the securities on the day of purchase. The county had no pooled and nonpooled investments as of June 30, 2010.

B. Capital Assets

Capital assets activity for the year ended June 30, 2010, was as follows:

Governmental Activities:

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Capital Assets				
Not Depreciated:				
Land	\$ 760,894	\$ 0	\$ 0	\$ 760,894
Total Capital Assets				
Not Depreciated	\$ 760,894	\$ 0	\$ 0	\$ 760,894
Capital Assets Depreciated:				
Buildings and Improvements	\$ 9,532,183	\$ 212,838	\$ 0	\$ 9,745,021
Infrastructure	17,146,196	67,820	0	17,214,016
Other Capital Assets	3,618,347	597,035	(579,714)	3,635,668
Total Capital Assets				
Depreciated	\$ 30,296,726	\$ 877,693	\$ (579,714)	\$ 30,594,705
Less Accumulated				
Depreciation For:				
Buildings and Improvements	\$ 2,418,323	\$ 205,823	\$ 0	\$ 2,624,146
Infrastructure	2,729,725	150,223	0	2,879,948
Other Capital Assets	2,107,218	379,264	(389,600)	2,096,882
Total Accumulated				
Depreciation	\$ 7,255,266	\$ 735,310	\$ (389,600)	\$ 7,600,976
Total Capital Assets				
Depreciated, Net	\$ 23,041,460	\$ 142,383	\$ (190,114)	\$ 22,993,729
Governmental Activities				
Capital Assets, Net	\$ 23,802,354	\$ 142,383	\$ (190,114)	\$ 23,754,623

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

Governmental Activities:

General Government	\$ 15,379
Administration of Justice	110,735
Public Safety	87,279
Public Health and Welfare	209,137
Social, Cultural, and Recreational	39,633
Other General Government	18,730
Highways/Public Works	254,417
Total Depreciation Expense -	
Governmental Activities	<u>\$ 735,310</u>

Discretely Presented Macon County School Department

Governmental Activities:

	Balance 7-1-09	Increases	Balance 6-30-10
	<u> </u>		<u> </u>
Capital Assets			
Not Depreciated:			
Land	\$ 346,263	\$ 0	\$ 346,263
Total Capital Assets			
Not Depreciated	<u>\$ 346,263</u>	<u>\$ 0</u>	<u>\$ 346,263</u>
Capital Assets Depreciated:			
Buildings and			
Improvements	\$ 22,446,546	\$ 816,230	\$ 23,262,776
Other Capital Assets	3,233,522	375,990	3,609,512
Total Capital Assets			
Depreciated	<u>\$ 25,680,068</u>	<u>\$ 1,192,220</u>	<u>\$ 26,872,288</u>
Less Accumulated			
Depreciation For:			
Buildings and			
Improvements	\$ 9,642,095	\$ 592,123	\$ 10,234,218
Other Capital Assets	1,648,141	225,911	1,874,052
Total Accumulated			
Depreciation	<u>\$ 11,290,236</u>	<u>\$ 818,034</u>	<u>\$ 12,108,270</u>
Total Capital Assets			
Depreciated, Net	<u>\$ 14,389,832</u>	<u>\$ 374,186</u>	<u>\$ 14,764,018</u>
Governmental			
Activities Capital			
Assets, Net	<u>\$ 14,736,095</u>	<u>\$ 374,186</u>	<u>\$ 15,110,281</u>

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

Governmental Activities:

Instruction	\$ 592,123
Support Services	<u>225,911</u>
Total Depreciation Expense -	
Governmental Activities	<u><u>\$ 818,034</u></u>

C. Interfund Transfers

Interfund transfers for the year ended June 30, 2010, consisted of the following amounts:

Primary Government

Transfers Out	Transfers In	
	General Fund	Highway/ Public Works Fund
General Fund	\$ 0	\$ 221,913
Highway/Public Works Fund	2,400	0
Total	<u>\$ 2,400</u>	<u>\$ 221,913</u>

Discretely Presented Macon County School Department

Transfer Out	Transfer In	
	General Purpose School Fund	
Nonmajor governmental fund	\$ 23,501	

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.

D. Long-term Debt

Primary Government

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, other loans, and capital outlay notes are direct obligations and pledge the full faith and credit of the government. Capital outlay notes and other loans outstanding were issued for original terms of up to ten years for notes and 20 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as

interest requirements decrease over the term of the debt. All notes and other loans included in long-term debt as of June 30, 2010, will be retired from the General Debt Service Fund.

Capital outlay notes and other loans outstanding as of June 30, 2010, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-10
Other Loans	variable	% \$ 8,759,000	\$ 5,296,995
Capital Outlay Notes	0 to 3.94	5,723,912	5,582,427

In prior years, Macon County entered into loan agreements with the Montgomery County Public Building Authority. Under these loan agreements, the authority loaned \$6,721,000 and \$2,038,000 to Macon County for various renovation and construction projects. These loans are repayable at interest rates that are tax-exempt variable rates determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with these loans. At June 30, 2010, the variable interest rate was .52 percent; other fees totaled approximately .35 percent on the \$6,721,000 loan and .4 percent on the \$2,038,000 loan (letter of credit); .08 percent (remarketing); and \$85 per month (trustee) of the outstanding loan principal.

The annual requirements to amortize all notes and other loans outstanding as of June 30, 2010, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2011	\$ 548,014	\$ 212,506	\$ 760,520
2012	566,586	192,383	758,969
2013	585,470	171,917	757,387
2014	598,224	149,898	748,122
2015	612,540	127,496	740,036
2016-2020	2,671,593	312,931	2,984,524
Total	\$ 5,582,427	\$ 1,167,131	\$ 6,749,558

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2011	\$ 469,445	\$ 27,544	\$ 24,817	\$ 521,806
2012	488,445	25,103	22,799	536,347
2013	508,445	22,563	20,699	551,707
2014	529,445	19,920	18,512	567,877
2015	551,445	17,167	16,235	584,847
2016-2020	2,593,770	40,364	42,292	2,676,426
2021	156,000	811	1,550	158,361
Total	\$ 5,296,995	\$ 153,472	\$ 146,904	\$ 5,597,371

There is \$1,789,319 available in the General Debt Service Fund to service long-term debt. Debt per capita, including notes and other loans totaled \$534, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

Governmental Activities:	Notes	Other Loans
	Balance, July 1, 2009	\$ 2,148,416
Additions	4,870,031	0
Deductions	(1,436,020)	(449,445)
Balance, June 30, 2010	\$ 5,582,427	\$ 5,296,995
Balance Due Within One Year	\$ 548,014	\$ 469,445

	Compensated Absences	Landfill Postclosure Care Costs
	Balance, July 1, 2009	\$ 141,316
Additions	185,668	12,749
Deductions	(187,843)	(9,021)
Balance, June 30, 2010	\$ 139,141	\$ 468,070
Balance Due Within One Year	\$ 13,914	\$ 26,004

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 11,486,633
Less: Balance Due Within One Year	<u>(1,057,377)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 10,429,256</u>

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

Discretely Presented Macon County School Department

General Obligation Bonds

Macon County issues general obligation bonds on behalf of the School Department to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds were issued for original terms of up to 20 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. These bonds are included in long-term debt as of June 30, 2010, and will be retired from the General Purpose School Fund.

General obligation bonds outstanding as of June 30, 2010, for governmental activities are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Amount of Issue</u>	<u>Balance 6-30-10</u>
General Obligation Bonds	3.7 to 4.85 %	\$ 8,900,000	\$ 4,655,000

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2010, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2011	\$ 480,000	\$ 222,862	\$ 702,862
2012	500,000	200,542	700,542
2013	525,000	177,042	702,042
2014	545,000	152,105	697,105
2015	570,000	126,490	696,490
2016-2018	2,035,000	208,440	2,243,440
Total	<u>\$ 4,655,000</u>	<u>\$ 1,087,481</u>	<u>\$ 5,742,481</u>

Bonded debt per capita totaled \$228, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Macon County School Department for the year ended June 30, 2010, was as follows:

Governmental Activities:

	Other Postemployment Benefits	
	Bonds	
Balance, July 1, 2009	\$ 5,110,000	\$ 602,178
Additions	0	389,431
Deductions	(455,000)	(133,244)
Balance, June 30, 2010	<u>\$ 4,655,000</u>	<u>\$ 858,365</u>
Balance Due Within One Year	<u>\$ 480,000</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 5,513,365
Less: Balance Due Within One Year	<u>(480,000)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 5,033,365</u>

E. On-Behalf Payments – Discretely Presented Macon County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Macon 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, 2010, were \$75,095 and \$15,517, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

F. Short-term Debt

Macon County issued a revenue anticipation note in advance of grant revenue collections and deposited the proceeds in the Highway/Public Works Fund. This note was necessary because funds were not available for flood related expenses. Short-term debt activity for the year ended June 30, 2010, was as follows:

	<u>7-1-09</u>	<u>Issued</u>	<u>Paid</u>	<u>6-30-10</u>
Revenue Anticipation Note	\$ 0	\$ 250,000	\$ 0	\$ 250,000

V. OTHER INFORMATION

A. Risk Management

Macon County and the discretely presented Macon County School Department decided to purchase commercial insurance for the risks of employee health losses for the primary government and the School Department's non-certified personnel to which it is exposed. Pre-65 retirees are not allowed to participate in the plan. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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

The School Department participates in the Local Education Group Insurance Fund (LEGIF) for its certified personnel, 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, Tennessee Code Annotated (TCA), all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk of losses by this fund. Section 8-27-303, TCA, provides for the LEGIF to be self-sustaining through member premiums.

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

B. Accounting Changes

Provisions for Governmental Accounting Standards Board (GASB) Statement No. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments became effective for the year ended June 30, 2010.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets. Intangible assets have three characteristics: lack of physical substance, nonfinancial in nature, and a useful life that extends beyond a single reporting period. Assets that have these characteristics and are identifiable to the government should be recorded as capital assets and amortized over their useful lives. Easements, water rights, patents, and computer software are examples of intangible assets that should be recognized under GASB Statement No. 51. Macon County and the Macon County School Department had no assets that met the definition of intangible assets at June 30, 2010. However, it is reasonably expected that Macon County and the School Department may acquire intangible assets in subsequent years.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by county governments. Derivative instruments are financial arrangements used by governments as investments; hedges against identified financial risks; or to lower the costs of borrowings. Interest rate swaps and locks, options, swaptions, forward contracts, and futures contracts are among the commonly used types of derivatives mentioned in GASB Statement No. 53. Derivative instruments associated with fluctuating financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. For the same reasons, derivative instruments can expose governments to significant risks and liabilities. The requirements of GASB Statement No. 53 are intended to help users of financial information evaluate the effectiveness and associated risks involved with Macon County's derivative transactions. GASB Statement

No. 53 requires most derivatives to be reported at fair value in the Statement of Net Assets. Changes in fair value for derivative instruments that are intended for investment purposes or that are reported like investment derivative instruments because of ineffectiveness are reported as investment revenues in the Statement of Activities. Alternatively, the changes in fair value of derivative instruments that are classified as hedging (i.e., effective) derivative instruments are reported in the Statement of Net Assets as deferrals. Macon County had not participated in derivative transactions as June 30, 2010. However, it is reasonably expected that Macon County may enter into derivative transactions in subsequent years.

C. Subsequent Events

On July 28, 2010, Macon County issued a capital outlay note totaling \$1,000,000 for road repairs due to flooding.

Director of Schools Dan Hampton left office on November 19, 2010, and was succeeded by Margaret Oldham as interim director of schools.

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. Changes in Administration

Director of Schools Darrel Law resigned on July 31, 2009, and was succeeded by Jimmy Wheeley as interim director of schools effective August 1, 2009. Dan Hampton was appointed director of schools effective September 1, 2009.

On January 29, 2010, Gwendolyn Linville retired from the Office of Clerk and Master and was succeeded by Kristin Reid.

F. Landfill Closure/Postclosure Care Costs

Macon County has an active permit on file with the state Department of Environment and Conservation for a sanitary landfill. The county has provided financial assurances for estimated postclosure liabilities as required by the State of Tennessee. These financial assurances are on file with the Department of Environment and Conservation.

State and federal laws and regulations require the county to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an

operating expense in each period based on landfill capacity used as of each balance sheet date. Macon County closed its sanitary landfill in 1998. The \$468,070 reported as postclosure care liability at June 30, 2010, represents amounts based on what it would cost to perform all postclosure care in 2010. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

G. Joint Venture

The Macon County Joint Economic and Community Development/Industrial Board is a joint venture between Macon County and the cities of Lafayette and Red Boiling Springs. The board comprises the county mayor, city mayors, and five additional members. The purpose of the board is to foster communication relative to economic and community development between and among governmental entities, industry, and private citizens. The county and cities will provide the majority of funding for the board based on the percentage of their population compared to the total census of the county when financial activity begins. During the year ended June 30, 2010, the county did not appropriate any operating subsidies to the Macon County Joint Economic and Community Development/Industrial Board.

H. Retirement Commitments

Employees

Plan Description

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

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

Funding Policy

Macon County requires employees to contribute five percent of their earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2010, was 6.54 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Macon County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2010, Macon County’s annual pension cost of \$524,616 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2007, 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. Macon County’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007, was nine years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-10	\$524,616	100%	\$0
6-30-09	508,195	100	0
6-30-08	554,346	100	0

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 88.17 percent funded. The actuarial accrued liability for benefits was \$10.23 million, and the actuarial value of assets was \$9.02 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.21 million. The covered payroll (annual payroll of active employees covered by the plan) was \$7.5 million, and the ratio of the UAAL to the covered payroll was 16.13 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year 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 TCRS uses the frozen entry age actuarial cost method to calculate the annual required contribution. Effective July 1, 2009, the TCRS reestablished the unfunded accrued liabilities for all groups.

School Teachers

Plan Description

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Macon County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2010, was 6.42 percent of annual covered payroll. The employer contribution requirement for the Macon County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2010, 2009, and 2008, were \$769,026, \$753,925, and \$705,192, respectively, equal to the required contributions for each year.

I. Other Postemployment Benefits (OPEB)

Plan Description

The School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, Tennessee Code Annotated for teachers. 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://tn.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 the 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 provides 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, 2010, the School Department made contributions totaling \$133,244 for other postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Insurance Plan
	<hr/>
ARC	\$ 388,000
Interest on the NPO	27,098
Adjustment to the ARC	(25,667)
Annual OPEB cost	<hr/> \$ 389,431
Amount of contribution	(133,244)
Increase/decrease in NPO	<hr/> \$ 256,187
Net OPEB obligation, 7-1-09	<hr/> 602,178
Net OPEB obligation, 6-30-10	<hr/> <hr/> \$ 858,365

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
<hr/>		<hr/>		<hr/>
6-30-08	Local Education Group	\$ 394,000	25	% \$ 294,525
6-30-09	"	411,000	25	602,178
6-30-10	"	389,431	34	858,365

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, was as follows:

	<u>Local Education Group Insurance Plan</u>
Actuarial valuation date	7-1-09
Actuarial accrued liability (AAL)	\$ 3,723,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 3,723,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 11,586,000
UAAL as a % of covered payroll	32%

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 supplementary 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 July 1, 2009, actuarial valuation for the Local Education Plan, 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 four percent for fiscal year 2010. The trend rate will rise to ten percent in fiscal year 2011 and then be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. 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.

J. Termination Benefits

During 2010, the Board of Education initiated a voluntary retirement incentive program for the top 12 seniority certified employees who would retire from the system. Seniority was ranked based on years of experience. This incentive consisted of a cash payment of \$10,000. During the year, 12 employees who were eligible for the program accepted the board's offer. The employees are entitled to this benefit when they formally notify the School Department of their retirement date. At June 30, 2010, the School Department had no liability for unpaid termination benefits. The effects to the School Department's actuarial accrued liability for pension benefits for current, terminated, and retired employees could not be determined.

K. Purchasing Laws

Office of County Mayor

Purchasing procedures for the Office of County Mayor are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated (TCA), and Chapter 161, Private Acts of 1937. The private act provides for a purchasing committee, including the county mayor, county clerk, and clerk and master, to make all purchases for all county departments except the Highway and the School departments. The County Purchasing Law of 1983 provides for purchases exceeding \$10,000 to be made on a competitive basis after public advertisement.

