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# ANNUAL FINANCIAL REPORT FAYETTE COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2011



**ANNUAL FINANCIAL REPORT**  
**FAYETTE COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2011**

*COMPTROLLER OF THE TREASURY*  
*JUSTIN P. WILSON*

*DIVISION OF COUNTY AUDIT*  
*JAMES R. ARNETTE*  
*Director*

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*ELISHA CROWELL, CFE*  
*State Auditors*

This financial report is available at [www.tn.gov/comptroller](http://www.tn.gov/comptroller)

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# ***Audit Highlights***

Annual Financial Report  
Fayette County, Tennessee  
For the Year Ended June 30, 2011

## ***Scope***

We have audited the basic financial statements of Fayette County as of and for the year ended June 30, 2011.

## ***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 11 findings and recommendations, which we have reviewed with Fayette County management. Detailed findings, recommendations, and management's responses are included in the Single Audit section of this report.

## ***Findings and Best Practice***

The following are summaries of the audit findings and best practice:

### **FAYETTE COUNTY AND FAYETTE COUNTY SCHOOL DEPARTMENT**

- ◆ Material audit adjustments were required for proper financial statement presentation.

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### **OFFICE OF COUNTY MAYOR**

- ◆ The Adequate Facilities Office did not deposit some funds within three days of collection.

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### **OFFICE OF DIRECTOR OF SCHOOLS**

- ◆ The General Purpose School and School Federal Projects funds had cash overdrafts at June 30, 2011.
- ◆ The School Federal Projects Fund had a fund deficit at June 30, 2011.
- ◆ Expenditures exceeded appropriations.
- ◆ The office had deficiencies in computer system backup procedures.
- ◆ A School Department employee falsely filed for and received \$3,739.99 of disability funds.

## **OFFICE OF TRUSTEE**

- ◆ The office had deficiencies in computer system backup procedures.
- 

## **OFFICES OF REGISTER AND SHERIFF**

- ◆ Multiple employees operated from the same cash drawer in the Offices of Register and Sheriff.
  - ◆ Duties were not segregated adequately in the Offices of Register and Sheriff.
- 

## **OTHER FINDING**

- ◆ Fayette County has a material recurring audit finding.
- 

## **BEST PRACTICE**

Fayette County does not have a central system of accounting, budgeting, and purchasing. The Division of County Audit strongly believes that a central system of accounting, budgeting, and purchasing is a best practice 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 Fayette County.

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# INTRODUCTORY SECTION

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# Fayette County Officials

## June 30, 2011

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### **Officials**

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

### **Board of County Commissioners**

Rhea Taylor, County Mayor, Chairman  
Ed Allen  
Joann Allen  
Steve Anderson  
Charles Brewer, Sr.  
Odis Cox  
Sissy Dowdle  
Willie German, Jr.  
Ronald Harris  
Reggie Howard

Judy Karcher  
Bill Kelley  
Terry Leggett  
David Lillard, Sr.  
Sylvester Logan  
Claude Oglesby, Jr.  
Steve Reeves  
Ray Seals  
Larry Watkins  
Myles Wilson

### **Board of Education**

Robert Redditt, Chairman  
David Barnes  
Linda Barton  
Patricia Burnette  
Ronnie McCarty

Byron O'Brien  
Evangeline Shaw  
Sally Spencer  
Marandy Wilkerson

### **Board of Public Works**

Hank Franck, Chairman  
Andrew Avery  
Jimmy Jordan

Wesley Parks  
Russell Wicker

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## **FINANCIAL SECTION**

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

**INDEPENDENT AUDITOR'S REPORT**

November 4, 2011

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fayette County, Tennessee, as of and for the year ended June 30, 2011, which collectively comprise Fayette County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Fayette County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements of the Fayette County Emergency Communications District, 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 Fayette County Emergency Communications District, which should be included to conform

with accounting principles generally accepted in the United States of America. The effects on the financial statements 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 Fayette 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 Fayette County, Tennessee, as of June 30, 2011, and the results of operations of the aggregate discretely presented component units, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, 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 Fayette County, Tennessee, as of June 30, 2011, 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 November 4, 2011, on our consideration of Fayette County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As described in Note V.B., Fayette County has adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which became effective for the year ended June 30, 2011.

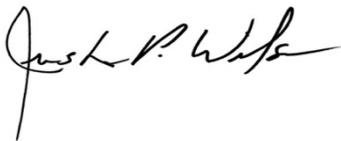
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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 60 through 65 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 Fayette County's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Fayette County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Fayette County School Department (a discretely presented component unit), and the miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury

JPW/yu

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Fayette County, Tennessee  
Statement of Net Assets  
June 30, 2011

	Primary Government Governmental Activities	Component Unit Fayette County School Department
<u>ASSETS</u>		
Cash	\$ 38,574	\$ 0
Equity in Pooled Cash and Investments	5,243,609	536,769
Accounts Receivable	1,278,053	4,929
Allowance for Uncollectible	(667,203)	0
Due from Other Governments	536,137	2,457,965
Property Taxes Receivable	8,399,110	6,818,743
Allowance for Uncollectible Property Taxes	(405,623)	(329,301)
Prepaid Items	0	30,623
Cash Shortage	0	17,130
Deferred Charges - Debt Issuance Costs	164,213	0
Capital Assets:		
Assets Not Depreciated:		
Land	1,826,337	359,607
Assets Net of Accumulated Depreciation:		
Land Improvements	0	1,978
Buildings and Improvements	14,948,160	10,274,856
Infrastructure	24,564,980	0
Other Capital Assets	3,413,697	2,124,546
Total Assets	<u>\$ 59,340,044</u>	<u>\$ 22,297,845</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 0	\$ 114,237
Accrued Payroll	0	178,239
Payroll Deductions Payable	60,923	55,671
Contracts Payable	308,557	8,500
Accrued Interest Payable	250,526	13,348
Cash Overdraft	0	690,483
Deferred Revenue - Current Property Taxes	7,713,147	6,261,851
Noncurrent Liabilities:		
Due Within One Year	1,586,494	443,083
Due in More Than One Year (net of unamortized discounts on debt)	21,433,149	1,253,742
Total Liabilities	<u>\$ 31,352,796</u>	<u>\$ 9,019,154</u>

(Continued)

Exhibit A

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

	Primary Government <u>Governmental Activities</u>	<u>Component Unit Fayette County School Department</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 32,540,397	\$ 11,727,414
Restricted for:		
Capital Projects	141,400	7,618
Debt Service	1,375,761	0
Highway/Public Works	2,023,154	0
Adequate Facilities Development	117,554	0
Solid Waste/Sanitation	125,554	0
Drug Control	184,139	0
Computer Systems	140,747	0
Jail Construction	119,318	0
Food Service	0	677,002
Drug Treatment	78,887	0
Other Purposes	85,343	22,923
Unrestricted	<u>(8,945,006)</u>	<u>843,734</u>
Total Net Assets	<u>\$ 27,987,248</u>	<u>\$ 13,278,691</u>

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

Fayette County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2011

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 Total	Component Unit Fayette County School Department
Primary Government:						
Governmental Activities:						
General Government	\$ 1,537,459	\$ 517,977	\$ 15,634	\$ 0	\$ (1,003,848)	\$ 0
Finance	1,129,566	864,162	0	0	(265,404)	0
Administration of Justice	1,187,524	562,249	0	0	(625,275)	0
Public Safety	7,223,897	832,653	329,378	12,273	(6,049,593)	0
Public Health and Welfare	3,032,428	1,529,909	302,483	0	(1,200,036)	0
Social, Cultural, and Recreational Services	200,107	9,776	0	0	(190,331)	0
Agriculture and Natural Resources	191,324	0	0	0	(191,324)	0
Other Operations	1,109,087	253,074	50,120	29,516	(776,377)	0
Highways/Public Works	4,784,709	124,566	2,038,161	157,059	(2,464,923)	0
Interest on Long-term Debt	952,307	0	0	0	(952,307)	0
Other Debt Service	30,912	0	0	0	(30,912)	0
Total Primary Government	\$ 21,379,320	\$ 4,694,366	\$ 2,735,776	\$ 198,848	\$ (13,750,330)	\$ 0
Component Unit:						
Fayette County School Department	\$ 33,743,384	\$ 486,139	\$ 4,888,712	\$ 0	\$ 0	\$ (28,368,533)
Total Component Unit	\$ 33,743,384	\$ 486,139	\$ 4,888,712	\$ 0	\$ 0	\$ (28,368,533)

(Continued)

Fayette 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	Fayette County School Department
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				\$ 7,709,367	\$ 6,582,503
Property Taxes Levied for Debt Service				432,382	0
Local Option Sales Taxes				379,105	2,384,307
Wheel Tax				1,937,763	0
Adequate Facilities/Development Tax				237,169	0
Litigation Tax				142,442	0
Business Tax				190,007	0
Wholesale Beer Tax				67,180	0
Other Local Taxes				7,516	2,074
Grants and Contributions Not Restricted to Specific Programs				988,346	17,358,730
Unrestricted Investment Earnings				88,725	0
Miscellaneous				129,970	68,396
Total General Revenues				\$ 12,309,972	\$ 26,396,010
Change in Net Assets				\$ (1,440,358)	\$ (1,972,523)
Net Assets, July 1, 2010				29,427,606	15,251,214
Net Assets, June 30, 2011				\$ 27,987,248	\$ 13,278,691

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

## Exhibit C-1

Fayette County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2011

	Major Funds			Nonmajor Funds	Total Govern- mental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<b>ASSETS</b>					
Cash	\$ 0	\$ 0	\$ 0	\$ 38,574	\$ 38,574
Equity in Pooled Cash and Investments	1,126,191	1,920,330	1,643,027	554,061	5,243,609
Accounts Receivable	1,251,230	13,511	0	13,312	1,278,053
Allowance for Uncollectibles	(667,203)	0	0	0	(667,203)
Due from Other Governments	87,912	446,854	0	1,371	536,137
Due from Other Funds	31,704	0	0	0	31,704
Property Taxes Receivable	7,255,275	708,334	435,501	0	8,399,110
Allowance for Uncollectible Property Taxes	(350,383)	(34,208)	(21,032)	0	(405,623)
Total Assets	\$ 8,734,726	\$ 3,054,821	\$ 2,057,496	\$ 607,318	\$ 14,454,361
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 28,253	\$ 0	\$ 32,670	\$ 0	\$ 60,923
Contracts Payable	0	308,557	0	0	308,557
Due to Other Funds	0	0	0	31,704	31,704
Deferred Revenue - Current Property Taxes	6,662,730	650,484	399,933	0	7,713,147
Deferred Revenue - Delinquent Property Taxes	200,392	19,605	11,154	0	231,151
Other Deferred Revenues	538,385	236,927	88,000	36,932	900,244
Total Liabilities	\$ 7,429,760	\$ 1,215,573	\$ 531,757	\$ 68,636	\$ 9,245,726
<b>Fund Balances</b>					
<b>Restricted:</b>					
Restricted for General Government	\$ 35,127	\$ 0	\$ 0	\$ 6,967	\$ 42,094
Restricted for Finance	7,318	0	0	0	7,318
Restricted for Administration of Justice	67,798	0	0	0	67,798
Restricted for Public Safety	174,580	0	0	184,139	358,719
Restricted for Public Health and Welfare	68,922	0	0	104,754	173,676
Restricted for Other Operations	70,550	0	0	119,639	190,189
Restricted for Highways/Public Works	0	1,451,633	0	0	1,451,633
Restricted for Capital Outlay	0	0	0	102,383	102,383
Restricted for Debt Service	0	0	1,525,739	0	1,525,739
<b>Committed:</b>					
Committed for Public Safety	29,356	0	0	0	29,356
Committed for Public Health and Welfare	0	0	0	20,800	20,800
Committed for Social, Cultural, and Recreational Services	142,408	0	0	0	142,408
Committed for Other Operations	4,800	0	0	0	4,800
Committed for Highways/Public Works	0	387,615	0	0	387,615
Unassigned	704,107	0	0	0	704,107
Total Fund Balances	\$ 1,304,966	\$ 1,839,248	\$ 1,525,739	\$ 538,682	\$ 5,208,635
Total Liabilities and Fund Balances	\$ 8,734,726	\$ 3,054,821	\$ 2,057,496	\$ 607,318	\$ 14,454,361

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

Exhibit C-2

Fayette County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
June 30, 2011

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)		\$	5,208,635
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,826,337	
Add: buildings and improvements net of accumulated depreciation		14,948,160	
Add: infrastructure net of accumulated depreciation		24,564,980	
Add: other capital assets net of accumulated depreciation		<u>3,413,697</u>	44,753,174
(2) Long-term liabilities are not due and payable in the current-period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(127,625)	
Less: bonds payable		(21,611,773)	
Less: capital leases payable		(59,671)	
Add: deferred charges - debt issuance costs		164,213	
Add: deferred discount on debt issuances		32,079	
Less: compensated absences payable		(352,952)	
Less: landfill postclosure care costs		(722,279)	
Less: other postemployment benefits liability		(177,422)	
Less: accrued interest on bonds, notes, and capital leases		<u>(250,526)</u>	(23,105,956)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>1,131,395</u>
Net assets of governmental activities (Exhibit A)		\$	<u>27,987,248</u>

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

Exhibit C-3

Fayette County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2011

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<b>Revenues</b>					
Local Taxes	\$ 7,741,479	\$ 1,848,748	\$ 1,412,533	\$ 237,169	\$ 11,239,929
Licenses and Permits	190,945	0	0	0	190,945
Fines, Forfeitures, and Penalties	113,210	0	0	155,030	268,240
Charges for Current Services	1,207,157	0	0	422,087	1,629,244
Other Local Revenues	353,770	165,618	0	186,351	705,739
Fees Received from County Officials	1,381,035	0	0	0	1,381,035
State of Tennessee	1,713,379	2,038,161	0	48,330	3,799,870
Federal Government	210,835	157,059	0	29,516	397,410
Other Governments and Citizens Groups	229,459	0	0	3,160	232,619
<b>Total Revenues</b>	<b>\$ 13,141,269</b>	<b>\$ 4,209,586</b>	<b>\$ 1,412,533</b>	<b>\$ 1,081,643</b>	<b>\$ 19,845,031</b>
<b>Expenditures</b>					
Current:					
General Government	\$ 1,102,747	\$ 0	\$ 0	\$ 153,633	\$ 1,256,380
Finance	885,126	0	0	0	885,126
Administration of Justice	830,225	0	0	0	830,225
Public Safety	5,833,757	0	0	400,789	6,234,546
Public Health and Welfare	1,911,998	0	0	937,099	2,849,097
Social, Cultural, and Recreational Services	185,619	0	0	0	185,619
Agriculture and Natural Resources	167,579	0	0	0	167,579
Other Operations	2,142,136	0	0	167,808	2,309,944
Highways	0	4,204,186	0	0	4,204,186
Debt Service:					
Principal on Debt	0	62,457	1,163,489	0	1,225,946
Interest on Debt	21,412	3,587	1,006,742	0	1,031,741
Other Debt Service	0	0	19,856	0	19,856
Capital Projects	0	50,500	0	145,513	196,013
<b>Total Expenditures</b>	<b>\$ 13,080,599</b>	<b>\$ 4,320,730</b>	<b>\$ 2,190,087</b>	<b>\$ 1,804,842</b>	<b>\$ 21,396,258</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 60,670	\$ (111,144)	\$ (777,554)	\$ (723,199)	\$ (1,551,227)
<b>Other Financing Sources (Uses)</b>					
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 139,789	\$ 139,789
Insurance Recovery	3,979	9,689	0	10,452	24,120
Transfers In	0	0	144,972	0	144,972
Transfers Out	(36,870)	0	0	(108,102)	(144,972)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (32,891)</b>	<b>\$ 9,689</b>	<b>\$ 144,972</b>	<b>\$ 42,139</b>	<b>\$ 163,909</b>
Net Change in Fund Balances	\$ 27,779	\$ (101,455)	\$ (632,582)	\$ (681,060)	\$ (1,387,318)
Fund Balance, July 1, 2010	1,277,187	1,940,703	2,158,321	1,219,742	6,595,953
Fund Balance, June 30, 2011	\$ 1,304,966	\$ 1,839,248	\$ 1,525,739	\$ 538,682	\$ 5,208,635

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

Exhibit C-4

Fayette County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
For the Year Ended June 30, 2011

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)		\$ (1,387,318)
(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	\$ 1,823,197	
Less: current year depreciation expense	<u>(3,058,423)</u>	(1,235,226)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Less: proceeds received from the disposal of capital assets		(23,597)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2011	\$ 1,131,395	
Less: deferred delinquent property taxes and other deferred June 30, 2010	<u>(1,037,464)</u>	93,931
(4) The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items.		
Less: note proceeds	\$ (139,789)	
Less: change in deferred debt issuance costs	(9,252)	
Less: change in discount on debt issuances	(1,804)	
Add: principal payments on bonds	1,151,325	
Add: principal payments on notes	12,164	
Add: principal payments on capital leases	<u>62,457</u>	1,075,101
(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	\$ 79,434	
Change in compensated absences payable	26,806	
Change in other postemployment benefits liability	(73,308)	
Change in landfill postclosure care costs	<u>3,819</u>	<u>36,751</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (1,440,358)</u>

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

Exhibit D

Fayette County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2011

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,362,874
Equity in Pooled Cash and Investments	42,792
Accounts Receivable	4,121
Due from Other Governments	<u>336,869</u>
Total Assets	<u>\$ 1,746,656</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 379,661
Due to Litigants, Heirs, and Others	<u>1,366,995</u>
Total Liabilities	<u>\$ 1,746,656</u>

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

**FAYETTE COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2011**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

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

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

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

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

The Fayette County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Although required by GAAP, the financial statements of the

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

Administrative Office:

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

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

**B. Government-wide and Fund Financial Statements**

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

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

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

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

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

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

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

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

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

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

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

Fayette County reports the following major governmental funds:

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

**Highway/Public Works Fund** – This special revenue fund accounts for transactions of the county’s Highway Department. Local and state gasoline/fuel taxes are the foundational revenues of this fund.

**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, Fayette County reports the following fund types:

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

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

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

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

**School Federal Projects Fund** – This special revenue fund is used to account for restricted federal revenues, which must be expended on specific education programs.

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

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

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

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

It is the county's policy that restricted amounts would be reduced first followed by unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Also, it is the county's policy that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

**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 and the discretely presented Fayette County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is

assigned to the primary government's General Fund. Fayette County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

## 2. Receivables and Payables

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

All ambulance and property taxes receivables 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 2.54 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. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaids are offset in the nonspendable fund balance account in governmental funds.

**4. 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 of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

**5. Compensated Absences**

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

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

**6. Long-term Obligations**

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

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

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

## **7. Net Assets and Fund Equity**

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

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

The government-wide Statement of Net Assets reports \$4,391,857 of restricted net assets for the primary government, of which \$117,554 is restricted by enabling legislation.

As of June 30, 2011, Fayette County had \$9,390,000 in outstanding debt for capital purposes for the discretely presented Fayette County School Department. This debt is a liability of Fayette County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Fayette County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the County Commission, the county's highest level of decision-making authority and the Board of Education, the School Department's highest level of decision-making authority.

Assigned Fund Balance – includes amounts that are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The county's Budget Committee and the Board of Education are authorized bodies to make assignments.

Unassigned Fund Balance – the residual classification of the General and General Purpose School funds. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General and General Purpose School funds.

## **II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

### **A. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Assets**

#### **Primary Government**

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Assets.

### **Discretely Presented Fayette County School Department**

Exhibit I-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Assets.

#### **B. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities**

##### **Primary Government**

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

### **Discretely Presented Fayette County School Department**

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

### **III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

#### **A. Budgetary Information**

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

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

The budgetary level of control is at the major category level established by the 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, Beer Board, County Mayor, County Attorney, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

**B. Fund Deficit**

The School Federal Projects Fund of the discretely presented Fayette County School Department had a fund deficit of \$257,578 at June 30, 2011. This fund deficit occurred because School Department personnel had not requested the reimbursement of grant funds on a timely basis. The fund deficit was liquidated subsequent to June 30, 2011.

**C. Cash Shortage – Prior-Year**

On April 27, 2010, a special report was issued on the Fayette County School Food Service Department for the period July 1, 2007, through December 15, 2009. This report disclosed that the food service supervisor circumvented purchasing procedures, resulting in a cash shortage of \$142,433. In addition, the food service supervisor altered time sheets of a part-time cafeteria worker, resulting in a cash shortage of \$35,196.93. Three individuals have been indicted by the Fayette County Grand Jury. In May 2010, the School Department's insurance carrier paid the department \$149,500. Also, as a result of plea arrangements, one individual paid \$6,000 to the department in November 2010, and another individual paid \$5,000 in April 2011, leaving a balance due the department of \$17,129.93.

**D. Cash Overdrafts**

The discretely presented General Purpose School and the School Federal Projects funds had cash overdrafts of \$579,190 and \$111,293, respectively. These cash overdrafts resulted from the issuance of warrants exceeding cash on deposit with the county trustee. The cash overdrafts were liquidated subsequent to June 30, 2011.

**E. Expenditures Exceeded Appropriations**

Expenditures exceeded appropriations approved by the County Commission in the Other Charges major appropriations category (the legal level of control) of the General Fund by \$3,213.

Total expenditures in the School Federal Projects Fund exceeded total appropriations approved by the County Commission by \$339,114. Expenditures in the General Purpose School Fund exceeded appropriations approved by the County Commission in the following major appropriations categories (the legal level of control):

Major Category:

Support Services:

Other Student Support	\$	9,425
Office of the Principal		228
Fiscal Services		6,111
Transportation		4,517

Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balances.

