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# ANNUAL FINANCIAL REPORT MACON COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2011



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

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

***DIVISION OF COUNTY AUDIT  
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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  
Macon County, Tennessee  
For the Year Ended June 30, 2011

## ***Scope***

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

## ***Results***

Our report on the aggregate remaining fund information is qualified because the financial statements do not include the Public Library Fund, whose financial statements were not available from other auditors at the date of this report, and 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 and each major fund is unqualified.

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

## ***Findings and Best Practices***

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

### **OFFICE OF COUNTY MAYOR**

- ◆ The public library fund was not maintained in accordance with generally accepted accounting principles and state statute.
- ◆ An employee was paid for time not worked.
- ◆ The Codes Enforcement Office did not have adequate controls for its computer application.

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### **OFFICE OF CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK**

- ◆ Deficiencies were noted in the maintenance of accounting records.
-

## **OFFICE OF REGISTER**

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

## **OFFICE OF SHERIFF**

- ◆ Deficiencies were noted in the maintenance of accounting records.
- 

## **OTHER FINDINGS**

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

## **BEST PRACTICES**

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

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

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# INTRODUCTORY SECTION

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Macon County Officials  
June 30, 2011

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**Officials**

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

**Board of County Commissioners**

Shelvy Linville, County Mayor, Chairman	
Shannon Wix	Bryan Carter
Chris Wix	Tony Boles
Kenneth Witte	Anthony Bullington
Jeff Hughes	Ron Morey
Todd Doss	Ronnie McDuffee
Phillip Snow	Helen Hesson
Jerry Ray	Wendell Jones
Scott Gammons	Dewayne Whittemore
Larry Tucker	Benton Bartley
Michelle Phillips	Rosetta Day Driver

**Purchasing Commission**

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

**Board of Education**

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

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## **FINANCIAL SECTION**

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-1402  
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INDEPENDENT AUDITOR'S REPORT

October 4, 2011

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

To the County Mayor and Board of County Commissioners:

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

We 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 Public Library Fund, a nonmajor special revenue fund, and the Macon County Emergency Communications District, a component unit requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the aggregate remaining fund information of Macon County, Tennessee, referred to above does not include the financial statements of the Public Library Fund, and the aggregate discretely presented component units financial statements

referred to above do not include amounts for the Macon County Emergency Communications District, which should be included to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements of the aggregate remaining fund information and 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 Public Library Fund, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of Macon County, Tennessee, as of June 30, 2011, and the results of operations of the aggregate remaining fund information, for the then year ended, in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, except for the effects of not including the financial statements of the Macon County Emergency Communications District, as discussed in the above paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Macon County, Tennessee, as of June 30, 2011, and the results of operations of the aggregate discretely presented component units, for the year ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Macon 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 October 4, 2011, on our consideration of Macon County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

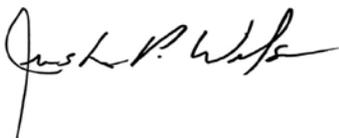
As described in Note V.B., Macon County has adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which became effective for the year ended June 30, 2011.

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 54 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Macon County's 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 Macon County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Macon County School Department (a discretely presented component unit), and the miscellaneous schedules 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/sb

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# BASIC FINANCIAL STATEMENTS

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## Exhibit A

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

	Primary Government <u>Governmental</u> <u>Activities</u>	<u>Component Unit</u> Macon County School Department
<u>ASSETS</u>		
Cash	\$ 30,325	\$ 0
Equity in Pooled Cash and Investments	6,492,758	3,999,136
Accounts Receivable	1,177,583	0
Allowance for Uncollectible	(496,909)	0
Due from Other Governments	431,070	1,031,596
Property Taxes Receivable	4,504,950	3,242,170
Allowance for Uncollectible Property Taxes	(365,396)	(262,972)
Capital Assets:		
Assets Not Depreciated:		
Land	760,894	346,263
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	7,007,980	12,668,116
Infrastructure	14,212,241	0
Other Capital Assets	2,035,404	1,779,439
Total Assets	<u>\$ 35,790,900</u>	<u>\$ 22,803,748</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 116,916	\$ 114,327
Payroll Deductions Payable	13,665	55,050
Accrued Interest Payable - Current	28,932	
Accrued Interest Payable	146,470	41,033
Due to Litigants, Heirs, and Others	5	0
Line of Credit Payable - Current	1,000,000	0
Other Current Liabilities	1,100	0
Deferred Revenue - Current Property Taxes	4,001,324	2,879,715
Noncurrent Liabilities:		
Due Within One Year	1,107,053	595,804
Due in More Than One Year	9,466,425	4,693,365
Total Liabilities	<u>\$ 15,881,890</u>	<u>\$ 8,379,294</u>

(Continued)

Exhibit A

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

	Primary Government <u>Governmental Activities</u>	<u>Component Unit</u> Macon County School Department
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 16,565,093	\$ 10,609,387
Restricted for:		
Debt Service	2,113,440	0
School Federal Projects	0	96,740
Alcohol and Drug Treatment	69,709	0
Public Library	33,017	0
Courtroom Security	22,360	0
Community Development	19,621	0
Register - Data Processing	17,908	0
Other Purposes	2,623	22,931
Unrestricted	<u>1,065,239</u>	<u>3,695,396</u>
Total Net Assets	<u>\$ 19,909,010</u>	<u>\$ 14,424,454</u>

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

Exhibit B

Macon County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 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	Component Unit
					Government Total	Macon County School Department
Primary Government:						
Governmental Activities:						
General Government	\$ 1,639,215	\$ 179,889	\$ 507,723	\$ 634,053	\$ (317,550)	\$ 0
Finance	654,342	509,435	0	0	(144,907)	0
Administration of Justice	830,540	484,013	24,600	0	(321,927)	0
Public Safety	3,201,653	817,941	110,506	0	(2,273,206)	0
Public Health and Welfare	2,186,440	1,511,008	85,751	0	(589,681)	0
Social, Cultural, and Recreational Services	209,742	28,620	33,017	0	(148,105)	0
Agriculture and Natural Resources	70,108	290	80,000	0	10,182	0
Other Operations	238,160	0	0	0	(238,160)	0
Highways/Public Works	3,890,866	4,878	2,704,643	173,892	(1,007,453)	0
Interest on Long-term Debt	251,721	0	0	0	(251,721)	0
Other Debt Service	35,786	0	0	0	(35,786)	0
<b>Total Primary Government</b>	<b>\$ 13,208,573</b>	<b>\$ 3,536,074</b>	<b>\$ 3,546,240</b>	<b>\$ 807,945</b>	<b>\$ (5,318,314)</b>	<b>\$ 0</b>
Component Unit:						
Macon County School Department	\$ 28,601,804	\$ 125,240	\$ 4,354,041	\$ 0	0	\$ (24,122,523)
<b>Total Component Unit</b>	<b>\$ 28,601,804</b>	<b>\$ 125,240</b>	<b>\$ 4,354,041</b>	<b>\$ 0</b>	<b>0</b>	<b>\$ (24,122,523)</b>

(Continued)

Exhibit B

Macon County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component Unit
				Government Total	Macon County School Department
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				\$ 3,917,442	\$ 2,824,402
Local Option Sales Taxes				212,676	1,730,334
Interstate Telecommunications Tax				1,090	1,282
Wheel Tax				999,556	0
Litigation Tax				164,227	0
Business Tax				130,537	0
Adequate Facilities/Development Tax				160,704	0
Wholesale Beer Tax				127,647	0
Grants and Contributions Not Restricted to Specific Purposes				381,567	19,351,128
Unrestricted Investment Earnings				89,340	0
Miscellaneous				141,864	38,900
Total General Revenues				<u>\$ 6,326,650</u>	<u>\$ 23,946,046</u>
Change in Net Assets				\$ 1,008,336	\$ (176,477)
Net Assets, July 1, 2010				18,900,674	14,600,931
Net Assets, June 30, 2011				<u>\$ 19,909,010</u>	<u>\$ 14,424,454</u>