Office of Supervisor of Roads

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

Office of Director of Schools

Purchasing procedures for the 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 advertisements on all purchases exceeding \$10,000.

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

A. **Summary of Significant Accounting Policies**

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

1. **Reporting Entity**

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

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

Governmental fund revenues are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded generally when a liability is incurred, as under accrual accounting.

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

3. **Cash and Cash Equivalents**

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

4. **Fund Equity**

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

5. **Estimates**

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

6. **Deferred Revenue**

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

7. **Budgets and Budgetary Accounting**

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

- a. Formal budgets are adopted and approved by board vote on an annual basis consistent with generally accepted accounting principles.
- b. The budget amounts are not shown in the financial statements as these amounts were not approved by the County Commission, which is required by Tennessee Code Annotated, and as such the fund does not have a legally adopted budget.

B. Cash and Cash Equivalents

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

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

C. Risk Management

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

D. Reserved Fund Balance

The library has reserved \$2,042 for the purchase of certain types of books.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Macon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 4,497,026	\$ 4,629,725	\$ 4,629,725	\$ (132,699)
Licenses and Permits	45,341	32,700	32,700	12,641
Fines, Forfeitures, and Penalties	113,663	112,150	112,150	1,513
Charges for Current Services	1,553,451	1,212,070	1,271,145	282,306
Other Local Revenues	255,136	310,500	353,271	(98,135)
Fees Received from County Officials	634,350	806,500	810,214	(175,864)
State of Tennessee	427,894	488,398	310,286	117,608
Federal Government	331,343	1,000	331,943	(600)
Other Governments and Citizens Groups	148,716	500	40,986	107,730
Total Revenues	\$ 8,006,920	\$ 7,593,543	\$ 7,892,420	\$ 114,500
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 63,207	\$ 72,311	\$ 72,311	\$ 9,104
Board of Equalization	1,120	2,500	2,500	1,380
Beer Board	55	350	350	295
Budget and Finance Committee	182	1,200	1,200	1,018
Other Boards and Committees	1,351	3,500	3,500	2,149
County Mayor/Executive	206,800	228,331	228,331	21,531
County Attorney	8,897	8,899	8,899	2
Election Commission	143,698	148,055	148,609	4,911
Register of Deeds	121,444	138,427	138,427	16,983
Development	9,340	0	9,340	0
Planning	53,291	56,086	56,086	2,795
County Buildings	115,675	130,583	137,448	21,773
Other Facilities	281,556	282,354	295,692	14,136
Other General Administration	1,370	1,371	1,371	1
Preservation of Records	1,997	2,000	2,000	3
Risk Management	16,423	16,596	16,596	173
<u>Finance</u>				
Property Assessor's Office	139,947	135,144	141,446	1,499
Reappraisal Program	3,670	8,400	5,449	1,779
County Trustee's Office	164,454	166,076	166,076	1,622
County Clerk's Office	38,950	229,638	229,638	190,688
<u>Administration of Justice</u>				
Circuit Court	279,986	290,269	290,269	10,283
General Sessions Court	105,351	107,992	107,992	2,641
Chancery Court	120,071	131,774	131,865	11,794
Juvenile Court	34,971	51,648	51,648	16,677
Judicial Commissioners	16,039	17,729	17,729	1,690
Probation Services	88,249	89,296	89,296	1,047
<u>Public Safety</u>				
Sheriff's Department	1,398,439	1,378,125	1,418,762	20,323

(Continued)

Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Safety (Cont.)</u>				
Administration of the Sexual Offender Registry	\$ 4,220	\$ 1,200	\$ 4,120	\$ (100)
Jail	1,187,165	1,114,174	1,199,562	12,397
Workhouse	72,322	69,696	77,826	5,504
Fire Prevention and Control	4,916	6,660	6,660	1,744
Rural Fire Protection	15,650	16,000	16,000	350
Civil Defense	13,584	16,551	16,551	2,967
Rescue Squad	7,490	8,300	8,300	810
Disaster Relief	12,890	12,600	17,256	4,366
Other Emergency Management	12,672	7,650	12,998	326
County Coroner/Medical Examiner	24,485	17,150	24,585	100
Other Public Safety	14,508	16,000	16,040	1,532
<u>Public Health and Welfare</u>				
Local Health Center	21,305	28,100	28,100	6,795
Rabies and Animal Control	38,110	22,782	46,559	8,449
Ambulance/Emergency Medical Services	1,663,610	1,693,887	1,756,047	92,437
Crippled Children Services	1,439	1,439	1,439	0
Other Local Health Services	40,719	59,200	59,200	18,481
Regional Mental Health Center	5,965	7,953	7,953	1,988
Appropriation to State	41,900	41,900	41,900	0
Other Local Welfare Services	56,468	55,623	56,629	161
Sanitation Education/Information	6,124	9,000	9,000	2,876
<u>Social, Cultural, and Recreational Services</u>				
Adult Activities	6,000	6,000	6,000	0
Senior Citizens Assistance	9,064	7,500	9,064	0
Libraries	113,703	132,611	132,611	18,908
Parks and Fair Boards	234,165	19,260	237,242	3,077
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	47,264	49,226	49,226	1,962
Soil Conservation	22,000	22,000	22,000	0
<u>Other Operations</u>				
Tourism	3,510	2,500	4,500	990
Industrial Development	152,156	151,698	152,157	1
Veterans' Services	22,897	23,120	23,120	223
Other Charges	677,764	673,633	678,924	1,160
Contributions to Other Agencies	22,303	23,088	23,088	785
Employee Benefits	24,190	30,000	30,000	5,810
ARRA Grant # 1	15,816	0	15,816	0
ARRA Grant # 2	1,500	0	134,230	132,730
ARRA Grant # 3	17,563	0	18,696	1,133
Miscellaneous	5,362	6,575	6,575	1,213
<u>Instruction</u>				
Vocational Education Program	14,964	14,964	14,964	0

(Continued)

Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Support Services</u>				
Other Programs	\$ 2,408	\$ 5,845	\$ 7,045	\$ 4,637
<u>Capital Projects</u>				
General Administration Projects	24,028	0	24,028	0
Highway and Street Capital Projects	145,578	322,000	395,578	250,000
Total Expenditures	<u>\$ 8,224,310</u>	<u>\$ 8,394,539</u>	<u>\$ 9,164,419</u>	<u>\$ 940,109</u>
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (217,390)	\$ (800,996)	\$ (1,271,999)	\$ 1,054,609
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 36,352	\$ 13,000	\$ 54,048	\$ (17,696)
Transfers In	2,400	98,700	316,682	(314,282)
Transfers Out	(221,913)	0	(222,000)	87
Total Other Financing Sources (Uses)	<u>\$ (183,161)</u>	<u>\$ 111,700</u>	<u>\$ 148,730</u>	<u>\$ (331,891)</u>
Net Change in Fund Balance	\$ (400,551)	\$ (689,296)	\$ (1,123,269)	\$ 722,718
Fund Balance, July 1, 2009	<u>2,440,395</u>	<u>2,415,141</u>	<u>2,415,141</u>	<u>25,254</u>
Fund Balance, June 30, 2010	<u>\$ 2,039,844</u>	<u>\$ 1,725,845</u>	<u>\$ 1,291,872</u>	<u>\$ 747,972</u>

Exhibit E-2

Macon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 387,490	\$ 403,125	\$ 403,125	\$ (15,635)
Other Local Revenues	22,953	7,000	7,000	15,953
State of Tennessee	1,810,059	2,516,906	2,531,297	(721,238)
Other Governments and Citizens Groups	0	0	250,000	(250,000)
Total Revenues	<u>\$ 2,220,502</u>	<u>\$ 2,927,031</u>	<u>\$ 3,191,422</u>	<u>\$ (970,920)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 127,851	\$ 127,472	\$ 130,672	\$ 2,821
Highway and Bridge Maintenance	995,933	1,113,593	1,196,593	200,660
Operation and Maintenance of Equipment	212,565	231,400	237,400	24,835
Other Charges	109,086	115,853	116,853	7,767
Employee Benefits	167,560	187,585	187,585	20,025
Capital Outlay	3,469,179	1,567,866	5,499,776	2,030,597
<u>Capital Projects</u>				
Highway and Street Capital Projects	229,374	0	250,000	20,626
Total Expenditures	<u>\$ 5,311,548</u>	<u>\$ 3,343,769</u>	<u>\$ 7,618,879</u>	<u>\$ 2,307,331</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (3,091,046)</u>	<u>\$ (416,738)</u>	<u>\$ (4,427,457)</u>	<u>\$ 1,336,411</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 4,000,000	\$ 0	\$ 4,000,000	\$ 0
Insurance Recovery	11,579	0	10,719	860
Transfers In	221,913	221,913	221,913	0
Transfers Out	(2,400)	(2,400)	(2,400)	0
Total Other Financing Sources (Uses)	<u>\$ 4,231,092</u>	<u>\$ 219,513</u>	<u>\$ 4,230,232</u>	<u>\$ 860</u>
Net Change in Fund Balance	\$ 1,140,046	\$ (197,225)	\$ (197,225)	\$ 1,337,271
Fund Balance, July 1, 2009	628,290	519,923	519,923	108,367
Fund Balance, June 30, 2010	<u>\$ 1,768,336</u>	<u>\$ 322,698</u>	<u>\$ 322,698</u>	<u>\$ 1,445,638</u>

Exhibit E-3

Macon County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Macon County School Department
June 30, 2010

(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)
7-1-09	\$ 9,020	\$ 10,230	\$ 1,210	88.17 %	\$ 7,498	16.13 %
7-1-07	7,335	8,076	741	90.82	6,761	10.96

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the frozen entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the frozen entry age actuarial cost method was a change made during the year of the 2007 actuarial valuation; therefore, only the two most recent valuations are presented.

Exhibit E-4

Macon County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Macon County School Department
June 30, 2010

(Dollar amounts in thousands)

Plan	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 Education Group	7-1-07	\$ 0	\$ 3,555	\$ 3,555	0%	\$ 11,006	32 %
"	7-1-09	0	3,723	3,723	0	11,586	32

*Data only available for two actuarial valuations.

MACON COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2010

A. BUDGETARY INFORMATION

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

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

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

B. CASH SHORTAGE

The Office of Juvenile Court Clerk had a cash shortage of \$576 at June 30, 2010. The details of this cash shortage are discussed in the Schedule of Findings and Questioned Costs section of this report.

C. EXPENDITURES EXCEEDED APPROPRIATIONS

General Fund expenditures exceeded appropriations approved by the County Commission in the Administration of the Sexual Offender Registry major appropriation category (the legal level of control) by \$100. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

Public Library Fund – The Public Library Fund is used to account for revenues received at the library from donations, fines, and fees.

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

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

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

Exhibit F-1

Macon County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees		
Cash	\$ 0	\$ 64,171	\$ 50	\$ 0	\$ 21,638	\$ 85,859	
Equity in Pooled Cash and Investments	81,689	0	28,399	33,103	0	143,191	
Accounts Receivable	0	0	950	0	1,333	2,283	
Property Taxes Receivable	0	0	125,078	0	0	125,078	
Allowance for Uncollectible Property Taxes	0	0	(2,757)	0	0	(2,757)	
Total Assets	\$ 81,689	\$ 64,171	\$ 151,720	\$ 33,103	\$ 22,971	\$ 353,654	

ASSETS

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>						
Payroll Deductions Payable	\$ 0	\$ 0	\$ 729	\$ 0	\$ 0	\$ 729
Deferred Revenue - Current Property Taxes	0	0	114,529	0	0	114,529
Deferred Revenue - Delinquent Property Taxes	0	0	7,315	0	0	7,315
Total Liabilities	\$ 0	\$ 0	\$ 122,573	\$ 0	\$ 0	\$ 122,573
<u>Fund Balances</u>						
Reserved for Other General Purposes	\$ 0	\$ 2,042	\$ 0	\$ 0	\$ 0	\$ 2,042
Unreserved	81,689	62,129	29,147	33,103	22,971	229,039
Total Fund Balances	\$ 81,689	\$ 64,171	\$ 29,147	\$ 33,103	\$ 22,971	\$ 231,081
Total Liabilities and Fund Balances	\$ 81,689	\$ 64,171	\$ 151,720	\$ 33,103	\$ 22,971	\$ 353,654

Exhibit F-2

Macon County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees		
<u>Revenues</u>							
Local Taxes	\$ 5,050	\$ 0	\$ 112,480	\$ 0	\$ 0	\$ 0	\$ 117,530
Fines, Forfeitures, and Penalties	0	0	0	12,677	0	0	12,677
Charges for Current Services	0	10,659	77,083	0	199,115	0	286,857
Other Local Revenues	0	6,802	0	22,458	0	0	29,260
State of Tennessee	0	0	51,735	0	0	0	51,735
Other Governments and Citizens Groups	0	4,000	0	0	0	0	4,000
Total Revenues	\$ 5,050	\$ 21,461	\$ 241,298	\$ 35,135	\$ 199,115	\$ 0	\$ 502,059
<u>Expenditures</u>							
Current:							
General Government	\$ 45,897	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 45,897
Finance	0	0	0	0	184,590	0	184,590
Administration of Justice	0	0	0	0	14,570	0	14,570
Public Safety	0	0	0	23,179	0	0	23,179
Public Health and Welfare	0	0	223,830	0	0	0	223,830
Social, Cultural, and Recreational Services	0	18,057	0	0	0	0	18,057
Total Expenditures	\$ 45,897	\$ 18,057	\$ 223,830	\$ 23,179	\$ 199,160	\$ 0	\$ 510,123
Excess (Deficiency) of Revenues Over Expenditures	\$ (40,847)	\$ 3,404	\$ 17,468	\$ 11,956	\$ (45)	\$ (8,064)	\$ (8,064)
Net Change in Fund Balances Fund Balance, July 1, 2009	\$ (40,847)	\$ 3,404	\$ 17,468	\$ 11,956	\$ (45)	\$ (8,064)	\$ (8,064)
	122,536	60,767	11,679	21,147	23,016	239,145	239,145
Fund Balance, June 30, 2010	\$ 81,689	\$ 64,171	\$ 29,147	\$ 33,103	\$ 22,971	\$ 231,081	\$ 231,081

Exhibit F-3

Macon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Courthouse and Jail Maintenance Fund
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 5,050	\$ 8,000	\$ 8,000	\$ (2,950)
Total Revenues	\$ 5,050	\$ 8,000	\$ 8,000	\$ (2,950)
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 45,897	\$ 26,700	\$ 55,000	\$ 9,103
Total Expenditures	\$ 45,897	\$ 26,700	\$ 55,000	\$ 9,103
Excess (Deficiency) of Revenues Over Expenditures	\$ (40,847)	\$ (18,700)	\$ (47,000)	\$ 6,153
Net Change in Fund Balance	\$ (40,847)	\$ (18,700)	\$ (47,000)	\$ 6,153
Fund Balance, July 1, 2009	122,536	122,628	122,628	(92)
Fund Balance, June 30, 2010	\$ 81,689	\$ 103,928	\$ 75,628	\$ 6,061

Exhibit F-4

Macon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 112,480	\$ 114,774	\$ 114,774	\$ (2,294)
Charges for Current Services	77,083	85,882	85,882	(8,799)
State of Tennessee	51,735	51,000	51,000	735
Total Revenues	<u>\$ 241,298</u>	<u>\$ 251,656</u>	<u>\$ 251,656</u>	<u>\$ (10,358)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Transfer Stations	\$ 223,830	\$ 272,546	\$ 272,546	\$ 48,716
Total Expenditures	<u>\$ 223,830</u>	<u>\$ 272,546</u>	<u>\$ 272,546</u>	<u>\$ 48,716</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 17,468</u>	<u>\$ (20,890)</u>	<u>\$ (20,890)</u>	<u>\$ 38,358</u>
Net Change in Fund Balance	\$ 17,468	\$ (20,890)	\$ (20,890)	\$ 38,358
Fund Balance, July 1, 2009	<u>11,679</u>	<u>22,278</u>	<u>22,278</u>	<u>(10,599)</u>
Fund Balance, June 30, 2010	<u><u>\$ 29,147</u></u>	<u><u>\$ 1,388</u></u>	<u><u>\$ 1,388</u></u>	<u><u>\$ 27,759</u></u>