#### IV. DETAILED NOTES ON ALL FUNDS

##### A. Deposits and Investments

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

##### Deposits

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

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

## 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, 2011.

## **B. Capital Assets**

Capital assets activity for the year ended June 30, 2011, was as follows:

### Primary Government

#### **Governmental Activities:**

	Balance 7-1-10	Increases	Decreases	Balance 6-30-11
Capital Assets Not Depreciated:				
Land	\$ 1,826,337	\$ 0	\$ 0	\$ 1,826,337
Construction in Progress	397,396	0	397,396	0
Total Capital Assets Not Depreciated	<u>\$ 2,223,733</u>	<u>\$ 0</u>	<u>\$ 397,396</u>	<u>\$ 1,826,337</u>

**Governmental Activities (Cont.):**

	Balance 7-1-10	Increases	Decreases	Balance 6-30-11
Capital Assets Depreciated:				
Buildings and				
Improvements	\$ 18,393,948	\$ 600,214	\$ 0	\$ 18,994,162
Infrastructure	113,911,888	885,397	0	114,797,285
Other Capital Assets	8,018,129	734,982	541,017	8,212,094
Total Capital Assets				
Depreciated	<u>\$ 140,323,965</u>	<u>\$ 2,220,593</u>	<u>\$ 541,017</u>	<u>\$ 142,003,541</u>
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 3,309,656	\$ 736,346	\$ 0	\$ 4,046,002
Infrastructure	88,537,187	1,695,118	0	90,232,305
Other Capital Assets	4,688,858	626,959	517,420	4,798,397
Total Accumulated				
Depreciation	<u>\$ 96,535,701</u>	<u>\$ 3,058,423</u>	<u>\$ 517,420</u>	<u>\$ 99,076,704</u>
Total Capital Assets				
Depreciated, Net	<u>\$ 43,788,264</u>	<u>\$ (837,830)</u>	<u>\$ 23,597</u>	<u>\$ 42,926,837</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 46,011,997</u>	<u>\$ (837,830)</u>	<u>\$ 420,993</u>	<u>\$ 44,753,174</u>

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

**Governmental Activities:**

General Government	\$ 41,408
Finance	3,482
Administration of Justice	154,821
Public Safety	741,573
Public Health and Welfare	160,581
Social, Cultural, and Recreational Services	10,200
Other Operations	226,367
Highway/Public Works	<u>1,719,991</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,058,423</u>

**Discretely Presented Fayette County School Department**

**Governmental Activities:**

	Balance 7-1-10	Increases	Decreases	Balance 6-30-11
Capital Assets Not Depreciated:				
Land	\$ 359,607	\$ 0	\$ 0	\$ 359,607
Total Capital Assets Not Depreciated	<u>\$ 359,607</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 359,607</u>
Capital Assets Depreciated:				
Land Improvements	\$ 127,792	\$ 0	\$ 0	\$ 127,792
Buildings and Improvements	34,482,906	0	0	34,482,906
Infrastructure	394,280	0	0	394,280
Other Capital Assets	6,518,417	298,242	519,695	6,296,964
Total Capital Assets Depreciated	<u>\$ 41,523,395</u>	<u>\$ 298,242</u>	<u>\$ 519,695</u>	<u>\$ 41,301,942</u>
Less Accumulated Depreciation For:				
Land Improvements	\$ 125,814	\$ 0	\$ 0	\$ 125,814
Buildings and Improvements	23,378,978	829,072	0	24,208,050
Infrastructure	390,655	3,625	0	394,280
Other Capital Assets	4,356,123	335,990	519,695	4,172,418
Total Accumulated Depreciation	<u>\$ 28,251,570</u>	<u>\$ 1,168,687</u>	<u>\$ 519,695</u>	<u>\$ 28,900,562</u>
Total Capital Assets Depreciated, Net	<u>\$ 13,271,825</u>	<u>\$ (870,445)</u>	<u>\$ 0</u>	<u>\$ 12,401,380</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 13,631,432</u></u>	<u><u>\$ (870,445)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 12,760,987</u></u>

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

**Governmental Activities:**

Instruction	\$ 748,614
Support Services	339,404
Operation of Non-Instructional Services	<u>80,669</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 1,168,687</u></u>

**C. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2011, was as follows:

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government: General	Nonmajor governmental	\$ 31,704
Component Unit: School Department: General Purpose School	School Federal Projects	414,444

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

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2011, consisted of the following amounts:

**Primary Government**

<u>Transfers Out</u>	<u>Transfers In</u>
	General
	Debt
	Service
	Fund
General Fund	\$ 36,870
Nonmajor governmental fund	<u>108,102</u>
Total	<u><u>\$ 144,972</u></u>

**Discretely Presented Fayette County School Department**

Transfer Out	Transfer In
	General Purpose School Fund
Nonmajor governmental fund	\$ 1,133

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

**D. Operating Leases**

The discretely presented Fayette County School Department rents copiers under operating leases considered to be noncancelable. The rental expenditures for the year ended June 30, 2011, were \$108,000. There are no provisions for contingent or sublease rentals in the agreements. The future minimum lease payments for these leases are as follows:

Year Ending June 30	Amount
2012	\$ 108,000
2013	<u>45,000</u>
Total	<u>\$ 153,000</u>

**E. Capital Leases**

**Primary Government**

On September 25, 2009, Fayette County entered into a three-year lease-purchase agreement for a dump truck. The terms of the agreement require total lease payments of \$88,000 plus interest of 3.45 percent. Title to the dump truck transfers to Fayette County at the end of the lease period. The lease payments are made by the Highway/Public Works Fund.

The assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Governmental Activities</u>
Machinery and Equipment	\$ 88,000
Less: Accumulated Depreciation	<u>(16,124)</u>
Total Book Value	<u><u>\$ 71,876</u></u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2011, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2012	\$ 31,413
2013	<u>31,413</u>
Total Minimum Lease Payments	\$ 62,826
Less: Amount Representing Interest	<u>(3,155)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 59,671</u></u>

**Discretely Presented Fayette County School Department**

On August 14, 2007, the School Department entered into a five-year lease-purchase agreement for school buses. The terms of the agreement require total lease payments of \$220,500 plus interest of 5.07 percent.

On September 25, 2007, the School Department entered into a five-year lease-purchase agreement for school buses. The terms of the agreement require total lease payments of \$189,000 plus interest of 4.64 percent.

On August 15, 2010, the School Department entered into a two-year lease-purchase agreement for school buses. The terms of the agreement require total lease payments of \$220,955 plus interest of 4.465 percent.

Title to the buses transfers to the School Department at the end of the lease period. The lease payments are made by the General Purpose School Fund.

The assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Governmental Activities</u>
Machinery and Equipment	\$ 630,455
Less: Accumulated Depreciation	<u>(180,904)</u>
Total Book Value	<u><u>\$ 449,551</u></u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2011, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2012	\$ 173,245
2013	<u>173,245</u>
Total Minimum Lease Payments	\$ 346,490
Less: Amount Representing Interest	<u>(22,917)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 323,573</u></u>

**F. Long-term Debt**

**Primary Government**

**General Obligation Bonds and Notes**

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 37 years for bonds and up to 12 years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2011, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, and capital leases outstanding as of June 30, 2011, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-11
General Obligation Bonds	2.5 to 4.625 %	\$ 13,750,000	\$ 12,221,773
General Obligation Bonds - Refunding	3 to 5	12,170,000	9,390,000
Capital Outlay Notes	4.25	139,789	127,625
Capital Leases	3.45	88,000	59,671

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2011, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2012	\$ 1,302,201	\$ 954,207	\$ 2,256,408
2013	1,347,516	898,215	2,245,731
2014	1,397,845	839,686	2,237,531
2015	1,508,188	778,163	2,286,351
2016	1,563,546	711,865	2,275,411
2017-2021	7,283,678	2,442,362	9,726,040
2022-2026	3,985,299	1,232,373	5,217,672
2027-2031	2,874,696	339,773	3,214,469
2032-2036	92,529	70,820	163,349
2037-2041	114,620	48,730	163,350
2042-2046	141,655	21,366	163,021
<b>Total</b>	<b>\$ 21,611,773</b>	<b>\$ 8,337,560</b>	<b>\$ 29,949,333</b>

Year Ending June 30	Notes		
	Principal	Interest	Total
2012	\$ 9,785	\$ 5,349	\$ 15,134
2013	10,126	5,008	15,134
2014	10,557	4,577	15,134
2015	11,005	4,129	15,134
2016	11,463	3,671	15,134
2017-2021	65,100	10,570	75,670
2022	9,589	407	9,996
<b>Total</b>	<b>\$ 127,625</b>	<b>\$ 33,711</b>	<b>\$ 161,336</b>

There is \$1,525,739 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$563, based on the 2010

federal census. Debt per capita, including bonds, notes, and capital leases totaled \$567, based on the 2010 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2010	\$ 22,763,098	\$ 0	\$ 122,128
Additions	0	139,789	0
Deductions	(1,151,325)	(12,164)	(62,457)
Balance, June 30, 2011	\$ 21,611,773	\$ 127,625	\$ 59,671
Balance Due Within One Year	\$ 1,302,201	\$ 9,785	\$ 29,322

	Compensated Absences	Landfill Postclosure Care Costs	Other Postemployment Benefits
Balance, July 1, 2010	\$ 379,758	\$ 726,098	\$ 104,114
Additions	338,046	7,151	98,247
Deductions	(364,852)	(10,970)	(24,939)
Balance, June 30, 2011	\$ 352,952	\$ 722,279	\$ 177,422
Balance Due Within One Year	\$ 234,216	\$ 10,970	\$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$ 23,051,722
Less: Balance Due Within One Year	(1,586,494)
Less: Deferred Discount on Debt	(32,079)
	\$ 21,433,149

Noncurrent Liabilities - Due in  
More Than One Year - Exhibit A

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

Other postemployment benefits will be paid from the employing funds, primarily the General and Highway/Public Works funds.

**Discretely Presented Fayette County School Department**

The county issued a capital outlay note for the School Department to provide funds for capital facilities and other capital outlay purchases, such as equipment.

Capital outlay notes are direct obligations and pledge the full faith and credit of the government. The capital outlay note was issued for original terms of up to eight years. The capital outlay note outstanding as of June 30, 2011, will be retired from the General Purpose School Fund.

Capital outlay notes and capital leases outstanding as of June 30, 2011, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-11
Capital Outlay Notes	3.86%	\$ 1,080,000	\$ 710,000
Capital Leases	4.465 to 5.07	630,455	323,573

The annual requirements to amortize all notes outstanding as of June 30, 2011, including interest payments, are presented in the following table:

Year Ending June 30	Notes		
	Principal	Interest	Total
2012	\$ 135,000	\$ 27,863	\$ 162,863
2013	140,000	22,503	162,503
2014	150,000	17,024	167,024
2015	155,000	11,154	166,154
2016	130,000	5,102	135,102
Total	\$ 710,000	\$ 83,646	\$ 793,646

**Changes in Long-term Liabilities**

Long-term liability activity for the discretely presented Fayette County School Department for the year ended June 30, 2011, was as follows:

Governmental Activities:

	Notes	Capital Leases
Balance, July 1, 2010	\$ 840,000	\$ 300,031
Additions	0	220,955
Deductions	(130,000)	(197,413)
Balance, June 30, 2011	<u>\$ 710,000</u>	<u>\$ 323,573</u>
Balance Due Within One Year	<u>\$ 135,000</u>	<u>\$ 158,083</u>

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2010	\$ 234,448	\$ 417,217
Additions	134,748	244,992
Deductions	(213,777)	(154,376)
Balance, June 30, 2011	<u>\$ 155,419</u>	<u>\$ 507,833</u>
Balance Due Within One Year	<u>\$ 150,000</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$ 1,696,825
Less: Balance Due Within One Year	<u>(443,083)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 1,253,742</u>

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

**G. On-Behalf Payments**

**Primary Government**

The State of Tennessee pays health insurance premiums for some retired employees on-behalf of Fayette County. These payments are made by the state to the Medicare Supplement Plan. This plan is administered by the

State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Medicare Supplement Plan for the year ended June 30, 2011, were \$470. The county has recognized these on-behalf payments as revenues and expenditures in the General Fund.

**Discretely Presented Fayette County School Department**

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Fayette County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2011, were \$56,702 and \$27,943, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**H. Short-term Debt**

Fayette County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General (\$1,604,000) and General Purpose School (\$804,000) funds. These notes were necessary because funds were not available to meet operating expenses coming due before current tax collections. Short-term debt activity for the year ended June 30, 2011, was as follows:

	Balance			Balance
	7-1-10	Issued	Paid	6-30-11
Tax Anticipation Notes	\$ 0	\$ 2,408,000	\$ (2,408,000)	\$ 0

**V. OTHER INFORMATION**

**A. Risk Management**

**Primary Government**

**Liability, Property, and Casualty**

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

### Workers' Compensation Insurance

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

### Employee Health Insurance

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

### **Discretely Presented Fayette County School Department**

#### Liability, Property, Casualty, and Workers' Compensation Insurance

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

#### Employee Health Insurance

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

**B. Accounting Change**

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* became effective for the year ended June 30, 2011.

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications include nonspendable, restricted, committed, assigned, and unassigned and are based on the relative strength of the constraints that control how specific amounts can be spent. Also, Statement No. 54 clarified the definitions of the General Fund and the special revenue, capital projects, debt service, and permanent fund types. Fayette County and the Fayette County School Department have implemented provisions of this statement in the financial statements of this report for their governmental funds.

**C. Subsequent Events**

Subsequent to June 30, 2011, Fayette County issued tax anticipation notes to provide temporary operating funds for the following funds:

<u>Fund</u>	<u>Date Issued</u>	<u>Amount</u>
General	7-28-11	\$ 500,000
"	8-30-11	500,000
"	9-30-11	250,000
General Purpose School	7-28-11	1,000,000
"	8-30-11	200,000

On September 15, 2011, Fayette County issued \$9,585,000 in general obligation refunding bonds to refund School Refunding Bonds Series 2001 and 2002.

**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. Change in Administration**

Circuit, General Sessions, and Juvenile Courts Clerk Connie Doyle left office on August 31, 2010, and was succeeded by Edward Pulliam.

**F. Landfill Closure/Postclosure Care Costs**

Fayette County has active permits on file with the State Department of Environment and Conservation for a sanitary landfill and a demolition 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. Fayette County closed its sanitary landfill in 1998. The \$722,279 reported as postclosure care liability at June 30, 2011, represents amounts based on what it would cost to perform all postclosure care in 2011. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**G. Joint Venture**

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

Administrative Office:

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

## H. Retirement Commitments

### **Plan Description**

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

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

### **Funding Policy**

Fayette County requires employees to contribute five percent of their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011, was 8.57 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ended June 30, 2011, the county's annual pension cost of \$1,125,349 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2009, 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 2.5 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 ten-year period. The 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, 2009, was six 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
6-30-11	\$1,125,349	100%	\$0
6-30-10	1,092,374	100	0
6-30-09	1,066,964	100	0

### Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 86.91 percent funded. The actuarial accrued liability for benefits was \$32 million, and the actuarial value of assets was \$27 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$4 million. The covered payroll (annual payroll of active employees covered by the plan) was \$12 million, and the ratio of the UAAL to the covered payroll was 33.76 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 annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

## SCHOOL TEACHERS

### **Plan Description**

The Fayette County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are 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](http://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 School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2011, was 9.05 percent of annual covered payroll. The employer contribution requirement for the 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, 2011, 2010, and 2009, were \$1,300,320, \$910,334, and \$921,462, respectively, equal to the required contributions for each year.

## I. Other Postemployment Benefits (OPEB)

### Plan Description

Fayette County and the Fayette County School Department participate in the state-administered Local Government Group Insurance Plan and Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated (TCA)*, for teachers and Section 8-27-207, *TCA*, for local governments. In previous fiscal years, prior to reaching the age of 65, all members had the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. However, as of January 1, 2010, the insurance plan structure was changed and as a result all members now have the option of choosing between the standard or partnership preferred provider organization (PPO) 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 plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plans are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year ended June 30, 2011, Fayette County and the discretely presented School Department contributed \$24,939 and \$154,376, respectively, for postemployment health care.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 244,000	\$ 98,000
Interest on the NPO	18,775	4,685
Adjustment to the ARC	(17,783)	(4,438)
Annual OPEB cost	\$ 244,992	\$ 98,247
Less: Amount of contribution	(154,376)	(24,939)
Increase/decrease in NPO	\$ 90,616	\$ 73,308
Net OPEB obligation, 7-1-10	417,217	104,114
Net OPEB obligation, 6-30-11	\$ 507,833	\$ 177,422

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-09	Local Education Group	\$ 252,429	34 %	\$ 314,788
6-30-10	"	234,747	56	417,217
6-30-11	"	244,992	63	507,833
6-30-09	Local Government Group	46,376	64	33,071
6-30-10	"	94,078	29	104,114
6-30-11	"	98,247	25	177,422

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-10	7-1-10
Actuarial accrued liability (AAL)	\$ 1,905,000	\$ 846,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,905,000	\$ 846,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 19,157,189	\$ 7,689,530
UAAL as a % of covered payroll	10%	11%

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

#### Actuarial Methods and Assumptions

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

In the July 1, 2010, actuarial valuation for the Local Education Plan, the projected unit credit actuarial cost method was used and the actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of ten percent for fiscal year 2011. The trend will decrease to 9.5 percent in fiscal year 2012 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The annual healthcare cost trend rate for the Local Government Plan was ten percent for fiscal year 2011. The trend will decrease to 9.5 percent in fiscal year 2012 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. All rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level of percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

#### **J. Purchasing Laws**

##### Office of County Mayor

Purchasing procedures for the County Mayor's Office are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated (TCA)*, which provide for purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

##### Office of Public Works Superintendent

Chapter 234, Private Acts of 1974 and Section 54-7-113, *TCA* (Uniform Road Law), govern purchasing procedures for the Highway Department. These

statutes require all purchases exceeding \$10,000 to be made on the basis of publicly advertised competitive bids.

Office of Director of Schools

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

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E-1

Fayette County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund  
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 7,741,479	\$ 7,527,290	\$ 7,527,290	\$ 214,189
Licenses and Permits	190,945	179,700	179,700	11,245
Fines, Forfeitures, and Penalties	113,210	104,240	104,240	8,970
Charges for Current Services	1,207,157	1,184,600	1,184,600	22,557
Other Local Revenues	353,770	436,876	544,876	(191,106)
Fees Received from County Officials	1,381,035	1,278,000	1,278,000	103,035
State of Tennessee	1,713,379	1,795,529	1,820,119	(106,740)
Federal Government	210,835	208,489	213,317	(2,482)
Other Governments and Citizens Groups	229,459	317,500	317,500	(88,041)
<b>Total Revenues</b>	<b>\$ 13,141,269</b>	<b>\$ 13,032,224</b>	<b>\$ 13,169,642</b>	<b>\$ (28,373)</b>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 161,505	\$ 71,378	\$ 168,956	\$ 7,451
Beer Board	461	400	500	39
County Mayor/Executive	89,105	91,272	91,172	2,067
County Attorney	102,844	56,574	103,230	386
Election Commission	266,556	283,767	288,767	22,211
Register of Deeds	16,978	22,500	22,500	5,522
Development	175,806	185,263	185,263	9,457
Building	51,965	54,650	61,650	9,685
County Buildings	172,191	156,357	173,687	1,496
Other Facilities	8,274	2,300	8,272	(2)
Other General Administration	57,062	57,062	57,062	0
<u>Finance</u>				
Accounting and Budgeting	155,278	174,250	174,350	19,072
Property Assessor's Office	253,335	257,243	258,470	5,135
Reappraisal Program	42,626	46,667	45,240	2,614
County Trustee's Office	185,202	185,486	185,486	284
County Clerk's Office	248,685	255,725	255,725	7,040
<u>Administration of Justice</u>				
Circuit Court	170,289	163,543	173,135	2,846
General Sessions Court	152,649	145,779	154,302	1,653
General Sessions Judge	179,637	180,290	180,290	653
General Sessions Court Clerk	60,679	64,360	65,274	4,595
Drug Court	48,310	50,000	50,000	1,690
Chancery Court	170,709	175,186	175,186	4,477
Juvenile Court	47,952	54,994	54,994	7,042
<u>Public Safety</u>				
Sheriff's Department	2,161,107	2,197,740	2,233,128	72,021
Drug Enforcement	205,074	212,287	212,287	7,213
Jail	2,514,438	2,505,849	2,549,660	35,222
Workhouse	22,136	30,308	26,508	4,372

(Continued)

Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Safety (Cont.)</u>				
Fire Prevention and Control	\$ 537,418	\$ 564,074	\$ 564,074	\$ 26,656
Civil Defense	231,611	232,035	232,035	424
Rescue Squad	6,031	20,600	11,450	5,419
County Coroner/Medical Examiner	28,975	25,000	30,500	1,525
Other Public Safety	126,967	124,149	127,962	995
<u>Public Health and Welfare</u>				
Local Health Center	57,250	58,937	58,937	1,687
Rabies and Animal Control	76,599	81,423	86,259	9,660
Ambulance/Emergency Medical Services	1,420,059	1,275,230	1,431,378	11,319
Dental Health Program	263,356	346,000	346,000	82,644
Crippled Children Services	2,216	2,216	2,216	0
Other Local Health Services	4,120	4,120	4,120	0
Appropriation to State	25,761	25,761	25,761	0
Aid to Dependent Children	740	2,750	2,750	2,010
Other Local Welfare Services	10,815	10,815	10,815	0
Sanitation Education/Information	51,082	49,283	52,886	1,804
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	22,145	22,145	22,145	0
Libraries	163,474	174,466	174,466	10,992
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	106,515	117,456	117,456	10,941
Soil Conservation	61,064	62,395	62,395	1,331
<u>Other Operations</u>				
Industrial Development	1,126	500	1,126	0
Airport	249,569	159,954	251,742	2,173
Veterans' Services	4,420	5,900	5,900	1,480
Other Charges	283,914	254,686	280,701	(3,213)
Contributions to Other Agencies	41,711	63,275	41,775	64
Employee Benefits	1,517,498	1,532,372	1,540,180	22,682
ARRA Grant # 6	40,165	50,000	50,000	9,835
Miscellaneous	3,733	1,000	4,000	267
<u>Interest on Debt</u>				
General Government	21,412	30,000	21,412	0
Total Expenditures	\$ 13,080,599	\$ 12,977,772	\$ 13,515,535	\$ 434,936
Excess (Deficiency) of Revenues Over Expenditures	\$ 60,670	\$ 54,452	\$ (345,893)	\$ 406,563
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 3,979	\$ 0	\$ 0	\$ 3,979
Transfers Out	(36,870)	0	(36,870)	0
Total Other Financing Sources (Uses)	\$ (32,891)	\$ 0	\$ (36,870)	\$ 3,979
Net Change in Fund Balance	\$ 27,779	\$ 54,452	\$ (382,763)	\$ 410,542
Fund Balance, July 1, 2010	1,277,187	1,287,894	1,287,894	(10,707)
Fund Balance, June 30, 2011	\$ 1,304,966	\$ 1,342,346	\$ 905,131	\$ 399,835