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

Exhibit C-1

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

	Major Funds			Nonmajor	Total
	Highway /		General	Funds	
	General	Public Works	Debt Service	Other Governmental Funds	
<b>ASSETS</b>					
Cash	\$ 0	\$ 0	\$ 0	\$ 30,325	\$ 30,325
Equity in Pooled Cash and Investments	1,769,124	1,374,517	3,205,706	143,411	6,492,758
Accounts Receivable	1,175,842	0	0	1,741	1,177,583
Allowance for Uncollectibles	(496,909)	0	0	0	(496,909)
Due from Other Governments	68,341	252,729	110,000	0	431,070
Due from Other Funds	29,188	0	0	0	29,188
Property Taxes Receivable	3,920,817	426,092	0	158,041	4,504,950
Allowance for Uncollectible Property Taxes	(318,017)	(34,560)	0	(12,819)	(365,396)
<b>Total Assets</b>	<b>\$ 6,148,386</b>	<b>\$ 2,018,778</b>	<b>\$ 3,315,706</b>	<b>\$ 320,699</b>	<b>\$ 11,803,569</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<u>Liabilities</u>					
Accounts Payable	\$ 116,916	\$ 0	\$ 0	\$ 0	\$ 116,916
Payroll Deductions Payable	12,527	409	0	729	13,665
Due to Other Funds	0	0	26,864	2,324	29,188
Due to Litigants, Heirs, and Others	0	0	0	5	5
Accrued Interest Payable	0	0	28,932	0	28,932
Line of Credit Payable	0	0	1,000,000	0	1,000,000
Other Current Liabilities	1,100	0	0	0	1,100
Deferred Revenue - Current Property Taxes	3,482,494	378,457	0	140,373	4,001,324
Deferred Revenue - Delinquent Property Taxes	105,123	11,425	0	4,237	120,785
Other Deferred Revenues	641,691	126,364	55,000	0	823,055
<b>Total Liabilities</b>	<b>\$ 4,359,851</b>	<b>\$ 516,655</b>	<b>\$ 1,110,796</b>	<b>\$ 147,668</b>	<b>\$ 6,134,970</b>
<u>Fund Balances</u>					
Restricted:					
Restricted for General Government	\$ 87,617	\$ 0	\$ 0	\$ 0	\$ 87,617
Restricted for Administration of Justice	23,337	0	0	0	23,337
Restricted for Public Safety	20,233	0	0	0	20,233
Restricted for Social, Cultural, and Recreational Services	33,017	0	0	0	33,017
Restricted for Other Operations	1,034	0	0	0	1,034
Restricted for Debt Service	0	0	2,204,910	0	2,204,910
Committed:					
Committed for General Government	0	0	0	63,674	63,674
Committed for Finance	0	0	0	28,736	28,736
Committed for Public Safety	0	0	0	36,865	36,865
Committed for Public Health and Welfare	0	0	0	43,756	43,756
Committed for Highways/Public Works	0	1,502,123	0	0	1,502,123
Unassigned	1,623,297	0	0	0	1,623,297
<b>Total Fund Balances</b>	<b>\$ 1,788,535</b>	<b>\$ 1,502,123</b>	<b>\$ 2,204,910</b>	<b>\$ 173,031</b>	<b>\$ 5,668,599</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,148,386</b>	<b>\$ 2,018,778</b>	<b>\$ 3,315,706</b>	<b>\$ 320,699</b>	<b>\$ 11,803,569</b>

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

Macon County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to  
the Statement of Net Assets  
June 30, 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)		\$	5,668,599
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	760,894	
Add: buildings and improvements net of accumulated depreciation		7,007,980	
Add: infrastructure net of accumulated depreciation		14,212,241	
Add: other capital assets net of accumulated depreciation		<u>2,035,404</u>	24,016,519
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			943,840
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(5,034,413)	
Less: other loans payable		(4,827,550)	
Less: accrued interest on notes		(146,470)	
Less: compensated absences payable		(246,942)	
Less: landfill postclosure costs		<u>(464,573)</u>	<u>(10,719,948)</u>
Net assets of governmental activities (Exhibit A)			<u>\$ 19,909,010</u>

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

## Exhibit C-3

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

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 4,348,660	\$ 389,675	\$ 1,046,671	\$ 147,154	\$ 5,932,160
Licenses and Permits	47,257	0	0	0	47,257
Fines, Forfeitures, and Penalties	105,846	0	0	5,397	111,243
Charges for Current Services	1,547,421	0	0	337,637	1,885,058
Other Local Revenues	243,765	42,980	8,800	0	295,545
Fees Received from County Officials	660,344	0	0	0	660,344
State of Tennessee	469,740	1,738,822	650,233	13,709	2,872,504
Federal Government	860,618	454,271	1,028,932	0	2,343,821
Other Governments and Citizens Groups	153,961	0	0	0	153,961
<b>Total Revenues</b>	<b>\$ 8,437,612</b>	<b>\$ 2,625,748</b>	<b>\$ 2,734,636</b>	<b>\$ 503,897</b>	<b>\$ 14,301,893</b>
<u>Expenditures</u>					
Current:					
General Government	\$ 1,037,132	\$ 0	\$ 0	\$ 85,387	\$ 1,122,519
Finance	333,911	0	0	184,647	518,558
Administration of Justice	662,942	0	0	6,004	668,946
Public Safety	2,916,203	0	0	1,635	2,917,838
Public Health and Welfare	1,959,689	0	0	227,157	2,186,846
Social, Cultural, and Recreational Services	153,932	0	0	0	153,932
Agriculture and Natural Resources	70,108	0	0	0	70,108
Other Operations	857,941	0	0	0	857,941
Highways	0	2,309,461	0	0	2,309,461
Instruction	14,964	0	0	0	14,964
Support Services	976	0	0	0	976
Debt Service:					
Principal on Debt	0	0	2,017,459	0	2,017,459
Interest on Debt	0	0	265,800	0	265,800
Other Debt Service	0	0	35,786	0	35,786
Capital Projects	706,005	1,584,607	0	0	2,290,612
<b>Total Expenditures</b>	<b>\$ 8,713,803</b>	<b>\$ 3,894,068</b>	<b>\$ 2,319,045</b>	<b>\$ 504,830</b>	<b>\$ 15,431,746</b>
Excess (Deficiency) of Revenues Over Expenditures					
	\$ (276,191)	\$ (1,268,320)	\$ 415,591	\$ (933)	\$ (1,129,853)
<u>Other Financing Sources (Uses)</u>					
Other Loans Issued	\$ 0	\$ 1,000,000	\$ 0	\$ 0	\$ 1,000,000
Insurance Recovery	28,482	4,507	0	1,054	34,043
Transfers In	2,400	0	0	6,000	8,400
Transfers Out	(6,000)	(2,400)	0	0	(8,400)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 24,882</b>	<b>\$ 1,002,107</b>	<b>\$ 0</b>	<b>\$ 7,054</b>	<b>\$ 1,034,043</b>
Net Change in Fund Balances					
Fund Balance, July 1, 2010	\$ 2,039,844	\$ 1,768,336	\$ 1,789,319	\$ 166,910	\$ 5,764,409
<b>Fund Balance, June 30, 2011</b>	<b>\$ 1,788,535</b>	<b>\$ 1,502,123</b>	<b>\$ 2,204,910</b>	<b>\$ 173,031</b>	<b>\$ 5,668,599</b>

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

Exhibit C-4

Macon County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
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)		\$	(95,810)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital outlays in the current period	\$	815,040	
Less: current-year depreciation		<u>(553,144)</u>	261,896
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Less: deferred delinquent property taxes and other deferred June 30, 2010	\$	(1,028,824)	
Add: deferred delinquent property taxes and other deferred June 30, 2011		<u>943,840</u>	(84,984)
(3) The issuance of long-term debt (e.g., notes, bonds, loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.			
Less: line of credit proceeds	\$	(1,000,000)	
Add: principal payments on notes		548,014	
Add: principal payments on other loans		469,445	
Add: principal payments on line of credit		<u>1,000,000</u>	1,017,459
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest payable	\$	14,079	
Change in landfill postclosure care costs		3,497	
Change in compensated absences payable		<u>(107,801)</u>	<u>(90,225)</u>
Change in net assets of governmental activities (Exhibit B)			<u>\$ 1,008,336</u>

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

Exhibit D

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 554,990
Accounts Receivable	220
Due from Other Governments	<u>257,346</u>
Total Assets	<u>\$ 812,556</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 257,346
Due to Litigants, Heirs, and Others	<u>555,210</u>
Total Liabilities	<u>\$ 812,556</u>

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

Macon County is a public municipal corporation governed by an elected 20-member board. As required by GAAP, these financial statements present Macon County (the primary government) and its component units. Although required by GAAP, the financial statements of the Public Library Fund, a nonmajor special revenue fund, were not available from other auditors in time for inclusion in this report. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

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

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

The Macon County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Although required by GAAP, the financial statements of the Macon County Emergency Communications District were not available in time for inclusion, as previously mentioned. Complete financial statements of the Macon County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

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

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

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

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

Macon County issues most debt for the discretely presented Macon County School Department. No debt issues were contributed by the county to the School Department during the year ended June 30, 2011.