Exhibit F-5

Macon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 12,677	\$ 8,000	\$ 8,000	\$ 4,677
Other Local Revenues	22,458	0	18,458	4,000
Total Revenues	<u>\$ 35,135</u>	<u>\$ 8,000</u>	<u>\$ 26,458</u>	<u>\$ 8,677</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 23,179	\$ 5,200	\$ 23,658	\$ 479
Total Expenditures	<u>\$ 23,179</u>	<u>\$ 5,200</u>	<u>\$ 23,658</u>	<u>\$ 479</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 11,956</u>	<u>\$ 2,800</u>	<u>\$ 2,800</u>	<u>\$ 9,156</u>
Net Change in Fund Balance	\$ 11,956	\$ 2,800	\$ 2,800	\$ 9,156
Fund Balance, July 1, 2009	<u>21,147</u>	<u>21,147</u>	<u>21,147</u>	<u>0</u>
Fund Balance, June 30, 2010	<u><u>\$ 33,103</u></u>	<u><u>\$ 23,947</u></u>	<u><u>\$ 23,947</u></u>	<u><u>\$ 9,156</u></u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit G

Macon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,032,500	\$ 917,000	\$ 917,000	\$ 115,500
Other Local Revenues	8,800	9,600	9,600	(800)
State of Tennessee	776,743	700,000	700,000	76,743
Total Revenues	<u>\$ 1,818,043</u>	<u>\$ 1,626,600</u>	<u>\$ 1,626,600</u>	<u>\$ 191,443</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 463,660	\$ 457,143	\$ 463,661	\$ 1
Highways and Streets	0	571,110	571,110	571,110
Education	784,764	1,054,959	784,767	3
<u>Interest on Debt</u>				
General Government	24,792	287,322	287,322	262,530
Education	53,961	55,438	53,963	2
<u>Other Debt Service</u>				
General Government	37,777	30,000	30,000	(7,777)
Total Expenditures	<u>\$ 1,364,954</u>	<u>\$ 2,455,972</u>	<u>\$ 2,190,823</u>	<u>\$ 825,869</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 453,089</u>	<u>\$ (829,372)</u>	<u>\$ (564,223)</u>	<u>\$ 1,017,312</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 224,500	\$ 645,531	\$ 224,500	\$ 0
Refunding Debt Issued	645,531	0	645,531	0
Transfers Out	0	0	(217,982)	217,982
Refunded Debt Payments	(645,531)	0	(645,531)	0
Total Other Financing Sources (Uses)	<u>\$ 224,500</u>	<u>\$ 645,531</u>	<u>\$ 6,518</u>	<u>\$ 217,982</u>
Net Change in Fund Balance	\$ 677,589	\$ (183,841)	\$ (557,705)	\$ 1,235,294
Fund Balance, July 1, 2009	<u>1,111,730</u>	<u>1,113,259</u>	<u>1,113,259</u>	<u>(1,529)</u>
Fund Balance, June 30, 2010	<u>\$ 1,789,319</u>	<u>\$ 929,418</u>	<u>\$ 555,554</u>	<u>\$ 1,233,765</u>

Fiduciary Funds

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

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

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

Exhibit H-1

Macon County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2010

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 736,311	\$ 736,311
Accounts Receivable	0	220	220
Due from Other Governments	260,015	0	260,015
Total Assets	<u>\$ 260,015</u>	<u>\$ 736,531</u>	<u>\$ 996,546</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 260,015	\$ 0	\$ 260,015
Due to Litigants, Heirs, and Others	0	736,531	736,531
Total Liabilities	<u>\$ 260,015</u>	<u>\$ 736,531</u>	<u>\$ 996,546</u>

Exhibit H-2

Macon County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2010

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,486,292	\$ 1,486,292	\$ 0
Due from Other Governments	253,332	260,015	253,332	260,015
Total Assets	\$ 253,332	\$ 1,746,307	\$ 1,739,624	\$ 260,015
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 253,332	\$ 1,746,307	\$ 1,739,624	\$ 260,015
Total Liabilities	\$ 253,332	\$ 1,746,307	\$ 1,739,624	\$ 260,015
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 494,615	\$ 4,891,846	\$ 4,650,150	\$ 736,311
Accounts Receivable	256	220	256	220
Total Assets	\$ 494,871	\$ 4,892,066	\$ 4,650,406	\$ 736,531
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 494,871	\$ 4,892,066	\$ 4,650,406	\$ 736,531
Total Liabilities	\$ 494,871	\$ 4,892,066	\$ 4,650,406	\$ 736,531
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 494,615	\$ 4,891,846	\$ 4,650,150	\$ 736,311
Equity in Pooled Cash and Investments	0	1,486,292	1,486,292	0
Accounts Receivable	256	220	256	220
Due from Other Governments	253,332	260,015	253,332	260,015
Total Assets	\$ 748,203	\$ 6,638,373	\$ 6,390,030	\$ 996,546
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 253,332	\$ 1,746,307	\$ 1,739,624	\$ 260,015
Due to Litigants, Heirs, and Others	494,871	4,892,066	4,650,406	736,531
Total Liabilities	\$ 748,203	\$ 6,638,373	\$ 6,390,030	\$ 996,546

Macon County School Department

This section presents fund financial statements for the Macon County School Department, a discretely presented component unit. The School Department uses a General Fund and one Special Revenue 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.

Exhibit I-1

Macon County, Tennessee
Statement of Activities
Discretely Presented Macon County School Department
For the Year Ended June 30, 2010

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 16,003,551	\$ 85,757	\$ 1,992,918	\$ (13,924,876)
Support Services	8,116,980	44,159	147,777	(7,925,044)
Operation of Non-Instructional Services	1,588,617	0	1,301,849	(286,768)
Interest on Long-term Debt	238,219	0	0	(238,219)
Other Debt Service	3,150	0	0	(3,150)
Total Governmental Activities	\$ 25,950,517	\$ 129,916	\$ 3,442,544	\$ (22,378,057)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 2,821,624
Local Option Sales Tax				1,699,586
Interstate Telecommunications Tax				1,769
Grants and Contributions Not Restricted to Specific Programs				18,809,718
Miscellaneous				21,370
Total General Revenues				\$ 23,354,067
Change in Net Assets				\$ 976,010
Net Assets, July 1, 2009				13,624,921
Net Assets, June 30, 2010				\$ 14,600,931

Exhibit I-2

Macon County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Macon County School Department
June 30, 2010

	<u>Major Fund</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Fund</u>	<u>Govern-</u>
	<u>Purpose</u>	<u>School</u>	<u>mental</u>
	<u>School</u>	<u>Federal</u>	<u>Funds</u>
	<u>School</u>	<u>Projects</u>	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 4,434,569	\$ 23,919	\$ 4,458,488
Due from Other Governments	533,112	9,138	542,250
Property Taxes Receivable	3,114,439	0	3,114,439
Allowance for Uncollectible Property Taxes	(68,632)	0	(68,632)
Total Assets	<u>\$ 8,013,488</u>	<u>\$ 33,057</u>	<u>\$ 8,046,545</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 89,000	\$ 0	\$ 89,000
Accrued Payroll	1,141	0	1,141
Payroll Deductions Payable	29,337	15,494	44,831
Deferred Revenue - Current Property Taxes	2,851,842	0	2,851,842
Deferred Revenue - Delinquent Property Taxes	182,091	0	182,091
Other Deferred Revenues	153,059	0	153,059
Total Liabilities	<u>\$ 3,306,470</u>	<u>\$ 15,494</u>	<u>\$ 3,321,964</u>
<u>Fund Balances</u>			
Reserved for Driver Education	\$ 50,932	\$ 0	\$ 50,932
Reserved for Career Ladder - Extended Contract	15,899	0	15,899
Reserved for Technology	30,307	0	30,307
Reserved for Basic Education Program	4,031,858	0	4,031,858
Reserved for Title I Grants to Local Education Agencies	0	3,547	3,547
Reserved for Innovative Education Program Strategies	0	12,912	12,912
Reserved for Special Education - Grants to States	0	1,104	1,104
Unreserved, Reported In:			
General Fund	578,022	0	578,022
Total Fund Balances	<u>\$ 4,707,018</u>	<u>\$ 17,563</u>	<u>\$ 4,724,581</u>
Total Liabilities and Fund Balances	<u>\$ 8,013,488</u>	<u>\$ 33,057</u>	<u>\$ 8,046,545</u>

Exhibit I-3

Macon County, Tennessee
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Assets
Discretely Presented Macon County School Department
June 30, 2010

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)		\$ 4,724,581
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 346,263	
Add: buildings and improvements net of accumulated depreciation	13,028,558	
Add: other capital assets net of accumulated depreciation	<u>1,735,460</u>	15,110,281
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: bonds payable	\$ (4,655,000)	
Less: accrued interest on bonds	(55,716)	
Less: other postemployment benefits liability	<u>(858,365)</u>	(5,569,081)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>335,150</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 14,600,931</u>

Exhibit I-4

Macon County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Macon County School Department
For the Year Ended June 30, 2010

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Fund</u>	<u>Total</u>
	General Purpose School	School Federal Projects	Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 4,486,627	\$ 0	\$ 4,486,627
Licenses and Permits	1,776	0	1,776
Charges for Current Services	85,757	0	85,757
Other Local Revenues	65,529	0	65,529
State of Tennessee	18,554,662	0	18,554,662
Federal Government	1,339,027	2,309,020	3,648,047
Total Revenues	<u>\$ 24,533,378</u>	<u>\$ 2,309,020</u>	<u>\$ 26,842,398</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 14,099,105	\$ 1,872,366	\$ 15,971,471
Support Services	7,663,356	479,216	8,142,572
Operation of Non-Instructional Services	1,588,617	0	1,588,617
Capital Outlay	160,426	0	160,426
Debt Service:			
Principal on Debt	455,000	0	455,000
Interest on Debt	243,338	0	243,338
Other Debt Service	3,150	0	3,150
Total Expenditures	<u>\$ 24,212,992</u>	<u>\$ 2,351,582</u>	<u>\$ 26,564,574</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 320,386</u>	<u>\$ (42,562)</u>	<u>\$ 277,824</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 35,939	\$ 0	\$ 35,939
Transfers In	23,501	0	23,501
Transfers Out	0	(23,501)	(23,501)
Total Other Financing Sources (Uses)	<u>\$ 59,440</u>	<u>\$ (23,501)</u>	<u>\$ 35,939</u>
Net Change in Fund Balances	\$ 379,826	\$ (66,063)	\$ 313,763
Fund Balance, July 1, 2009	<u>4,327,192</u>	<u>83,626</u>	<u>4,410,818</u>
Fund Balance, June 30, 2010	<u>\$ 4,707,018</u>	<u>\$ 17,563</u>	<u>\$ 4,724,581</u>

Exhibit I-5

Macon County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Macon County School Department
For the Year Ended June 30, 2010

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)		\$	313,763
(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	\$	1,192,220	
Less: current year depreciation expense		<u>(818,034)</u>	374,186
(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2010	\$	335,150	
Less: deferred delinquent property taxes and other deferred June 30, 2009		<u>(251,021)</u>	84,129
(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.			
Add: principal payments on bonds			455,000
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest on bonds	\$	5,119	
Change in other postemployment benefits liability		<u>(256,187)</u>	<u>(251,068)</u>
Change in net assets of governmental activities (Exhibit B)			<u>\$ 976,010</u>

Exhibit I-6

Macon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Macon County School Department
General Purpose School Fund
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 4,486,627	\$ 4,696,405	\$ 4,696,405	\$ (209,778)
Licenses and Permits	1,776	2,000	2,000	(224)
Charges for Current Services	85,757	48,700	48,700	37,057
Other Local Revenues	65,529	45,400	40,400	25,129
State of Tennessee	18,554,662	18,345,709	18,436,321	118,341
Federal Government	1,339,027	1,180,000	1,317,148	21,879
Total Revenues	<u>\$ 24,533,378</u>	<u>\$ 24,318,214</u>	<u>\$ 24,540,974</u>	<u>\$ (7,596)</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 11,625,047	\$ 11,883,590	\$ 11,810,200	\$ 185,153
Alternative Instruction Program	186,679	228,220	240,320	53,641
Special Education Program	1,402,852	1,722,980	1,758,080	355,228
Vocational Education Program	868,299	872,850	899,040	30,741
Adult Education Program	16,228	44,450	44,450	28,222
<u>Support Services</u>				
Attendance	90,859	108,720	105,865	15,006
Health Services	257,263	244,510	259,085	1,822
Other Student Support	594,829	566,360	599,760	4,931
Regular Instruction Program	746,308	775,860	770,035	23,727
Alternative Instruction Program	28,208	46,550	36,470	8,262
Special Education Program	260,429	261,570	274,090	13,661
Vocational Education Program	22,350	27,340	27,390	5,040
Adult Programs	91,837	100,730	109,320	17,483
Other Programs	90,612	0	90,612	0
Board of Education	302,752	334,730	338,035	35,283
Director of Schools	159,553	137,890	165,255	5,702
Office of the Principal	1,205,584	1,250,920	1,235,520	29,936
Fiscal Services	231,360	252,100	258,690	27,330
Operation of Plant	1,788,293	1,907,180	1,836,030	47,737
Maintenance of Plant	462,568	580,520	584,130	121,562
Transportation	1,330,551	1,440,610	1,435,915	105,364
<u>Operation of Non-Instructional Services</u>				
Food Service	1,328,804	1,167,463	1,304,611	(24,193)
Early Childhood Education	259,813	278,078	278,078	18,265
<u>Capital Outlay</u>				
Regular Capital Outlay	160,426	285,770	285,770	125,344
<u>Principal on Debt</u>				
Education	455,000	455,000	455,000	0
<u>Interest on Debt</u>				
Education	243,338	250,000	246,850	3,512

(Continued)

Exhibit I-6

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Other Debt Service</u>				
Education	\$ 3,150	\$ 0	\$ 3,150	\$ 0
Total Expenditures	\$ 24,212,992	\$ 25,223,991	\$ 25,451,751	\$ 1,238,759
Excess (Deficiency) of Revenues Over Expenditures	\$ 320,386	\$ (905,777)	\$ (910,777)	\$ 1,231,163
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 35,939	\$ 50,000	\$ 50,000	\$ (14,061)
Transfers In	23,501	7,000	12,000	11,501
Total Other Financing Sources (Uses)	\$ 59,440	\$ 57,000	\$ 62,000	\$ (2,560)
Net Change in Fund Balance	\$ 379,826	\$ (848,777)	\$ (848,777)	\$ 1,228,603
Fund Balance, July 1, 2009	4,327,192	4,340,579	4,340,579	(13,387)
Fund Balance, June 30, 2010	\$ 4,707,018	\$ 3,491,802	\$ 3,491,802	\$ 1,215,216

Exhibit I-7

Macon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Macon County School Department
School Federal Projects Fund
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 2,309,020	\$ 3,612,453	\$ 3,624,005	\$ (1,314,985)
Total Revenues	\$ 2,309,020	\$ 3,612,453	\$ 3,624,005	\$ (1,314,985)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 792,707	\$ 1,065,771	\$ 1,075,771	\$ 283,064
Special Education Program	1,028,306	1,624,313	1,631,616	603,310
Vocational Education Program	51,353	50,421	51,353	0
<u>Support Services</u>				
Other Student Support	39,330	283,540	285,293	245,963
Regular Instruction Program	374,533	355,289	355,289	(19,244)
Special Education Program	37,725	75,374	68,374	30,649
Vocational Education Program	363	1,500	363	0
Transportation	27,265	201,673	201,373	174,108
Total Expenditures	\$ 2,351,582	\$ 3,657,881	\$ 3,669,432	\$ 1,317,850
Excess (Deficiency) of Revenues Over Expenditures	\$ (42,562)	\$ (45,428)	\$ (45,427)	\$ 2,865
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 102,443	\$ 102,443	\$ (102,443)
Transfers Out	(23,501)	(135,099)	(135,099)	111,598
Total Other Financing Sources (Uses)	\$ (23,501)	\$ (32,656)	\$ (32,656)	\$ 9,155
Net Change in Fund Balance	\$ (66,063)	\$ (78,084)	\$ (78,083)	\$ 12,020
Fund Balance, July 1, 2009	83,626	83,626	83,626	0
Fund Balance, June 30, 2010	\$ 17,563	\$ 5,542	\$ 5,543	\$ 12,020