Exhibit E-2

Fayette County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,848,748	\$ 1,913,433	\$ 1,913,433	\$ (64,685)
Other Local Revenues	165,618	274,300	274,300	(108,682)
State of Tennessee	2,038,161	2,264,000	2,264,000	(225,839)
Federal Government	157,059	0	157,059	0
Total Revenues	<u>\$ 4,209,586</u>	<u>\$ 4,451,733</u>	<u>\$ 4,608,792</u>	<u>\$ (399,206)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 182,791	\$ 187,661	\$ 187,661	\$ 4,870
Highway and Bridge Maintenance	1,476,778	1,387,176	1,530,176	53,398
Operation and Maintenance of Equipment	460,217	482,460	497,460	37,243
Other Charges	213,399	218,500	252,046	38,647
Employee Benefits	606,247	652,900	628,578	22,331
Capital Outlay	1,264,754	1,575,000	1,654,168	389,414
<u>Principal on Debt</u>				
Highways and Streets	62,457	57,036	62,481	24
<u>Interest on Debt</u>				
Highways and Streets	3,587	0	3,587	0
<u>Capital Projects</u>				
Highway and Street Capital Projects	50,500	241,000	124,076	73,576
Total Expenditures	<u>\$ 4,320,730</u>	<u>\$ 4,801,733</u>	<u>\$ 4,940,233</u>	<u>\$ 619,503</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (111,144)</u>	<u>\$ (350,000)</u>	<u>\$ (331,441)</u>	<u>\$ 220,297</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 9,689	\$ 0	\$ 2,477	\$ 7,212
Total Other Financing Sources (Uses)	<u>\$ 9,689</u>	<u>\$ 0</u>	<u>\$ 2,477</u>	<u>\$ 7,212</u>
Net Change in Fund Balance	\$ (101,455)	\$ (350,000)	\$ (328,964)	\$ 227,509
Fund Balance, July 1, 2010	1,940,703	1,005,494	1,005,494	935,209
Fund Balance, June 30, 2011	<u>\$ 1,839,248</u>	<u>\$ 655,494</u>	<u>\$ 676,530</u>	<u>\$ 1,162,718</u>

Exhibit E-3

Fayette County, Tennessee  
Schedule of Funding Progress – Pension Plan  
Primary Government and Discretely Presented Fayette County School Department  
June 30, 2011

(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)
7-1-07	\$ 25,406	\$ 28,596	\$ 3,190	88.84%	\$ 10,796	29.55%
7-1-09	27,496	31,639	4,143	86.91	12,272	33.76

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

Exhibit E-4

Fayette County, Tennessee  
 Schedule of Funding Progress – Other Postemployment Benefits Plans  
 Primary Government and Discretely Presented Fayette County School Department  
 June 30, 2011

(Dollar amounts in thousands)

Plans	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)
<u>PRIMARY GOVERNMENT</u>							
Local Government Group	7-1-07	\$ 0	\$ 320	\$ 320	0 %	\$ 6,739	5 %
"	7-1-09	0	798	798	0	7,119	11
"	7-1-10	0	846	846	0	7,690	11
<u>DISCRETELY PRESENTED FAYETTE COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-07	0	2,270	2,270	0	19,760	11
"	7-1-09	0	1,835	1,835	0	18,148	10
"	7-1-10	0	1,905	1,905	0	19,157	10

**FAYETTE COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2011**

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

The budgetary level of control is at the major category level established by the 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, Beer Board, County Mayor, County Attorney, etc.). Management may make revisions within major categories, but only the Fayette County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

**B. EXPENDITURES EXCEEDED APPROPRIATIONS**

Expenditures exceeded appropriations approved by the County Commission in the Other Charges major appropriation category (the legal level of control) of the General Fund by \$3,213. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balance.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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

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

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

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

# Capital Projects Funds

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Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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General Capital Projects Fund – The General Capital Projects Fund is used to account for general capital expenditures of the county.

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

HUD Grant Projects Fund – The HUD Grant Projects Fund is used to account for grant proceeds and expenditures for a Community Development Block grant and a Tennessee Housing Development Agency grant.

Public Safety Capital Projects Fund – The Public Safety Capital Projects Fund is used to account for note proceeds and capital expenditures for the construction of a maintenance shop for the Sheriff's Department.

Other Capital Projects Fund – The Other Capital Projects Fund is used to account for grant proceeds and capital expenditures of the Fayette County Airport.

Fayette County, Tennessee  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2011

	Special Revenue Funds					Total
	Solid Waste / Sanitation	Drug Control	Adequate Facilities/ Development Tax	Constitutional Officers - Fees		
\$	100 \$	0 \$	0 \$	38,474 \$	38,574	
	110,968	184,139	117,554	0	412,661	
	13,115	0	0	197	13,312	
	1,371	0	0	0	1,371	
<b>\$</b>	<b>125,554 \$</b>	<b>184,139 \$</b>	<b>117,554 \$</b>	<b>38,671 \$</b>	<b>465,918</b>	

ASSETS

Cash	
Equity in Pooled Cash and Investments	
Accounts Receivable	
Due from Other Governments	
<b>Total Assets</b>	

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>					
Due to Other Funds	0 \$	0 \$	0 \$	31,704 \$	31,704
Other Deferred Revenues	0	0	0	0	0
<b>Total Liabilities</b>	<b>0 \$</b>	<b>0 \$</b>	<b>0 \$</b>	<b>31,704 \$</b>	<b>31,704</b>
<u>Fund Balances</u>					
Restricted:					
Restricted for General Government	0 \$	0 \$	0 \$	6,967 \$	6,967
Restricted for Public Safety	0	184,139	0	0	184,139
Restricted for Public Health and Welfare	104,754	0	0	0	104,754
Restricted for Other Operations	0	0	117,554	0	117,554
Restricted for Capital Outlay	0	0	0	0	0
Committed:					
Committed for Public Health and Welfare	20,800	0	0	0	20,800
<b>Total Fund Balances</b>	<b>125,554 \$</b>	<b>184,139 \$</b>	<b>117,554 \$</b>	<b>6,967 \$</b>	<b>434,214</b>
<b>Total Liabilities and Fund Balances</b>	<b>125,554 \$</b>	<b>184,139 \$</b>	<b>117,554 \$</b>	<b>38,671 \$</b>	<b>465,918</b>

(Continued)

Exhibit F-1

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

	Capital Projects Funds					Total Nonmajor Governmental Funds
	General Capital Projects	Community Development/ Industrial Park	HUD Grant Projects	Other Capital Projects	Total	
\$	0	0	0	0	0	38,574
Equity in Pooled Cash and Investments	41,711	36,932	2,085	60,672	141,400	554,061
Accounts Receivable	0	0	0	0	0	13,312
Due from Other Governments	0	0	0	0	0	1,371
Total Assets	41,711	36,932	2,085	60,672	141,400	607,318

ASSETS

Cash  
 Equity in Pooled Cash and Investments  
 Accounts Receivable  
 Due from Other Governments  
 Total Assets

LIABILITIES AND FUND BALANCES

Liabilities						
Due to Other Funds	0	0	0	0	0	31,704
Other Deferred Revenues	0	36,932	0	0	36,932	36,932
Total Liabilities	0	36,932	0	0	36,932	68,636
Fund Balances						
Restricted:						
Restricted for General Government	0	0	0	0	0	6,967
Restricted for Public Safety	0	0	0	0	0	184,139
Restricted for Public Health and Welfare	0	0	0	0	0	104,754
Restricted for Other Operations	0	0	2,085	0	2,085	119,639
Restricted for Capital Outlay	41,711	0	0	60,672	102,383	102,383
Committed:						
Committed for Public Health and Welfare	0	0	0	0	0	20,800
Total Fund Balances	41,711	0	2,085	60,672	104,468	538,682
Total Liabilities and Fund Balances	41,711	36,932	2,085	60,672	141,400	607,318

Exhibit F-2

Fayette County, Tennessee  
 Combining Statement of Revenues, Expenditures,  
 and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2011

	Special Revenue Funds					Total
	Solid Waste/ Sanitation	Drug Control	Adequate Facilities/ Development Tax	Constitu- tional Officers - Fees		
<u>Revenues</u>						
Local Taxes	\$ 0	\$ 0	\$ 237,169	\$ 0	\$ 0	237,169
Fines, Forfeitures, and Penalties	0	155,030	0	0	0	155,030
Charges for Current Services	272,944	0	0	149,143	0	422,087
Other Local Revenues	174,746	11,605	0	0	0	186,351
State of Tennessee	10,489	0	0	0	0	10,489
Federal Government	0	0	0	0	0	0
Other Governments and Citizens Groups	0	0	0	0	0	0
Total Revenues	\$ 458,179	\$ 166,635	\$ 237,169	\$ 149,143	\$ 0	\$ 1,011,126
<u>Expenditures</u>						
Current:						
General Government	\$ 0	\$ 0	\$ 0	\$ 153,633	\$ 0	153,633
Public Safety	0	261,000	0	0	0	261,000
Public Health and Welfare	937,099	0	0	0	0	937,099
Other Operations	0	0	16,062	0	0	16,062
Capital Projects	0	0	0	0	0	0
Total Expenditures	\$ 937,099	\$ 261,000	\$ 16,062	\$ 153,633	\$ 0	\$ 1,367,794
Excess (Deficiency) of Revenues Over Expenditures	\$ (478,920)	\$ (94,365)	\$ 221,107	\$ (4,490)	\$ 0	\$ (356,668)
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Insurance Recovery	0	10,452	0	0	0	10,452
Transfers Out	0	0	(108,102)	0	0	(108,102)
Total Other Financing Sources (Uses)	\$ 0	\$ 10,452	\$ (108,102)	\$ 0	\$ 0	\$ (97,650)
Net Change in Fund Balances	\$ (478,920)	\$ (83,913)	\$ 113,005	\$ (4,490)	\$ 0	\$ (454,318)
Fund Balance, July 1, 2010	604,474	268,052	4,549	11,457	888,532	888,532
Fund Balance, June 30, 2011	\$ 125,554	\$ 184,139	\$ 117,554	\$ 6,967	\$ 434,214	\$ 434,214

(Continued)

Exhibit F-2

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

	Capital Projects Funds						Total Nonmajor Governmental Funds
	General Capital Projects	Community Development/ Industrial Park	HUD Grant Projects	Public Safety Capital Projects -	Other Capital Projects	Total	
<u>Revenues</u>							
Local Taxes	\$ 0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	237,169
Fines, Forfeitures, and Penalties	0	0	0	0	0	0	155,030
Charges for Current Services	0	0	0	0	0	0	422,087
Other Local Revenues	0	0	0	0	0	0	186,351
State of Tennessee	0	20,752	0	0	17,089	37,841	48,330
Federal Government	0	0	29,516	0	0	29,516	29,516
Other Governments and Citizens Groups	0	2,660	500	0	0	3,160	3,160
Total Revenues	\$ 0 \$	23,412 \$	30,016 \$	0 \$	17,089 \$	70,517 \$	1,081,643
<u>Expenditures</u>							
Current:							
General Government	\$ 0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	153,633
Public Safety	0	0	0	139,789	0	139,789	400,789
Public Health and Welfare	0	0	0	0	0	0	937,099
Other Operations	0	23,412	128,334	0	0	151,746	167,808
Capital Projects	1,173	0	0	0	144,340	145,513	145,513
Total Expenditures	\$ 1,173 \$	23,412 \$	128,334 \$	139,789 \$	144,340 \$	437,048 \$	1,804,842
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,173) \$	0 \$	(98,318) \$	(139,789) \$	(127,251) \$	(366,531) \$	(723,199)
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0 \$	0 \$	0 \$	139,789 \$	0 \$	139,789 \$	139,789
Insurance Recovery	0	0	0	0	0	0	10,452
Transfers Out	0	0	0	0	0	0	(108,102)
Total Other Financing Sources (Uses)	\$ 0 \$	0 \$	0 \$	139,789 \$	0 \$	139,789 \$	42,139
Net Change in Fund Balances	\$ (1,173) \$	0 \$	(98,318) \$	0 \$	(127,251) \$	(226,742) \$	(681,060)
Fund Balance, July 1, 2010	42,884	0	100,403	0	187,923	331,210	1,219,742
Fund Balance, June 30, 2011	\$ 41,711 \$	0 \$	2,085 \$	0 \$	60,672 \$	104,468 \$	538,682

Exhibit F-3

Fayette County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 272,944	\$ 346,000	\$ 346,000	\$ (73,056)
Other Local Revenues	174,746	150,500	185,756	(11,010)
State of Tennessee	10,489	22,000	22,000	(11,511)
Total Revenues	<u>\$ 458,179</u>	<u>\$ 518,500</u>	<u>\$ 553,756</u>	<u>\$ (95,577)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Convenience Centers	\$ 295,232	\$ 300,500	\$ 301,912	\$ 6,680
Landfill Operation and Maintenance	641,867	655,154	688,998	47,131
Total Expenditures	<u>\$ 937,099</u>	<u>\$ 955,654</u>	<u>\$ 990,910</u>	<u>\$ 53,811</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (478,920)</u>	<u>\$ (437,154)</u>	<u>\$ (437,154)</u>	<u>\$ (41,766)</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 0	\$ 2,500	\$ 2,500	\$ (2,500)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ (2,500)</u>
Net Change in Fund Balance	\$ (478,920)	\$ (434,654)	\$ (434,654)	\$ (44,266)
Fund Balance, July 1, 2010	604,474	555,389	555,389	49,085
Fund Balance, June 30, 2011	<u>\$ 125,554</u>	<u>\$ 120,735</u>	<u>\$ 120,735</u>	<u>\$ 4,819</u>

Exhibit F-4

Fayette County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 155,030	\$ 51,000	\$ 151,271	\$ 3,759
Other Local Revenues	11,605	0	0	11,605
Total Revenues	<u>\$ 166,635</u>	<u>\$ 51,000</u>	<u>\$ 151,271</u>	<u>\$ 15,364</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 261,000	\$ 94,000	\$ 282,074	\$ 21,074
Total Expenditures	<u>\$ 261,000</u>	<u>\$ 94,000</u>	<u>\$ 282,074</u>	<u>\$ 21,074</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (94,365)</u>	<u>\$ (43,000)</u>	<u>\$ (130,803)</u>	<u>\$ 36,438</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 10,452	\$ 0	\$ 0	\$ 10,452
Total Other Financing Sources (Uses)	<u>\$ 10,452</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,452</u>
Net Change in Fund Balance	\$ (83,913)	\$ (43,000)	\$ (130,803)	\$ 46,890
Fund Balance, July 1, 2010	<u>268,052</u>	<u>232,902</u>	<u>232,902</u>	<u>35,150</u>
Fund Balance, June 30, 2011	<u><u>\$ 184,139</u></u>	<u><u>\$ 189,902</u></u>	<u><u>\$ 102,099</u></u>	<u><u>\$ 82,040</u></u>

Exhibit F-5

Fayette County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Adequate Facilities/Development Tax Fund  
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 237,169	\$ 150,000	\$ 150,000	\$ 87,169
Total Revenues	\$ 237,169	\$ 150,000	\$ 150,000	\$ 87,169
<u>Expenditures</u>				
<u>Other Operations</u>				
Other Charges	\$ 16,062	\$ 7,500	\$ 21,192	\$ 5,130
Total Expenditures	\$ 16,062	\$ 7,500	\$ 21,192	\$ 5,130
Excess (Deficiency) of Revenues Over Expenditures	\$ 221,107	\$ 142,500	\$ 128,808	\$ 92,299
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (108,102)	\$ (108,102)	\$ (108,102)	\$ 0
Total Other Financing Sources (Uses)	\$ (108,102)	\$ (108,102)	\$ (108,102)	\$ 0
Net Change in Fund Balance	\$ 113,005	\$ 34,398	\$ 20,706	\$ 92,299
Fund Balance, July 1, 2010	4,549	71,121	71,121	(66,572)
Fund Balance, June 30, 2011	\$ 117,554	\$ 105,519	\$ 91,827	\$ 25,727

# **Major Governmental Fund**

## **General Debt Service Fund**

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The General Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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## Exhibit G

Fayette County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,412,533	\$ 1,412,666	\$ 1,520,767	\$ (108,234)
Total Revenues	\$ 1,412,533	\$ 1,412,666	\$ 1,520,767	\$ (108,234)
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 323,489	\$ 315,951	\$ 328,132	\$ 4,643
Education	840,000	840,000	840,000	0
<u>Interest on Debt</u>				
General Government	511,194	503,599	528,288	17,094
Education	495,548	495,548	495,548	0
<u>Other Debt Service</u>				
General Government	18,296	20,000	20,000	1,704
Education	1,560	1,000	1,560	0
Total Expenditures	\$ 2,190,087	\$ 2,176,098	\$ 2,213,528	\$ 23,441
Excess (Deficiency) of Revenues Over Expenditures	\$ (777,554)	\$ (763,432)	\$ (692,761)	\$ (84,793)
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 144,972	\$ 0	\$ 36,870	\$ 108,102
Total Other Financing Sources (Uses)	\$ 144,972	\$ 0	\$ 36,870	\$ 108,102
Net Change in Fund Balance	\$ (632,582)	\$ (763,432)	\$ (655,891)	\$ 23,309
Fund Balance, July 1, 2010	2,158,321	2,211,211	2,211,211	(52,890)
Fund Balance, June 30, 2011	\$ 1,525,739	\$ 1,447,779	\$ 1,555,320	\$ (29,581)

# Fiduciary Funds

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

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

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

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

Exhibit H-1

Fayette County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2011

	Agency Funds			Total
	Cities - Sales Tax	Watershed District	Constitu- tional Officers - Agency	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 1,362,874	\$ 1,362,874
Equity in Pooled Cash and Investment	0	42,792	0	42,792
Accounts Receivable	0	0	4,121	4,121
Due from Other Governments	336,869	0	0	336,869
Total Assets	<u>\$ 336,869</u>	<u>\$ 42,792</u>	<u>1,366,995</u>	<u>\$ 1,746,656</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 336,869	\$ 42,792	\$ 0	\$ 379,661
Due to Litigants, Heirs, and Others	0	0	1,366,995	1,366,995
Total Liabilities	<u>\$ 336,869</u>	<u>\$ 42,792</u>	<u>\$ 1,366,995</u>	<u>\$ 1,746,656</u>

Exhibit H-2

Fayette County, Tennessee  
Combining Statement of Changes in Assets and Liabilities - All Agency Funds  
For the Year Ended June 30, 2011

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 2,009,819	\$ 2,009,819	\$ 0
Due from Other Governments	346,163	336,869	346,163	336,869
Total Assets	\$ 346,163	\$ 2,346,688	\$ 2,355,982	\$ 336,869
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 346,163	\$ 2,346,688	\$ 2,355,982	\$ 336,869
Total Liabilities	\$ 346,163	\$ 2,346,688	\$ 2,355,982	\$ 336,869
<u>Watershed District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 42,792	\$ 0	\$ 0	\$ 42,792
Total Assets	\$ 42,792	\$ 0	\$ 0	\$ 42,792
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 42,792	\$ 0	\$ 0	\$ 42,792
Total Liabilities	\$ 42,792	\$ 0	\$ 0	\$ 42,792
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,259,271	\$ 10,207,769	\$ 10,104,166	\$ 1,362,874
Accounts Receivable	5,614	4,121	5,614	4,121
Total Assets	\$ 1,264,885	\$ 10,211,890	\$ 10,109,780	\$ 1,366,995
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,264,885	\$ 10,211,890	\$ 10,109,780	\$ 1,366,995
Total Liabilities	\$ 1,264,885	\$ 10,211,890	\$ 10,109,780	\$ 1,366,995
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,259,271	\$ 10,207,769	\$ 10,104,166	\$ 1,362,874
Equity in Pooled Cash and Investments	42,792	2,009,819	2,009,819	42,792
Accounts Receivable	5,614	4,121	5,614	4,121
Due from Other Governments	346,163	336,869	346,163	336,869
Total Assets	\$ 1,653,840	\$ 12,558,578	\$ 12,465,762	\$ 1,746,656
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 388,955	\$ 2,346,688	\$ 2,355,982	\$ 379,661
Due to Litigants, Heirs, and Others	1,264,885	10,211,890	10,109,780	1,366,995
Total Liabilities	\$ 1,653,840	\$ 12,558,578	\$ 12,465,762	\$ 1,746,656

# Fayette County School Department

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

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

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

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

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

Exhibit I-1

Fayette County, Tennessee  
Statement of Activities  
Discretely Presented Fayette County School Department  
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 19,127,604	\$ 64,577	2,422,401	\$ (16,640,626)
Support Services	11,288,771	40,312	546,702	(10,701,757)
Operation of Non-Instructional Services	3,263,387	381,250	1,919,609	(962,528)
Interest on Long-term Debt	63,622	0	0	(63,622)
Total Governmental Activities	\$ 33,743,384	\$ 486,139	4,888,712	\$ (28,368,533)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 6,582,503
Local Option Sales Taxes				2,384,307
Other Local Taxes				2,074
Grants and Contributions Not Restricted to Specific Programs				17,358,730
Miscellaneous				68,396
Total General Revenues				\$ 26,396,010
Change in Net Assets				\$ (1,972,523)
Net Assets, July 1, 2010				15,251,214
Net Assets, June 30, 2011				\$ 13,278,691

Exhibit I-2

Fayette County, Tennessee  
 Balance Sheet - Governmental Funds  
 Discretely Presented Fayette County School Department  
 June 30, 2011