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

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

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

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

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

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

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

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

Macon County reports the following major governmental funds:

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

**Highway/Public Works Fund** – This 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, Macon County reports the following fund type:

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

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

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 (excluding the Public Library Fund) and the discretely presented Macon County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Fund. Macon County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered

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

**2. Receivables and Payables**

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

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

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

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

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

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

Additional costs attach to delinquent taxes after a court suit has been filed.

**3. Capital Assets**

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Building and Improvements	5 - 40
Other Capital Assets	5 - 20
Infrastructure:	
Roads	20 - 50
Bridges	75
Waterway	30 - 50

**4. Compensated Absences**

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

statements for the county. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

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

## **5. Long-term Obligations**

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

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

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

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

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

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

As of June 30, 2011, Macon County had \$2,410,537 in outstanding debt for capital purposes for the discretely presented Macon County School Department. This debt is a liability of Macon County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Macon County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

In the fund financial statements, governmental funds report 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 Macon County School Department**

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

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

#### **Primary Government**

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

#### **Discretely Presented Macon County School Department**

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

### III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### 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 (special revenue fund), which was not budgeted. All annual appropriations lapse at fiscal year end.

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

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

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

### IV. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

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

#### Deposits

**Legal Provisions.** All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount

of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

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

### **Investments**

**Legal Provisions.** Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state Comptroller's Office and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the fair value of the securities on the day of purchase. The county had no pooled and nonpooled investments as of June 30, 2011.

### **B. Capital Assets**

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

**Governmental Activities:**

	Balance 7-1-10	Increases	Balance 6-30-11
Capital Assets			
Not Depreciated:			
Land	\$ 760,894	\$ 0	\$ 760,894
Total Capital Assets			
Not Depreciated	<u>\$ 760,894</u>	<u>\$ 0</u>	<u>\$ 760,894</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 9,745,021	\$ 92,675	\$ 9,837,696
Infrastructure	17,214,016	23,613	17,237,629
Other Capital Assets	3,635,668	698,752	4,334,420
Total Capital Assets			
Depreciated	<u>\$ 30,594,705</u>	<u>\$ 815,040</u>	<u>\$ 31,409,745</u>
Less Accumulated			
Depreciation For:			
Buildings and Improvements	\$ 2,624,146	\$ 205,570	\$ 2,829,716
Infrastructure	2,879,948	145,440	3,025,388
Other Capital Assets	2,096,882	202,134	2,299,016
Total Accumulated			
Depreciation	<u>\$ 7,600,976</u>	<u>\$ 553,144</u>	<u>\$ 8,154,120</u>
Total Capital Assets			
Depreciated, Net	<u>\$ 22,993,729</u>	<u>\$ 261,896</u>	<u>\$ 23,255,625</u>
Governmental Activities			
Capital Assets, Net	<u>\$ 23,754,623</u>	<u>\$ 261,896</u>	<u>\$ 24,016,519</u>

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

**Governmental Activities:**

General Government	\$ 15,308
Administration of Justice	110,735
Public Safety	83,636
Public Health and Welfare	40,319
Social, Cultural, and Recreational	43,421
Highways/Public Works	<u>259,725</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 553,144</u>

**Discretely Presented Macon County School Department**

**Governmental Activities:**

	Balance 7-1-10	Increases	Balance 6-30-11
Capital Assets			
Not Depreciated:			
Land	\$ 346,263	\$ 0	\$ 346,263
Total Capital Assets			
Not Depreciated	\$ 346,263	\$ 0	\$ 346,263
Capital Assets Depreciated:			
Buildings and			
Improvements	\$ 23,262,776	\$ 256,406	\$ 23,519,182
Other Capital Assets	3,609,512	268,910	3,878,422
Total Capital Assets			
Depreciated	\$ 26,872,288	\$ 525,316	\$ 27,397,604
Less Accumulated			
Depreciation For:			
Buildings and			
Improvements	\$ 10,234,218	\$ 616,848	\$ 10,851,066
Other Capital Assets	1,874,052	224,931	2,098,983
Total Accumulated			
Depreciation	\$ 12,108,270	\$ 841,779	\$ 12,950,049
Total Capital Assets			
Depreciated, Net	\$ 14,764,018	\$ (316,463)	\$ 14,447,555
Governmental			
Activities Capital			
Assets, Net	\$ 15,110,281	\$ (316,463)	\$ 14,793,818

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

**Governmental Activities:**

Instruction	\$ 616,848
Support Services	<u>224,931</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 841,779</u></u>

**C. Interfund Transfers**

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

**Primary Government**

Transfers Out	Transfers In	
	General Fund	Nonmajor Governmental Fund
General Fund	\$ 0	\$ 6,000
Highway/Public Works Fund	2,400	0
Total	\$ 2,400	\$ 6,000

**Discretely Presented Macon County School Department**

Transfer Out	Transfer In
	General Purpose School Fund
School Federal Projects Fund	\$ 24,468

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

**D. Long-term Debt**

**Primary Government**

**General Obligation Bonds, Notes and Other Loans**

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

General obligation bonds, other loans, and capital outlay notes are direct obligations and pledge the full faith and credit of the government. Capital outlay notes and other loans outstanding were issued for original terms of up

to ten years for notes and 20 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All notes and other loans included in long-term debt as of June 30, 2011, will be retired from the General Debt Service Fund.

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

Type	Interest Rate	Original Amount of Issue	Balance 6-30-11
Other Loans	variable	% \$ 8,759,000	\$ 4,827,550
Capital Outlay Notes	0 to 3.94	5,723,912	5,034,413

In prior years, Macon County entered into loan agreements with the Montgomery County Public Building Authority. Under these loan agreements, the authority loaned \$6,721,000 and \$2,038,000 to Macon County for various renovation and construction projects. These loans are repayable at interest rates that are tax-exempt variable rates determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with these loans. At June 30, 2011, the variable interest rate was .37 percent; other fees totaled approximately .35 percent on the \$6,721,000 loan and .4 percent on the \$2,038,000 loan (letter of credit); .08 percent (remarketing); and \$85 per month (trustee) of the outstanding loan principal.

The annual requirements to amortize all notes and other loans outstanding as of June 30, 2011, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2012	\$ 566,586	\$ 192,383	\$ 758,969
2013	585,470	171,917	757,387
2014	598,224	149,898	748,122
2015	612,540	127,697	740,237
2016	595,808	104,280	700,088
2017-2020	2,075,785	208,651	2,284,436
Total	\$ 5,034,413	\$ 954,826	\$ 5,989,239

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2012	\$ 488,445	\$ 17,862	\$ 22,799	\$ 529,106
2013	508,445	16,055	20,699	545,199
2014	529,445	14,173	18,512	562,130
2015	551,445	12,215	16,235	579,895
2016	574,445	10,174	13,864	598,483
2017-2021	2,175,325	19,124	29,976	2,224,425
Total	\$ 4,827,550	\$ 89,603	\$ 122,085	\$ 5,039,238

There is \$2,204,910 available in the General Debt Service Fund to service long-term debt. Debt per capita, including notes and other loans totaled \$443, 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:

	Notes	Other Loans
Balance, July 1, 2010	\$ 5,582,427	\$ 5,296,995
Additions	0	0
Deductions	(548,014)	(469,445)
Balance, June 30, 2011	\$ 5,034,413	\$ 4,827,550
Balance Due Within One Year	\$ 566,586	\$ 488,445

	Compensated Absences	Landfill Postclosure Care Costs
Balance, July 1, 2010	\$ 139,141	\$ 468,070
Additions	129,911	0
Deductions	(22,110)	(3,497)
Balance, June 30, 2011	\$ 246,942	\$ 464,573
Balance Due Within One Year	\$ 24,694	\$ 27,328

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$ 10,573,478
Less: Balance Due Within One Year	<u>(1,107,053)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 9,466,425</u>

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

**Discretely Presented Macon County School Department**

**General Obligation Bonds and Notes**

Macon County issues general obligation bonds on behalf of the School Department to provide funds for the acquisition and construction of major capital facilities. Capital outlay notes have been issued to refund general obligation bonds.