MISCELLANEOUS SCHEDULES

Macon County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, and Bonds
Primary Government and Discretely Presented Macon County School Department
For the Year Ended June 30, 2010

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-09	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-10
<u>PRIMARY GOVERNMENT</u>									
<u>NOTES PAYABLE</u>									
<u>Payable through General Debt Service Fund</u>									
School Roof	\$ 900,000	4.3%	5-10-06	8-28-09	\$ 637,041	0	0	\$ 637,041	\$ 0
Energy Efficiency Loan	42,279	0	10-25-05	10-31-12	24,159	0	6,040	0	18,119
Energy Efficiency Loan	11,602	0	4-26-06	4-15-13	6,630	0	1,657	0	4,973
School Roof Replacement	700,000	4.5	2-2-07	8-12-09	260,237	0	260,237	0	0
Fairlane Roof Replacement	420,349	3.8	10-24-08	4-27-10	420,349	0	420,349	0	0
School Upgrade Projects	661,351	3.75	4-13-09	4-13-16	661,351	0	84,371	0	576,980
Energy Efficiency Loan	138,649	0	6-3-09	6-30-16	138,649	0	19,807	0	118,842
Little League Lights	224,500	3.49	3-15-10	3-15-15	0	224,500	6,518	0	217,982
Highway and Refunding	4,645,531	3.94	9-1-09	9-1-19	0	4,645,531	0	0	4,645,531
Total Notes Payable					\$ 2,148,416	\$ 4,870,031	\$ 798,979	\$ 637,041	\$ 5,582,427
<u>OTHER LOANS PAYABLE</u>									
<u>Payable through General Debt Service Fund</u>									
Public Works Projects	6,721,000	Variable	10-1-1999	5-25-19	\$ 4,293,440	0	\$ 358,445	0	\$ 3,934,995
Other Public Works Projects	2,038,000	Variable	9-21-01	5-25-21	1,453,000	0	91,000	0	1,362,000
Total Other Loans Payable					\$ 5,746,440	0	\$ 449,445	0	\$ 5,296,995
<u>DISCRETELY PRESENTED MACON COUNTY SCHOOL DEPARTMENT</u>									
<u>BONDS PAYABLE</u>									
<u>Payable through General Purpose School Fund</u>									
School Refunding	8,900,000	3.7 to 4.85	7-1-1998	4-1-18	\$ 5,110,000	0	\$ 455,000	0	\$ 4,655,000
Total Bonds Payable					\$ 5,110,000	0	\$ 455,000	0	\$ 4,655,000

Exhibit J-2

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

PRIMARY GOVERNMENT

Year Ending June 30	Notes		Total
	Principal	Interest	
2011	\$ 548,014	\$ 212,506	\$ 760,520
2012	566,586	192,383	758,969
2013	585,470	171,917	757,387
2014	598,224	149,898	748,122
2015	612,540	127,496	740,036
2016	595,808	104,280	700,088
2017	489,099	82,010	571,109
2018	508,594	62,515	571,109
2019	528,632	42,477	571,109
2020	549,460	21,649	571,109
Total	\$ 5,582,427	\$ 1,167,131	\$ 6,749,558

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2011	\$ 469,445	\$ 27,544	\$ 24,817	\$ 521,806
2012	488,445	25,103	22,799	536,347
2013	508,445	22,563	20,699	551,707
2014	529,445	19,920	18,512	567,877
2015	551,445	17,167	16,235	584,847
2016	574,445	14,298	13,864	602,607
2017	597,445	11,312	11,394	620,151
2018	623,445	8,205	8,825	640,475
2019	649,435	4,963	5,877	660,275
2020	149,000	1,586	2,332	152,918
2021	156,000	811	1,550	158,361
Total	\$ 5,296,995	\$ 153,472	\$ 146,904	\$ 5,597,371

(Continued)

Exhibit J-2

Macon County, Tennessee
Schedule of Long-term Debt Requirements by Year
Primary Government and Discretely Presented Macon County School Department (Cont.)

DISCRETELY PRESENTED MACON
COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Bonds		Total
	Principal	Interest	
2011	\$ 480,000	\$ 222,862	\$ 702,862
2012	500,000	200,542	700,542
2013	525,000	177,042	702,042
2014	545,000	152,105	697,105
2015	570,000	126,490	696,490
2016	600,000	99,415	699,415
2017	645,000	70,315	715,315
2018	790,000	38,710	828,710
Total	<u>\$ 4,655,000</u>	<u>\$ 1,087,481</u>	<u>\$ 5,742,481</u>

Exhibit J-3

Macon County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Macon County School Department
For the Year Ended June 30, 2010

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General Highway/Public Works	Highway/Public Works General	Match for state aid road Risk management director's salary	\$ 221,913 <u>2,400</u>
			<u>\$ 224,313</u>
<u>DISCRETELY PRESENTED MACON COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 23,501</u>

Macon County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Macon County School Department
For the Year Ended June 30, 2010

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u> , and County Commission	\$ 68,302 (1)	\$ 50,000	Western Surety Company
Supervisor of Roads	Section 8-24-102, <u>TCA</u>	63,527	100,000	"
Director of Schools:				
Darrel Law (7-1-09 through 7-31-09)	State Board of Education and Local Board of Education	19,412 (2)	(4)	
Jimmy Wheeley (8-1-09 through 8-31-09)	State Board of Education and Local Board of Education	7,022 (4)	(4)	
Dan Hampton (9-1-09 through 6-30-10)	State Board of Education and Local Board of Education	72,316 (3)	(4)	
Assessor of Property	Section 8-24-102, <u>TCA</u>	57,751	10,000	Western Surety Company
Trustee	Section 8-24-102, <u>TCA</u>	57,751	741,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	57,751 (5)	50,000	"
Circuit, General Sessions, and Juvenile Courts Clerk and Master:	Section 8-24-102, <u>TCA</u>	57,751	60,000	"
Gwendolyn Linville (7-1-09 through 1-31-10)	Section 8-24-102, <u>TCA</u>	35,539	75,000	The Cincinnati Insurance Company
Kristin Reid (2-1-10 through 6-30-10)	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	22,212 (6)	75,000	"
Register	Section 8-24-102, <u>TCA</u>	57,751	25,000	Western Surety Company
Sheriff	Section 8-24-102, <u>TCA</u>	63,527 (7)	25,000	"
<u>Other Bonds</u>				
County Employees	Public Employee - Blanket Bond		150,000	Local Government Insurance Pool
School Department Employees	Public Employee - Blanket Bond		150,000	Tennessee Risk Management Trust

(1) Includes \$1,600 for serving as a consultant to the County Commission.
(2) Includes \$8,554 for unused vacation.
(3) Includes \$1,000 for a chief executive officer training supplement and \$367 for moving expenses.
(4) Includes employee blanket bond coverage for the director of schools.
(5) Does not include \$1,100 for attending County Commission meetings.
(6) Does not include \$14,570 in special commissioner fees.
(7) Does not include \$600 for a law enforcement training supplement.

Exhibit J-5

Macon County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2010

	Special Revenue Funds							Total		
	General	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works		Debt Service Fund	
									General	Debt Service
Local Taxes										
County Property Taxes										
Current Property Tax	\$ 3,523,640	\$ 0	\$ 0	\$ 105,138	\$ 0	\$ 0	\$ 362,705	\$ 0	\$ 3,991,483	
Discount on Property Taxes	(27,402)	0	0	(827)	0	0	(2,814)	0	(31,043)	
Trustee's Collections - Prior Year	128,503	0	0	3,920	0	0	13,526	0	145,949	
Trustee's Collections - Bankruptcy	613	0	0	15	0	0	63	0	691	
Circuit/Clerk & Master Collections - Prior Years	48,142	0	0	1,656	0	0	5,120	9	54,927	
Interest and Penalty	21,571	0	0	656	0	0	2,263	0	24,490	
County Local Option Taxes										
Local Option Sales Tax	212,361	0	0	0	0	0	0	0	212,361	
Wheel Tax	0	0	0	0	0	0	0	980,847	980,847	
Litigation Tax - General	127,738	341	0	0	0	0	0	43,816	171,895	
Litigation Tax - Special Purpose	0	4,709	0	0	0	0	0	0	4,709	
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	0	0	0	7,828	
Business Tax	99,630	0	0	0	0	0	0	0	99,630	
Adequate Facilities/Development Tax	159,991	0	0	0	0	0	0	0	159,991	
Statutory Local Taxes										
Bank Excise Tax	64,388	0	0	1,922	0	0	6,627	0	72,937	
Wholesale Beer Tax	136,576	0	0	0	0	0	0	0	136,576	
Interstate Telecommunications Tax	1,275	0	0	0	0	0	0	0	1,275	
Total Local Taxes	\$ 4,497,026	\$ 5,050	\$ 0	\$ 112,480	\$ 0	\$ 0	\$ 387,490	\$ 1,032,500	\$ 6,034,546	
Licenses and Permits										
Licenses										
Cable TV Franchise	\$ 28,846	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 28,846	
Permits										
Beer Permits	1,021	0	0	0	0	0	0	0	1,021	
Building Permits	15,474	0	0	0	0	0	0	0	15,474	
Total Licenses and Permits	\$ 45,341	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 45,341	

(Continued)

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

	Special Revenue Funds							Total	
	General	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works		Debt Service Fund
<u>Fines, Forfeitures, and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 10,410	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,410	
Game and Fish Fines	10,255	0	0	0	0	0	0	10,255	
DUI Treatment Fines	6,206	0	0	0	0	0	0	6,206	
<u>General Sessions Court</u>									
Fines	20,148	0	0	0	0	0	0	20,148	
Officers Costs	30,079	0	0	0	0	0	0	30,079	
Game and Fish Fines	255	0	0	0	0	0	0	255	
Drug Control Fines	0	0	0	0	12,677	0	0	12,677	
Jail Fees	7,270	0	0	0	0	0	0	7,270	
District Attorney General Fees	8,835	0	0	0	0	0	0	8,835	
Courtroom Security Fee	1,964	0	0	0	0	0	0	1,964	
<u>Juvenile Court</u>									
Fines	2,938	0	0	0	0	0	0	2,938	
Officers Costs	3,531	0	0	0	0	0	0	3,531	
Interpreter Fees	3,365	0	0	0	0	0	0	3,365	
Data Entry Fee - Juvenile Court	382	0	0	0	0	0	0	382	
Courtroom Security Fee	115	0	0	0	0	0	0	115	
<u>Chancery Court</u>									
Officers Costs	2,268	0	0	0	0	0	0	2,268	
Data Entry Fee - Chancery Court	828	0	0	0	0	0	0	828	
<u>Judicial District Drug Program</u>									
Data Entry Fee - Other Courts	4,814	0	0	0	0	0	0	4,814	
Total Fines, Forfeitures, and Penalties	\$ 113,663	\$ 0	\$ 0	\$ 0	\$ 12,677	\$ 0	\$ 0	\$ 126,340	
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Transfer Waste Stations Collection Charge	\$ 0	\$ 0	\$ 0	\$ 77,083	\$ 0	\$ 0	\$ 0	\$ 77,083	
Patient Charges	1,430,548	0	0	0	0	0	0	1,430,548	
<u>Fees</u>									
Copy Fees	1,232	0	0	0	0	0	0	1,232	

(Continued)

Exhibit J-5

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

	Special Revenue Funds							Total	
	General	Courthouse and Jail Maintenance	Public Library	Solid Waste/ Sanitation	Drug Control	Constitu- tional Officers - Fees	Highway/ Public Works		Debt Service Fund
Charges for Current Services (Cont.)									
Fees (Cont.)									
Library Fees	\$ 0	\$ 0	\$ 10,659	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,659	
Telephone Commissions	16,719	0	0	0	0	0	0	16,719	
Vending Machine Collections	418	0	0	0	0	0	0	418	
Constitutional Officers' Fees and Commissions	0	0	0	0	0	184,545	0	184,545	
Special Commissioner Fees/Special Master Fees	0	0	0	0	0	14,570	0	14,570	
Data Processing Fee - Register	8,718	0	0	0	0	0	0	8,718	
Probation Fees	89,999	0	0	0	0	0	0	89,999	
Data Processing Fee - Sheriff	3,567	0	0	0	0	0	0	3,567	
Sexual Offender Registration Fees - Sheriff	2,250	0	0	0	0	0	0	2,250	
Total Charges for Current Services	\$ 1,553,451	\$ 0	\$ 10,659	\$ 77,083	\$ 0	\$ 199,115	\$ 0	\$ 1,840,308	
Other Local Revenues									
Recurring Items									
Investment Income	\$ 106,294	\$ 0	\$ 332	\$ 0	\$ 0	\$ 0	\$ 0	\$ 106,626	
Lease/Rentals	25,820	0	0	0	0	0	8,800	34,620	
Commissary Sales	20,110	0	0	0	0	0	0	20,110	
Miscellaneous Refunds	51,041	0	0	0	0	18,255	0	69,296	
Nonrecurring Items									
Sale of Equipment	8,896	0	0	0	18,458	0	0	27,354	
Damages Recovered from Individuals	39,430	0	0	0	0	0	0	39,430	
Contributions and Gifts	3,000	0	6,470	0	0	0	4,698	14,168	
Other Local Revenues									
Other Local Revenues	545	0	0	0	4,000	0	0	4,545	
Total Other Local Revenues	\$ 255,136	\$ 0	\$ 6,802	\$ 0	\$ 22,458	\$ 0	\$ 22,953	\$ 316,149	
Fees Received from County Officials									
Excess Fees									
County Clerk	\$ 27,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 27,500	
Fees in-Lieu-of Salary									
Circuit Court Clerk	200,308	0	0	0	0	0	0	200,308	

(Continued)

Exhibit J-5

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works		
Fees Received from County Officials (Cont.)									
Fees in-Lieu-of Salary (Cont.)									
Clerk and Master	\$ 55,227	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 55,227	
Juvenile Court Clerk	16,056	0	0	0	0	0	0	16,056	
Register	68,877	0	0	0	0	0	0	68,877	
Sheriff	14,104	0	0	0	0	0	0	14,104	
Trustee	252,278	0	0	0	0	0	0	252,278	
Total Fees Received from County Officials	\$ 634,350	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 634,350	
State of Tennessee									
General Government Grants									
Juvenile Services Program	\$ 9,090	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,090	
Solid Waste Grants	0	0	0	15,735	0	0	0	15,735	
Other General Government Grants	0	0	0	0	0	14,391	0	14,391	
Public Safety Grants									
Law Enforcement Training Programs	14,400	0	0	0	0	0	0	14,400	
Health and Welfare Grants									
Health Department Programs	44,100	0	0	0	0	0	0	44,100	
Public Works Grants									
State Aid Program	0	0	0	0	0	344,679	0	344,679	
Litter Program	43,474	0	0	0	0	0	0	43,474	
Other State Revenues									
Income Tax	43,075	0	0	0	0	0	0	43,075	
Alcoholic Beverage Tax	52,298	0	0	0	0	0	0	52,298	
State Revenue Sharing - T.V.A.	196,517	0	0	36,000	0	0	0	232,517	
Contracted Prisoner Boarding	0	0	0	0	0	0	776,743	776,743	
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,434,617	0	1,434,617	
Petroleum Special Tax	0	0	0	0	0	16,372	0	16,372	
Reappraisal Program Reimbursement	6,509	0	0	0	0	0	0	6,509	
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	16,380	
Other State Grants	561	0	0	0	0	0	0	561	
Other State Revenues	1,490	0	0	0	0	0	0	1,490	
Total State of Tennessee	\$ 427,894	\$ 0	\$ 0	\$ 51,735	\$ 0	\$ 1,810,059	\$ 776,743	\$ 3,066,431	

(Continued)