	Major Funds		Nonmajor	Total Govern- mental Funds
	General	School	Other	
	Purpose School	Federal Projects	Govern- mental Funds	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 359	\$ 0	\$ 536,410	\$ 536,769
Accounts Receivable	2,505	0	2,424	4,929
Due from Other Governments	1,865,225	459,824	132,916	2,457,965
Due from Other Funds	414,444	0	0	414,444
Property Taxes Receivable	6,818,743	0	0	6,818,743
Allowance for Uncollectible Property Taxes	(329,301)	0	0	(329,301)
Prepaid Items	30,623	0	0	30,623
Cash Shortage	0	0	17,130	17,130
Total Assets	<u>\$ 8,802,598</u>	<u>\$ 459,824</u>	<u>\$ 688,880</u>	<u>\$ 9,951,302</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 103,991	\$ 10,081	\$ 165	\$ 114,237
Accrued Payroll	49,231	127,457	1,551	178,239
Payroll Deductions Payable	0	54,127	1,544	55,671
Cash Overdraft	579,190	111,293	0	690,483
Contracts Payable	7,500	0	1,000	8,500
Due to Other Funds	0	414,444	0	414,444
Deferred Revenue - Current Property Taxes	6,261,851	0	0	6,261,851
Deferred Revenue - Delinquent Property Taxes	188,768	0	0	188,768
Other Deferred Revenues	211,916	0	0	211,916
Total Liabilities	<u>\$ 7,402,447</u>	<u>\$ 717,402</u>	<u>\$ 4,260</u>	<u>\$ 8,124,109</u>
<u>Fund Balances</u>				
Nonspendable	\$ 30,623	\$ 0	\$ 0	\$ 30,623
Restricted:				
Restricted for Education	22,923	0	0	22,923
Restricted for Operation of Non-Instructional Services	0	0	677,002	677,002
Restricted for Capital Outlay	0	0	7,618	7,618
Assigned:				
Assigned for Education	16,012	0	0	16,012
Unassigned	1,330,593	(257,578)	0	1,073,015
Total Fund Balances	<u>\$ 1,400,151</u>	<u>\$ (257,578)</u>	<u>\$ 684,620</u>	<u>\$ 1,827,193</u>
Total Liabilities and Fund Balances	<u>\$ 8,802,598</u>	<u>\$ 459,824</u>	<u>\$ 688,880</u>	<u>\$ 9,951,302</u>

Exhibit I-3

Fayette County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to  
the Statement of Net Assets  
Discretely Presented Fayette County School Department  
June 30, 2011

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$	1,827,193
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	359,607	
Add: land improvements net of accumulated depreciation		1,978	
Add: buildings and improvements net of accumulated depreciation		10,274,856	
Add: other capital assets net of accumulated depreciation		<u>2,124,546</u>	12,760,987
(2) Long-term liabilities are not due and payable in the current-period and therefore are not reported in the governmental funds.			
Less: capital leases payable	\$	(323,573)	
Less: notes payable		(710,000)	
Less: compensated absences payable		(155,419)	
Less: accrued interest on capital leases		(13,348)	
Less: other postemployment benefits liability		<u>(507,833)</u>	(1,710,173)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>400,684</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>13,278,691</u></u>

Exhibit I-4

Fayette County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented Fayette County School Department  
For the Year Ended June 30, 2011

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Purpose School	School Federal Projects	Other Govern- mental Funds	
<u>Revenues</u>				
Local Taxes	\$ 9,089,142	\$ 0	\$ 0	\$ 9,089,142
Licenses and Permits	2,524	0	0	2,524
Charges for Current Services	66,137	0	381,610	447,747
Other Local Revenues	103,383	3,512	5,771	112,666
State of Tennessee	16,137,579	0	21,181	16,158,760
Federal Government	965,433	3,347,553	1,889,980	6,202,966
<b>Total Revenues</b>	<b>\$ 26,364,198</b>	<b>\$ 3,351,065</b>	<b>\$ 2,298,542</b>	<b>\$ 32,013,805</b>
<u>Expenditures</u>				
Current:				
Instruction	\$ 14,881,825	\$ 3,227,532	\$ 0	\$ 18,109,357
Support Services	10,376,764	1,067,654	0	11,444,418
Operation of Non-Instructional Services	845,489	0	2,339,989	3,185,478
Capital Outlay	66,911	0	0	66,911
Debt Service:				
Principal on Debt	327,413	0	0	327,413
Interest on Debt	66,373	0	0	66,373
<b>Total Expenditures</b>	<b>\$ 26,564,775</b>	<b>\$ 4,295,186</b>	<b>\$ 2,339,989</b>	<b>\$ 33,199,950</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (200,577)	\$ (944,121)	\$ (41,447)	\$ (1,186,145)
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 220,955	\$ 0	\$ 0	\$ 220,955
Insurance Recovery	8,434	0	0	8,434
Transfers In	1,133	0	0	1,133
Transfers Out	0	0	(1,133)	(1,133)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 230,522</b>	<b>\$ 0</b>	<b>\$ (1,133)</b>	<b>\$ 229,389</b>
Net Change in Fund Balances	\$ 29,945	\$ (944,121)	\$ (42,580)	\$ (956,756)
Fund Balance, July 1, 2010	1,370,206	686,543	727,200	2,783,949
<b>Fund Balance, June 30, 2011</b>	<b>\$ 1,400,151</b>	<b>\$ (257,578)</b>	<b>\$ 684,620</b>	<b>\$ 1,827,193</b>

Exhibit I-5

Fayette County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Discretely Presented Fayette County School Department  
For the Year Ended June 30, 2011

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)		\$ (956,756)
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current-period	\$ 298,242	
Less: current year depreciation expense	<u>(1,168,687)</u>	(870,445)
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2011	\$ 400,684	
Less: deferred delinquent property taxes and other deferred June 30, 2010	<u>(643,628)</u>	(242,944)
<p>(3) The issuance of long-term debt (e.g. notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.</p>		
Less: capital lease proceeds	\$ (220,955)	
Add: principal payments on notes	130,000	
Add: principal payments on capital leases	<u>197,413</u>	106,458
<p>(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Change in accrued interest	\$ 2,751	
Change in compensated absences payable	79,029	
Change in other postemployment benefits liability	<u>(90,616)</u>	(8,836)
Change in net assets of governmental activities (Exhibit B)		<u>\$ (1,972,523)</u>

Exhibit I-6

Fayette County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Discretely Presented Fayette County School Department  
June 30, 2011

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Central Cafeteria	Education Capital Projects	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 528,792	\$ 7,618	\$ 536,410
Accounts Receivable	2,424	0	2,424
Due from Other Governments	132,916	0	132,916
Cash Shortage	17,130	0	17,130
Total Assets	<u>\$ 681,262</u>	<u>\$ 7,618</u>	<u>\$ 688,880</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 165	\$ 0	\$ 165
Accrued Payroll	1,551	0	1,551
Payroll Deductions Payable	1,544	0	1,544
Contracts Payable	1,000	0	1,000
Total Liabilities	<u>\$ 4,260</u>	<u>\$ 0</u>	<u>\$ 4,260</u>
<u>Fund Balances</u>			
Restricted:			
Restricted for Operation of Non-Instructional Services	\$ 677,002	\$ 0	\$ 677,002
Restricted for Capital Outlay	0	7,618	7,618
Total Fund Balances	<u>\$ 677,002</u>	<u>\$ 7,618</u>	<u>\$ 684,620</u>
Total Liabilities and Fund Balances	<u>\$ 681,262</u>	<u>\$ 7,618</u>	<u>\$ 688,880</u>

Exhibit I-7

Fayette County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Discretely Presented Fayette County School Department  
For the Year Ended June 30, 2011

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Central Cafeteria	Education Capital Projects	
<u>Revenues</u>			
Charges for Current Services	\$ 381,610	\$ 0	\$ 381,610
Other Local Revenues	5,771	0	5,771
State of Tennessee	21,181	0	21,181
Federal Government	1,889,980	0	1,889,980
Total Revenues	<u>\$ 2,298,542</u>	<u>\$ 0</u>	<u>\$ 2,298,542</u>
<u>Expenditures</u>			
Current:			
Operation of Non-Instructional Services	\$ 2,339,989	\$ 0	\$ 2,339,989
Total Expenditures	<u>\$ 2,339,989</u>	<u>\$ 0</u>	<u>\$ 2,339,989</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (41,447)</u>	<u>\$ 0</u>	<u>\$ (41,447)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (1,133)	\$ 0	\$ (1,133)
Total Other Financing Sources (Uses)	<u>\$ (1,133)</u>	<u>\$ 0</u>	<u>\$ (1,133)</u>
Net Change in Fund Balances	\$ (42,580)	\$ 0	\$ (42,580)
Fund Balance, July 1, 2010	719,582	7,618	727,200
Fund Balance, June 30, 2011	<u>\$ 677,002</u>	<u>\$ 7,618</u>	<u>\$ 684,620</u>

Exhibit I-8

Fayette County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Fayette County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 9,089,142	\$ 0	\$ 0	\$ 9,089,142	\$ 8,792,166	\$ 8,792,166	\$ 296,976
Licenses and Permits	2,524	0	0	2,524	2,500	2,500	24
Charges for Current Services	66,137	0	0	66,137	60,000	60,000	6,137
Other Local Revenues	103,383	0	0	103,383	68,500	68,500	34,883
State of Tennessee	16,137,579	0	0	16,137,579	16,379,916	16,433,496	(295,917)
Federal Government	965,433	0	0	965,433	1,196,000	1,155,594	(190,161)
Total Revenues	\$ 26,364,198	\$ 0	\$ 0	\$ 26,364,198	\$ 26,499,082	\$ 26,512,256	\$ (148,058)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 12,193,029	\$ 0	\$ 0	\$ 12,193,029	\$ 12,361,447	\$ 12,352,308	\$ 159,279
Special Education Program	1,863,751	0	0	1,863,751	1,950,873	1,891,286	27,535
Vocational Education Program	780,718	0	0	780,718	875,119	783,284	2,566
Adult Education Program	44,327	0	0	44,327	30,264	72,189	27,862
<u>Support Services</u>							
Attendance	95,849	0	0	95,849	96,081	96,081	232
Health Services	172,042	(556)	0	171,486	174,273	174,273	2,787
Other Student Support	553,541	0	0	553,541	544,116	544,116	(9,425)
Regular Instruction Program	796,086	0	0	796,086	985,545	985,544	189,458
Special Education Program	338,775	0	0	338,775	341,221	369,743	30,968
Vocational Education Program	533,900	0	0	533,900	482,983	537,836	3,936
Adult Programs	470,222	0	0	470,222	518,531	580,990	110,768
Other Programs	84,645	0	0	84,645	0	84,645	0
Board of Education	682,331	0	0	682,331	658,411	702,004	19,673

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Director of Schools	\$ 506,318	\$ 0	\$ 0	\$ 506,318	\$ 471,009	\$ 506,898	\$ 580
Office of the Principal	1,271,521	0	0	1,271,521	1,271,292	1,271,293	(228)
Fiscal Services	231,298	0	0	231,298	222,611	225,187	(6,111)
Operation of Plant	1,556,642	0	0	1,556,642	1,612,764	1,612,764	56,122
Maintenance of Plant	562,784	(4,466)	0	558,318	585,460	585,460	27,142
Transportation	2,313,129	0	16,012	2,329,141	2,118,258	2,324,624	(4,517)
Central and Other	207,681	0	0	207,681	106,842	219,326	11,645
<u>Operation of Non-Instructional Services</u>							
Community Services	41,734	0	0	41,734	55,581	55,581	13,847
Early Childhood Education	803,755	(49,932)	0	753,823	891,910	891,910	138,087
<u>Capital Outlay</u>							
Regular Capital Outlay	66,911	0	0	66,911	85,000	85,000	18,089
<u>Principal on Debt</u>							
Education	327,413	0	0	327,413	349,000	452,414	125,001
Interest on Debt	66,373	0	0	66,373	13,000	109,570	43,197
Total Expenditures	\$ 26,564,775	\$ (54,954)	\$ 16,012	\$ 26,525,833	\$ 26,801,591	\$ 27,514,326	\$ 988,493
Excess (Deficiency) of Revenues Over Expenditures	\$ (200,577)	\$ 54,954	\$ (16,012)	\$ (161,635)	\$ (302,509)	\$ (1,002,070)	\$ 840,435
<u>Other Financing Sources (Uses)</u>							
Capital Leases Issued	\$ 220,955	\$ 0	\$ 0	\$ 220,955	\$ 0	\$ 220,955	\$ 0

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses) (Cont.)</u>							
Insurance Recovery	\$ 8,434	\$ 0	\$ 0	\$ 8,434	\$ 22,500	\$ 22,500	\$ (14,066)
Transfers In	1,133	0	0	1,133	160,000	160,000	(158,867)
Total Other Financing Sources (Uses)	\$ 230,522	\$ 0	\$ 0	\$ 230,522	\$ 182,500	\$ 403,455	\$ (172,933)
Net Change in Fund Balance	\$ 29,945	\$ 54,954	\$ (16,012)	\$ 68,887	\$ (120,009)	\$ (598,615)	\$ 667,502
Fund Balance, July 1, 2010	1,370,206	(54,954)	0	1,315,252	1,083,613	1,083,613	231,639
Fund Balance, June 30, 2011	\$ 1,400,151	\$ 0	\$ (16,012)	\$ 1,384,139	\$ 963,604	\$ 484,998	\$ 899,141

Exhibit I-9

Fayette County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Fayette County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Other Local Revenues	\$ 3,512	\$ 0	\$ 0	\$ 3,512	\$ 0	\$ 0	\$ 3,512
Federal Government	3,347,553	0	0	3,347,553	4,660,413	4,101,804	(754,251)
Total Revenues	\$ 3,351,065	\$ 0	\$ 0	\$ 3,351,065	\$ 4,660,413	\$ 4,101,804	\$ (750,739)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 1,977,729	\$ 0	\$ 0	\$ 1,977,729	\$ 1,528,890	\$ 1,344,000	\$ (633,729)
Alternative Instruction Program	38,366	0	0	38,366	0	52,965	14,599
Special Education Program	1,144,900	0	21,916	1,166,816	1,189,836	1,284,977	118,161
Vocational Education Program	66,537	0	0	66,537	63,596	63,923	(2,614)
<u>Support Services</u>							
Other Student Support	35,657	(376)	0	35,281	94,124	34,327	(954)
Regular Instruction Program	651,436	0	0	651,436	672,158	749,767	98,331
Special Education Program	308,575	0	2,758	311,333	403,852	377,942	66,609
Vocational Education Program	1,439	0	0	1,439	3,000	1,669	230
Transportation	70,547	0	0	70,547	588,810	70,800	253
Total Expenditures	\$ 4,295,186	\$ (376)	\$ 24,674	\$ 4,319,484	\$ 4,544,266	\$ 3,980,370	\$ (339,114)
Excess (Deficiency) of Revenues Over Expenditures	\$ (944,121)	\$ 376	\$ (24,674)	\$ (968,419)	\$ 116,147	\$ 121,434	\$ (1,089,853)
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 195,027	\$ 195,027	\$ (195,027)
Transfers Out	0	0	0	0	(214,240)	(219,526)	219,526
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ (19,213)	\$ (24,499)	\$ 24,499
Net Change in Fund Balance Fund Balance, July 1, 2010	\$ (944,121)	\$ 376	\$ (24,674)	\$ (968,419)	\$ 96,934	\$ 96,935	\$ (1,065,354)
Fund Balance, June 30, 2011	686,543	(376)	0	686,167	128,000	128,000	558,167
Fund Balance, June 30, 2011	\$ (257,578)	\$ 0	\$ (24,674)	\$ (282,252)	\$ 224,934	\$ 224,935	\$ (507,187)

Exhibit I-10

Fayette County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Fayette County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 381,610	\$ 396,000	\$ 395,370	\$ (13,760)
Other Local Revenues	5,771	15,000	15,000	(9,229)
State of Tennessee	21,181	24,000	21,181	0
Federal Government	1,889,980	2,239,010	1,916,124	(26,144)
Total Revenues	<u>\$ 2,298,542</u>	<u>\$ 2,674,010</u>	<u>\$ 2,347,675</u>	<u>\$ (49,133)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 2,339,989	\$ 2,674,010	\$ 2,590,179	\$ 250,190
Total Expenditures	<u>\$ 2,339,989</u>	<u>\$ 2,674,010</u>	<u>\$ 2,590,179</u>	<u>\$ 250,190</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (41,447)</u>	<u>\$ 0</u>	<u>\$ (242,504)</u>	<u>\$ 201,057</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (1,133)	\$ 0	\$ (1,133)	\$ 0
Total Other Financing Sources (Uses)	<u>\$ (1,133)</u>	<u>\$ 0</u>	<u>\$ (1,133)</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (42,580)	\$ 0	\$ (243,637)	\$ 201,057
Fund Balance, July 1, 2010	<u>719,582</u>	<u>670,654</u>	<u>670,654</u>	<u>48,928</u>
Fund Balance, June 30, 2011	<u>\$ 677,002</u>	<u>\$ 670,654</u>	<u>\$ 427,017</u>	<u>\$ 249,985</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit J-1

Fayette County, Tennessee  
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds  
Primary Government and Discretely Presented Fayette County School Department  
For the Year Ended June 30, 2011

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-10	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-11
<b><u>PRIMARY GOVERNMENT</u></b>								
<b><u>NOTES PAYABLE</u></b>								
Payable through General Debt Service Fund								
Sheriff's Department Maintenance Shop	\$ 139,789	4.25 %	7-29-10	3-15-22	\$ 0	\$ 139,789	\$ 12,164	\$ 127,625
Total Notes Payable					\$ 0	\$ 139,789	\$ 12,164	\$ 127,625
<b><u>CAPITAL LEASES PAYABLE</u></b>								
Payable through Highway/Public Works Fund								
International Lift Truck	70,350	3.45	11-25-08	11-25-11	\$ 34,128	\$ 0	\$ 34,128	\$ 0
Mac Dump Truck	88,000	3.45	9-25-09	9-25-12	88,000	0	28,329	59,671
Total Capital Leases Payable					\$ 122,128	\$ 0	\$ 62,457	\$ 59,671
<b><u>BONDS PAYABLE</u></b>								
Payable through General Debt Service Fund								
School Refunding Bonds, Series 2001	9,960,000	3 to 5	12-1-01	2-1-18	\$ 8,020,000	\$ 0	\$ 840,000	\$ 7,180,000
School Refunding Bonds, Series 2002	2,210,000	5	1-2-02	2-1-20	2,210,000	0	0	2,210,000
General Obligation Bonds, Series 2004	8,200,000	2.5 to 4.625	10-1-04	4-1-29	7,650,000	0	150,000	7,500,000
General Obligation Bonds, Series 2006	4,950,000	3.5 to 4	11-28-06	4-1-29	4,305,000	0	155,000	4,150,000
USDA Rural Development Bonds	600,000	4.375	9-18-08	9-16-45	578,098	0	6,325	571,773
Total Bonds Payable					\$ 22,763,098	\$ 0	\$ 1,151,325	\$ 21,611,773

(Continued)

Exhibit J-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-10	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-11
<u>DISCRETELY PRESENTED FAYETTE COUNTY SCHOOL DEPARTMENT</u>								
<u>NOTES PAYABLE</u>								
Payable through General Purpose School Fund								
School Capital Outlay Note	\$ 1,080,000	3.86 %	9-16-08	6-1-16	\$ 840,000	0 \$	130,000 \$	710,000
Total Notes Payable					\$ 840,000	0 \$	130,000 \$	710,000
<u>CAPITAL LEASES PAYABLE</u>								
Payable through General Purpose School Fund								
School Buses	199,842	5.14	7-27-06	12-15-10	\$ 42,732	0 \$	42,732 \$	0
School Buses	220,500	5.07	8-14-07	8-1-12	138,800	0	43,999	94,801
School Buses	189,000	4.64	9-25-07	9-24-12	118,499	0	37,722	80,777
School Buses	220,955	4.465	8-15-10	8-15-12	0	220,955	72,960	147,995
Total Capital Leases Payable					\$ 300,031	220,955 \$	197,413 \$	323,573

Exhibit J-2

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

PRIMARY GOVERNMENT

Year Ending June 30	Notes		
	Principal	Interest	Total
2012	\$ 9,785	\$ 5,349	\$ 15,134
2013	10,126	5,008	15,134
2014	10,557	4,577	15,134
2015	11,005	4,129	15,134
2016	11,463	3,671	15,134
2017	11,960	3,174	15,134
2018	12,469	2,665	15,134
2019	12,998	2,136	15,134
2020	13,546	1,588	15,134
2021	14,127	1,007	15,134
2022	9,589	407	9,996
Total	\$ 127,625	\$ 33,711	\$ 161,336

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2012	\$ 29,322	\$ 2,091	\$ 31,413
2013	30,349	1,064	31,413
Total	\$ 59,671	\$ 3,155	\$ 62,826

Year Ending June 30	Bonds		
	Principal	Interest	Total
2012	\$ 1,302,201	\$ 954,207	\$ 2,256,408
2013	1,347,516	898,215	2,245,731
2014	1,397,845	839,686	2,237,531
2015	1,508,188	778,163	2,286,351
2016	1,563,546	711,865	2,275,411
2017	1,628,920	641,776	2,270,696
2018	1,694,310	567,481	2,261,791
2019	1,764,718	488,923	2,253,641
2020	1,495,143	406,673	1,901,816
2021	700,587	337,509	1,038,096
2022	731,050	309,561	1,040,611
2023	761,533	279,918	1,041,451
2024	797,038	248,538	1,045,576
2025	827,564	214,775	1,042,339
2026	868,114	179,581	1,047,695
2027	903,688	142,670	1,046,358
2028	949,287	102,752	1,052,039
2029	989,912	60,820	1,050,732

(Continued)

Exhibit J-2

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

PRIMARY GOVERNMENT (CONT.)