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

General obligation notes outstanding as of June 30, 2011, for governmental activities are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-11</u>
Capital Outlay Notes	3.66	% \$ 4,766,431	\$ 4,184,431

The annual requirements to amortize all general obligation 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	\$ 595,804	\$ 164,130	\$ 759,934
2013	595,804	141,888	737,692
2014	595,804	120,064	715,868
2015	595,804	98,239	694,043
2016	595,804	76,594	672,398
2017-2019	1,205,411	98,299	1,303,710
Total	\$ 4,184,431	\$ 699,214	\$ 4,883,645

Debt per capita totaled \$188, based on the 2010 federal census.

#### Changes in Long-term Liabilities

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

#### Governmental Activities:

	Bonds	Notes	Other
			Postemployment Benefits
Balance, July 1, 2010	\$ 4,655,000	\$ 0	\$ 858,365
Additions	0	4,766,431	400,039
Deductions	(4,655,000)	(582,000)	(153,666)
Balance, June 30, 2011	\$ 0	\$ 4,184,431	\$ 1,104,738
Balance Due Within One Year	\$ 0	\$ 595,804	\$ 0

#### Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$ 5,289,169
Less: Balance Due Within One Year	<u>(595,804)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 4,693,365</u>

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

#### Current Refunding

On September 29, 2010, the discretely presented School Department refunded general obligation bonds with a general obligation note issue. The School Department issued \$4,766,431 to provide resources to retire debt

service payments of the refunded debt. As a result, the refunded bonds are considered defeased, and the liability has been removed from the School Department's long-term debt. As a result of the current refunding, total debt service payments over the next eight years will be reduced by \$188,821, and the economic gain (difference between the present value of the debt service payments of the refunded bonds and refunding notes) was not available.

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Macon County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2011, were \$71,623 and \$15,512, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**F. Short-term Debt**

Macon County issued a line of credit in advance of grant revenue collections and deposited the proceeds in the Highway/Public Works Fund. This line of credit was necessary because funds were not available for flood related expenses. Short-term debt activity for the year ended June 30, 2011, was as follows:

	<u>7-1-10</u>	<u>Issued</u>	<u>Paid</u>	<u>6-30-11</u>
Line of Credit	\$ 0	\$ 1,000,000	\$ (1,000,000)	\$ 0

**V. OTHER INFORMATION**

**A. Risk Management**

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

Macon County is exposed to various risks related to general liability, property, casualty, and workers' compensation. The primary government decided it was more economically feasible to join a public entity risk pool than to purchase commercial insurance for general liability, property, casualty, and workers' compensation coverage. The government's risks of loss relating

to general liability, property, and casualty are covered by participation in the Local Government Property and Casualty Fund (LGPCF). The government's risks of loss relating to workers' compensation are covered by participation in the Local Government Workers' Compensation Fund (LWCF). These funds are public entity risk pools established by the Tennessee County Services Association, an association of member counties. The county pays annual premiums to the LGPCF and the LWCF for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the LGPCF and the LWCF provide for them to be self-sustaining through member's premiums.

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

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

**B. Accounting 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. Macon County and the Macon County School Department have implemented provisions of this statement in the financial statements of this report for their governmental funds.

**C. Subsequent Event**

On July 19, 2011, Macon County issued an energy efficiency loan totaling \$2,242,665 for school building upgrades.

**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**

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

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

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

State and federal laws and regulations require the county to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Macon County closed its sanitary landfill in 1998. The \$464,573 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 Macon County Joint Economic and Community Development/Industrial Board is a joint venture between Macon County and the cities of Lafayette and Red Boiling Springs. The board comprises the county mayor, city mayors, and five additional members. The purpose of the board is to foster communication relative to economic and community development between and among governmental entities, industry, and private citizens. The county and cities will provide the majority of funding for the board based on the percentage of their population compared to the total census of the county when financial activity begins. During the year ended June 30, 2011, the

county did not appropriate any operating subsidies to the Macon County Joint Economic and Community Development/Industrial Board.

## **H. Retirement Commitments**

### **Plan Description**

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

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

### **Funding Policy**

Macon 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 6.85 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 \$562,758 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 post retirement 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 seven 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	\$562,758	100%	\$0
6-30-10	524,616	100	0
6-30-09	508,195	100	0

**Funded Status and Funding Progress**

As of July 1, 2009, the most recent actuarial valuation date, the plan was 88.17 percent funded. The actuarial accrued liability for benefits was \$10 million, and the actuarial value of assets was \$9 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1 million. The covered payroll (annual payroll of active employees covered by the plan) was \$7 million, and the ratio of the UAAL to the covered payroll was 16.13 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The 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 Macon County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service, or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. 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 \$1,115,176, \$769,026, and \$753,925, respectively, equal to the required contributions for each year.

## **I. Other Postemployment Benefits (OPEB)**

### Plan Description

The School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated*, for teachers. In previous fiscal years, prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. 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 plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in the plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year ended June 30, 2011, the School Department made contributions totaling \$153,666 for other postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Insurance Plan
	<hr/>
ARC	\$ 398,000
Interest on the NPO	38,626
Adjustment to the ARC	(36,587)
Annual OPEB cost	<hr/> \$ 400,039
Amount of contribution	(153,666)
Increase/decrease in NPO	<hr/> \$ 246,373
Net OPEB obligation, 7-1-10	<hr/> 858,365
Net OPEB obligation, 6-30-11	<hr/> <hr/> \$ 1,104,738

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-09	Local Education Group	\$ 411,000	25	% \$ 602,178
6-30-10	"	389,431	34	858,365
6-30-11	"	400,039	38	1,104,738

Funded Status and Funding Progress

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

	Local Education Group Insurance Plan
	<hr/>
Actuarial valuation date	7-1-10
Actuarial accrued liability (AAL)	\$ 3,802,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 3,802,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 11,586,000
UAAL as a % of covered payroll	33%

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

#### Actuarial Methods and Assumptions

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

In the July 1, 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. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

### **J. Purchasing Laws**

#### Office of County Mayor

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

#### Office of Supervisor of Roads

Purchasing procedures for the Office of Supervisor of Roads are governed by Chapter 234, Private Acts of 1965, as amended, and the Uniform Road Law, Section 54-7-113, *TCA*. These statutes provide for the supervisor of roads to

make all purchases and for all purchases exceeding \$10,000 to be made on a competitive basis solicited through public advertisement.