Exhibit J-5

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works		
<u>Federal Government</u>									
<u>Federal Through State</u>									
ARRA Grant # 1	\$ 15,816	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,816
ARRA Grant # 2	134,230	0	0	0	0	0	0	0	134,230
ARRA Grant # 3	16,800	0	0	0	0	0	0	0	16,800
Other Federal through State	161,697	0	0	0	0	0	0	0	161,697
<u>Direct Federal Revenue</u>	2,800	0	0	0	0	0	0	0	2,800
Other Direct Federal Revenue	331,343	0	0	0	0	0	0	0	331,343
Total Federal Government	\$ 331,343	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 331,343
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Prisoner Board	\$ 36,812	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 36,812
Contributions	111,904	0	4,000	0	0	0	0	0	115,904
Total Other Governments and Citizens Groups	\$ 148,716	\$ 0	\$ 4,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 152,716
Total	\$ 8,006,920	\$ 5,050	\$ 21,461	\$ 241,298	\$ 35,135	\$ 199,115	\$ 2,220,502	\$ 1,818,043	\$ 12,547,524

Exhibit J-6

Macon County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Macon County School Department
For the Year Ended June 30, 2010

	General Purpose School	School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 2,614,675	\$ 0	\$ 2,614,675
Discount on Property Taxes	(20,336)	0	(20,336)
Trustee's Collections - Prior Year	97,654	0	97,654
Trustee's Collections - Bankruptcy	461	0	461
Circuit/Clerk & Master Collections - Prior Years	36,597	0	36,597
Interest and Penalty	16,340	0	16,340
<u>County Local Option Taxes</u>			
Local Option Sales Tax	1,691,690	0	1,691,690
<u>Statutory Local Taxes</u>			
Bank Excise Tax	47,777	0	47,777
Interstate Telecommunications Tax	1,769	0	1,769
Total Local Taxes	\$ 4,486,627	\$ 0	\$ 4,486,627
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 1,776	\$ 0	\$ 1,776
Total Licenses and Permits	\$ 1,776	\$ 0	\$ 1,776
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
Tuition - Regular Day Students	\$ 3,000	\$ 0	\$ 3,000
Tuition - Other	2,450	0	2,450
Receipts from Individual Schools	80,307	0	80,307
Total Charges for Current Services	\$ 85,757	\$ 0	\$ 85,757
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Lease/Rentals	\$ 4,800	\$ 0	\$ 4,800
Refund of Telecommunication & Internet Fees (E-Rate)	39,359	0	39,359
Miscellaneous Refunds	14,993	0	14,993
<u>Nonrecurring Items</u>			
Sale of Equipment	2,229	0	2,229
Damages Recovered from Individuals	3,050	0	3,050
Contributions and Gifts	850	0	850
<u>Other Local Revenues</u>			
Other Local Revenues	248	0	248
Total Other Local Revenues	\$ 65,529	\$ 0	\$ 65,529
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
On-Behalf Contributions for OPEB	\$ 90,612	\$ 0	\$ 90,612
<u>State Education Funds</u>			
Basic Education Program	16,858,159	0	16,858,159
Basic Education Program - ARRA	680,600	0	680,600
Early Childhood Education	259,813	0	259,813
School Food Service	19,558	0	19,558
Driver Education	13,706	0	13,706
Other State Education Funds	7,221	0	7,221

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	Total
<u>State of Tennessee (Cont.)</u>			
<u>State Education Funds (Cont.)</u>			
Coordinated School Health - ARRA	\$ 114,846	\$ 0	\$ 114,846
Internet Connectivity - ARRA	10,723	0	10,723
Statewide Student Management System (SSMS) - ARRA	9,184	0	9,184
Career Ladder Program	154,891	0	154,891
Career Ladder - Extended Contract - ARRA	25,426	0	25,426
<u>Other State Revenues</u>			
State Revenue Sharing - T.V.A.	181,630	0	181,630
Other State Grants	105,793	0	105,793
Safe Schools - ARRA	22,500	0	22,500
Total State of Tennessee	<u>\$ 18,554,662</u>	<u>\$ 0</u>	<u>\$ 18,554,662</u>
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 832,544	\$ 0	\$ 832,544
USDA - Commodities	117,789	0	117,789
Breakfast	294,642	0	294,642
USDA - Other	9,084	0	9,084
USDA Food Service Equipment Grant - ARRA	5,732	0	5,732
Adult Education State Grant Program	71,357	0	71,357
Vocational Education - Basic Grants to States	0	68,307	68,307
Title I Grants to Local Education Agencies	0	950,940	950,940
Special Education - Grants to States	7,879	1,050,945	1,058,824
Special Education Preschool Grants	0	43,818	43,818
English Language Acquisition Grants	0	10,576	10,576
Safe and Drug-free Schools - State Grants	0	13,024	13,024
Eisenhower Professional Development State Grants	0	140,200	140,200
Other Federal through State	0	31,210	31,210
Total Federal Government	<u>\$ 1,339,027</u>	<u>\$ 2,309,020</u>	<u>\$ 3,648,047</u>
Total	<u>\$ 24,533,378</u>	<u>\$ 2,309,020</u>	<u>\$ 26,842,398</u>

Exhibit J-7

Macon County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2010

General Fund

General Government

County Commission

County Official/Administrative Officer	\$	1,600	
Board and Committee Members Fees		31,400	
Social Security		2,516	
State Retirement		209	
Audit Services		6,116	
Consultants		1,250	
Dues and Memberships		1,350	
Legal Services		18,466	
Legal Notices, Recording, and Court Costs		<u>300</u>	
Total County Commission	\$		63,207

Board of Equalization

Board and Committee Members Fees	\$	<u>1,120</u>	
Total Board of Equalization			1,120

Beer Board

Legal Notices, Recording, and Court Costs	\$	<u>55</u>	
Total Beer Board			55

Budget and Finance Committee

Legal Notices, Recording, and Court Costs	\$	<u>182</u>	
Total Budget and Finance Committee			182

Other Boards and Committees

Legal Notices, Recording, and Court Costs	\$	1,145	
Other Supplies and Materials		<u>206</u>	
Total Other Boards and Committees			1,351

County Mayor/Executive

County Official/Administrative Officer	\$	66,702	
Accountants/Bookkeepers		88,902	
Overtime Pay		1,700	
Social Security		11,931	
State Retirement		8,269	
Dues and Memberships		1,404	
Maintenance and Repair Services - Office Equipment		7,324	
Postal Charges		1,291	
Printing, Stationery, and Forms		4,204	
Travel		1,647	
Other Contracted Services		4,735	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Mayor/Executive (Cont.)

Office Supplies	\$	3,001	
Premiums on Corporate Surety Bonds		200	
Data Processing Equipment		3,795	
Office Equipment		1,695	
Total County Mayor/Executive			\$ 206,800

County Attorney

County Official/Administrative Officer	\$	8,265	
Social Security		632	
Total County Attorney			8,897

Election Commission

County Official/Administrative Officer	\$	51,976	
Deputy(ies)		25,359	
Temporary Personnel		5,784	
Election Commission		7,320	
Election Workers		3,620	
Social Security		6,254	
State Retirement		5,142	
Dues and Memberships		175	
Legal Notices, Recording, and Court Costs		1,629	
Maintenance and Repair Services - Equipment		11,717	
Postal Charges		1,455	
Printing, Stationery, and Forms		3,185	
Travel		4,037	
Other Contracted Services		6,655	
Office Supplies		3,705	
Utilities		5,685	
Total Election Commission			143,698

Register of Deeds

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		36,610	
Social Security		7,219	
State Retirement		6,040	
Dues and Memberships		512	
Legal Notices, Recording, and Court Costs		323	
Printing, Stationery, and Forms		3,658	
Office Supplies		905	
Other Supplies and Materials		2,899	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds (Cont.)

Premiums on Corporate Surety Bonds	\$	100	
Data Processing Equipment		5,288	
Office Equipment		139	
Total Register of Deeds			\$ 121,444

Development

Building Construction	\$	9,340	
Total Development			9,340

Planning

Supervisor/Director	\$	30,900	
Social Security		2,338	
State Retirement		2,021	
Contracts with Government Agencies		9,250	
Dues and Memberships		100	
Legal Notices, Recording, and Court Costs		521	
Postal Charges		35	
Travel		7,011	
Office Supplies		415	
Premiums on Corporate Surety Bonds		700	
Total Planning			53,291

County Buildings

Supervisor/Director	\$	23,168	
Custodial Personnel		10,517	
Overtime Pay		2,225	
Social Security		2,649	
State Retirement		2,349	
Communication		25,199	
Licenses		150	
Maintenance and Repair Services - Buildings		6,802	
Other Contracted Services		1,324	
Electricity		12,033	
Water and Sewer		8,077	
Other Supplies and Materials		4,857	
Other Charges		6,865	
Building Improvements		5,725	
Office Equipment		2,775	
Other Construction		960	
Total County Buildings			115,675

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Other Facilities

Custodial Personnel	\$	33,799	
Maintenance Personnel		26,945	
Overtime Pay		631	
Other Salaries and Wages		1,056	
Social Security		4,490	
State Retirement		4,083	
Communication		39,979	
Maintenance and Repair Services - Buildings		26,437	
Maintenance and Repair Services - Vehicles		1,287	
Pest Control		2,040	
Custodial Supplies		3,123	
Electricity		82,994	
Gasoline		364	
Water and Sewer		47,481	
Site Development		6,847	
Total Other Facilities			\$ 281,556

Other General Administration

Supervisor/Director	\$	1,200	
Social Security		92	
State Retirement		78	
Total Other General Administration			1,370

Preservation of Records

Other Supplies and Materials	\$	1,997	
Total Preservation of Records			1,997

Risk Management

Supervisor/Director	\$	12,397	
Social Security		948	
Medical and Dental Services		550	
Other Contracted Services		2,528	
Total Risk Management			16,423

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		49,564	
Other Salaries and Wages		6,737	
Social Security		8,554	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

State Retirement	\$	7,018	
Contracts with Other Public Agencies		8,351	
Dues and Memberships		1,000	
Legal Notices, Recording, and Court Costs		257	
Postal Charges		132	
Printing, Stationery, and Forms		280	
Travel		71	
Office Supplies		132	
Premiums on Corporate Surety Bonds		100	
Total Property Assessor's Office			\$ 139,947

Reappraisal Program

Maintenance and Repair Services - Vehicles	\$	879	
Postal Charges		248	
Gasoline		1,618	
Office Supplies		75	
Data Processing Equipment		850	
Total Reappraisal Program			3,670

County Trustee's Office

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		49,586	
Overtime Pay		3,272	
Other Salaries and Wages		8,589	
Social Security		8,745	
State Retirement		7,750	
Data Processing Services		6,942	
Dues and Memberships		497	
Legal Notices, Recording, and Court Costs		83	
Maintenance and Repair Services - Office Equipment		6,343	
Postal Charges		3,989	
Printing, Stationery, and Forms		1,132	
Office Supplies		385	
Premiums on Corporate Surety Bonds		3,955	
Data Processing Equipment		4,375	
Office Equipment		1,060	
Total County Trustee's Office			164,454

County Clerk's Office

Deputy(ies)	\$	766	
-------------	----	-----	--

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Overtime Pay	\$	1,100	
Social Security		13,998	
State Retirement		11,787	
Maintenance and Repair Services - Office Equipment		2,045	
Postal Charges		2,999	
Printing, Stationery, and Forms		428	
Office Supplies		1,564	
Other Supplies and Materials		2,740	
Premiums on Corporate Surety Bonds		750	
Office Equipment		773	
Total County Clerk's Office			\$ 38,950

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		144,329	
Overtime Pay		3,000	
Jury and Witness Expense		6,116	
Social Security		14,737	
State Retirement		11,638	
Dues and Memberships		457	
Legal Notices, Recording, and Court Costs		158	
Maintenance and Repair Services - Equipment		780	
Postal Charges		3,108	
Printing, Stationery, and Forms		5,414	
Travel		1,157	
Other Contracted Services		8,909	
Office Supplies		5,274	
Premiums on Corporate Surety Bonds		1,050	
Other Charges		836	
Data Processing Equipment		13,283	
Office Equipment		1,989	
Total Circuit Court			279,986

General Sessions Court

Judge(s)	\$	89,422	
Social Security		6,841	
State Retirement		5,848	
Dues and Memberships		90	
Printing, Stationery, and Forms		235	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Travel	\$	950	
Other Contracted Services		1,950	
Office Supplies		15	
Total General Sessions Court			\$ 105,351

Chancery Court

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		27,580	
Temporary Personnel		15,330	
Social Security		7,584	
State Retirement		6,076	
Dues and Memberships		457	
Legal Notices, Recording, and Court Costs		226	
Postal Charges		1,478	
Printing, Stationery, and Forms		1,492	
Travel		419	
Other Contracted Services		79	
Office Supplies		939	
Premiums on Corporate Surety Bonds		275	
Office Equipment		385	
Total Chancery Court			120,071

Juvenile Court

Youth Service Officer(s)	\$	27,987	
Social Security		2,034	
State Retirement		1,830	
Contracts with Government Agencies		900	
Dues and Memberships		225	
Postal Charges		44	
Printing, Stationery, and Forms		352	
Travel		262	
Office Supplies		369	
Other Supplies and Materials		222	
Office Equipment		746	
Total Juvenile Court			34,971

Judicial Commissioners

County Official/Administrative Officer	\$	13,842	
Assistant(s)		895	
Other Salaries and Wages		60	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Judicial Commissioners (Cont.)

Social Security	\$	1,132	
State Retirement		110	
Total Judicial Commissioners			\$ 16,039

Probation Services

Probation Officer(s)	\$	73,815	
Overtime Pay		599	
Social Security		5,024	
State Retirement		4,867	
Evaluation and Testing		2,443	
Postal Charges		100	
Printing, Stationery, and Forms		171	
Office Supplies		712	
Premiums on Corporate Surety Bonds		100	
Office Equipment		418	
Total Probation Services			88,249

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	63,527	
Deputy(ies)		831,761	
Salary Supplements		14,400	
Clerical Personnel		25,334	
Overtime Pay		13,281	
Other Salaries and Wages		40,650	
In-Service Training		7,330	
Social Security		73,442	
State Retirement		62,808	
Contracts with Private Agencies		5,680	
Confidential Drug Enforcement Payments		4,185	
Maintenance and Repair Services - Equipment		1,504	
Maintenance and Repair Services - Vehicles		33,611	
Travel		8,165	
Gasoline		73,189	
Lubricants		1,969	
Office Supplies		7,347	
Tires and Tubes		5,289	
Uniforms		7,179	
Premiums on Corporate Surety Bonds		2,625	
Law Enforcement Equipment		18,536	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Motor Vehicles	\$ 94,618	
Office Equipment	2,009	
Total Sheriff's Department		\$ 1,398,439

Administration of the Sexual Offender Registry

Contracts with Government Agencies	\$ 100	
Law Enforcement Equipment	4,120	
Total Administration of the Sexual Offender Registry		4,220

Jail

County Official/Administrative Officer	\$ 29,994	
Accountants/Bookkeepers	28,038	
Medical Personnel	19,946	
Dispatchers/Radio Operators	163,189	
Guards	417,396	
Cafeteria Personnel	49,605	
Overtime Pay	8,106	
Other Salaries and Wages	34,991	
Social Security	55,969	
State Retirement	41,946	
Medical and Dental Services	155,339	
Travel	5,173	
Custodial Supplies	15,947	
Food Supplies	100,063	
Office Supplies	2,618	
Uniforms	3,220	
Other Supplies and Materials	8,486	
Communication Equipment	3,124	
Data Processing Equipment	12,512	
Law Enforcement Equipment	16,566	
Office Equipment	4,000	
Other Equipment	10,937	
Total Jail		1,187,165

Workhouse

Truck Drivers	\$ 20,446	
Guards	22,074	
Social Security	3,157	
State Retirement	2,626	
Maintenance and Repair Services - Vehicles	536	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Workhouse (Cont.)