Year Ending June 30	Bonds (Cont.)		
	Principal	Interest	Total
2030	\$ 15,564	\$ 17,106	\$ 32,670
2031	16,245	16,425	32,670
2032	16,956	15,714	32,670
2033	17,698	14,972	32,670
2034	18,472	14,198	32,670
2035	19,280	13,390	32,670
2036	20,123	12,546	32,669
2037	21,004	11,666	32,670
2038	21,923	10,747	32,670
2039	22,882	9,788	32,670
2040	23,883	8,787	32,670
2041	24,928	7,742	32,670
2042	26,019	6,652	32,671
2043	27,157	5,513	32,670
2044	28,345	4,325	32,670
2045	29,585	3,085	32,670
2046	30,549	1,791	32,340
Total	\$ 21,611,773	\$ 8,337,560	\$ 29,949,333

DISCRETELY PRESENTED FAYETTE  
COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Notes		
	Principal	Interest	Total
2012	\$ 135,000	\$ 27,863	\$ 162,863
2013	140,000	22,503	162,503
2014	150,000	17,024	167,024
2015	155,000	11,154	166,154
2016	130,000	5,102	135,102
Total	\$ 710,000	\$ 83,646	\$ 793,646

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2012	\$ 158,083	\$ 15,162	\$ 173,245
2013	165,490	7,755	173,245
Total	\$ 323,573	\$ 22,917	\$ 346,490

Exhibit J-3

Fayette County, Tennessee  
Schedule of Transfers  
Primary Government and Discretely Presented Fayette County School Department  
For the Year Ended June 30, 2011

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	General Debt Service	Debt retirement	\$ 36,870
Adequate Facilities/Development Tax	General Debt Service	Debt retirement	108,102
Total Transfers Primary Government			<u>\$ 144,972</u>
<u>DISCRETELY PRESENTED FAYETTE</u> <u>COUNTY SCHOOL DEPARTMENT</u>			
Central Cafeteria	General Purpose School	Indirect costs	\$ 1,133
Total Transfers Discretely Presented Fayette County School Department			<u>\$ 1,133</u>

Exhibit J-4

Fayette County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Fayette County School Department  
For the Year Ended June 30, 2011

Official	Authorization for Salary	\$	Salary Paid During Period	Bond	Surety
County Mayor Public Works Superintendent	Section 8-24-102, TCA Chapter 234, Private Acts of 1974 and Section 8-24-102, TCA	\$	82,020 (1) 76,594 (1)	50,000 100,000	Western Surety Company "
Director of Schools - Cedric Gray	State Board of Education and County Board of Education		106,000 (2)	100,000	"
Prior Director of Schools - Myles Wilson	State Board of Education and County Board of Education		113,158 (3)		
Trustee	Section 8-24-102, TCA		67,081	1,202,900	"
Assessor of Property	Section 8-24-102, TCA		67,081	10,000	"
County Clerk	Section 8-24-102, TCA		67,081	50,000	"
Circuit Court Clerk:					
Connie Doyle (7-1-10 through 8-31-10)	Section 8-24-102, TCA		11,180	50,000	"
Edward Pulliam (9-1-10 through 6-30-11)	Section 8-24-102, TCA		55,901	50,000	"
Clerk and Master	Section 8-24-102, TCA		67,081	100,000	"
Register	Section 8-24-102, TCA		67,081	25,000	"
Sheriff	Section 8-24-102, TCA		78,116 (4)	25,000	"
Employees Blanket Bond: Office:					
County Mayor: All Employees				150,000	Local Government Property and Casualty
Public Works Superintendent: All Employees				150,000	"
Director of Schools: All Employees				150,000	Tennessee Risk Management Trust

- (1) Includes certified public administrator supplement of \$1,223.
- (2) Includes a chief executive officer training supplement of \$1,000.
- (3) Myles Wilson, the prior director of schools who left office December 3, 2009, received additional contract buy-out funds totaling \$113,158 during this period.
- (4) Does not include a law enforcement training supplement of \$600.

Fayette County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2011

	Special Revenue Funds						Highway / Public Works
	General	Solid Waste / Sanitation	Drug Control	Adequate Facilities/ Development Tax	Constitu- tional Officers - Fees		
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 6,560,269	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	636,361
Trustee's Collections - Prior Year	255,807	0	0	0	0	0	28,798
Circuit/Clerk & Master Collections - Prior Years	171,130	0	0	0	0	0	16,035
Interest and Penalty	49,442	0	0	0	0	0	4,786
Payments in-Lieu-of Taxes - Local Utilities	3,683	0	0	0	0	0	360
Payments in-Lieu-of Taxes - Other	60,441	0	0	0	0	0	5,150
<u>County Local Option Taxes</u>							
Local Option Sales Tax	0	0	0	0	0	0	382,105
Hotel/Motel Tax	6,114	0	0	0	0	0	0
Wheel Tax	193,788	0	0	0	0	0	775,153
Litigation Tax - General	84,453	0	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	57,989	0	0	0	0	0	0
Business Tax	190,007	0	0	0	0	0	0
Adequate Facilities/Development Tax	0	0	0	237,169	0	0	0
<u>Statutory Local Taxes</u>							
Bank Excise Tax	39,774	0	0	0	0	0	0
Wholesale Beer Tax	67,180	0	0	0	0	0	0
Interstate Telecommunications Tax	1,402	0	0	0	0	0	0
<b>Total Local Taxes</b>	<b>\$ 7,741,479</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 237,169</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,848,748</b>
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Animal Registration	\$ 15,159	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Cable TV Franchise	134,751	0	0	0	0	0	0
<u>Permits</u>							
Beer Permits	665	0	0	0	0	0	0
Building Permits	40,370	0	0	0	0	0	0
<b>Total Licenses and Permits</b>	<b>\$ 190,945</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>0</b>

(Continued)

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

	Special Revenue Funds						Highway / Public Works
	General	Solid Waste / Sanitation	Drug Control	Adequate Facilities/ Development Tax	Constitu- tional Officers - Fees		
<u>Fines, Forfeitures, and Penalties</u>							
<u>Circuit Court</u>							
Fines	\$ 7,636	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Officers Costs	11,232	0	0	0	0	0	0
Drug Control Fines	11,547	0	0	0	0	0	0
Drug Court Fees	569	0	0	0	0	0	0
Jail Fees	1,391	0	0	0	0	0	0
DUI Treatment Fines	1,121	0	0	0	0	0	0
Data Entry Fee - Circuit Court	1,372	0	0	0	0	0	0
<u>Criminal Court</u>							
Game and Fish Fines	22	0	0	0	0	0	0
Drug Control Fines	0	0	4,861	0	0	0	0
<u>General Sessions Court</u>							
Fines	12,735	0	0	0	0	0	0
Officers Costs	23,262	0	0	0	0	0	0
Game and Fish Fines	781	0	0	0	0	0	0
Drug Control Fines	4,655	0	4,505	0	0	0	0
Drug Court Fees	1,540	0	1,103	0	0	0	0
Jail Fees	3,794	0	0	0	0	0	0
Judicial Commissioner Fees	17,217	0	0	0	0	0	0
DUI Treatment Fines	6,989	0	0	0	0	0	0
Data Entry Fee - General Sessions Court	3,531	0	0	0	0	0	0
Courtroom Security Fee	476	0	0	0	0	0	0
<u>Juvenile Court</u>							
Officers Costs	836	0	0	0	0	0	0
Courtroom Security Fee	4	0	0	0	0	0	0
<u>Chancery Court</u>							
Officers Costs	1,708	0	0	0	0	0	0
Data Entry Fee - Chancery Court	790	0	0	0	0	0	0
<u>Judicial District Drug Program</u>							
Courtroom Security Fee	2	0	0	0	0	0	0

(Continued)

Exhibit J-5

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Drug Control	Adequate Facilities/ Development Tax	Constitutional Officers - Fees	Highway / Public Works
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	\$ 0	\$ 0	\$ 144,561	\$ 0	\$ 0	\$ 0
Total Fines, Forfeitures, and Penalties	\$ 113,210	\$ 0	\$ 155,030	\$ 0	\$ 0	\$ 0
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Other Employee Benefit Charges/Contributions	\$ 122,600	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Residential Waste Collection Charge	8,200	0	0	0	0	0
Solid Waste Disposal Fees	0	272,944	0	0	0	0
Patient Charges	919,507	0	0	0	0	0
<u>Fees</u>						
Airport Fees	73,550	0	0	0	0	0
Copy Fees	170	0	0	0	0	0
Library Fees	9,776	0	0	0	0	0
Greenbelt Late Application Fee	250	0	0	0	0	0
Telephone Commissions	42,019	0	0	0	0	0
Vending Machine Collections	680	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	149,143	0
Data Processing Fee - Register	15,676	0	0	0	0	0
Data Processing Fee - Sheriff	2,287	0	0	0	0	0
Sexual Offender Registration Fees - Sheriff	3,400	0	0	0	0	0
Data Processing Fee - County Clerk	2,592	0	0	0	0	0
Other Charges for Services	6,450	0	0	0	0	0
Other Charges for Services	1,207,157	\$ 272,944	\$ 0	\$ 0	\$ 149,143	\$ 0
Total Charges for Current Services	\$ 1,207,157	\$ 272,944	\$ 0	\$ 0	\$ 149,143	\$ 0
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 88,725	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	12,902	0	0	0	0	0
Sale of Materials and Supplies	2,135	0	0	0	0	0

(Continued)

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Drug Control	Adequate Facilities/ Development Tax	Constitutional Officers - Fees	Highway / Public Works
<u>Other Local Revenues (Cont.)</u>						
<u>Recurring Items (Cont.)</u>						
Commissary Sales	\$ 13,771	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Sale of Gasoline	179,524	0	0	0	0	0
Sale of Recycled Materials	0	153,946	0	0	0	6,116
Miscellaneous Refunds	1,040	0	11,605	0	0	2,202
<u>Nonrecurring Items</u>						
Sale of Equipment	30,600	20,800	0	0	0	38,850
Contributions and Gifts	200	0	0	0	0	9,450
Performance Bond Forfeitures	0	0	0	0	0	109,000
<u>Other Local Revenues</u>	24,873	0	0	0	0	0
<u>Total Other Local Revenues</u>	\$ 353,770	\$ 174,746	\$ 11,605	\$ 0	\$ 0	\$ 165,618
<u>Fees Received from County Officials</u>						
<u>Excess Fees</u>						
Register	\$ 52,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fees in-Lieu-of Salary</u>						
County Clerk	318,191	0	0	0	0	0
Circuit Court Clerk	115,087	0	0	0	0	0
General Sessions Court Clerk	107,155	0	0	0	0	0
Clerk and Master	182,797	0	0	0	0	0
Juvenile Court Clerk	27,153	0	0	0	0	0
Sheriff	28,267	0	0	0	0	0
Trustee	549,885	0	0	0	0	0
<u>Total Fees Received from County Officials</u>	\$ 1,381,035	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Airport Maintenance Program	\$ 12,120	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Solid Waste Grants	0	10,489	0	0	0	0
On-Behalf Contributions for OPEB	470	0	0	0	0	0

(Continued)

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

	Special Revenue Funds						Highway / Public Works
	General	Solid Waste / Sanitation	Drug Control	Adequate Facilities/ Development Tax	Constitu- tional Officers - Fees		
<u>State of Tennessee (Cont.)</u>							
<u>Public Safety Grants</u>							
Law Enforcement Training Programs	\$ 22,800	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Other Public Safety Grants	8,575	0	0	0	0	0	0
<u>Health and Welfare Grants</u>							
Health Department Programs	259,665	0	0	0	0	0	0
<u>Public Works Grants</u>							
Litter Program	32,329	0	0	0	0	0	0
<u>Other State Revenues</u>							
Beer Tax	18,724	0	0	0	0	0	0
Alcoholic Beverage Tax	63,884	0	0	0	0	0	0
Mixed Drink Tax	1,111	0	0	0	0	0	0
State Revenue Sharing - T.V.A.	851,112	0	0	0	0	0	0
Contracted Prisoner Boarding	356,125	0	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	2,015,035
Petroleum Special Tax	0	0	0	0	0	0	23,126
Registrar's Salary Supplement	15,164	0	0	0	0	0	0
Other State Grants	53,008	0	0	0	0	0	0
Other State Revenues	18,292	0	0	0	0	0	0
<b>Total State of Tennessee</b>	<b>\$ 1,713,379</b>	<b>\$ 10,489</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,038,161</b>
<u>Federal Government</u>							
<u>Federal Through State</u>							
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Disaster Relief	12,273	0	0	0	0	0	157,059
Law Enforcement Grants	13,489	0	0	0	0	0	0
Other Federal through State	90,471	0	0	0	0	0	0
<u>Direct Federal Revenue</u>							
ARRA Grant # 6	45,950	0	0	0	0	0	0
ARRA Grant # 7	48,652	0	0	0	0	0	0
<b>Total Federal Government</b>	<b>\$ 210,835</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 157,059</b>

(Continued)

Exhibit J-5

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Drug Control	Adequate Facilities/ Development Tax	Constitutional Officers - Fees	Highway / Public Works
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Prisoner Board Contributions	\$ 182,927	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contracted Services	8,592	0	0	0	0	0
Citizens Groups	27,559	0	0	0	0	0
Donations	0	0	0	0	0	0
Other	10,381	0	0	0	0	0
Total Other Governments and Citizens Groups	\$ 229,459	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total	\$ 13,141,269	\$ 458,179	\$ 166,635	\$ 237,169	\$ 149,143	\$ 4,209,586

(Continued)

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

	Debt Service Fund	Capital Projects Funds				Total
		General Debt Service	Community Development/Industrial Park	HUD Grant Projects	Other Capital Projects	
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 394,677	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,591,307
Trustee's Collections - Prior Year	20,713	0	0	0	0	305,318
Circuit/Clerk & Master Collections - Prior Years	20,578	0	0	0	0	207,743
Interest and Penalty	3,620	0	0	0	0	57,848
Payments in-Lieu-of Taxes - Local Utilities	221	0	0	0	0	4,264
Payments in-Lieu-of Taxes - Other	3,783	0	0	0	0	69,374
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	0	0	382,105
Hotel/Motel Tax	0	0	0	0	0	6,114
Wheel Tax	968,941	0	0	0	0	1,937,882
Litigation Tax - General	0	0	0	0	0	84,453
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	57,989
Business Tax	0	0	0	0	0	190,007
Adequate Facilities/Development Tax	0	0	0	0	0	237,169
<u>Statutory Local Taxes</u>						
Bank Excise Tax	0	0	0	0	0	39,774
Wholesale Beer Tax	0	0	0	0	0	67,180
Interstate Telecommunications Tax	0	0	0	0	0	1,402
<b>Total Local Taxes</b>	<b>\$ 1,412,533</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 11,239,929</b>
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Animal Registration	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,159
Cable TV Franchise	0	0	0	0	0	134,751
<u>Permits</u>						
Beer Permits	0	0	0	0	0	665
Building Permits	0	0	0	0	0	40,370
<b>Total Licenses and Permits</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 190,945</b>

(Continued)

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

	Debt Service Fund	Capital Projects Funds				Total
		General Debt Service	Community Development/Industrial Park	HUD Grant Projects	Other Capital Projects	
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$	0 \$	0 \$	0 \$	0 \$	7,636
Officers Costs		0	0	0	0	11,232
Drug Control Fines		0	0	0	0	11,547
Drug Court Fees		0	0	0	0	569
Jail Fees		0	0	0	0	1,391
DUI Treatment Fines		0	0	0	0	1,121
Data Entry Fee - Circuit Court		0	0	0	0	1,372
<u>Criminal Court</u>						
Game and Fish Fines		0	0	0	0	22
Drug Control Fines		0	0	0	0	4,861
<u>General Sessions Court</u>						
Fines		0	0	0	0	12,735
Officers Costs		0	0	0	0	23,262
Game and Fish Fines		0	0	0	0	781
Drug Control Fines		0	0	0	0	9,160
Drug Court Fees		0	0	0	0	2,643
Jail Fees		0	0	0	0	3,794
Judicial Commissioner Fees		0	0	0	0	17,217
DUI Treatment Fines		0	0	0	0	6,989
Data Entry Fee - General Sessions Court		0	0	0	0	3,531
Courtroom Security Fee		0	0	0	0	476
<u>Juvenile Court</u>						
Officers Costs		0	0	0	0	836
Courtroom Security Fee		0	0	0	0	4
<u>Chancery Court</u>						
Officers Costs		0	0	0	0	1,708
Data Entry Fee - Chancery Court		0	0	0	0	790
<u>Judicial District Drug Program</u>						
Courtroom Security Fee		0	0	0	0	2

(Continued)

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

	Debt Service Fund		Capital Projects Funds				Total
	General Debt Service	Community Development/Industrial Park	HUD Grant Projects	Other Capital Projects			
<u>Fines, Forfeitures, and Penalties (Cont.)</u>							
<u>Other Fines, Forfeitures, and Penalties</u>							
Proceeds from Confiscated Property	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 144,561
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 268,240
<u>Charges for Current Services</u>							
<u>General Service Charges</u>							
Other Employee Benefit Charges/Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 122,600
Residential Waste Collection Charge	0	0	0	0	0	0	8,200
Solid Waste Disposal Fees	0	0	0	0	0	0	272,944
Patient Charges	0	0	0	0	0	0	919,507
<u>Fees</u>							
Airport Fees	0	0	0	0	0	0	73,550
Copy Fees	0	0	0	0	0	0	170
Library Fees	0	0	0	0	0	0	9,776
Greenbelt Late Application Fee	0	0	0	0	0	0	250
Telephone Commissions	0	0	0	0	0	0	42,019
Vending Machine Collections	0	0	0	0	0	0	680
Constitutional Officers' Fees and Commissions	0	0	0	0	0	0	149,143
Data Processing Fee - Register	0	0	0	0	0	0	15,676
Data Processing Fee - Sheriff	0	0	0	0	0	0	2,287
Sexual Offender Registration Fees - Sheriff	0	0	0	0	0	0	3,400
Data Processing Fee - County Clerk	0	0	0	0	0	0	2,592
Other Charges for Services	0	0	0	0	0	0	6,450
Other Charges for Services	0	0	0	0	0	0	6,450
Total Charges for Current Services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,629,244
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 88,725
Lease/Rentals	0	0	0	0	0	0	12,902
Sale of Materials and Supplies	0	0	0	0	0	0	2,135

(Continued)

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

	Debt Service Fund	Capital Projects Funds				Total
		General Debt Service	Community Development/Industrial Park	HUD Grant Projects	Other Capital Projects	
<u>Other Local Revenues (Cont.)</u>						
<u>Recurring Items (Cont.)</u>						
Commissary Sales	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	13,771
Sale of Gasoline	0	0	0	0	0	179,524
Sale of Recycled Materials	0	0	0	0	0	160,062
Miscellaneous Refunds	0	0	0	0	0	14,847
<u>Nonrecurring Items</u>						
Sale of Equipment	0	0	0	0	0	90,250
Contributions and Gifts	0	0	0	0	0	9,650
Performance Bond Forfeitures	0	0	0	0	0	109,000
<u>Other Local Revenues</u>						
Other Local Revenues	0	0	0	0	0	24,873
<b>Total Other Local Revenues</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 705,739</b>
<u>Fees Received from County Officials</u>						
<u>Excess Fees</u>						
Register	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	52,500
<u>Fees in-Lieu-of Salary</u>						
County Clerk	0	0	0	0	0	318,191
Circuit Court Clerk	0	0	0	0	0	115,087
General Sessions Court Clerk	0	0	0	0	0	107,155
Clerk and Master	0	0	0	0	0	182,797
Juvenile Court Clerk	0	0	0	0	0	27,153
Sheriff	0	0	0	0	0	28,267
Trustee	0	0	0	0	0	549,885
<b>Total Fees Received from County Officials</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,381,035</b>
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Airport Maintenance Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	12,120
Solid Waste Grants	0	0	0	0	0	10,489
On-Behalf Contributions for OPEB	0	0	0	0	0	470

(Continued)

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

	Debt Service Fund	Capital Projects Funds				Total
		General Debt Service	Community Development/Industrial Park	HUD Grant Projects	Other Capital Projects	
<u>State of Tennessee (Cont.)</u>						
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	22,800
Other Public Safety Grants	0	0	0	0	0	8,575
<u>Health and Welfare Grants</u>						
Health Department Programs	0	0	0	0	0	259,665
<u>Public Works Grants</u>						
Litter Program	0	0	0	0	0	32,329
<u>Other State Revenues</u>						
Beer Tax	0	0	0	0	0	18,724
Alcoholic Beverage Tax	0	0	0	0	0	63,884
Mixed Drink Tax	0	0	0	0	0	1,111
State Revenue Sharing - T.V.A.	0	0	0	0	0	851,112
Contracted Prisoner Boarding	0	0	0	0	0	356,125
Gasoline and Motor Fuel Tax	0	0	0	0	0	2,015,035
Petroleum Special Tax	0	0	0	0	0	23,126
Registrar's Salary Supplement	0	0	0	0	0	15,164
Other State Grants	0	20,752	0	17,089	0	90,849
Other State Revenues	0	0	0	0	0	18,292
Total State of Tennessee	\$ 0	\$ 20,752	\$ 0	\$ 17,089	\$ 0	\$ 3,799,870
<u>Federal Government</u>						
<u>Federal Through State</u>						
Community Development	\$ 0	\$ 0	\$ 29,516	\$ 0	\$ 0	29,516
Disaster Relief	0	0	0	0	0	169,332
Law Enforcement Grants	0	0	0	0	0	13,489
Other Federal through State	0	0	0	0	0	90,471
<u>Direct Federal Revenue</u>						
ARRA Grant # 6	0	0	0	0	0	45,950
ARRA Grant # 7	0	0	0	0	0	48,652
Total Federal Government	\$ 0	\$ 0	\$ 29,516	\$ 0	\$ 0	\$ 397,410

(Continued)

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

	Debt Service Fund		Capital Projects Funds				Total
	General Debt Service		Community Development/Industrial Park	HUD Grant Projects	Other Capital Projects		
<u>Other Governments and Citizens Groups</u>							
<u>Other Governments</u>							
Prisoner Board Contributions	0	0	0	0	0	0	182,927
Contracted Services	0	0	0	0	0	0	8,592
Citizens Groups	0	0	0	0	0	0	27,559
Donations	0	2,660	2,660	500	0	0	3,160
Other	0	0	0	0	0	0	10,381
Total Other Governments and Citizens Groups	0	2,660	2,660	500	0	0	232,619
Total	\$ 1,412,533	\$ 23,412	\$ 23,412	\$ 30,016	\$ 17,089	\$ 19,845,031	

Exhibit J-6

Fayette County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Fayette County School Department  
For the Year Ended June 30, 2011