Office of Director of Schools

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

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 4,348,660	\$ 4,294,699	\$ 4,294,699	\$ 53,961
Licenses and Permits	47,257	37,900	37,900	9,357
Fines, Forfeitures, and Penalties	105,846	101,450	101,450	4,396
Charges for Current Services	1,547,421	1,320,420	1,436,073	111,348
Other Local Revenues	243,765	247,000	347,136	(103,371)
Fees Received from County Officials	660,344	775,000	775,000	(114,656)
State of Tennessee	469,740	408,900	437,212	32,528
Federal Government	860,618	80,000	705,712	154,906
Other Governments and Citizens Groups	153,961	40,000	178,723	(24,762)
<b>Total Revenues</b>	<b>\$ 8,437,612</b>	<b>\$ 7,305,369</b>	<b>\$ 8,313,905</b>	<b>\$ 123,707</b>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 66,949	\$ 71,423	\$ 73,539	\$ 6,590
Board of Equalization	960	2,500	2,500	1,540
Beer Board	153	350	350	197
Budget and Finance Committee	790	1,200	1,200	410
Other Boards and Committees	1,400	2,000	2,000	600
County Mayor/Executive	209,136	221,999	221,999	12,863
County Attorney	8,897	8,899	8,899	2
Election Commission	149,412	145,655	154,655	5,243
Register of Deeds	123,243	136,619	140,091	16,848
Planning	53,764	59,445	60,445	6,681
County Buildings	113,698	130,652	130,652	16,954
Other Facilities	288,294	282,475	295,475	7,181
Other General Administration	1,374	1,373	1,374	0
Preservation of Records	1,984	2,000	2,000	16
Risk Management	17,078	16,596	17,383	305
<u>Finance</u>				
Property Assessor's Office	137,166	139,311	139,175	2,009
Reappraisal Program	2,908	5,775	5,911	3,003
County Trustee's Office	160,249	163,838	167,793	7,544
County Clerk's Office	33,588	230,000	230,000	196,412
<u>Administration of Justice</u>				
Circuit Court	287,172	292,357	292,357	5,185
General Sessions Court	105,995	109,124	109,124	3,129
Chancery Court	122,761	131,970	132,012	9,251
Juvenile Court	38,844	51,916	51,916	13,072
Judicial Commissioners	17,301	18,461	18,461	1,160
Probation Services	90,869	92,437	92,437	1,568
<u>Public Safety</u>				
Sheriff's Department	1,503,203	1,373,858	1,509,814	6,611
Administration of the Sexual Offender Registry	6,686	1,200	7,025	339

(Continued)

Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Safety (Cont.)</u>				
Jail	\$ 1,252,874	\$ 1,118,167	\$ 1,266,531	\$ 13,657
Workhouse	62,222	69,774	63,483	1,261
Fire Prevention and Control	2,653	6,660	6,660	4,007
Rural Fire Protection	14,440	16,000	16,000	1,560
Civil Defense	13,998	16,551	16,551	2,553
Rescue Squad	6,237	8,300	8,300	2,063
Disaster Relief	11,083	12,600	12,600	1,517
Other Emergency Management	7,349	7,650	7,650	301
County Coroner/Medical Examiner	23,750	17,150	23,750	0
Other Public Safety	11,708	16,000	16,000	4,292
<u>Public Health and Welfare</u>				
Local Health Center	26,305	28,100	28,100	1,795
Rabies and Animal Control	15,549	22,804	22,804	7,255
Ambulance/Emergency Medical Services	1,727,070	1,693,887	1,819,172	92,102
Crippled Children Services	1,439	1,439	1,439	0
Other Local Health Services	42,805	66,600	66,600	23,795
Regional Mental Health Center	7,953	7,953	7,953	0
Appropriation to State	41,900	41,900	41,900	0
Other Local Welfare Services	94,773	57,923	97,465	2,692
Sanitation Education/Information	1,895	9,000	9,000	7,105
<u>Social, Cultural, and Recreational Services</u>				
Adult Activities	6,000	6,000	6,000	0
Senior Citizens Assistance	7,500	7,500	7,500	0
Libraries	123,482	132,779	132,779	9,297
Parks and Fair Boards	16,950	16,700	17,200	250
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	43,608	47,611	47,611	4,003
Soil Conservation	26,500	26,500	26,500	0
<u>Other Operations</u>				
Tourism	2,466	2,500	3,500	1,034
Industrial Development	10,600	7,000	10,600	0
Veterans' Services	23,383	23,156	23,534	151
Other Charges	635,721	707,489	710,404	74,683
Contributions to Other Agencies	22,106	23,088	23,088	982
Employee Benefits	25,118	81,550	81,550	56,432
ARRA Grant No. 2	133,185	132,730	132,730	(455)
Miscellaneous	5,362	6,575	6,575	1,213
<u>Instruction</u>				
Vocational Education Program	14,964	14,964	14,964	0
<u>Support Services</u>				
Other Programs	976	5,845	5,845	4,869

(Continued)

Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Capital Projects</u>				
General Administration Projects	\$ 484,510	\$ 71,473	\$ 484,874	\$ 364
Public Safety Projects	221,495	0	221,495	0
Highway and Street Capital Projects	0	150,236	150,236	150,236
Total Expenditures	<u>\$ 8,713,803</u>	<u>\$ 8,375,587</u>	<u>\$ 9,507,530</u>	<u>\$ 793,727</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (276,191)</u>	<u>\$ (1,070,218)</u>	<u>\$ (1,193,625)</u>	<u>\$ 917,434</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 28,482	\$ 15,000	\$ 51,455	\$ (22,973)
Transfers In	2,400	98,700	2,400	0
Transfers Out	(6,000)	0	(6,000)	0
Total Other Financing Sources (Uses)	<u>\$ 24,882</u>	<u>\$ 113,700</u>	<u>\$ 47,855</u>	<u>\$ (22,973)</u>
Net Change in Fund Balance	\$ (251,309)	\$ (956,518)	\$ (1,145,770)	\$ 894,461
Fund Balance, July 1, 2010	<u>2,039,844</u>	<u>1,789,845</u>	<u>1,789,845</u>	<u>249,999</u>
Fund Balance, June 30, 2011	<u>\$ 1,788,535</u>	<u>\$ 833,327</u>	<u>\$ 644,075</u>	<u>\$ 1,144,460</u>

Exhibit E-2

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 389,675	\$ 384,898	\$ 384,898	\$ 4,777
Other Local Revenues	42,980	14,300	32,008	10,972
State of Tennessee	1,738,822	2,719,290	2,763,917	(1,025,095)
Federal Government	454,271	0	0	454,271
<b>Total Revenues</b>	<b>\$ 2,625,748</b>	<b>\$ 3,118,488</b>	<b>\$ 3,180,823</b>	<b>\$ (555,075)</b>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 137,326	\$ 148,600	\$ 148,900	\$ 11,574
Highway and Bridge Maintenance	1,124,375	1,167,119	1,309,719	185,344
Operation and Maintenance of Equipment	275,154	266,538	302,013	26,859
Other Charges	107,697	111,295	110,995	3,298
Employee Benefits	213,567	219,834	233,684	20,117
Capital Outlay	451,342	1,940,628	1,815,538	1,364,196
<u>Capital Projects</u>				
Other General Government Projects	643,989	1,061,656	1,061,656	417,667
Highway and Street Capital Projects	940,618	1,020,626	1,020,626	80,008
<b>Total Expenditures</b>	<b>\$ 3,894,068</b>	<b>\$ 5,936,296</b>	<b>\$ 6,003,131</b>	<b>\$ 2,109,063</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,268,320)	\$ (2,817,808)	\$ (2,822,308)	\$ 1,553,988
<u>Other Financing Sources (Uses)</u>				
Other Loans Issued	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 0
Insurance Recovery	4,507	0	4,500	7
Transfers In	0	150,235	150,235	(150,235)
Transfers Out	(2,400)	(2,400)	(2,400)	0
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 1,002,107</b>	<b>\$ 1,147,835</b>	<b>\$ 1,152,335</b>	<b>\$ (150,228)</b>
Net Change in Fund Balance	\$ (266,213)	\$ (1,669,973)	\$ (1,669,973)	\$ 1,403,760
Fund Balance, July 1, 2010	1,768,336	2,018,337	2,018,337	(250,001)
<b>Fund Balance, June 30, 2011</b>	<b>\$ 1,502,123</b>	<b>\$ 348,364</b>	<b>\$ 348,364</b>	<b>\$ 1,153,759</b>

Exhibit E-3

Macon County, Tennessee  
Schedule of Funding Progress – Pension Plan  
Primary Government and Discretely Presented Macon 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)
7-1-09	\$ 9,020	\$ 10,230	\$ 1,210	88.17 %	\$ 7,498	16.13 %
7-1-07	7,335	8,076	741	90.82	6,761	10.96

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

Exhibit E-4

Macon County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plan  
Discretely Presented Macon County School Department  
June 30, 2011

(Dollar amounts in thousands)

Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Local Education Group	7-1-07	\$ 0	\$ 3,555	\$ 3,555	0%	\$ 11,006	32 %
"	7-1-09	0	3,723	3,723	0	11,586	32
"	7-1-10	0	3,802	3,802	0	11,586	33

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

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

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

**B. EXPENDITURES EXCEEDED APPROPRIATIONS**

General Fund expenditures exceeded appropriations approved by the County Commission in the ARRA Grant No. 2 major appropriation category (the legal level of control) by \$455. Such overexpenditures are a violation of state statutes. These overexpenditures 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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Courthouse and Jail Maintenance Fund – The Courthouse and Jail Maintenance Fund is used to account for a special tax levied by private act on litigation and the recording of certain instruments. The proceeds of the tax must be used to pay for improvements or maintenance on the courthouse and jail.