Instructional Supplies and Materials	\$	11,651	
Other Charges		2,467	
Motor Vehicles		2,500	
Other Equipment		6,865	
Total Workhouse			\$ 72,322

Fire Prevention and Control

Contributions	\$	1,500	
Maintenance and Repair Services - Vehicles		2,551	
Diesel Fuel		865	
Total Fire Prevention and Control			4,916

Rural Fire Protection

Other Salaries and Wages	\$	10,650	
Contributions		2,500	
Maintenance Agreements		2,500	
Total Rural Fire Protection			15,650

Civil Defense

Supervisor/Director	\$	5,898	
Social Security		451	
Maintenance and Repair Services - Vehicles		738	
Gasoline		672	
Office Supplies		99	
Utilities		4,145	
Building Improvements		381	
Other Equipment		1,200	
Total Civil Defense			13,584

Rescue Squad

Other Salaries and Wages	\$	5,000	
Maintenance and Repair Services - Vehicles		951	
Gasoline		676	
Other Equipment		863	
Total Rescue Squad			7,490

Disaster Relief

Other Salaries and Wages	\$	2,500	
In-Service Training		256	
Maintenance and Repair Services - Buildings		291	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Disaster Relief (Cont.)

Maintenance and Repair Services - Vehicles	\$	2,537	
Gasoline		429	
Utilities		2,615	
Motor Vehicles		2,705	
Other Equipment		1,557	
Total Disaster Relief			\$ 12,890

Other Emergency Management

In-Service Training	\$	800	
Maintenance and Repair Services - Equipment		207	
Maintenance and Repair Services - Vehicles		1,278	
Other Contracted Services		35	
Gasoline		537	
Utilities		1,361	
Other Equipment		8,454	
Total Other Emergency Management			12,672

County Coroner/Medical Examiner

Medical Personnel	\$	1,400	
Medical and Dental Services		22,985	
Premiums on Corporate Surety Bonds		100	
Total County Coroner/Medical Examiner			24,485

Other Public Safety

Maintenance Personnel	\$	2,930	
In-Service Training		2,164	
Maintenance and Repair Services - Buildings		1,415	
Maintenance and Repair Services - Equipment		1,478	
Road Signs		3,635	
Other Equipment		2,886	
Total Other Public Safety			14,508

Public Health and Welfare

Local Health Center

Janitorial Services	\$	6,000	
Maintenance and Repair Services - Buildings		2,196	
Custodial Supplies		202	
Drugs and Medical Supplies		716	
Office Supplies		976	
Utilities		11,122	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Other Supplies and Materials	\$ 93	
Total Local Health Center		\$ 21,305

Rabies and Animal Control

Utilities	\$ 1,236	
Motor Vehicles	12,533	
Site Development	24,341	
Total Rabies and Animal Control		38,110

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 48,204	
Accountants/Bookkeepers	29,453	
Medical Personnel	573,628	
Dispatchers/Radio Operators	158,424	
Overtime Pay	309,281	
Social Security	82,836	
State Retirement	60,738	
Data Processing Services	4,567	
Dues and Memberships	460	
Laundry Service	5,142	
Operating Lease Payments	11,760	
Licenses	2,518	
Maintenance and Repair Services - Buildings	5,879	
Maintenance and Repair Services - Vehicles	34,761	
Postal Charges	1,088	
Travel	857	
Other Contracted Services	21,515	
Custodial Supplies	3,130	
Drugs and Medical Supplies	56,159	
Gasoline	45,534	
Instructional Supplies and Materials	5,251	
Office Supplies	15,277	
Tires and Tubes	1,825	
Uniforms	8,305	
Utilities	46,616	
Premiums on Corporate Surety Bonds	170	
Communication Equipment	4,109	
Motor Vehicles	105,880	
Other Equipment	20,243	
Total Ambulance/Emergency Medical Services		1,663,610

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Crippled Children Services

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

Other Local Health Services

Social Workers	\$ 30,687	
Part-time Personnel	3,703	
Social Security	2,577	
State Retirement	2,007	
Travel	1,745	
Total Other Local Health Services		40,719

Regional Mental Health Center

Contributions	\$ 5,965	
Total Regional Mental Health Center		5,965

Appropriation to State

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

Other Local Welfare Services

Temporary Personnel	\$ 42,271	
Social Security	2,929	
Pauper Burials	700	
Drugs and Medical Supplies	800	
Utilities	9,768	
Total Other Local Welfare Services		56,468

Sanitation Education/Information

Overtime Pay	\$ 233	
Social Security	16	
State Retirement	15	
Other Charges	5,860	
Total Sanitation Education/Information		6,124

Social, Cultural, and Recreational Services

Adult Activities

Matching Share	\$ 6,000	
Total Adult Activities		6,000

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Senior Citizens Assistance

Contributions	\$	7,500	
Other Charges		1,564	
Total Senior Citizens Assistance			\$ 9,064

Libraries

Supervisor/Director	\$	24,551	
Librarians		10,119	
Clerical Personnel		38,972	
Custodial Personnel		4,368	
Social Security		5,907	
State Retirement		2,763	
Communication		4,085	
Maintenance and Repair Services - Buildings		384	
Postal Charges		800	
Printing, Stationery, and Forms		237	
Library Books/Media		3,822	
Office Supplies		299	
Utilities		14,134	
Other Supplies and Materials		951	
Data Processing Equipment		1,863	
Office Equipment		448	
Total Libraries			113,703

Parks and Fair Boards

Contributions	\$	16,183	
Site Development		217,982	
Total Parks and Fair Boards			234,165

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	28,303	
Secretary(ies)		7,082	
Custodial Personnel		487	
Social Security		32	
State Retirement		6,258	
Maintenance and Repair Services - Buildings		987	
Utilities		4,115	
Total Agriculture Extension Service			47,264

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Soil Conservation

Contributions	\$ 22,000	
Total Soil Conservation		\$ 22,000

Other Operations

Tourism

Dues and Memberships	\$ 35	
Other Supplies and Materials	3,475	
Total Tourism		3,510

Industrial Development

Consultants	\$ 19,039	
Contributions	7,000	
Legal Services	418	
Legal Notices, Recording, and Court Costs	41	
Other Construction	125,658	
Total Industrial Development		152,156

Veterans' Services

Supervisor/Director	\$ 18,931	
Social Security	1,448	
State Retirement	1,238	
Dues and Memberships	81	
Travel	808	
Office Supplies	391	
Total Veterans' Services		22,897

Other Charges

Employee and Dependent Insurance	\$ 273,137	
Liability Insurance	132,783	
Trustee's Commission	99,840	
Workers' Compensation Insurance	172,004	
Total Other Charges		677,764

Contributions to Other Agencies

Maintenance and Repair Services - Buildings	\$ 2,516	
Matching Share	11,287	
Gasoline	8,500	
Total Contributions to Other Agencies		22,303

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits

Unemployment Compensation	\$ 24,190	
Total Employee Benefits		\$ 24,190

ARRA Grant # 1

Instructional Supplies and Materials	\$ 10,878	
Other Charges	4,938	
Total ARRA Grant # 1		15,816

ARRA Grant # 2

Consultants	\$ 1,500	
Total ARRA Grant # 2		1,500

ARRA Grant # 3

Other Equipment	\$ 17,563	
Total ARRA Grant # 3		17,563

Miscellaneous

Dues and Memberships	\$ 5,362	
Total Miscellaneous		5,362

Instruction

Vocational Education Program

Contracts with Government Agencies	\$ 14,964	
Total Vocational Education Program		14,964

Support Services

Other Programs

Travel	\$ 486	
Other Supplies and Materials	1,327	
Other Charges	595	
Total Other Programs		2,408

Capital Projects

General Administration Projects

Consultants	\$ 23,820	
Legal Notices, Recording, and Court Costs	208	
Total General Administration Projects		24,028

Highway and Street Capital Projects

Road Signs	\$ 10,000	
------------	-----------	--

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Capital Projects (Cont.)

Highway and Street Capital Projects (Cont.)

Bridge Construction	\$	578	
Highway Equipment		135,000	
Total Highway and Street Capital Projects			\$ 145,578

Total General Fund \$ 8,224,310

Courthouse and Jail Maintenance Fund

General Government

County Buildings

Maintenance and Repair Services - Buildings	\$	35,875	
Trustee's Commission		47	
Other Equipment		9,975	
Total County Buildings			\$ 45,897

Total Courthouse and Jail Maintenance Fund 45,897

Public Library Fund

Social, Cultural, and Recreational Services

Libraries

Audit Services	\$	1,000	
Dues and Memberships		50	
Maintenance and Repair Services - Buildings		3,276	
Library Books/Media		7,072	
Office Supplies		71	
Other Charges		1,583	
Furniture and Fixtures		5,005	
Total Libraries			\$ 18,057

Total Public Library Fund 18,057

Solid Waste/Sanitation Fund

Public Health and Welfare

Transfer Stations

Accountants/Bookkeepers	\$	34,195	
Equipment Operators - Heavy		63,888	
Overtime Pay		2,563	
Social Security		7,334	
State Retirement		4,909	
Employee and Dependent Insurance		9,174	
Maintenance and Repair Services - Vehicles		9,978	

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Transfer Stations (Cont.)

Travel	\$ 1,100	
Contracts for Landfill Facilities	52,454	
Custodial Supplies	782	
Gasoline	13,013	
Office Supplies	1,607	
Utilities	5,780	
Other Supplies and Materials	4,911	
Premiums on Corporate Surety Bonds	100	
Trustee's Commission	3,021	
Landfill Closure/Postclosure Care Costs	9,021	
Total Transfer Stations		<u>\$ 223,830</u>

Total Solid Waste/Sanitation Fund \$ 223,830

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$ 1,000	
Remittance of Revenue Collected	4,800	
Refunds	2,440	
Trustee's Commission	129	
Law Enforcement Equipment	14,810	
Total Drug Enforcement		<u>\$ 23,179</u>

Total Drug Control Fund 23,179

Constitutional Officers - Fees Fund

Finance

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 184,590	
Total County Clerk's Office		\$ 184,590

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$ 14,570	
Total Chancery Court		<u>14,570</u>

Total Constitutional Officers - Fees Fund 199,160

(Continued)

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	63,527	
Secretary(ies)		44,193	
Overtime Pay		1,217	
Advertising		1,422	
Data Processing Services		5,208	
Dues and Memberships		2,366	
Evaluation and Testing		1,437	
Postal Charges		264	
Printing, Stationery, and Forms		414	
Travel		1,038	
Office Supplies		2,550	
Other Charges		2,314	
Data Processing Equipment		1,901	
Total Administration			\$ 127,851

Highway and Bridge Maintenance

Equipment Operators	\$	165,168	
Truck Drivers		177,909	
Laborers		129,306	
Overtime Pay		7,947	
Rentals		29	
Other Contracted Services		2,662	
Asphalt		18,862	
Asphalt - Cold Mix		54,319	
Concrete		2,608	
Crushed Stone		222,721	
Diesel Fuel		134,720	
Ice		40	
Pipe - Metal		68,693	
Road Signs		1,065	
Salt		3,098	
Small Tools		1,320	
Wood Products		2,868	
Other Supplies and Materials		2,434	
Other Charges		164	
Total Highway and Bridge Maintenance			995,933

Operation and Maintenance of Equipment

Mechanic(s)	\$	45,551	
Overtime Pay		1,310	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Freight Expenses	\$	37	
Maintenance and Repair Services - Equipment		2,092	
Tow-in Services		370	
Other Contracted Services		19,751	
Equipment and Machinery Parts		68,393	
Garage Supplies		5,596	
Gasoline		26,582	
Lubricants		16,882	
Small Tools		1,936	
Tires and Tubes		24,056	
Wood Products		9	
Total Operation and Maintenance of Equipment	\$		212,565

Other Charges

Communication	\$	10,436	
Pest Control		95	
Electricity		4,623	
Water and Sewer		283	
Liability Insurance		70,008	
Premiums on Corporate Surety Bonds		350	
Trustee's Commission		22,313	
Liability Claims		978	
Total Other Charges			109,086

Employee Benefits

Social Security	\$	41,080	
State Retirement		37,671	
Medical Insurance		31,799	
Unemployment Compensation		5,817	
Employer Medicare		9,608	
Workers' Compensation Insurance		41,585	
Total Employee Benefits			167,560

Capital Outlay

Engineering Services	\$	6,058	
General Construction Materials		1,809	
Highway Construction		2,942,504	
Highway Equipment		45,429	
State Aid Projects		460,173	
Other Capital Outlay		13,206	
Total Capital Outlay			3,469,179

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Capital Projects

Highway and Street Capital Projects

Equipment Operators	\$	6,832	
Truck Drivers		2,771	
Clerical Personnel		2,291	
Overtime Pay		14,557	
Freight Expenses		2,350	
Rentals		5,800	
Other Contracted Services		83,998	
Concrete		4,360	
Crushed Stone		98,515	
Office Supplies		850	
Pipe - Metal		4,350	
Road Signs		2,465	
Other Supplies and Materials		235	
Total Highway and Street Capital Projects			<u>\$ 229,374</u>

Total Highway/Public Works Fund \$ 5,311,548

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$	14,215	
Principal on Other Loans		449,445	
Total General Government			\$ 463,660

Education

Principal on Notes	\$	784,764	
Total Education			784,764

Interest on Debt

General Government

Interest on Other Loans	\$	24,792	
Total General Government			24,792

Education

Interest on Notes	\$	53,961	
Total Education			53,961

Other Debt Service

General Government

Trustee's Commission	\$	10,127	
----------------------	----	--------	--

(Continued)

Exhibit J-7

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

<u>General Debt Service Fund (Cont.)</u>			
<u>Other Debt Service (Cont.)</u>			
<u>General Government (Cont.)</u>			
Other Debt Service	\$	<u>27,650</u>	
Total General Government			\$ <u>37,777</u>
Total General Debt Service Fund			\$ <u>1,364,954</u>
Total Governmental Funds - Primary Government			\$ <u>15,410,935</u>

Exhibit J-8

Macon County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Macon County School Department
For the Year Ended June 30, 2010

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 8,038,171	
Career Ladder Program	96,534	
Career Ladder Extended Contracts	15,290	
Homebound Teachers	26,981	
Educational Assistants	333,115	
Other Salaries and Wages	10,000	
Certified Substitute Teachers	63,120	
Non-certified Substitute Teachers	84,711	
Social Security	498,858	
State Retirement	536,576	
Life Insurance	5,647	
Medical Insurance	923,322	
Unemployment Compensation	9,079	
Employer Medicare	117,027	
Other Fringe Benefits	49,902	
Contracts with Private Agencies	56,671	
Maintenance and Repair Services - Equipment	80,630	
Instructional Supplies and Materials	112,732	
Textbooks	312,232	
Fee Waivers	19,228	
Other Charges	1,060	
Regular Instruction Equipment	234,161	
Total Regular Instruction Program		\$ 11,625,047

Alternative Instruction Program

Teachers	\$ 132,405	
Career Ladder Program	3,000	
Educational Assistants	12,091	
Certified Substitute Teachers	3,360	
Non-certified Substitute Teachers	459	
Social Security	8,681	
State Retirement	8,693	
Life Insurance	83	
Medical Insurance	14,726	
Unemployment Compensation	150	
Employer Medicare	2,031	
Instructional Supplies and Materials	1,000	
Total Alternative Instruction Program		186,679

(Continued)

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program

Teachers	\$ 820,198	
Career Ladder Program	7,977	
Homebound Teachers	8,980	
Educational Assistants	95,754	
Speech Pathologist	40,562	
Certified Substitute Teachers	1,960	
Non-certified Substitute Teachers	14,102	
Social Security	54,970	
State Retirement	57,372	
Life Insurance	590	
Medical Insurance	103,256	
Unemployment Compensation	1,289	
Employer Medicare	13,369	
Other Fringe Benefits	30,390	
Maintenance and Repair Services - Equipment	1,952	
Other Contracted Services	139,155	
Instructional Supplies and Materials	7,157	
Other Supplies and Materials	1,734	
Special Education Equipment	2,085	
Total Special Education Program		\$ 1,402,852

Vocational Education Program

Teachers	\$ 394,416	
Career Ladder Program	3,000	
Certified Substitute Teachers	4,240	
Non-certified Substitute Teachers	3,009	
Social Security	23,432	
State Retirement	24,886	
Life Insurance	290	
Medical Insurance	34,545	
Unemployment Compensation	510	
Employer Medicare	5,522	
Contracts with Other School Systems	356,770	
Instructional Supplies and Materials	13,976	
Vocational Instruction Equipment	3,703	
Total Vocational Education Program		868,299

Adult Education Program

Teachers	\$ 12,140	
----------	-----------	--

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Adult Education Program (Cont.)