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 6,126,281	\$ 0	\$ 0	\$ 6,126,281
Trustee's Collections - Prior Year	315,399	0	0	315,399
Circuit/Clerk & Master Collections - Prior Years	159,952	0	0	159,952
Interest and Penalty	48,810	0	0	48,810
Payments in-Lieu-of Taxes - Local Utilities	3,462	0	0	3,462
Payments in-Lieu-of Taxes - Other	48,817	0	0	48,817
<u>County Local Option Taxes</u>				
Local Option Sales Tax	2,384,347	0	0	2,384,347
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	2,074	0	0	2,074
Total Local Taxes	\$ 9,089,142	\$ 0	\$ 0	\$ 9,089,142
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 2,524	\$ 0	\$ 0	\$ 2,524
Total Licenses and Permits	\$ 2,524	\$ 0	\$ 0	\$ 2,524
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Other	\$ 64,577	\$ 0	\$ 0	\$ 64,577
Lunch Payments - Children	0	0	54,222	54,222
Lunch Payments - Adults	0	0	23,214	23,214
Income from Breakfast	0	0	22,001	22,001
TBI Criminal Background Fees	1,560	0	360	1,920
<u>Other Charges for Services</u>				
Other Charges for Services	0	0	281,813	281,813
Total Charges for Current Services	\$ 66,137	\$ 0	\$ 381,610	\$ 447,747
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 5,771	\$ 5,771
Lease/Rentals	38,392	0	0	38,392
Miscellaneous Refunds	54,375	3,512	0	57,887
<u>Nonrecurring Items</u>				
Damages Recovered from Individuals	495	0	0	495
Contributions and Gifts	10,014	0	0	10,014
<u>Other Local Revenues</u>				
Other Local Revenues	107	0	0	107
Total Other Local Revenues	\$ 103,383	\$ 3,512	\$ 5,771	\$ 112,666
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 84,645	\$ 0	\$ 0	\$ 84,645
<u>State Education Funds</u>				
Basic Education Program	13,818,726	0	0	13,818,726
Basic Education Program - ARRA	1,120,711	0	0	1,120,711
Early Childhood Education	733,312	0	0	733,312
School Food Service	0	0	21,181	21,181

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
Driver Education	\$ 12,545	\$ 0	\$ 0	\$ 12,545
Other State Education Funds	25,544	0	0	25,544
Coordinated School Health - ARRA	9,749	0	0	9,749
Internet Connectivity - ARRA	10,598	0	0	10,598
Statewide Student Management System (SSMS) - ARRA	9,236	0	0	9,236
Career Ladder Program	123,090	0	0	123,090
<u>Other State Revenues</u>				
Income Tax	170,106	0	0	170,106
Mixed Drink Tax	1,111	0	0	1,111
Safe Schools - ARRA	18,206	0	0	18,206
Total State of Tennessee	\$ 16,137,579	\$ 0	\$ 21,181	\$ 16,158,760
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,144,556	\$ 1,144,556
USDA - Commodities	0	0	153,980	153,980
Breakfast	0	0	565,608	565,608
USDA - Other	0	0	25,836	25,836
Vocational Education - Basic Grants to States	0	88,794	0	88,794
Title I Grants to Local Education Agencies	0	1,357,110	0	1,357,110
Special Education - Grants to States	0	1,182,360	0	1,182,360
Special Education Preschool Grants	0	69,927	0	69,927
English Language Acquisition Grants	0	3,350	0	3,350
Eisenhower Professional Development State Grants	0	171,884	0	171,884
Job Training Partnership Act	306,812	0	0	306,812
Race to the Top - ARRA	0	45,847	0	45,847
Other Federal through State	658,621	428,281	0	1,086,902
Total Federal Government	\$ 965,433	\$ 3,347,553	\$ 1,889,980	\$ 6,202,966
Total	\$ 26,364,198	\$ 3,351,065	\$ 2,298,542	\$ 32,013,805

Exhibit J-7

Fayette County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2011

General Fund

General Government

County Commission

Board and Committee Members Fees	\$ 47,680	
State Retirement	2,167	
Communication	973	
Consultants	27,578	
Legal Services	75,816	
Rentals	1,188	
Travel	640	
Duplicating Supplies	3,000	
Office Supplies	1,928	
Other Charges	535	
Total County Commission		\$ 161,505

Beer Board

Board and Committee Members Fees	\$ 461	
Total Beer Board		461

County Mayor/Executive

County Official/Administrative Officer	\$ 82,020	
Communication	1,436	
Legal Notices, Recording, and Court Costs	1,054	
Maintenance and Repair Services - Vehicles	23	
Postal Charges	88	
Printing, Stationery, and Forms	962	
Rentals	594	
Travel	271	
Other Contracted Services	1,991	
Office Supplies	635	
Periodicals	31	
Total County Mayor/Executive		89,105

County Attorney

Other Salaries and Wages	\$ 19,374	
Board and Committee Members Fees	1,712	
Other Per Diem and Fees	74,630	
Social Security	5,777	
Employer Medicare	1,351	
Total County Attorney		102,844

Election Commission

Assistant(s)	\$ 29,560	
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(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Supervisor/Director	\$ 65,249	
Deputy(ies)	27,030	
Part-time Personnel	10,770	
Election Commission	8,904	
Election Workers	53,223	
In-Service Training	3,535	
Communication	1,840	
Data Processing Services	11,300	
Dues and Memberships	950	
Legal Notices, Recording, and Court Costs	3,893	
Maintenance and Repair Services - Buildings	14,999	
Maintenance and Repair Services - Office Equipment	2,761	
Postal Charges	5,610	
Printing, Stationery, and Forms	520	
Rentals	3,237	
Travel	8,093	
Office Supplies	4,365	
Other Supplies and Materials	1,613	
Data Processing Equipment	7,238	
Office Equipment	1,866	
Total Election Commission		\$ 266,556

Register of Deeds

Communication	\$ 1,859	
Data Processing Services	12,129	
Postal Charges	220	
Printing, Stationery, and Forms	499	
Rentals	1,080	
Travel	986	
Office Supplies	205	
Total Register of Deeds		16,978

Development

Assistant(s)	\$ 40,800
Supervisor/Director	53,963
Deputy(ies)	24,781
Secretary(ies)	31,916
Board and Committee Members Fees	4,286
Communication	2,493
Consultants	1,550

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Development (Cont.)

Contracts with Private Agencies	\$	215	
Legal Notices, Recording, and Court Costs		3,770	
Maintenance and Repair Services - Buildings		275	
Maintenance and Repair Services - Office Equipment		1,431	
Postal Charges		88	
Rentals		1,997	
Travel		2,100	
Data Processing Supplies		233	
Office Supplies		1,908	
Other Charges		4,000	
Total Development			\$ 175,806

Building

Supervisor/Director	\$	40,800	
Part-time Personnel		3,724	
Board and Committee Members Fees		659	
In-Service Training		150	
Communication		1,118	
Maintenance and Repair Services - Vehicles		1,202	
Printing, Stationery, and Forms		180	
Travel		719	
Gasoline		2,900	
Office Supplies		120	
Other Supplies and Materials		288	
Other Charges		105	
Total Building			51,965

County Buildings

Custodial Personnel	\$	25,500	
Temporary Personnel		3,344	
Communication		742	
Contracts with Government Agencies		13,896	
Contracts with Other Public Agencies		690	
Maintenance and Repair Services - Buildings		30,375	
Maintenance and Repair Services - Vehicles		500	
Postal Charges		19,201	
Rentals		27,513	
Custodial Supplies		4,821	
Gasoline		1,890	
Small Tools		500	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Uniforms	\$ 499	
Utilities	42,220	
Other Supplies and Materials	500	
Total County Buildings		\$ 172,191

Other Facilities

Communication	\$ 1,058	
Maintenance and Repair Services - Buildings	1,858	
Electricity	2,607	
Propane Gas	2,751	
Total Other Facilities		8,274

Other General Administration

Dues and Memberships	\$ 57,062	
Total Other General Administration		57,062

Finance

Accounting and Budgeting

Supervisor/Director	\$ 39,196	
Purchasing Personnel	43,546	
Clerical Personnel	47,575	
In-Service Training	585	
Audit Services	8,642	
Communication	1,046	
Data Processing Services	8,626	
Legal Notices, Recording, and Court Costs	500	
Maintenance and Repair Services - Office Equipment	45	
Printing, Stationery, and Forms	444	
Rentals	662	
Travel	1,058	
Duplicating Supplies	1,000	
Office Supplies	1,453	
Data Processing Equipment	400	
Office Equipment	500	
Total Accounting and Budgeting		155,278

Property Assessor's Office

County Official/Administrative Officer	\$ 67,081	
Assistant(s)	30,600	
Deputy(ies)	82,493	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Investigator(s)	\$	30,000	
Board and Committee Members Fees		816	
Communication		882	
Consultants		24,660	
Data Processing Services		4,160	
Dues and Memberships		468	
Legal Notices, Recording, and Court Costs		65	
Maintenance Agreements		2,999	
Maintenance and Repair Services - Office Equipment		466	
Maintenance and Repair Services - Vehicles		538	
Postal Charges		1,370	
Printing, Stationery, and Forms		170	
Rentals		1,275	
Gasoline		3,740	
Office Supplies		266	
Other Supplies and Materials		499	
Data Processing Equipment		487	
Office Equipment		300	
Total Property Assessor's Office			\$ 253,335

Reappraisal Program

Communication	\$	70	
Consultants		30,000	
Data Processing Services		12,165	
Gasoline		391	
Total Reappraisal Program			42,626

County Trustee's Office

County Official/Administrative Officer	\$	67,081	
Assistant(s)		30,600	
Deputy(ies)		52,530	
In-Service Training		1,165	
Communication		1,524	
Data Processing Services		9,650	
Dues and Memberships		225	
Legal Notices, Recording, and Court Costs		250	
Maintenance and Repair Services - Office Equipment		506	
Postal Charges		13,144	
Printing, Stationery, and Forms		2,230	
Rentals		1,144	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Travel	\$ 1,455	
Office Supplies	1,199	
Other Supplies and Materials	1,200	
Data Processing Equipment	300	
Office Equipment	999	
Total County Trustee's Office		\$ 185,202

County Clerk's Office

County Official/Administrative Officer	\$ 67,081	
Assistant(s)	30,600	
Deputy(ies)	125,901	
Other Salaries and Wages	1,500	
In-Service Training	475	
Communication	2,965	
Data Processing Services	14,036	
Dues and Memberships	150	
Legal Notices, Recording, and Court Costs	625	
Maintenance and Repair Services - Office Equipment	73	
Printing, Stationery, and Forms	1,222	
Rentals	2,394	
Travel	757	
Office Supplies	866	
Other Supplies and Materials	40	
Total County Clerk's Office		248,685

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$ 67,081
Assistant(s)	30,600
Deputy(ies)	28,815
Jury and Witness Expense	26,303
In-Service Training	1,375
Communication	2,073
Data Processing Services	5,526
Dues and Memberships	95
Maintenance and Repair Services - Office Equipment	236
Postal Charges	55
Printing, Stationery, and Forms	2,688
Transportation - Other than Students	300
Travel	1,444

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Office Supplies	\$ 2,742	
Data Processing Equipment	956	
Total Circuit Court		\$ 170,289

General Sessions Court

Assistant(s)	\$ 30,600	
Deputy(ies)	101,927	
In-Service Training	180	
Communication	1,299	
Data Processing Services	2,928	
Postal Charges	55	
Printing, Stationery, and Forms	1,471	
Rentals	3,462	
Office Supplies	1,733	
Data Processing Equipment	8,994	
Total General Sessions Court		152,649

General Sessions Judge

Judge(s)	\$ 148,360	
Deputy(ies)	27,030	
In-Service Training	474	
Communication	1,108	
Travel	1,505	
Library Books/Media	276	
Office Supplies	260	
Other Supplies and Materials	624	
Total General Sessions Judge		179,637

General Sessions Court Clerk

Assistant(s)	\$ 26,600	
Deputy(ies)	25,000	
Communication	59	
Data Processing Services	5,160	
Printing, Stationery, and Forms	1,436	
Rentals	1,434	
Travel	586	
Office Supplies	404	
Total General Sessions Court Clerk		60,679

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Drug Court

Temporary Personnel	\$ 36,035	
Social Security	2,224	
State Retirement	3,088	
Employee and Dependent Insurance	6,187	
Employer Medicare	520	
Workers' Compensation Insurance	256	
Total Drug Court		\$ 48,310

Chancery Court

County Official/Administrative Officer	\$ 67,081	
Assistant(s)	30,600	
Deputy(ies)	52,530	
Jury and Witness Expense	1,422	
Communication	903	
Data Processing Services	6,680	
Legal Notices, Recording, and Court Costs	3,952	
Maintenance and Repair Services - Office Equipment	73	
Postal Charges	110	
Printing, Stationery, and Forms	1,955	
Rentals	2,406	
Data Processing Supplies	167	
Office Supplies	2,830	
Total Chancery Court		170,709

Juvenile Court

Youth Service Officer(s)	\$ 38,569	
In-Service Training	410	
Communication	2,114	
Contracts with Government Agencies	2,751	
Dues and Memberships	400	
Maintenance and Repair Services - Office Equipment	193	
Postal Charges	125	
Transportation - Other than Students	469	
Travel	374	
Other Contracted Services	1,249	
Office Supplies	1,298	
Total Juvenile Court		47,952

(Continued)

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

General Fund (Cont.)

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 78,116	
Supervisor/Director	118,915	
Deputy(ies)	738,839	
Investigator(s)	118,187	
Captain(s)	81,989	
Lieutenant(s)	115,557	
Sergeant(s)	116,093	
Salary Supplements	20,400	
Part-time Personnel	7,099	
Overtime Pay	49,048	
In-Service Training	3,867	
Employee and Dependent Insurance	205,942	
Communication	26,261	
Maintenance and Repair Services - Buildings	6,351	
Maintenance and Repair Services - Office Equipment	5,706	
Maintenance and Repair Services - Vehicles	54,857	
Medical and Dental Services	30,911	
Postal Charges	1,270	
Printing, Stationery, and Forms	1,840	
Rentals	7,124	
Travel	27	
Gasoline	232,036	
Office Supplies	17,333	
Uniforms	14,237	
Other Supplies and Materials	5,098	
Liability Insurance	64,167	
Liability Claims	500	
Other Charges	2,000	
Communication Equipment	17,568	
Motor Vehicles	19,769	
Total Sheriff's Department		\$ 2,161,107

Drug Enforcement

Supervisor/Director	\$ 40,225
Investigator(s)	111,681
Salary Supplements	1,800
Overtime Pay	8,577
Social Security	9,821
State Retirement	12,113
Employee and Dependent Insurance	18,560

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Employer Medicare	\$ 2,297	
Total Drug Enforcement		\$ 205,074

Jail

Assistant(s)	\$ 40,534
Supervisor/Director	43,558
Lieutenant(s)	60,792
Sergeant(s)	121,846
Data Processing Personnel	30,600
Salary Supplements	600
Dispatchers/Radio Operators	333,730
Guards	617,595
Secretary(ies)	31,522
Cafeteria Personnel	33,350
Maintenance Personnel	60,672
Part-time Personnel	46,064
Overtime Pay	38,874
In-Service Training	1,200
Employee and Dependent Insurance	273,776
Contracts with Private Agencies	4,020
Data Processing Services	2,855
Maintenance and Repair Services - Buildings	60,267
Maintenance and Repair Services - Vehicles	1,325
Medical and Dental Services	173,190
Printing, Stationery, and Forms	1,343
Royalties	20,181
Travel	2,239
Custodial Supplies	41,164
Diesel Fuel	1,949
Food Preparation Supplies	9
Food Supplies	131,249
Gasoline	15,491
Office Supplies	3,345
Prisoners Clothing	1,331
Uniforms	10,072
Utilities	251,408
Other Supplies and Materials	704
Liability Insurance	46,195
Communication Equipment	6,850
Furniture and Fixtures	300

(Continued)

Exhibit J-7

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

General Fund (Cont.)  
Public Safety (Cont.)

Jail (Cont.)

Law Enforcement Equipment	\$ 4,238	
Total Jail		\$ 2,514,438

Workhouse

Guards	\$ 14,193	
Cafeteria Personnel	7,943	
Total Workhouse		22,136

Fire Prevention and Control

Assistant(s)	\$ 18,400
Supervisor/Director	40,973
Part-time Personnel	44,328
In-Service Training	11,416
Communication	8,320
Contracts with Government Agencies	160,000
Contracts with Other Public Agencies	1,050
Dues and Memberships	969
Forest Resource Services	2,000
Operating Lease Payments	10,200
Licenses	330
Maintenance and Repair Services - Buildings	12,704
Maintenance and Repair Services - Equipment	1,260
Maintenance and Repair Services - Vehicles	39,359
Postal Charges	290
Printing, Stationery, and Forms	540
Travel	3,269
Data Processing Supplies	1,678
Diesel Fuel	15,616
Drugs and Medical Supplies	232
Gasoline	9,925
Natural Gas	8,718
Office Supplies	1,621
Propane Gas	8,561
Uniforms	4,149
Utilities	8,927
Other Supplies and Materials	20,601
Building and Contents Insurance	8,763
Liability Insurance	7,067
Vehicle and Equipment Insurance	45,369
Workers' Compensation Insurance	8,400

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Other Charges	\$ 8,073	
Administration Equipment	1,196	
Building Improvements	14,670	
Communication Equipment	5,122	
Office Equipment	423	
Other Equipment	2,899	
Total Fire Prevention and Control		\$ 537,418

Civil Defense

Assistant(s)	\$ 24,521	
Supervisor/Director	42,141	
Deputy(ies)	22,000	
Communication	4,493	
Legal Notices, Recording, and Court Costs	65	
Maintenance and Repair Services - Vehicles	2,016	
Postal Charges	154	
Printing, Stationery, and Forms	44	
Rentals	897	
Travel	125	
Gasoline	7,066	
Office Supplies	561	
Uniforms	410	
Utilities	7,889	
Other Supplies and Materials	102,169	
Liability Insurance	13,355	
Other Charges	1,342	
Office Equipment	1,052	
Other Equipment	1,035	
Other Construction	276	
Total Civil Defense		231,611

Rescue Squad

Maintenance and Repair Services - Vehicles	\$ 2,741	
Gasoline	321	
Other Supplies and Materials	2,520	
Liability Insurance	449	
Total Rescue Squad		6,031

County Coroner/Medical Examiner

Contracts with Government Agencies	\$ 28,975	
Total County Coroner/Medical Examiner		28,975

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Public Safety

Mechanic(s)	\$ 60,591	
Employee and Dependent Insurance	12,374	
Maintenance and Repair Services - Vehicles	1,130	
Rentals	3,000	
Equipment Parts - Light	34,343	
Gasoline	9,204	
Uniforms	485	
Utilities	5,840	
Total Other Public Safety		\$ 126,967

Public Health and Welfare

Local Health Center

Board and Committee Members Fees	\$ 299	
Communication	3,825	
Janitorial Services	13,940	
Maintenance and Repair Services - Buildings	14,009	
Postal Charges	494	
Rentals	1,000	
Drugs and Medical Supplies	6,777	
Office Supplies	3,955	
Utilities	12,951	
Total Local Health Center		57,250

Rabies and Animal Control

Deputy(ies)	\$ 27,391	
Investigator(s)	28,832	
Communication	2,224	
Maintenance and Repair Services - Buildings	452	
Maintenance and Repair Services - Vehicles	439	
Animal Food and Supplies	952	
Gasoline	11,357	
Uniforms	217	
Utilities	1,975	
Other Supplies and Materials	2,760	
Total Rabies and Animal Control		76,599

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 47,704
Secretary(ies)	30,600
Attendants	513,891

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Part-time Personnel	\$ 75,394	
Overtime Pay	254,446	
In-Service Training	3,039	
Social Security	56,036	
State Retirement	70,571	
Employee and Dependent Insurance	106,228	
Employer Medicare	13,105	
Communication	5,158	
Debt Collection Services	54,593	
Licenses	2,250	
Maintenance and Repair Services - Buildings	1,755	
Maintenance and Repair Services - Office Equipment	1,178	
Maintenance and Repair Services - Vehicles	24,127	
Postal Charges	2,000	
Printing, Stationery, and Forms	2,812	
Rentals	870	
Travel	582	
Custodial Supplies	2,849	
Diesel Fuel	52,506	
Drugs and Medical Supplies	55,090	
Gasoline	1,164	
Office Supplies	2,633	
Uniforms	2,844	
Utilities	8,862	
Other Supplies and Materials	500	
Building and Contents Insurance	672	
Vehicle and Equipment Insurance	25,233	
Communication Equipment	347	
Data Processing Equipment	912	
Furniture and Fixtures	90	
Motor Vehicles	18	
Total Ambulance/Emergency Medical Services		\$ 1,420,059

Dental Health Program

Medical Personnel	\$ 123,270
Paraprofessionals	23,245
Clerical Personnel	45,683
Longevity Pay	2,100
Social Security	11,435
State Retirement	15,274

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Dental Health Program (Cont.)

Employee and Dependent Insurance	\$ 22,246	
Employer Medicare	2,733	
Other Fringe Benefits	2,259	
Travel	1,512	
Drugs and Medical Supplies	13,599	
Total Dental Health Program		\$ 263,356

Crippled Children Services

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

Other Local Health Services

Contracts with Other Public Agencies	\$ 4,120	
Total Other Local Health Services		4,120

Appropriation to State

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

Aid to Dependent Children

Other Supplies and Materials	\$ 740	
Total Aid to Dependent Children		740

Other Local Welfare Services

Contributions	\$ 10,815	
Total Other Local Welfare Services		10,815

Sanitation Education/Information

Foremen	\$ 29,042	
Social Security	1,755	
State Retirement	2,489	
Employee and Dependent Insurance	6,187	
Employer Medicare	410	
Maintenance and Repair Services - Vehicles	476	
Uniforms	216	
Other Supplies and Materials	1,635	
Other Charges	8,872	
Total Sanitation Education/Information		51,082

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Matching Share	\$ 22,145	
Total Senior Citizens Assistance		\$ 22,145

Libraries

Assistant(s)	\$ 40,841	
Supervisor/Director	31,518	
Librarians	18,071	
Part-time Personnel	7,323	
Social Security	6,013	
State Retirement	5,552	
Employee and Dependent Insurance	12,900	
Employer Medicare	1,406	
Communication	1,816	
Janitorial Services	4,800	
Maintenance and Repair Services - Buildings	1,067	
Maintenance and Repair Services - Office Equipment	603	
Printing, Stationery, and Forms	191	
Travel	294	
Library Books/Media	15,533	
Office Supplies	880	
Utilities	9,240	
Other Supplies and Materials	582	
Other Charges	2,822	
Data Processing Equipment	2,022	
Total Libraries		163,474

Agriculture and Natural Resources

Agriculture Extension Service

Temporary Personnel	\$ 4,736	
Board and Committee Members Fees	1,054	
Social Security	196	
Employer Medicare	46	
Communication	4,335	
Contracts with Government Agencies	64,975	
Contributions	1,000	
Dues and Memberships	500	
Maintenance and Repair Services - Buildings	1,800	
Rentals	12,798	
Travel	6,029	
Other Contracted Services	2,052	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

Custodial Supplies	\$ 494	
Utilities	5,144	
Office Equipment	1,356	
Total Agriculture Extension Service		\$ 106,515

Soil Conservation

Secretary(ies)	\$ 27,030	
Educational Assistants	29,172	
Dues and Memberships	1,645	
Maintenance and Repair Services - Buildings	10	
Rentals	2,028	
Travel	1,179	
Total Soil Conservation		61,064

Other Operations

Industrial Development

Utilities	\$ 1,126	
Total Industrial Development		1,126

Airport

Supervisor/Director	\$ 28,000	
Temporary Personnel	25,579	
In-Service Training	450	
Advertising	87	
Communication	5,525	
Maintenance and Repair Services - Buildings	8,603	
Travel	363	
Custodial Supplies	10	
Diesel Fuel	1,434	
Gasoline	148,944	
Office Supplies	198	
Small Tools	126	
Utilities	16,795	
Liability Insurance	8,715	
Airport Improvement	4,740	
Total Airport		249,569

Veterans' Services

Communication	\$ 1,032	
Travel	1,266	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services (Cont.)