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

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

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

Exhibit F-1

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

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees		
\$	0 \$	50 \$	0 \$	30,275 \$		30,325
Equity in Pooled Cash and Investments	63,674	42,872	36,865	0		143,411
Accounts Receivable	0	951	0	790		1,741
Property Taxes Receivable	0	158,041	0	0		158,041
Allowance for Uncollectible Property Taxes	0	(12,819)	0	0		(12,819)
<b>Total Assets</b>	<b>\$ 63,674 \$</b>	<b>189,095 \$</b>	<b>36,865 \$</b>	<b>31,065 \$</b>		<b>320,699</b>

ASSETS

Cash  
 Equity in Pooled Cash and Investments  
 Accounts Receivable  
 Property Taxes Receivable  
 Allowance for Uncollectible Property Taxes

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>	\$	0 \$	729 \$	0 \$	0 \$	729
Payroll Deductions Payable	0	0	0	2,324		2,324
Due to Other Funds	0	0	0	5		5
Due to Litigants, Heirs, and Others	0	140,373	0	0		140,373
Deferred Revenue - Current Property Taxes	0	4,237	0	0		4,237
Deferred Revenue - Delinquent Property Taxes	0	145,339	0 \$	2,329 \$		147,668
<b>Total Liabilities</b>	<b>\$ 0 \$</b>	<b>145,339 \$</b>	<b>0 \$</b>	<b>2,329 \$</b>		<b>147,668</b>
<u>Fund Balances</u>	\$	63,674 \$	0 \$	0 \$	0 \$	63,674
Committed:	0	0	0	28,736		28,736
Committed for General Government	0	0	0	0		0
Committed for Finance	0	0	36,865	0		36,865
Committed for Public Safety	0	43,756	0	0		43,756
Committed for Public Health and Welfare	0	43,756 \$	36,865 \$	28,736 \$		173,031
<b>Total Fund Balances</b>	<b>\$ 63,674 \$</b>	<b>189,095 \$</b>	<b>36,865 \$</b>	<b>31,065 \$</b>		<b>320,699</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 63,674 \$</b>	<b>189,095 \$</b>	<b>36,865 \$</b>	<b>31,065 \$</b>		<b>320,699</b>

Total Liabilities and Fund Balances

Exhibit F-2

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

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees		
<u>Revenues</u>						
Local Taxes	4,430 \$	142,724 \$	0 \$	0 \$	0 \$	147,154
Fines, Forfeitures, and Penalties	0	0	5,397	0	0	5,397
Charges for Current Services	0	78,279	0	259,358	0	337,637
State of Tennessee	0	13,709	0	0	0	13,709
Total Revenues	4,430 \$	234,712 \$	5,397 \$	259,358 \$	0 \$	503,897
<u>Expenditures</u>						
Current:						
General Government	22,445 \$	0 \$	0 \$	62,942 \$	0 \$	85,387
Finance	0	0	0	184,647	0	184,647
Administration of Justice	0	0	0	6,004	0	6,004
Public Safety	0	0	1,635	0	0	1,635
Public Health and Welfare	0	227,157	0	0	0	227,157
Total Expenditures	22,445 \$	227,157 \$	1,635 \$	253,593 \$	0 \$	504,830
Excess (Deficiency) of Revenues Over Expenditures	(18,015) \$	7,555 \$	3,762 \$	5,765 \$	0 \$	(933)
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	0 \$	1,054 \$	0 \$	0 \$	0 \$	1,054
Transfers In	0	6,000	0	0	0	6,000
Total Other Financing Sources (Uses)	0 \$	7,054 \$	0 \$	0 \$	0 \$	7,054
Net Change in Fund Balances	(18,015) \$	14,609 \$	3,762 \$	5,765 \$	0 \$	6,121
Fund Balance, July 1, 2010	81,689	29,147	33,103	22,971	0	166,910
Fund Balance, June 30, 2011	63,674 \$	43,756 \$	36,865 \$	28,736 \$	0 \$	173,031

Exhibit F-3

Macon County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Courthouse and Jail Maintenance Fund  
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 4,430	\$ 5,000	\$ 5,000	\$ (570)
Total Revenues	\$ 4,430	\$ 5,000	\$ 5,000	\$ (570)
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 22,445	\$ 26,150	\$ 26,150	\$ 3,705
Total Expenditures	\$ 22,445	\$ 26,150	\$ 26,150	\$ 3,705
Excess (Deficiency) of Revenues Over Expenditures	\$ (18,015)	\$ (21,150)	\$ (21,150)	\$ 3,135
Net Change in Fund Balance	\$ (18,015)	\$ (21,150)	\$ (21,150)	\$ 3,135
Fund Balance, July 1, 2010	81,689	81,689	81,689	0
Fund Balance, June 30, 2011	\$ 63,674	\$ 60,539	\$ 60,539	\$ 3,135

Exhibit F-4

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 142,724	\$ 141,473	\$ 141,473	\$ 1,251
Charges for Current Services	78,279	66,500	66,500	11,779
State of Tennessee	13,709	15,000	15,000	(1,291)
Total Revenues	<u>\$ 234,712</u>	<u>\$ 222,973</u>	<u>\$ 222,973</u>	<u>\$ 11,739</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Transfer Stations	\$ 227,157	\$ 246,585	\$ 253,639	\$ 26,482
Total Expenditures	<u>\$ 227,157</u>	<u>\$ 246,585</u>	<u>\$ 253,639</u>	<u>\$ 26,482</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 7,555</u>	<u>\$ (23,612)</u>	<u>\$ (30,666)</u>	<u>\$ 38,221</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 1,054	\$ 0	\$ 1,054	\$ 0
Transfers In	6,000	0	6,000	0
Total Other Financing Sources (Uses)	<u>\$ 7,054</u>	<u>\$ 0</u>	<u>\$ 7,054</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 14,609	\$ (23,612)	\$ (23,612)	\$ 38,221
Fund Balance, July 1, 2010	<u>29,147</u>	<u>29,145</u>	<u>29,145</u>	<u>2</u>
Fund Balance, June 30, 2011	<u>\$ 43,756</u>	<u>\$ 5,533</u>	<u>\$ 5,533</u>	<u>\$ 38,223</u>

Exhibit F-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 5,397	\$ 10,000	\$ 10,000	\$ (4,603)
Total Revenues	\$ 5,397	\$ 10,000	\$ 10,000	\$ (4,603)
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 1,635	\$ 5,200	\$ 5,200	\$ 3,565
Total Expenditures	\$ 1,635	\$ 5,200	\$ 5,200	\$ 3,565
Excess (Deficiency) of Revenues Over Expenditures	\$ 3,762	\$ 4,800	\$ 4,800	\$ (1,038)
Net Change in Fund Balance	\$ 3,762	\$ 4,800	\$ 4,800	\$ (1,038)
Fund Balance, July 1, 2010	33,103	33,103	33,103	0
Fund Balance, June 30, 2011	\$ 36,865	\$ 37,903	\$ 37,903	\$ (1,038)

# **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

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,046,671	\$ 915,000	\$ 915,000	\$ 131,671
Other Local Revenues	8,800	9,600	9,600	(800)
State of Tennessee	650,233	650,000	650,000	233
Federal Government	1,028,932	0	0	1,028,932
Total Revenues	<u>\$ 2,734,636</u>	<u>\$ 1,574,600</u>	<u>\$ 1,574,600</u>	<u>\$ 1,160,036</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 522,042	\$ 522,043	\$ 522,043	\$ 1
Highways and Streets	1,333,744	571,110	1,333,745	1
Education	161,673	107,342	161,673	0
<u>Interest on Debt</u>				
General Government	32,197	272,686	272,686	240,489
Highways and Streets	186,341	0	186,341	0
Education	47,262	21,637	47,262	0
<u>Other Debt Service</u>				
General Government	35,786	39,000	39,000	3,214
Total Expenditures	<u>\$ 2,319,045</u>	<u>\$ 1,533,818</u>	<u>\$ 2,562,750</u>	<u>\$ 243,705</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 415,591</u>	<u>\$ 40,782</u>	<u>\$ (988,150)</u>	<u>\$ 1,403,741</u>
Net Change in Fund Balance	\$ 415,591	\$ 40,782	\$ (988,150)	\$ 1,403,741
Fund Balance, July 1, 2010	1,789,319	1,796,954	1,796,954	(7,635)
Fund Balance, June 30, 2011	<u>\$ 2,204,910</u>	<u>\$ 1,837,736</u>	<u>\$ 808,804</u>	<u>\$ 1,396,106</u>

# Fiduciary Funds

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

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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.