Social Security	\$	344	
State Retirement		363	
Unemployment Compensation		70	
Employer Medicare		176	
Other Supplies and Materials		3,135	
Total Adult Education Program			\$ 16,228

Support Services

Attendance

Supervisor/Director	\$	59,328	
Career Ladder Program		1,000	
Social Security		3,568	
State Retirement		3,873	
Life Insurance		16	
Medical Insurance		4,525	
Unemployment Compensation		105	
Employer Medicare		835	
Contracts with Private Agencies		9,184	
Travel		932	
Other Supplies and Materials		3,003	
Attendance Equipment		4,490	
Total Attendance			90,859

Health Services

Supervisor/Director	\$	62,378	
Medical Personnel		92,372	
Other Salaries and Wages		31,776	
Social Security		10,779	
State Retirement		11,858	
Unemployment Compensation		321	
Employer Medicare		2,522	
Other Fringe Benefits		15,641	
Communication		1,200	
Travel		8,666	
Drugs and Medical Supplies		5,387	
Other Supplies and Materials		3,027	
Other Charges		11,336	
Total Health Services			257,263

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support

Career Ladder Program	\$	6,000	
Guidance Personnel		336,443	
Social Security		19,466	
State Retirement		21,985	
Life Insurance		195	
Medical Insurance		41,008	
Unemployment Compensation		247	
Employer Medicare		4,553	
Contracts with Government Agencies		111,904	
Evaluation and Testing		27,562	
Other Contracted Services		25,298	
Other Supplies and Materials		168	
Total Other Student Support			\$ 594,829

Regular Instruction Program

Supervisor/Director	\$	63,795	
Career Ladder Program		12,380	
Career Ladder Extended Contracts		6,000	
Librarians		310,226	
Instructional Computer Personnel		65,334	
Clerical Personnel		18,526	
Other Salaries and Wages		77,187	
In-Service Training		6,625	
Social Security		33,388	
State Retirement		34,933	
Life Insurance		284	
Medical Insurance		24,213	
Unemployment Compensation		426	
Employer Medicare		7,808	
Other Fringe Benefits		2,649	
Travel		8,403	
Library Books/Media		24,923	
Other Supplies and Materials		21,414	
In Service/Staff Development		489	
Other Charges		5,000	
Other Equipment		22,305	
Total Regular Instruction Program			746,308

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Alternative Instruction Program

Supervisor/Director	\$	26,916	
Unemployment Compensation		106	
Employer Medicare		390	
Travel		796	
Total Alternative Instruction Program			\$ 28,208

Special Education Program

Supervisor/Director	\$	63,406	
Career Ladder Program		4,000	
Psychological Personnel		55,345	
Assessment Personnel		48,545	
Clerical Personnel		22,774	
Social Security		11,161	
State Retirement		12,564	
Life Insurance		80	
Medical Insurance		16,736	
Unemployment Compensation		144	
Employer Medicare		2,606	
Other Fringe Benefits		2,649	
Travel		7,339	
Other Contracted Services		70	
In Service/Staff Development		13,010	
Total Special Education Program			260,429

Vocational Education Program

Other Salaries and Wages	\$	16,380	
Unemployment Compensation		98	
Employer Medicare		238	
Travel		3,919	
Other Supplies and Materials		1,715	
Total Vocational Education Program			22,350

Adult Programs

Supervisor/Director	\$	54,840	
Clerical Personnel		18,233	
Social Security		3,579	
State Retirement		4,060	
Life Insurance		27	
Medical Insurance		7,951	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs (Cont.)

Unemployment Compensation	\$	159	
Employer Medicare		965	
Travel		897	
Other Supplies and Materials		171	
Other Charges		400	
Other Equipment		555	
Total Adult Programs			\$ 91,837

Other Programs

On-Behalf Payments to OPEB	\$	90,612	
Total Other Programs			90,612

Board of Education

Other Salaries and Wages	\$	1,175	
Board and Committee Members Fees		11,300	
Social Security		750	
Employer Medicare		180	
Payments to Retirees		12,720	
Audit Services		5,300	
Dues and Memberships		16,224	
Legal Services		5,109	
Travel		4,877	
Trustee's Commission		102,081	
Workers' Compensation Insurance		109,914	
Refund to Applicant for Criminal Investigation		2,352	
Other Charges		30,770	
Total Board of Education			302,752

Director of Schools

County Official/Administrative Officer	\$	98,383	
Social Security		5,570	
State Retirement		5,357	
Life Insurance		26	
Medical Insurance		10,380	
Unemployment Compensation		121	
Employer Medicare		1,404	
Other Fringe Benefits		367	
Communication		16,079	
Dues and Memberships		2,601	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Postal Charges	\$	4,908	
Travel		2,067	
Other Contracted Services		2,875	
Office Supplies		5,916	
Administration Equipment		3,499	
Total Director of Schools			\$ 159,553

Office of the Principal

Principals	\$	460,850	
Career Ladder Program		7,916	
Accountants/Bookkeepers		119,142	
Assistant Principals		202,035	
Clerical Personnel		204,810	
Social Security		58,629	
State Retirement		58,363	
Life Insurance		285	
Medical Insurance		56,974	
Unemployment Compensation		1,108	
Employer Medicare		13,712	
Other Fringe Benefits		19,527	
Communication		2,185	
Travel		48	
Total Office of the Principal			1,205,584

Fiscal Services

Accountants/Bookkeepers	\$	84,493	
Clerical Personnel		99,447	
Social Security		10,221	
State Retirement		11,239	
Unemployment Compensation		237	
Employer Medicare		2,390	
Other Fringe Benefits		10,343	
Data Processing Services		8,420	
Travel		675	
Other Contracted Services		2,236	
Data Processing Supplies		962	
Office Supplies		697	
Total Fiscal Services			231,360

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant

Custodial Personnel	\$ 517,810	
Other Salaries and Wages	15,477	
Social Security	32,281	
State Retirement	30,167	
Unemployment Compensation	984	
Employer Medicare	7,554	
Other Fringe Benefits	45,231	
Disposal Fees	19,091	
Custodial Supplies	117,056	
Electricity	615,377	
Natural Gas	130,645	
Propane Gas	24,019	
Water and Sewer	80,335	
Other Supplies and Materials	4,127	
Building and Contents Insurance	148,139	
Total Operation of Plant		\$ 1,788,293

Maintenance of Plant

Supervisor/Director	\$ 37,041	
Clerical Personnel	22,826	
Maintenance Personnel	164,932	
Social Security	13,104	
State Retirement	12,011	
Unemployment Compensation	304	
Employer Medicare	3,065	
Other Fringe Benefits	21,192	
Travel	3,068	
Other Contracted Services	51,510	
Other Supplies and Materials	130,185	
Maintenance Equipment	3,330	
Total Maintenance of Plant		462,568

Transportation

Supervisor/Director	\$ 37,098
Mechanic(s)	128,215
Bus Drivers	497,472
Other Salaries and Wages	16,543
Social Security	41,299
State Retirement	33,800

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Unemployment Compensation	\$	1,377	
Employer Medicare		9,852	
Other Fringe Benefits		2,649	
Medical and Dental Services		4,782	
Travel		1,448	
Diesel Fuel		204,195	
Garage Supplies		22,442	
Lubricants		10,018	
Tires and Tubes		16,178	
Vehicle Parts		98,448	
Other Charges		12,470	
Transportation Equipment		192,265	
Total Transportation			\$ 1,330,551

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	26,442	
Cafeteria Personnel		1,363	
In-Service Training		1,423	
Social Security		1,810	
State Retirement		200	
Unemployment Compensation		40	
Employer Medicare		423	
Other Fringe Benefits		32,800	
Communication		655	
Payments to Schools - Breakfast		294,642	
Payments to Schools - Lunch		832,544	
Payments to Schools - Other USDA		11,401	
Travel		30	
USDA - Commodities		117,789	
Other Charges		1,510	
Food Service Equipment		5,732	
Total Food Service			1,328,804

Early Childhood Education

Teachers	\$	122,597	
Educational Assistants		40,106	
Non-certified Substitute Teachers		1,862	
Social Security		9,416	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

State Retirement	\$	10,409	
Life Insurance		86	
Medical Insurance		16,566	
Unemployment Compensation		238	
Employer Medicare		2,202	
Other Contracted Services		2,439	
Instructional Supplies and Materials		29,994	
In Service/Staff Development		5,898	
Other Equipment		18,000	
Total Early Childhood Education			\$ 259,813

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	76,726	
Other Capital Outlay		83,700	
Total Regular Capital Outlay			160,426

Principal on Debt

Education

Principal on Bonds	\$	455,000	
Total Education			455,000

Interest on Debt

Education

Interest on Bonds	\$	243,338	
Total Education			243,338

Other Debt Service

Education

Other Debt Service	\$	3,150	
Total Education			3,150

Total General Purpose School Fund \$ 24,212,992

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	58,010	
Educational Assistants		453,716	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Certified Substitute Teachers	\$	3,480	
Non-certified Substitute Teachers		5,355	
Social Security		30,034	
State Retirement		29,089	
Life Insurance		29	
Unemployment Compensation		2,834	
Employer Medicare		7,199	
Other Contracted Services		1,794	
Instructional Supplies and Materials		134,767	
Other Charges		551	
Regular Instruction Equipment		65,849	
Total Regular Instruction Program			\$ 792,707

Special Education Program

Teachers	\$	209,076	
Educational Assistants		398,233	
Other Salaries and Wages		53,447	
Social Security		38,846	
State Retirement		40,891	
Life Insurance		190	
Medical Insurance		30,534	
Unemployment Compensation		2,765	
Employer Medicare		9,085	
Maintenance and Repair Services - Equipment		10,281	
Other Contracted Services		147,656	
Instructional Supplies and Materials		53,076	
Other Supplies and Materials		12,585	
Special Education Equipment		21,641	
Total Special Education Program			1,028,306

Vocational Education Program

Instructional Supplies and Materials	\$	966	
Vocational Instruction Equipment		50,387	
Total Vocational Education Program			51,353

Support Services

Other Student Support

Other Salaries and Wages	\$	1,000	
Social Security		62	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

State Retirement	\$	64	
Employer Medicare		14	
Travel		15,451	
Other Charges		22,739	
Total Other Student Support			\$ 39,330

Regular Instruction Program

Supervisor/Director	\$	64,417	
Clerical Personnel		23,108	
Other Salaries and Wages		99,162	
In-Service Training		3,000	
Social Security		11,100	
State Retirement		12,206	
Life Insurance		79	
Medical Insurance		12,180	
Unemployment Compensation		331	
Employer Medicare		2,596	
Travel		45	
Other Supplies and Materials		1,685	
In Service/Staff Development		68,873	
Other Equipment		75,751	
Total Regular Instruction Program			374,533

Special Education Program

Other Salaries and Wages	\$	4,287	
Social Security		209	
State Retirement		275	
Life Insurance		2	
Medical Insurance		706	
Employer Medicare		49	
Maintenance and Repair Services - Equipment		1,426	
Travel		1,354	
Other Contracted Services		2,336	
Other Supplies and Materials		2,118	
In Service/Staff Development		24,963	
Total Special Education Program			37,725

Vocational Education Program

Travel	\$	363	
Total Vocational Education Program			363

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Transportation

Bus Drivers	\$	20,946	
Social Security		1,263	
State Retirement		1,370	
Unemployment Compensation		99	
Employer Medicare		296	
Contracts with Parents		3,291	
Total Transportation			<u>\$ 27,265</u>

Total School Federal Projects Fund \$ 2,351,582

Total Governmental Funds - Macon County School Department \$ 26,564,574

Exhibit J-9

Macon County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2010

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 1,486,292
Total Cash Receipts	<u>\$ 1,486,292</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,471,429
Trustee's Commission	14,863
Total Cash Disbursements	<u>\$ 1,486,292</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2009	<u>0</u>
 Cash Balance, June 30, 2010	 <u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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

February 23, 2011

Macon County Mayor and
Board of County Commissioners
Macon 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 Macon County, Tennessee, as of and for the year ended June 30, 2010, which collectively comprise Macon County's basic financial statements and have issued our report thereon dated February 23, 2011. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Macon County Emergency Communications District, which were not available from other auditors as of the date of this report. Our report includes 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 Macon County Library System's Public Library Fund (nonmajor special revenue fund) as described in our report on Macon County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Macon County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of

expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Macon County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Macon County's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting: 10.04(A,B), 10.05, 10.06(A-E), 10.07(B,C), 10.08, and 10.09. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

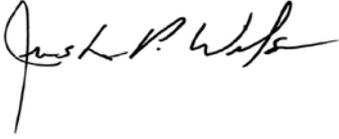
As part of obtaining reasonable assurance about whether Macon County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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: 10.01, 10.02, 10.03, 10.04(C), 10.06(F,G), and 10.7(A).

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

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

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

Very truly yours,

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

Justin P. Wilson
Comptroller of the Treasury

JPW/yu



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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

February 23, 2011

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Macon 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, 2010. Macon 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 Macon County's management. Our responsibility is to express an opinion on Macon 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 Macon 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 Macon County's compliance with those requirements.

In our opinion, Macon 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, 2010.

Internal Control Over Compliance

The management of Macon 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 Macon 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Macon County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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

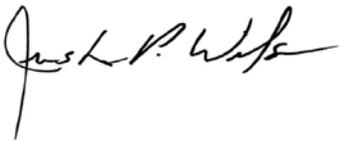
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Macon County as of and for the year ended June 30, 2010, and have issued our report thereon dated February 23, 2011. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Macon County Emergency Communications District, which were not available from other auditors as of the date of this report. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Macon 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.

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

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

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 extending downwards from the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

Macon County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2010

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Emergency Watershed Protection Program, Recovery Act	10.923	N/A	\$ 14,391
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	(2)	117,789 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	294,642
National School Lunch Program	10.555	(2)	832,544 (3)
Child Nutrition Discretionary Grants Limited Availability, Recovery Act	10.579	(2)	5,732
Fresh Fruit and Vegetable Program	10.582	(2)	9,084
Total U.S. Department of Agriculture			<u>\$ 1,274,182</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Housing Development Agency:			
Home Investment Partnerships Program	14.239	DG0924198	<u>\$ 144,697</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 144,697</u>
U.S. Department of Justice:			
Passed-through State Office of Criminal Justice Programs:			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories	16.803	(2)	<u>\$ 17,563</u>
Total U.S. Department of Justice			<u>\$ 17,563</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	(2)	\$ 71,357
Passed-through State Department of Education:			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	(2)	847,620
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	135,519
Special Education Cluster:			
Special Education - Grants to States	84.027	(2)	722,237
Special Education - Grants to States, Recovery Act	84.391	(2)	339,385
Special Education - Preschool Grants	84.173	(2)	26,465
Special Education - Preschool Grants, Recovery Act	84.392	(2)	15,701
Vocational Education - Basic Grants to States	84.048	(2)	68,307
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	17,815
Education Technology State Grants Cluster:			
Education Technology State Grants	84.318	(2)	14,881
Education Technology State Grants, Recovery Act	84.386	(2)	22,605
Improving Teacher Quality State Grants	84.367	(2)	161,850
State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	(2)	680,600
State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	(2)	182,679
Passed-through Wilson County School Department:			
English Language Acquisition Grants	84.365	(2)	10,576
Total U.S. Department of Education			<u>\$ 3,317,597</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services: Passed-through State Department of Health:			
The Affordable Care Act	93.521	(2)	\$ 15,816
ARRA - Grants to Health Center Programs	93.703	(2)	1,500
Total U.S. Department of Health and Human Services			\$ 17,316
Total Expenditures of Federal Grants			\$ 4,771,355

<u>State Grants</u>		Contract Number	
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 6,509
Juvenile Justice - State Commission on Children and Youth	N/A	Z09022878	9,090
Adult Education - State Department of Labor and Workforce Development	N/A	(2)	23,786
Energy Efficiency Schools Initiative Grant - State Department of Education	N/A	(2)	82,007
Early Childhood Education - Pilot/State - State Department of Education	N/A	(2)	259,813
Tennessee Three-Star Economic Development Grant - State Department of Economic and Community Development	N/A	(2)	561
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z08212960	15,735
Rural Health Services - State Department of Health	N/A	(4)	40,577
School Nurse Grant - State Department of Health	N/A	(2)	0
Litter Program - State Department of Transportation	N/A	Z09212774	55,486
Rural Systems Development Grant - State Department of Health	N/A	(2)	17,000
Total State Grants			\$ 510,564

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 for CFDA No. 10.555 is \$950,333.