Office Supplies	\$ 2,122	
Total Veterans' Services		\$ 4,420

Other Charges

Boiler Insurance	\$ 50	
Liability Insurance	70,460	
Premiums on Corporate Surety Bonds	14,467	
Trustee's Commission	166,746	
Tax Relief Program	32,191	
Total Other Charges		283,914

Contributions to Other Agencies

Contracts with Other Public Agencies	\$ 12,575	
Contributions	29,136	
Total Contributions to Other Agencies		41,711

Employee Benefits

Longevity Pay	\$ 75,100	
Social Security	317,463	
State Retirement	430,155	
Employee and Dependent Insurance	274,649	
Unemployment Compensation	13,752	
Employer Medicare	74,698	
On-Behalf Payments to OPEB	470	
Medical and Dental Services	3,327	
Workers' Compensation Insurance	327,884	
Total Employee Benefits		1,517,498

ARRA Grant # 6

Overtime Pay	\$ 14,300	
Social Security	828	
State Retirement	1,201	
Employer Medicare	194	
Evaluation and Testing	2,493	
Travel	4,778	
Other Contracted Services	16,371	
Total ARRA Grant # 6		40,165

Miscellaneous

Other Supplies and Materials	\$ 292	
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(Continued)

Exhibit J-7

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

<u>General Fund (Cont.)</u>		
<u>Other Operations (Cont.)</u>		
<u>Miscellaneous (Cont.)</u>		
Refunds	\$ 3,441	
Total Miscellaneous		\$ 3,733
<u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Notes	\$ 21,412	
Total General Government		<u>21,412</u>
Total General Fund		\$ 13,080,599
<u>Solid Waste/Sanitation Fund</u>		
<u>Public Health and Welfare</u>		
<u>Convenience Centers</u>		
Contracts with Public Carriers	\$ 271,830	
Site Development	1,412	
Solid Waste Equipment	<u>21,990</u>	
Total Convenience Centers		\$ 295,232
<u>Landfill Operation and Maintenance</u>		
Supervisor/Director	\$ 52,049	
Accountants/Bookkeepers	32,185	
Equipment Operators - Heavy	133,428	
Temporary Personnel	22,652	
Longevity Pay	4,100	
Overtime Pay	21,446	
Board and Committee Members Fees	329	
In-Service Training	1,371	
Social Security	16,268	
State Retirement	20,575	
Employee and Dependent Insurance	37,120	
Employer Medicare	3,805	
Communication	4,053	
Data Processing Services	4,741	
Evaluation and Testing	5,780	
Legal Notices, Recording, and Court Costs	2,439	
Licenses	5,439	
Maintenance and Repair Services - Equipment	3,526	
Travel	225	
Diesel Fuel	10,184	
Equipment and Machinery Parts	29,556	

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Landfill Operation and Maintenance (Cont.)

Gasoline	\$ 16,702	
Tires and Tubes	4,418	
Utilities	8,728	
Other Supplies and Materials	2,042	
Liability Insurance	42,195	
Trustee's Commission	3,983	
Workers' Compensation Insurance	26,879	
Other Charges	5,356	
Site Development	32,179	
Solid Waste Equipment	88,114	
Total Landfill Operation and Maintenance		<u>\$ 641,867</u>

Total Solid Waste/Sanitation Fund \$ 937,099

Drug Control Fund

Public Safety

Drug Enforcement

In-Service Training	\$ 270	
Communication	9,871	
Contributions	1,535	
Confidential Drug Enforcement Payments	5,500	
Travel	162	
Uniforms	61	
Trustee's Commission	1,576	
Other Equipment	242,025	
Total Drug Enforcement		<u>\$ 261,000</u>

Total Drug Control Fund 261,000

Adequate Facilities/Development Tax Fund

Other Operations

Other Charges

Refunds	\$ 13,690	
Trustee's Commission	2,372	
Total Other Charges		<u>\$ 16,062</u>

Total Adequate Facilities/Development Tax Fund 16,062

(Continued)

Exhibit J-7

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

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Constitutional Officers' Operating Expenses	\$ 153,633	
Total Register of Deeds		<u>\$ 153,633</u>

Total Constitutional Officers - Fees Fund \$ 153,633

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 75,371	
Accountants/Bookkeepers	61,200	
Educational Incentive - County Official	1,223	
Educational Incentive - Other County Employees	3,669	
Board and Committee Members Fees	6,240	
In-Service Training	3,618	
Data Processing Services	9,726	
Dues and Memberships	3,699	
Rentals	2,583	
Office Supplies	3,506	
Other Charges	11,956	
Total Administration		<u>\$ 182,791</u>

Highway and Bridge Maintenance

Supervisor/Director	\$ 141,820	
Foremen	105,948	
Equipment Operators	211,849	
Equipment Operators - Light	80,810	
Truck Drivers	257,912	
Laborers	236,861	
Clerical Personnel	29,376	
Longevity Pay	37,200	
Overtime Pay	19,170	
Freight Expenses	184,987	
Other Contracted Services	34,800	
Asphalt - Liquid	46,103	
Crushed Stone	61,062	
Road Signs	24,841	
Small Tools	385	
Other Supplies and Materials	3,654	
Total Highway and Bridge Maintenance		<u>1,476,778</u>

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment

Mechanic(s)	\$ 123,034	
Maintenance and Repair Services - Equipment	7,885	
Diesel Fuel	125,914	
Equipment and Machinery Parts	95,768	
Garage Supplies	5,334	
Gasoline	57,545	
Lubricants	9,854	
Small Tools	1,368	
Tires and Tubes	24,308	
Other Supplies and Materials	4,400	
Other Capital Outlay	4,807	
Total Operation and Maintenance of Equipment		\$ 460,217

Other Charges

Communication	\$ 7,157	
Utilities	22,223	
Liability Insurance	137,546	
Premiums on Corporate Surety Bonds	1,247	
Trustee's Commission	43,911	
Liability Claims	1,315	
Total Other Charges		213,399

Employee Benefits

Social Security	\$ 104,282	
State Retirement	115,744	
Employee and Dependent Insurance	246,340	
Evaluation and Testing	803	
Workers' Compensation Insurance	139,078	
Total Employee Benefits		606,247

Capital Outlay

Bridge Construction	\$ 118,971	
Highway Equipment	314,148	
State Aid Projects	342,754	
Other Construction	488,881	
Total Capital Outlay		1,264,754

Principal on Debt

Highways and Streets

Principal on Capital Leases	\$ 62,457	
Total Highways and Streets		62,457

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Interest on Debt

Highways and Streets

Interest on Capital Leases	\$ 3,587	
Total Highways and Streets		\$ 3,587

Capital Projects

Highway and Street Capital Projects

Other Capital Outlay	\$ 50,500	
Total Highway and Street Capital Projects		<u>50,500</u>

Total Highway/Public Works Fund		\$ 4,320,730
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General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 311,325	
Principal on Notes	12,164	
Total General Government		\$ 323,489

Education

Principal on Bonds	\$ 840,000	
Total Education		840,000

Interest on Debt

General Government

Interest on Bonds	\$ 508,224	
Interest on Notes	2,970	
Total General Government		511,194

Education

Interest on Bonds	\$ 495,548	
Total Education		495,548

Other Debt Service

General Government

Trustee's Commission	\$ 18,296	
Total General Government		18,296

Education

Other Debt Service	\$ 1,560	
Total Education		<u>1,560</u>

Total General Debt Service Fund		2,190,087
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(Continued)

Exhibit J-7

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

<u>General Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Administration of Justice Projects</u>		
Legal Services	\$ 1,173	
Total Administration of Justice Projects		<u>\$ 1,173</u>
Total General Capital Projects Fund		\$ 1,173
<u>Community Development/Industrial Park Fund</u>		
<u>Other Operations</u>		
<u>Other Economic and Community Development</u>		
Contracts for Development Costs	\$ 23,412	
Total Other Economic and Community Development		<u>\$ 23,412</u>
Total Community Development/Industrial Park Fund		23,412
<u>HUD Grant Projects Fund</u>		
<u>Other Operations</u>		
<u>Housing and Urban Development</u>		
Building Construction	\$ 127,154	
Building Improvements	1,180	
Total Housing and Urban Development		<u>\$ 128,334</u>
Total HUD Grant Projects Fund		128,334
<u>Public Safety Capital Projects Fund</u>		
<u>Public Safety</u>		
<u>Other Public Safety</u>		
Site Development	\$ 139,789	
Total Other Public Safety		<u>\$ 139,789</u>
Total Public Safety Capital Projects Fund		139,789
<u>Other Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Other General Government Projects</u>		
Site Development	\$ 144,340	
Total Other General Government Projects		<u>\$ 144,340</u>
Total Other Capital Projects Fund		<u>144,340</u>
Total Governmental Funds - Primary Government		<u><u>\$ 21,396,258</u></u>

Exhibit J-8

Fayette County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Fayette County School Department  
For the Year Ended June 30, 2011

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 8,448,707	
Career Ladder Program	49,603	
Career Ladder Extended Contracts	19,189	
Homebound Teachers	408	
Educational Assistants	472,903	
Non-certified Substitute Teachers	133,440	
Social Security	535,025	
State Retirement	833,429	
Medical Insurance	934,110	
Employer Medicare	99,844	
Maintenance and Repair Services - Equipment	10,755	
Other Contracted Services	211,958	
Instructional Supplies and Materials	128,540	
Textbooks	274,740	
Other Supplies and Materials	39,895	
Other Charges	483	
Total Regular Instruction Program		\$ 12,193,029

Special Education Program

Teachers	\$ 1,176,948	
Career Ladder Program	9,000	
Homebound Teachers	2,280	
Educational Assistants	100,325	
Other Salaries and Wages	39,559	
Non-certified Substitute Teachers	13,080	
Social Security	82,587	
State Retirement	119,477	
Medical Insurance	134,300	
Employer Medicare	18,446	
Other Fringe Benefits	37,106	
Contracts with Private Agencies	130,643	
Total Special Education Program		1,863,751

Vocational Education Program

Teachers	\$ 585,947	
Career Ladder Program	5,000	
Non-certified Substitute Teachers	4,080	
Social Security	34,779	
State Retirement	53,105	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Medical Insurance	\$	56,746	
Employer Medicare		7,967	
Other Fringe Benefits		101	
Travel		2,450	
Other Contracted Services		1,657	
Instructional Supplies and Materials		19,642	
Vocational Instruction Equipment		9,244	
Total Vocational Education Program			\$ 780,718

Adult Education Program

Teachers	\$	24,000	
Social Security		185	
State Retirement		256	
Employer Medicare		256	
Instructional Supplies and Materials		19,630	
Total Adult Education Program			44,327

Support Services

Attendance

Supervisor/Director	\$	49,187	
Career Ladder Program		1,000	
Clerical Personnel		12,970	
Social Security		3,916	
State Retirement		5,716	
Medical Insurance		10,122	
Employer Medicare		916	
Travel		2,661	
Other Contracted Services		9,237	
Other Supplies and Materials		124	
Total Attendance			95,849

Health Services

Medical Personnel	\$	113,559	
Other Salaries and Wages		16,500	
Social Security		7,862	
State Retirement		11,367	
Medical Insurance		7,693	
Employer Medicare		1,839	
Communication		1,175	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services (Cont.)

Travel	\$	6,024	
Other Contracted Services		2,000	
Drugs and Medical Supplies		815	
Other Supplies and Materials		1,600	
In Service/Staff Development		1,051	
Other Charges		557	
Total Health Services			\$ 172,042

Other Student Support

Career Ladder Program	\$	4,000	
Guidance Personnel		377,671	
Clerical Personnel		16,970	
Social Security		24,211	
State Retirement		36,449	
Medical Insurance		32,274	
Employer Medicare		5,662	
Evaluation and Testing		29,261	
Travel		685	
Other Charges		26,108	
Other Equipment		250	
Total Other Student Support			553,541

Regular Instruction Program

Supervisor/Director	\$	95,727	
Career Ladder Program		8,340	
Career Ladder Extended Contracts		4,060	
Librarians		408,268	
Instructional Computer Personnel		45,646	
Other Salaries and Wages		3,321	
Non-certified Substitute Teachers		3,540	
Social Security		28,359	
State Retirement		41,692	
Medical Insurance		38,219	
Employer Medicare		6,649	
Maintenance and Repair Services - Equipment		6,101	
Travel		6,426	
Other Contracted Services		1,369	
Library Books/Media		64,776	
Other Supplies and Materials		2,420	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

In Service/Staff Development	\$ 23,994	
Other Charges	7,179	
Total Regular Instruction Program		\$ 796,086

Special Education Program

Supervisor/Director	\$ 51,644	
Career Ladder Program	2,000	
Psychological Personnel	41,361	
Assessment Personnel	42,699	
Secretary(ies)	37,865	
Clerical Personnel	25,920	
Other Salaries and Wages	54,800	
Social Security	11,856	
State Retirement	17,153	
Medical Insurance	29,154	
Employer Medicare	2,773	
Other Fringe Benefits	6,173	
Communication	6,837	
Travel	8,540	
Total Special Education Program		338,775

Vocational Education Program

Supervisor/Director	\$ 55,958	
Career Ladder Program	3,000	
Secretary(ies)	27,190	
Other Salaries and Wages	234,962	
Social Security	19,554	
State Retirement	28,275	
Medical Insurance	18,730	
Employer Medicare	4,573	
Other Fringe Benefits	942	
Communication	3,309	
Maintenance and Repair Services - Equipment	8,787	
Travel	13,169	
Other Supplies and Materials	32,146	
Other Charges	83,305	
Total Vocational Education Program		533,900

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs

Supervisor/Director	\$	110,798	
Other Salaries and Wages		156,749	
Social Security		15,440	
State Retirement		21,360	
Medical Insurance		27,981	
Employer Medicare		3,695	
Rentals		900	
Travel		1,521	
Other Contracted Services		67,268	
In Service/Staff Development		259	
Other Charges		64,251	
Total Adult Programs			\$ 470,222

Other Programs

On-Behalf Payments to OPEB	\$	84,645	
Total Other Programs			84,645

Board of Education

Longevity Pay	\$	33,400	
Board and Committee Members Fees		25,510	
Social Security		3,321	
State Retirement		3,080	
Unemployment Compensation		68,464	
Employer Medicare		848	
Audit Services		7,500	
Dues and Memberships		18,745	
Legal Services		93,652	
Travel		10,926	
Other Contracted Services		518	
Liability Insurance		43,992	
Premiums on Corporate Surety Bonds		3,729	
Trustee's Commission		244,345	
Workers' Compensation Insurance		104,461	
Criminal Investigation of Applicants - TBI		6,420	
Other Charges		13,420	
Total Board of Education			682,331

Director of Schools

County Official/Administrative Officer	\$	218,158	
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(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)  
Support Services (Cont.)

Director of Schools (Cont.)

Assistant(s)	\$	82,708	
Career Ladder Program		1,000	
Secretary to Board		21,827	
Secretary(ies)		27,748	
Clerical Personnel		24,863	
Social Security		22,861	
State Retirement		30,910	
Medical Insurance		28,936	
Employer Medicare		5,439	
Communication		22,097	
Dues and Memberships		2,561	
Travel		3,926	
Office Supplies		1,283	
Other Charges		12,001	
Total Director of Schools			\$ 506,318

Office of the Principal

Principals	\$	365,820	
Career Ladder Program		7,000	
Career Ladder Extended Contracts		6,720	
Assistant Principals		419,015	
Secretary(ies)		153,147	
Social Security		62,670	
State Retirement		93,596	
Medical Insurance		73,091	
Employer Medicare		14,657	
Communication		59,410	
Dues and Memberships		12,500	
Other Contracted Services		3,895	
Total Office of the Principal			1,271,521

Fiscal Services

Supervisor/Director	\$	52,558
Accountants/Bookkeepers		32,440
Clerical Personnel		25,966
Other Salaries and Wages		64,942
Social Security		9,561
State Retirement		6,518
Medical Insurance		25,519

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Employer Medicare	\$	2,361	
Data Processing Services		922	
Dues and Memberships		75	
Travel		2,224	
Data Processing Supplies		6,067	
Office Supplies		931	
Other Charges		1,214	
Total Fiscal Services			\$ 231,298

Operation of Plant

Secretary(ies)	\$	24,690	
Custodial Personnel		407,672	
Social Security		26,376	
State Retirement		32,666	
Medical Insurance		16,988	
Employer Medicare		6,169	
Rentals		11,465	
Travel		594	
Other Contracted Services		46,173	
Custodial Supplies		37,178	
Electricity		586,122	
Natural Gas		157,668	
Water and Sewer		51,497	
Other Supplies and Materials		3,346	
Boiler Insurance		7,219	
Building and Contents Insurance		131,881	
Other Charges		4,964	
Plant Operation Equipment		3,974	
Total Operation of Plant			1,556,642

Maintenance of Plant

Supervisor/Director	\$	47,920	
Maintenance Personnel		265,998	
Social Security		19,459	
State Retirement		26,577	
Medical Insurance		47,777	
Employer Medicare		4,551	
Maintenance and Repair Services - Buildings		5,720	
Maintenance and Repair Services - Equipment		51,515	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)  
Support Services (Cont.)

Maintenance of Plant (Cont.)

Contracts for Postclosure Care Costs	\$	44	
Other Contracted Services		20,947	
General Construction Materials		24,676	
Other Supplies and Materials		46,055	
Other Charges		1,303	
Maintenance Equipment		242	
Total Maintenance of Plant			\$ 562,784

Transportation

Supervisor/Director	\$	43,000	
Mechanic(s)		209,507	
Bus Drivers		761,281	
Clerical Personnel		25,003	
Social Security		62,744	
State Retirement		78,228	
Medical Insurance		39,488	
Employer Medicare		14,674	
Other Fringe Benefits		7,026	
Communication		7,843	
Contracts with Public Carriers		78	
Maintenance and Repair Services - Vehicles		870	
Travel		1,837	
Other Contracted Services		8,121	
Diesel Fuel		440,473	
Equipment and Machinery Parts		5,232	
Gasoline		70,026	
Lubricants		19,673	
Tires and Tubes		58,633	
Vehicle Parts		169,662	
Other Supplies and Materials		7,839	
Vehicle and Equipment Insurance		23,133	
Other Charges		4,746	
Transportation Equipment		254,012	
Total Transportation			2,313,129

Central and Other

Other Salaries and Wages	\$	162,854	
Social Security		10,231	
State Retirement		12,759	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Central and Other (Cont.)

Employer Medicare	\$ 2,393	
Other Contracted Services	12,387	
Instructional Supplies and Materials	270	
Other Supplies and Materials	261	
Other Equipment	6,526	
Total Central and Other		\$ 207,681

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$ 6,600	
Other Salaries and Wages	22,037	
Social Security	1,128	
State Retirement	1,591	
Employer Medicare	415	
Other Supplies and Materials	9,963	
Total Community Services		41,734

Early Childhood Education

Supervisor/Director	\$ 50,352	
Teachers	314,331	
Career Ladder Program	2,000	
Educational Assistants	120,097	
Other Salaries and Wages	8,204	
Non-certified Substitute Teachers	3,544	
Social Security	29,472	
State Retirement	42,786	
Medical Insurance	40,642	
Employer Medicare	6,899	
Contracts with Other Public Agencies	33,322	
Travel	115	
Instructional Supplies and Materials	25,912	
In Service/Staff Development	744	
Other Charges	100	
Other Equipment	125,235	
Total Early Childhood Education		803,755

Capital Outlay

Regular Capital Outlay

Building Improvements	\$ 32,570	
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(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Capital Outlay (Cont.)

Regular Capital Outlay (Cont.)

Other Capital Outlay	\$ 34,341	
Total Regular Capital Outlay		\$ 66,911

Principal on Debt

Education

Principal on Notes	\$ 130,000	
Principal on Capital Leases	197,413	
Total Education		327,413

Interest on Debt

Education

Interest on Notes	\$ 35,044	
Interest on Capital Leases	20,761	
Interest on Other Loans	9,765	
Other Debt Service	803	
Total Education		<u>66,373</u>

Total General Purpose School Fund		\$ 26,564,775
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School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 576,560	
Educational Assistants	202,726	
Other Salaries and Wages	391,884	
Non-certified Substitute Teachers	180	
Social Security	67,246	
State Retirement	72,505	
Medical Insurance	41,223	
Employer Medicare	41,722	
Other Fringe Benefits	1,872	
Maintenance and Repair Services - Equipment	29,227	
Other Contracted Services	119,217	
Instructional Supplies and Materials	295,622	
Regular Instruction Equipment	137,745	
Total Regular Instruction Program		\$ 1,977,729

Alternative Instruction Program

Clerical Personnel	\$ 33,000	
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(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Alternative Instruction Program (Cont.)