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

Exhibit H-1

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

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 554,990	\$ 554,990
Accounts Receivable	0	220	220
Due from Other Governments	257,346	0	257,346
Total Assets	<u>\$ 257,346</u>	<u>\$ 555,210</u>	<u>\$ 812,556</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 257,346	\$ 0	\$ 257,346
Due to Litigants, Heirs, and Others	0	555,210	555,210
Total Liabilities	<u>\$ 257,346</u>	<u>\$ 555,210</u>	<u>\$ 812,556</u>

## Exhibit H-2

Macon 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	\$ 1,518,799	\$ 1,518,799	\$ 0
Due from Other Governments	260,015	257,346	260,015	257,346
Total Assets	\$ 260,015	\$ 1,776,145	\$ 1,778,814	\$ 257,346
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 260,015	\$ 1,776,145	\$ 1,778,814	\$ 257,346
Total Liabilities	\$ 260,015	\$ 1,776,145	\$ 1,778,814	\$ 257,346
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 736,311	\$ 4,176,090	\$ 4,357,411	\$ 554,990
Accounts Receivable	220	220	220	220
Total Assets	\$ 736,531	\$ 4,176,310	\$ 4,357,631	\$ 555,210
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 736,531	\$ 4,176,310	\$ 4,357,631	\$ 555,210
Total Liabilities	\$ 736,531	\$ 4,176,310	\$ 4,357,631	\$ 555,210
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 736,311	\$ 4,176,090	\$ 4,357,411	\$ 554,990
Equity in Pooled Cash and Investments	0	1,518,799	1,518,799	0
Accounts Receivable	220	220	220	220
Due from Other Governments	260,015	257,346	260,015	257,346
Total Assets	\$ 996,546	\$ 5,952,455	\$ 6,136,445	\$ 812,556
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 260,015	\$ 1,776,145	\$ 1,778,814	\$ 257,346
Due to Litigants, Heirs, and Others	736,531	4,176,310	4,357,631	555,210
Total Liabilities	\$ 996,546	\$ 5,952,455	\$ 6,136,445	\$ 812,556

# Macon County School Department

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

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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.

Exhibit I-1

Macon County, Tennessee  
Statement of Activities  
Discretely Presented Macon County School Department  
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	
Governmental Activities:				
Instruction	\$ 17,638,841	\$ 84,285	\$ 2,972,967	\$ (14,581,589)
Support Services	9,171,012	40,955	135,525	(8,994,532)
Operation of Non-Instructional Services	1,603,282	0	1,245,549	(357,733)
Interest on Long-term Debt	184,763	0	0	(184,763)
Other Debt Service	3,906	0	0	(3,906)
Total Governmental Activities	\$ 28,601,804	\$ 125,240	\$ 4,354,041	\$ (24,122,523)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 2,824,402
Local Option Sales Taxes				1,730,334
Interstate Telecommunications Tax				1,282
Grants and Contributions Not Restricted to Specific Programs				19,351,128
Miscellaneous				38,900
Total General Revenues				\$ 23,946,046
Change in Net Assets				\$ (176,477)
Net Assets, July 1, 2010				14,600,931
Net Assets, June 30, 2011				\$ 14,424,454

Exhibit I-2

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

	<u>Major Funds</u>		<u>Total Govern- mental Funds</u>
	<u>General Purpose School</u>	<u>School Federal Projects</u>	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 3,898,571	\$ 100,565	\$ 3,999,136
Due from Other Governments	1,019,164	12,432	1,031,596
Property Taxes Receivable	3,242,170	0	3,242,170
Allowance for Uncollectible Property Taxes	(262,972)	0	(262,972)
Total Assets	<u>\$ 7,896,933</u>	<u>\$ 112,997</u>	<u>\$ 8,009,930</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 114,327	\$ 0	\$ 114,327
Payroll Deductions Payable	38,793	16,257	55,050
Deferred Revenue - Current Property Taxes	2,879,715	0	2,879,715
Deferred Revenue - Delinquent Property Taxes	86,928	0	86,928
Other Deferred Revenues	148,500	0	148,500
Total Liabilities	<u>\$ 3,268,263</u>	<u>\$ 16,257</u>	<u>\$ 3,284,520</u>
<u>Fund Balances</u>			
Restricted:			
Restricted for Education	\$ 22,931	\$ 96,740	\$ 119,671
Committed:			
Committed for Education	4,496,414	0	4,496,414
Unassigned	109,325	0	109,325
Total Fund Balances	<u>\$ 4,628,670</u>	<u>\$ 96,740</u>	<u>\$ 4,725,410</u>
Total Liabilities and Fund Balances	<u>\$ 7,896,933</u>	<u>\$ 112,997</u>	<u>\$ 8,009,930</u>

Exhibit I-3

Macon County, Tennessee  
Reconciliation of the Balance Sheet of Governmental  
Funds to the Statement of Net Assets  
Discretely Presented Macon County School Department  
June 30, 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)		\$ 4,725,410	
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$ 346,263		
Add: buildings and improvements net of accumulated depreciation	12,668,116		
Add: other capital assets net of accumulated depreciation	<u>1,779,439</u>	14,793,818	
(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	\$ (4,184,431)		
Less: accrued interest on notes	(41,033)		
Less: other postemployment benefits liability	<u>(1,104,738)</u>	(5,330,202)	
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>235,428</u>
Net assets of governmental activities (Exhibit A)			<u>\$ 14,424,454</u>

Exhibit I-4

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

	Major Funds		Total Governmental Funds
	General Purpose School	School Federal Projects	
<u>Revenues</u>			
Local Taxes	\$ 4,694,453	\$ 0	\$ 4,694,453
Licenses and Permits	1,758	0	1,758
Charges for Current Services	84,285	0	84,285
Other Local Revenues	79,855	0	79,855
State of Tennessee	19,059,386	0	19,059,386
Federal Government	1,386,635	3,218,677	4,605,312
<b>Total Revenues</b>	<b>\$ 25,306,372</b>	<b>\$ 3,218,677</b>	<b>\$ 28,525,049</b>
<u>Expenditures</u>			
Current:			
Instruction	\$ 14,226,853	\$ 2,548,767	\$ 16,775,620
Support Services	8,432,493	566,265	8,998,758
Operation of Non-Instructional Services	1,603,282	0	1,603,282
Capital Outlay	503,515	0	503,515
Debt Service:			
Principal on Debt	582,000	0	582,000
Interest on Debt	199,446	0	199,446
Other Debt Service	3,906	0	3,906
<b>Total Expenditures</b>	<b>\$ 25,551,495</b>	<b>\$ 3,115,032</b>	<b>\$ 28,666,527</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (245,123)	\$ 103,645	\$ (141,478)
<u>Other Financing Sources (Uses)</u>			
Refunding Debt Issued	\$ 4,766,431	\$ 0	\$ 4,766,431
Insurance Recovery	30,876	0	30,876
Transfers In	24,468	0	24,468
Transfers Out	0	(24,468)	(24,468)
Payments to Refunded Debt Escrow Agent	(4,655,000)	0	(4,655,000)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 166,775</b>	<b>\$ (24,468)</b>	<b>\$ 142,307</b>
Net Change in Fund Balances	\$ (78,348)	\$ 79,177	\$ 829
Fund Balance, July 1, 2010	4,707,018	17,563	4,724,581
<b>Fund Balance, June 30, 2011</b>	<b>\$ 4,628,670</b>	<b>\$ 96,740</b>	<b>\$ 4,725,410</b>