(4) Z09213748: \$3,381; Z10219809: \$37,196.

Macon County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2010

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Macon County, Tennessee, for the year ended June 30, 2009, which have not been corrected.

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.02	168	All financial activity of the Macon County Library Board was not subject to the budgetary control of the County Commission

OFFICE OF CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.06(B)(C)	171	Deficiencies were noted in the maintenance of accounting records in Juvenile Court

OFFICE OF REGISTER

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.07	172	The office maintained a duplicate set of accounting records

OTHER FINDING

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.09	173	Duties were not segregated adequately in the Offices of County Mayor; Supervisor of Roads; County Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff

MACON COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2010

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Macon County disclosed significant deficiencies in internal control. None of these deficiencies was considered to be a material weakness.
3. The audit did not disclose any instances of noncompliance that are material to the financial statements of Macon 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 Title I Cluster: Title I Grants to Local Educational Agencies and Title I Grants to Local Educational Agencies, Recovery Act (CFDA Nos. 84.010 and 84.389); the Special Education Cluster: Special Education – Grants to States, Special Education – Grants to States, Recovery Act, Special Education – Preschool Grants, and Special Education – Preschool Grants, Recovery Act (CFDA Nos. 84.027, 84.391, 84.173, and 84.392); and the State Fiscal Stabilization Fund Cluster: State Fiscal Stabilization Fund – Education State Grants, Recovery Act and State Fiscal Stabilization Fund – Government Services, Recovery Act (CFDA Nos. 84.394 and 84.397) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Macon County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

OFFICE OF COUNTY MAYOR

FINDING 10.01 **ALL FINANCIAL ACTIVITY OF THE MACON COUNTY LIBRARY BOARD WAS NOT SUBJECT TO THE BUDGETARY CONTROL OF THE COUNTY COMMISSION**
(Noncompliance Under Government Auditing Standards)

The Macon County Library operated as a department within the county's General Fund. A significant portion of the library's expenditures was paid through the county's General Fund (\$113,703), which is subject to the budgetary control of the County Commission; however, the Library Board maintained four checking accounts to deposit various revenues and to pay certain operating expenses (\$18,057), which were not subject to the budgetary control of the County Commission. The balance of these four checking accounts totaled \$64,171 on June 30, 2010. Macon County did contract for an independent audit of the four checking accounts, and that financial activity has been included in the financial statements of this report as the Public Library Fund.

Section 5-9-401, Tennessee Code Annotated 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 failed to correct the finding noted in the prior-year audit report. This deficiency resulted in unauthorized expenditures.

RECOMMENDATION

The funds expended in the Library Board's checking accounts should be appropriated by the County Commission as required by state statute.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

The Library Board has been reluctant to close these checking accounts in question. I had previously discussed this problem with the chairman of the Library Board, and I convinced him that these accounts needed to be closed out and these funds channeled through the county's General Fund. However, the chairman contacted audit staff and was told that audit staff could not make the Library Board close the accounts even though it was the best thing to do. Audit staff informed the chairman that not closing the checking accounts would result in an audit finding each year since these funds are not appropriated by the County Commission. Therefore, the Library Board is willing to have a finding rather than close these accounts.

AUDITOR'S COMMENT

The County Commission should mandate that the Library Board close the checking accounts and require all library funds to be accounted for through the county's General Fund. All funds expended for library operations should be appropriated by the County Commission as required by state statute.

FINDING 10.02 **A REVENUE ANTICIPATION NOTE WAS NOT ISSUED IN COMPLIANCE WITH STATE STATUTE**
(Noncompliance Under Government Auditing Standards)

During the year, the Highway/Public Works Fund borrowed \$250,000 from the General Fund to provide cash for operations in anticipation of revenue collections. This loan was not approved by the state Comptroller's Office. Section 9-21-801, Tennessee Code Annotated, allows the County Commission to issue revenue anticipation notes with the approval of the state Comptroller's Office. Officials stated that this deficiency was caused in part by the lack of response time related to the flood.

RECOMMENDATION

Revenue anticipation notes should be approved by the state Comptroller's Office as required by state statute.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

After the flood in May 2010, Macon County had roads and bridges washed away. We had citizens that could not get out of their neighborhoods. This was an extreme emergency that required immediate action. Prior to this, my last experience with the Comptroller's Office took about two months for an approval on a simple refinance. Macon County had to act fast. There was no time to waste jumping through hoops. Our County Commissioners approved taking \$250,000 from the county's General Fund and giving it to the Highway Department to begin repairs with the provision that these funds be paid back from their first FEMA reimbursement. The Highway Department's first reimbursement from FEMA amounted to about \$312,000. The \$250,000 was reimbursed to the county's General Fund. This was a result of a flood disaster that called for immediate response, and under the same circumstances, I would do the same thing again.

AUDITOR'S COMMENT

In this emergency situation, the Comptroller's Office should have been contacted by telephone and preliminary approval could have been granted and the paperwork filed and approved at a later date.

**FINDING 10.03 THE CODES ENFORCEMENT OFFICE HAD DEFICIENCIES IN
COMPUTER SYSTEM BACKUP PROCEDURES**
(Noncompliance Under Government Auditing Standards)

Backups were not performed on a regular basis. Additionally, system backups were not stored off-site. Section 10-7-121, Tennessee Code Annotated, provides that records required to be retained by any government official may be maintained on a computer or removable storage media as long as certain standards are met. One of these standards requires that all data generated and stored within the computer system should be copied to storage media daily, and media more than one week old should be stored at an off-site location. 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. During the prior-audit period, we advised management of the importance of adequate disaster recovery planning procedures and management implemented proper procedures. However, during the current period, management chose to discontinue those procedures. When the importance of the procedures was again brought to management's attention in January 2010, they were resumed.

RECOMMENDATION

Management should ensure proper backup procedures are performed.

**FINDING 10.04 THE CODES ENFORCEMENT OFFICE DID NOT HAVE
ADEQUATE CONTROLS FOR ITS COMPUTER APPLICATION**
(A. and B. – Internal Control – Significant Deficiency Under
Government Auditing Standards; C. – Noncompliance Under
Government Auditing Standards)

The following deficiencies were identified:

- A. The application did not provide a record of changes to previously issued receipts and permits. Users had the capability to change information on receipts and permits, leaving no evidence of the original information.
- B. Permits and receipts could be deleted from the application, leaving no evidence of the original transaction.
- C. In-lieu-of using prenumbered receipt stock, the office generated receipts on plain paper. Because the software did not generate the receipt number, but instead allowed the user to assign the receipt number, duplicate receipt numbers could be assigned or a gap in receipt numbers could be created. This is a violation of Section 9-2-103, Tennessee Code Annotated, which provides for receipts to be prenumbered consecutively. In-lieu-of prenumbered receipts, computer-generated receipts may be printed on plain paper only if the receipt number is generated by the software and cannot be manipulated.

Sound business practices dictate that proper application controls be implemented. Because the vendor did not design the system with proper controls and management was not aware of the importance of these controls, inappropriate system activity could occur.

RECOMMENDATION

Management should contact the software vendor concerning the addition of controls to the permit application that would provide an audit trail for any changes to receipts or permits. The capability of deleting permits and receipts should be removed from the application. Instead, an option to void receipts that properly reflects receipt activity on the daily reports should be implemented. The application should assign receipt numbers that cannot be manipulated by the user. These controls would help to ensure the reliability and integrity of the information maintained by the system.

OFFICE OF SUPERVISOR OF ROADS

FINDING 10.05 **A TRUCK, EQUIPMENT, AND FUEL WERE STOLEN FROM THE HIGHWAY DEPARTMENT**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

On March 29, 2010, Highway Department employees discovered that a 1997 Dodge truck, 14 gallons of gasoline, 18 gallons of diesel fuel, and approximately 30 pieces of equipment were stolen from department property. The property has a chain link fence and gate adjacent to the road. Locks were cut on the gate, and the metal siding on the shop was peeled back to gain access to the truck and equipment. The keys to the truck had been left in the ignition. The lock was cut to turn on the fuel pumps. The truck was later found and returned to the Highway Department; however, the equipment and fuel were not found. Accounting standards provide that internal controls be designed to safeguard assets. The Macon County Sheriff's Office is investigating the theft. The Highway Department is in the process of filing a claim with their insurance carrier.

RECOMMENDATION

Management should continually review procedures for the storage of vehicles and equipment, periodically perform risk assessments to determine areas susceptible to theft, and implement procedures to mitigate those risks.

MANAGEMENT'S RESPONSE – SUPERVISOR OF ROADS

After the theft in March 2010, I authorized and installed a security system for the Highway Department building. I also instructed all employees to remove keys from vehicles when finished with the day's work.

OFFICE OF CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK

FINDING 10.06 **A CASH SHORTAGE OF \$576 EXISTED IN THE OFFICE OF JUVENILE COURT CLERK AT JUNE 30, 2010**
(A. through E. – Internal Control – Significant Deficiency Under Government Auditing Standards; F. and G. – Noncompliance Under Government Auditing Standards)

On December 15, 2010, employees of the juvenile court clerk notified us of a missing deposit from October 1, 2010, totaling \$173. We instructed the clerk to file a fraud reporting form with our office; however, the clerk did not file the form. On January 14, 2011, the clerk presented us with a bank bag containing \$173. The clerk stated that the bank bag was found in a desk earlier in the week. We counted the money, instructed the clerk to deposit the funds into the official bank account, and subsequently verified that the deposit was made. As a result of the above-noted missing deposit, we extended our testwork and requested certain deposit records from the clerk's bank. Our testwork revealed the following deficiencies:

- A. On September 2, 2009, receipts consisting of cash (\$454) and a check (\$122) were not deposited into the official bank account resulting in a cash shortage of \$576.
- B. Cash that should have been included in the September 19, 2009, deposit was removed and replaced with the missing check (\$122) from September 2, 2009.
- C. Bank reconciliations were not performed correctly or in a timely manner. The missing funds in parts A. and B. above were reflected as deposits in transit on the bank reconciliation through December 2010.
- D. Deposits were not made intact.
- E. During the year examined, the clerk posted short-term investment account activity to the general ledger; however, an investment ledger as of June 30, 2010, was not produced. Also, the clerk did not attempt to reconcile the bank statement balances of these short-term investment accounts with the investment ledger and general ledger controls. Sound business practices dictate that accounting records accurately reflect account activity. We confirmed the balances of the short-term investment accounts and determined the amounts had been properly presented in the financial statements of this report.
- F. The clerk did not deposit funds to the official bank account within three days of collection as required by Section 5-8-207, Tennessee Code Annotated (TCA).
- G. The clerk failed to file a fraud reporting form as required by Section 8-4-503, TCA.

These deficiencies were the result of a lack of management oversight and are considered a significant deficiency that increases the risk of fraud and abuse and the risk that errors will not be discovered and corrected in a timely manner.

This finding has been reviewed with the district attorney general.

The clerk liquidated the cash shortage of \$576 by depositing personal funds to the official bank account on February 23, 2011.

RECOMMENDATION

Bank reconciliations should be performed correctly and timely. Deposits should be made intact. Collections should be deposited within three days of collection as required by state statute. Investment ledgers should be prepared and reconciled with the general ledger and bank statements monthly. A public official with knowledge based upon available information that reasonably causes the public official to believe that unlawful conduct has occurred should report the information in a reasonable amount of time to the state Comptroller's Office on a fraud reporting form.

FINDING 10.07 **DEFICIENCIES WERE NOTED IN THE MAINTENANCE OF ACCOUNTING RECORDS**

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

Our examination of accounting records revealed the following deficiencies in the maintenance of accounting records in the Office of Circuit, General Sessions, and Juvenile Courts Clerk:

- A. At June 30, 2010, the circuit, general sessions, and juvenile courts clerk prepared execution docket trial balances as required by Section 18-2-103, Tennessee Code Annotated (TCA). However, these trial balances did not reconcile with the general ledgers. The clerk had unidentified balances of \$1,084, \$491, and \$8,089 in Circuit, General Sessions, and Juvenile Courts, respectively. Therefore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-110, TCA. This statute provides that any funds held by the courts for one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer's Office.
- B. The Office of Circuit, General Sessions, and Juvenile Courts Clerk maintain one cash drawer for each court; however, all employees in the office have access to each of the cash drawers. Good internal control procedures dictate that each employee should have their own cash drawer and be accountable for reconciling receipts issued with collections. The failure to have separate

cash drawers for each employee reduces the ability to reconcile receipts issued with cash collections by employee.

- C. Bank statements for general sessions and juvenile courts were not reconciled with month-end general ledger cash balances. Instead, bookkeepers reconciled bank statements as of the date the bank reconciliation was performed. The bank balances for June 30, 2010, were determined by alternative auditing procedures.

The deficiency noted in part A. existed because management failed to correct the finding noted in the prior-year audit report. The deficiencies noted in parts B. and C. were the result of a lack of management oversight.

RECOMMENDATION

The clerk should reconcile the trial balance of execution docket cause balances with general ledger accounts. To strengthen internal controls over cash collections, separate cash drawers should be maintained for each employee handling cash. Bank statements should be reconciled with the general ledger monthly.

OFFICE OF REGISTER

FINDING 10.08 **THE OFFICE MAINTAINED A DUPLICATE SET OF ACCOUNTING RECORDS**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The office maintained a complete set of manual and automated accounting records. Both manual and electronic records are often maintained when electronic records are first installed to ease implementation problems that might arise. However, once electronic records are fully functional, sound business practices dictate that the manual records be discontinued. Maintaining both manual and electronic records resulted in increased costs for operations. This deficiency exists due to the failure of management to correct the finding noted in the prior-year audit report.

RECOMMENDATION

The office should discontinue maintaining a duplicate set of accounting records. Accounting records should be maintained electronically, giving consideration to the costs associated with the acquisition, on-going maintenance of the computer system, and additional labor costs for maintaining manual accounting records.

OTHER FINDING AND RECOMMENDATION

FINDING 10.09 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY MAYOR; SUPERVISOR OF ROADS; COUNTY CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; CLERK AND MASTER; REGISTER; AND SHERIFF**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Offices of County Mayor; Supervisor of Roads; County Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff. Officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to provide reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this deficiency exists because management failed to correct this finding noted in the prior-year audit report.

RECOMMENDATION

Officials should segregate duties to the extent possible using available resources.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

Based on the availability of financial resources, the number of personnel in this office has been at the same level for several years. Due to current economic factors and other budgetary concerns, we do not foresee an increase in personnel in the immediate future. We will continue to perform and monitor procedures that enable us to perform office duties adequately without additional personnel.

MANAGEMENT'S RESPONSE – SUPERVISOR OF ROADS

Due to budget constraints, office personnel are limited; therefore, duties cannot be separately adequately.

AUDITOR'S COMMENT

We have not recommended hiring additional employees. We realize that due to limited resources and personnel, management may not be able to fully segregate duties among employees. However, our professional standards require that we bring this matter to your attention.

BEST PRACTICES

The Division of County Audit strongly believes that the items noted below are best practices that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Macon County.

ITEM 1. **MACON COUNTY SHOULD ADOPT A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING**

Macon County does not have a central system of accounting, budgeting, and purchasing. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort. The Division of County Audit strongly believes that the adoption of a central system of accounting, budgeting, and purchasing is a best practice and would significantly improve accountability and the quality of services provided to the citizens of Macon County. Therefore, we recommend the adoption of 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.

ITEM 2. **MACON COUNTY SHOULD ESTABLISH AN AUDIT COMMITTEE**

Macon County does not have an Audit Committee. Sound business practices dictate that establishing an Audit Committee would significantly improve management oversight and accountability. The absence of an Audit Committee has been a management decision by the County Commission. The Division of County Audit strongly believes that an Audit Committee is a best practice that should be adopted to assist the County Commission by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and being responsible for monitoring management's plans to address various risks.

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

There were no findings and questioned costs for federal awards.

**MACON COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2010**

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