Social Security	\$	2,046	
State Retirement		2,842	
Employer Medicare		478	
Total Alternative Instruction Program			\$ 38,366

Special Education Program

Teachers	\$	4,200	
Clerical Personnel		1,200	
Educational Assistants		357,946	
Social Security		22,424	
State Retirement		24,549	
Employer Medicare		5,562	
Contracts with Private Agencies		251,976	
Maintenance and Repair Services - Equipment		3,507	
Travel		5,501	
Other Contracted Services		335,472	
Instructional Supplies and Materials		51,759	
Other Supplies and Materials		10,048	
Special Education Equipment		70,756	
Total Special Education Program			1,144,900

Vocational Education Program

Teachers	\$	2,200	
Educational Assistants		14,846	
Other Salaries and Wages		1,200	
Social Security		1,131	
State Retirement		1,410	
Employer Medicare		432	
Instructional Supplies and Materials		6,455	
Other Charges		729	
Vocational Instruction Equipment		38,134	
Total Vocational Education Program			66,537

Support Services

Other Student Support

Bus Drivers	\$	60	
Other Salaries and Wages		11,668	
Social Security		704	
State Retirement		1,011	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)  
Support Services (Cont.)

Other Student Support (Cont.)

Employer Medicare	\$	165	
Travel		13,542	
Other Contracted Services		8,131	
Other Supplies and Materials		376	
Total Other Student Support			\$ 35,657

Regular Instruction Program

Supervisor/Director	\$	108,023	
Instructional Computer Personnel		48,791	
Secretary(ies)		83,031	
Educational Incentive - Other County Employees		12,644	
Other Salaries and Wages		185,956	
Social Security		28,175	
State Retirement		37,388	
Medical Insurance		22,358	
Employer Medicare		6,590	
Maintenance and Repair Services - Equipment		756	
Travel		34,606	
In Service/Staff Development		83,118	
Total Regular Instruction Program			651,436

Special Education Program

Supervisor/Director	\$	20,000	
Other Salaries and Wages		186,196	
Social Security		12,897	
State Retirement		17,631	
Medical Insurance		11,581	
Employer Medicare		3,017	
Travel		43,208	
Other Supplies and Materials		2,758	
In Service/Staff Development		4,759	
Other Charges		6,528	
Total Special Education Program			308,575

Vocational Education Program

Travel	\$	1,439	
Total Vocational Education Program			1,439

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)  
Support Services (Cont.)

Transportation

Bus Drivers	\$ 41,218	
Social Security	5,214	
State Retirement	6,149	
Employer Medicare	1,219	
Contracts with Parents	16,747	
Total Transportation		<u>\$ 70,547</u>

Total School Federal Projects Fund \$ 4,295,186

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 42,477	
Accountants/Bookkeepers	23,751	
Cafeteria Personnel	895,931	
Longevity Pay	4,050	
Other Salaries and Wages	36,811	
Social Security	62,225	
State Retirement	77,796	
Medical Insurance	18,467	
Unemployment Compensation	923	
Employer Medicare	14,501	
Communication	7,468	
Maintenance and Repair Services - Equipment	5,810	
Travel	894	
Other Contracted Services	28,660	
Food Supplies	787,556	
USDA - Commodities	153,980	
Other Supplies and Materials	97,295	
Workers' Compensation Insurance	22,333	
Food Service Equipment	59,061	
Total Food Service		<u>\$ 2,339,989</u>

Total Central Cafeteria Fund 2,339,989

Total Governmental Funds - Fayette County School Department \$ 33,199,950

Exhibit J-9

Fayette County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2011

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 2,009,819
Total Cash Receipts	<u>\$ 2,009,819</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,991,172
Trustee's Commission	18,647
Total Cash Disbursements	<u>\$ 2,009,819</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2010	<u>0</u>
Cash Balance, June 30, 2011	<u><u>\$ 0</u></u>

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## **SINGLE AUDIT SECTION**

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

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

November 4, 2011

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fayette County, Tennessee, as of and for the year ended June 30, 2011, which collectively comprise Fayette County's basic financial statements and have issued our report thereon dated November 4, 2011. Our report on the aggregate discretely presented component units financial statements was qualified due to not including the financial statements of the Fayette County Emergency Communications District, which were not available from other auditors as of the date of this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fayette County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fayette County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fayette County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 11.01, 11.03, 11.04, and 11.11.

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. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 11.09 and 11.10.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fayette County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items: 11.02, 11.05, 11.06, 11.07, and 11.08.

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

Fayette 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 Fayette 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, public works superintendent, County Commission, Board of Education, others within Fayette County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is written in a cursive style with a large initial "J" and a long, sweeping underline.

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  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

November 4, 2011

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Fayette County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Fayette County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Fayette County's management. Our responsibility is to express an opinion on Fayette County's compliance based on our audit.

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

audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Fayette County's compliance with those requirements.

In our opinion, Fayette County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

#### Internal Control Over Compliance

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

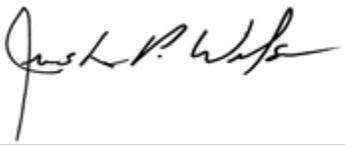
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fayette County as of and for the year ended June 30, 2011, and have issued our report thereon dated November 4, 2011. Our report on the aggregate discretely presented component units financial statements was qualified due to not including the financial statements of the Fayette County Emergency Communications District, which were not available from other auditors as of the date of this report. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole. The 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the

financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Fayette 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 Fayette 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, public works superintendent, County Commission, Board of Education, others within Fayette County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson", enclosed within a thin black rectangular border.

Justin P. Wilson  
Comptroller of the Treasury

JPW/yu

Fayette County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year-Ended June 30, 2011

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 565,608
National School Lunch Program	10.555	N/A	1,144,556 (3)
Summer Food Service Program for Children	10.559	N/A	25,836
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	153,980 (3)
Total U.S. Department of Agriculture			<u>\$ 1,889,980</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	(2)	\$ 6,544
Passed-through Tennessee Housing Development Agency: Home Investment Partnerships Program	14.239	(2)	22,972
Total U.S. Department of Housing and Urban Development			<u>\$ 29,516</u>
U.S. Department of Justice:			
Passed-through Office of Criminal Justice Programs:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	(2)	\$ 13,489
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	(2)	45,950
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Governments	16.804	(2)	48,652
Total U.S. Department of Justice			<u>\$ 108,091</u>
U.S. Department of Labor:			
Passed-through City of Memphis, Tennessee:			
WIA Cluster:			
WIA Adult Program	17.258	(2)	\$ 306,812
WIA Youth Activities	17.259	(2)	545,571
Total U.S. Department of Labor			<u>\$ 852,383</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	(2)	\$ 8,575
Total U.S. Department of Transportation			<u>\$ 8,575</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	(2)	\$ 69,283
Passed-through State Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	N/A	1,260,669
Title I Grants to Local Educational Agencies - Recovery Act	84.389	N/A	437,685
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	930,965
Special Education - Preschool Grants	84.173	N/A	30,426
Special Education Grants to States - Recovery Act	84.391	N/A	460,862
Special Education - Preschool Grants - Recovery Act	84.392	N/A	46,843
Career and Technical Education - Basic Grants to States	84.048	N/A	88,610
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	57

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Education (Cont.):			
Passed-through State Department of Education (Cont.):			
Educational Technology State Grants	84.318	N/A	\$ 2,842
English Language Acquisition Grants	84.365	N/A	6,869
Improving Teacher Quality State Grants	84.367	N/A	216,088
State Fiscal Stabilization Fund Cluster:			
State Fiscal Stabilization Fund (SFSSF) - Education State Grants, Recovery Act	84.394	N/A	1,120,711
State Fiscal Stabilization Fund (SFSSF) - Government Services, Recovery Act	84.397	N/A	47,789
State Fiscal Stabilization Fund (SFSSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	329,055
Education Jobs Fund	84.410	N/A	484,212
Total U.S. Department of Education			<u>\$ 5,532,966</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Education:			
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	93.714	(2)	\$ 43,767
Total U.S. Department of Health and Human Services			<u>\$ 43,767</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(2)	\$ 12,273
Emergency Management Performance Grants	97.042	(2)	157,059
Total U.S. Department of Homeland Security			<u>\$ 169,332</u>
Total Expenditures of Federal Awards			<u>\$ 8,634,610</u>
Contract Number			
State Grants:			
Dental Program - State Department of Health	N/A	(2)	\$ 259,665
Airport Maintenance Grant - State Department of Transportation	N/A	(2)	12,120
Airport Terminal Building - State Department of Transportation	N/A	(2)	17,089
Litter Program - State Department of Transportation	N/A	(2)	32,329
Drug Court Grant - Tennessee Secretary of State	N/A	(2)	53,008
Early Childhood Education - State Department of Education	N/A	(2)	733,312
Adult Education - State Department of Education	N/A	(2)	25,544
Waste Tire Grant Program - State Department of Environment and Conservation	N/A	(2)	10,489
Fasttrack Infrastructure Development Program - State Department of Economic and Community Development	N/A	(2)	20,752
Total State Grants			<u>\$ 1,164,308</u>

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.  
(2) Information not available.  
(3) Total CFDA No. 10.555 is \$1,298,536.

Fayette County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2011

*Government Auditing Standards* require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Fayette County, Tennessee, for the year ended June 30, 2010, which have not been corrected.

**FAYETTE COUNTY AND FAYETTE COUNTY SCHOOL DEPARTMENT**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.02	170	Material audit adjustments were required for proper financial statement presentation of the General Debt Service and General Purpose School funds

**OFFICE OF DIRECTOR OF SCHOOLS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.07	174	Expenditures exceeded appropriations

**OTHER FINDING**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.10	176	Fayette County has material recurring audit findings

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**FAYETTE COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2011**

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**PART I, SUMMARY OF AUDITOR'S RESULTS**

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Fayette County disclosed significant deficiencies in internal control. Four of these deficiencies were considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance that are material to the financial statements of Fayette County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children (CFDA Nos. 10.553, 10.555, and 10.559); the Title I 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 – Preschool Grants, Special Education Grants to States, Recovery Act, and Special Education – Preschool Grants, Recovery Act (CFDA Nos. 84.027, 84.173, 84.391, and 84.392); 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); State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395); and Education Jobs Fund (CFDA No. 84.410) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Fayette County did not qualify as a low-risk auditee.

## **PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The School Department's finance director provided written responses on certain findings, which are paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

### **FAYETTE COUNTY AND FAYETTE COUNTY SCHOOL DEPARTMENT**

**FINDING 11.01**      **MATERIAL AUDIT ADJUSTMENTS WERE REQUIRED FOR PROPER FINANCIAL STATEMENT PRESENTATION**  
(Internal Control – Material Weakness Under *Government Auditing Standards*)

At June 30, 2011, various general ledger account balances of the General Debt Service, General Purpose School, and School Federal Projects funds were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Fayette County and the Fayette County School Department to have adequate internal controls over the maintenance of their accounting records. Material audit adjustments were required because the county's and the School Department's financial reporting systems did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the county and the School Department have ineffective controls over the maintenance of their accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

### **RECOMMENDATION**

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

### **MANAGEMENT'S RESPONSE – SCHOOL DEPARTMENT'S FINANCE DIRECTOR**

Currently, the director of finance and staff have the ability to make proper general ledger adjustments. We now have a checklist for the year-end processing, which includes needed accruals, receivables, etc., that should be made during the closing process. All federal program funds will be drawn prior to year-end closing. The administration is currently developing an operations procedures manual, which will provide documentation of closing procedures.

**OFFICE OF COUNTY MAYOR**

**FINDING 11.02      **THE ADEQUATE FACILITIES OFFICE DID NOT DEPOSIT SOME FUNDS WITHIN THREE DAYS OF COLLECTION**  
(Noncompliance Under *Government Auditing Standards*)**

The Adequate Facilities Office did not deposit some funds within three days of collection. Section 5-8-207, *Tennessee Code Annotated*, requires county officials to deposit public funds to an official bank account within three days of collection. In numerous instances during the period under examination, collections were held in the office up to three weeks before being deposited with the county trustee. This deficiency was the result of a lack of management oversight. The delay in depositing funds increases the risks of fraud and misappropriation.

**RECOMMENDATION**

The Adequate Facilities Office should ensure that all funds are deposited with the county trustee within three days of collection as required by state statute.

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**OFFICE OF DIRECTOR OF SCHOOLS**

**FINDING 11.03      **THE GENERAL PURPOSE SCHOOL AND SCHOOL FEDERAL PROJECTS FUNDS HAD CASH OVERDRAFTS AT JUNE 30, 2011**  
(Internal Control – Material Weakness Under *Government Auditing Standards*)**

At June 30, 2011, the General Purpose School and School Federal Projects funds had cash overdrafts of \$579,190 and \$111,293, respectively. Sound business practices dictate that expenditures be held within available funds. These overdrafts resulted from the issuance of warrants exceeding cash on deposit with the county trustee. The cash overdrafts were liquidated subsequent to June 30, 2011.

**RECOMMENDATION**

The School Department should not issue warrants exceeding cash on deposit with the county trustee.

**MANAGEMENT'S RESPONSE – SCHOOL DEPARTMENT'S FINANCE DIRECTOR**

Currently, the Finance Department is adequately staffed and all employees are being trained. The director of finance has the ability to make fiscal decisions, which will alleviate the overdrafts in the future. The administration is currently developing an operations procedures manual.

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**FINDING 11.04      THE SCHOOL FEDERAL PROJECTS FUND HAD A FUND DEFICIT AT JUNE 30, 2011**

(Internal Control – Material Weakness Under *Government Auditing Standards*)

The School Federal Projects Fund had a fund deficit of \$257,578 at June 30, 2011. This deficit occurred because School Department personnel had not requested the reimbursement of grant funds on a timely basis. Sound business practices dictate that expenditures should be held within available funds and requests for grant reimbursements be made on a current basis. Grant funds were requested subsequent to June 30, 2011, and the fund deficit was liquidated when the grant funds were received.

**RECOMMENDATION**

Requests for reimbursements from grant funds should be made on a timely basis. Officials should ensure that adequate funding is provided to prevent the recurrence of a fund deficit.

**MANAGEMENT’S RESPONSE – SCHOOL DEPARTMENT’S FINANCE DIRECTOR**

The federal programs department has been adequately staffed, trained, and now have the ability to make sound fiscal decisions regarding federal programs. Directors have also attended federal program workshops in which they have received the necessary training to develop budgets and adhere to required parameters. A monthly reconciliation procedure has been put in place by the director of finance, where the federal programs director must meet with the finance staff, reconcile expenditures, and identify funds, which may need to be drawn from the Federal Application Consolidated Tracking System.

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**FINDING 11.05      EXPENDITURES EXCEEDED APPROPRIATIONS**

(Noncompliance Under *Government Auditing Standards*)

Expenditures exceeded appropriations approved by the County Commission as noted below:

- A. Total expenditures exceeded total appropriations in the School Federal Projects Fund by \$339,114.
- B. Expenditures exceeded appropriations in several major appropriation categories (the legal level of control) in the General Purpose School Fund:

<u>Major Category</u>	<u>Amount Overspent</u>
Support Services:	
Other Student Support	\$     9,425
Office of the Principal	228
Fiscal Services	6,111
Transportation	4,517

- C. In numerous instances, salaries exceeded line-item appropriations in the General Purpose School, School Federal Projects, and Central Cafeteria funds by amounts ranging from \$199 to \$209,172.

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 for the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

The budget resolution approved by the County Commission states that the salary, wages, or enumeration of each official, employee, or agent of the county will not exceed expenditures that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the County Commission.

These deficiencies exist because management failed to hold spending to the limits authorized by the County Commission, which resulted in unauthorized expenditures, and management failed to correct the budgetary deficiencies noted in the prior-year audit report.

#### RECOMMENDATION

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

#### MANAGEMENT’S RESPONSE – SCHOOL DEPARTMENT’S FINANCE DIRECTOR

The director of finance has now been adequately trained and has the ability to make fiscal decisions, which will alleviate this kind of noncompliance in the future. The administration is currently developing an operations procedures manual, which will bring clarity to when certain financial decisions are to be made.

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#### FINDING 11.06      **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES**

(Noncompliance Under *Government Auditing Standards*)

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 be copied to storage media daily, and media more than one week old 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. Proper system backup procedures were implemented in February 2011.

## RECOMMENDATION

Management should ensure backups are rotated off-site on a routine basis.

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### FINDING 11.07      **A SCHOOL DEPARTMENT EMPLOYEE FALSELY FILED FOR AND RECEIVED \$3,739.99 OF DISABILITY FUNDS** (Noncompliance Under *Government Auditing Standards*)

We received an allegation from the Fayette County School Department that one of its employees improperly received disability benefits. The School Department offers its employees disability benefits through one of its plan providers. We examined the employee's time and attendance records and the disability claims filed, which were furnished to us by the plan provider. These claims disclosed the employee filed for and received disability benefits for two claims. The employee filed a claim on November 4, 2009, for the period October 9, 2009, through November 5, 2009, and was issued a payment totaling \$1,745.27. On December 29, 2009, the employee filed a second claim for the period November 22, 2009, through December 23, 2009, and was issued payment totaling \$1,994.72. The employee's payroll records for these periods revealed that the employee had also received regular payroll checks for these time periods. The employee's time and attendance records disclosed that the employee was absent from work on November 17 and 18, 2009, December 7, 2009, and absent one-half day on December 8, 2009, which were all taken as sick leave.

We interviewed the employee on May 25, 2011, and August 10, 2011, and on both occasions, the employee admitted to falsely filing and receiving disability benefits from the plan provider. The employee disclosed she was in her classroom during the periods noted above, with the exceptions of the dates when she was absent from work on sick leave. She further stated she received her regular payroll checks during the same periods she received the disability benefits. At this time, the employee is reimbursing the plan provider per an agreement for restitution.

This finding has been discussed with the district attorney general.

## RECOMMENDATION

Management should compare dates filed on disability claims with employee's time and attendance reports to verify the accuracy of the claim and avoid duplicate payments.

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## **OFFICE OF TRUSTEE**

### **FINDING 11.08      **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES****

(Noncompliance Under *Government Auditing Standards*)

System backups were not continually stored off-site. Although system backups were stored off-site each evening, the backups were returned to the office at the beginning of the following day. 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 be copied to storage media daily, and media more than one week old 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, backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process. Proper system backup procedures were implemented in January 2011.

### **RECOMMENDATION**

Management should ensure backups are rotated off-site on a routine basis.

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## **OFFICES OF REGISTER AND SHERIFF**

### **FINDING 11.09      **MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER IN THE OFFICES OF REGISTER AND SHERIFF****

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Multiple employees operated from the same cash drawer in the Offices of Register and Sheriff. Good internal controls dictate that each employee have their own cash drawer, start the day with a standard fixed amount of cash, and remove all but the beginning amount at the end of the day. This amount should be verified to the employee's receipts at the end of each day. Failure to adhere to this control regimen greatly increases the risk that a cash shortage may not be detected in a timely manner. Furthermore, in the event of a cash shortage, the official would not be able to determine who was responsible for the shortage because multiple employees were working from one cash drawer. This deficiency has been a management decision by the officials resulting in a loss of control over assets.

### **RECOMMENDATION**

Officials should assign each employee their own cash drawer.

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**FINDING 11.10 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF REGISTER AND SHERIFF**  
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Duties were not segregated adequately among officials and employees in the Offices of Register and Sheriff. 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 give 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.

**RECOMMENDATION**

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

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**OTHER FINDING AND RECOMMENDATION**

**FINDING 11.11 FAYETTE COUNTY HAS A MATERIAL RECURRING AUDIT FINDING**  
(Internal Control – Material Weakness Under *Government Auditing Standards*)

Fayette County has a material audit finding that has been reported in its Annual Financial Reports for three or more consecutive years. This recurring material finding is listed below:

<u>Finding Numbers</u>	<u>Description</u>
11.01, 10.02, 09.02	Several funds required material audit adjustments for proper financial statement presentation

The recurring nature of the above-noted finding indicates that management is either unwilling or unable to address the deficiency. The Local Government Modernization Act of 2005 in Section 9-3-405, *Tennessee Code Annotated (TCA)*, encourages local governments to consider establishing an Audit Committee and further provides that the Comptroller may require that an Audit Committee be established in any local government that (1) is in noncompliance with the accounting and financial reporting standards required by the Governmental Accounting Standards Board, or (2) has recurring findings from the annual audit for three or more consecutive years as determined by the Comptroller to be a material weakness in internal control or material noncompliance under *Government Auditing Standards*. The responsibilities and duties of an Audit Committee are to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics.

## RECOMMENDATION

Fayette County should establish an Audit Committee to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics. This Audit Committee should provide management with guidance to correct all reported material weaknesses in internal control and material noncompliance. If these findings continue to recur, Fayette County may be required to establish an Audit Committee under the provisions of Section 9-3-405, *TCA*.

## MANAGEMENT'S RESPONSE – SCHOOL DEPARTMENT'S FINANCE DIRECTOR

It is our desire to adhere fully to the compliances and laws of our state and generally accepted accounting principles.

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### BEST PRACTICE

#### **FAYETTE COUNTY SHOULD ADOPT A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING**

Fayette 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 that would significantly improve accountability and the quality of services provided to the citizens of Fayette 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.

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

There were no findings and questioned costs for federal awards.

**FAYETTE COUNTY, TENNESSEE**  
**AUDITEE REPORTING RESPONSIBILITIES**  
**For the Year Ended June 30, 2011**

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

**Director of Schools – Summary Schedule of Prior-Year's Findings**

**FINDINGS 10.05 and 10.11**

- (1) Gail Dean replaced the former food service supervisor on July 1, 2010.
- (2) Purchase orders were issued from the food service office, signed by the food service director, and approved by the finance director and director of schools.
- (3) The School Department recovered \$11,000 of the cash shortage during the 2010-11 year.
- (4) The School Department has taken steps to attempt to recover the remaining cash shortage.
- (5) New purchasing procedures have been developed. The director of schools now reviews and signs all purchase orders. Invoices are reviewed and attached to warrants. Purchasing processes and warrants are still handled by the Central Cafeteria Office but are approved by the finance director in the Business Office.
- (6) No adjustments to employees time are made. Cafeteria managers are made aware of any error corrections and given a copy of the correction for their records.