Exhibit I-5

Macon County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Discretely Presented Macon County School Department  
For the Year Ended June 30, 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)		\$	829
(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	\$	525,316	
Less: current-year depreciation expense		<u>(841,779)</u>	(316,463)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.			
Less: deferred delinquent property taxes and other deferred June 30, 2010	\$	(335,150)	
Add: deferred delinquent property taxes and other deferred June 30, 2011		<u>235,428</u>	(99,722)
(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.			
Less: refunding note proceeds	\$	(4,766,431)	
Add: payment to refunding agent		4,655,000	
Add: principal payments on notes		<u>582,000</u>	470,569
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest payable	\$	14,683	
Change in other postemployment benefits liability		<u>(246,373)</u>	(231,690)
Change in net assets of governmental activities (Exhibit B)			<u>\$ (176,477)</u>

Exhibit I-6

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 4,694,453	\$ 4,693,685	\$ 4,696,685	\$ (2,232)
Licenses and Permits	1,758	2,000	2,000	(242)
Charges for Current Services	84,285	46,000	46,000	38,285
Other Local Revenues	79,855	45,400	65,494	14,361
State of Tennessee	19,059,386	18,685,207	18,791,872	267,514
Federal Government	1,386,635	1,330,000	1,439,044	(52,409)
Total Revenues	\$ 25,306,372	\$ 24,802,292	\$ 25,041,095	\$ 265,277
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 11,763,267	\$ 12,241,080	\$ 12,086,080	\$ 322,813
Alternative Instruction Program	144,432	219,610	219,610	75,178
Special Education Program	1,405,082	1,591,420	1,591,420	186,338
Vocational Education Program	900,056	917,530	907,530	7,474
Adult Education Program	14,016	44,450	44,450	30,434
<u>Support Services</u>				
Attendance	89,452	106,560	106,560	17,108
Health Services	334,863	270,100	345,100	10,237
Other Student Support	652,358	637,950	677,325	24,967
Regular Instruction Program	819,664	791,430	831,430	11,766
Alternative Instruction Program	31,466	31,700	31,700	234
Special Education Program	252,205	265,840	265,840	13,635
Vocational Education Program	31,581	27,340	37,340	5,759
Adult Programs	97,641	102,280	102,280	4,639
Other Programs	87,135	0	87,135	0
Board of Education	336,605	362,163	362,163	25,558
Director of Schools	229,427	156,860	236,860	7,433
Office of the Principal	1,270,022	1,290,200	1,290,200	20,178
Fiscal Services	236,762	248,830	248,830	12,068
Operation of Plant	1,812,549	1,939,713	1,909,713	97,164
Maintenance of Plant	591,042	586,350	596,444	5,402
Transportation	1,559,721	1,334,413	1,599,413	39,692
<u>Operation of Non-Instructional Services</u>				
Food Service	1,324,323	1,328,375	1,401,314	76,991
Early Childhood Education	278,959	281,348	297,608	18,649
<u>Capital Outlay</u>				
Regular Capital Outlay	503,515	285,770	544,770	41,255
<u>Principal on Debt</u>				
Education	582,000	582,000	582,000	0
<u>Interest on Debt</u>				
Education	199,446	170,500	278,025	78,579

(Continued)

Exhibit I-6

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Other Debt Service</u>				
Education	\$ 3,906	\$ 0	\$ 3,906	\$ 0
Total Expenditures	\$ 25,551,495	\$ 25,813,812	\$ 26,685,046	\$ 1,133,551
Excess (Deficiency) of Revenues Over Expenditures	\$ (245,123)	\$ (1,011,520)	\$ (1,643,951)	\$ 1,398,828
<u>Other Financing Sources (Uses)</u>				
Refunding Debt Issued	\$ 4,766,431	\$ 0	\$ 4,766,431	\$ 0
Insurance Recovery	30,876	40,000	40,000	(9,124)
Transfers In	24,468	7,000	7,000	17,468
Payments to Refunded Debt Escrow Agent	(4,655,000)	0	(4,655,000)	0
Total Other Financing Sources (Uses)	\$ 166,775	\$ 47,000	\$ 158,431	\$ 8,344
Net Change in Fund Balance	\$ (78,348)	\$ (964,520)	\$ (1,485,520)	\$ 1,407,172
Fund Balance, July 1, 2010	4,707,018	4,297,624	4,297,624	409,394
Fund Balance, June 30, 2011	\$ 4,628,670	\$ 3,333,104	\$ 2,812,104	\$ 1,816,566

Exhibit I-7

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 3,218,677	\$ 4,756,508	\$ 4,792,400	\$ (1,573,723)
Total Revenues	\$ 3,218,677	\$ 4,756,508	\$ 4,792,400	\$ (1,573,723)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,534,567	\$ 2,286,634	\$ 2,516,021	\$ 981,454
Special Education Program	967,607	1,357,721	1,357,721	390,114
Vocational Education Program	46,593	44,450	46,783	190
<u>Support Services</u>				
Health Services	0	58,578	58,578	58,578
Other Student Support	37,478	70,869	79,537	42,059
Regular Instruction Program	370,583	554,334	525,355	154,772
Special Education Program	38,559	81,322	81,322	42,763
Vocational Education Program	489	1,503	503	14
Transportation	119,156	297,583	123,067	3,911
Total Expenditures	\$ 3,115,032	\$ 4,752,994	\$ 4,788,887	\$ 1,673,855
Excess (Deficiency) of Revenues Over Expenditures	\$ 103,645	\$ 3,514	\$ 3,513	\$ 100,132
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 146,970	\$ 0	\$ 0
Transfers Out	(24,468)	(185,050)	(38,080)	13,612
Total Other Financing Sources (Uses)	\$ (24,468)	\$ (38,080)	\$ (38,080)	\$ 13,612
Net Change in Fund Balance	\$ 79,177	\$ (34,566)	\$ (34,567)	\$ 113,744
Fund Balance, July 1, 2010	17,563	34,567	34,567	(17,004)
Fund Balance, June 30, 2011	\$ 96,740	\$ 1	\$ 0	\$ 96,740

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## MISCELLANEOUS SCHEDULES

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

<u>Description of Indebtedness</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Last Maturity Date</u>	<u>Outstanding 7-1-10</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Debt Refunded</u>	<u>Outstanding 6-30-11</u>
<u>PRIMARY GOVERNMENT</u>									
<u>NOTES PAYABLE</u>									
<u>Payable through General Debt Service Fund</u>									
Energy Efficiency Loan	\$ 42,279	0%	10-25-05	10-31-12	\$ 18,119	\$ 0	\$ 6,040	\$ 0	\$ 12,079
School Upgrade Projects	11,602	0	4-26-06	4-15-13	4,973	0	1,657	0	3,316
Energy Efficiency Loan	661,351	3.75	4-13-09	4-13-16	576,980	0	87,535	0	489,445
Little League Lights	138,649	0	6-3-09	6-30-16	118,842	0	19,807	0	99,035
Highway and Refunding	224,500	3.49	3-15-10	3-15-15	217,982	0	44,900	0	173,082
	4,645,531	3.94	9-1-09	9-1-19	4,645,531	0	388,075	0	4,257,456
Total Notes Payable					\$ 5,582,427	\$ 0	\$ 548,014	\$ 0	\$ 5,034,413
<u>OTHER LOANS PAYABLE</u>									
<u>Payable through General Debt Service Fund</u>									
Public Works Projects	6,721,000	Variable	10-1-1999	5-25-19	\$ 3,934,995	\$ 0	\$ 373,445	\$ 0	\$ 3,561,550
Other Public Works Projects	2,038,000	Variable	9-21-01	5-25-21	1,362,000	0	96,000	0	1,266,000
Total Other Loans Payable					\$ 5,296,995	\$ 0	\$ 469,445	\$ 0	\$ 4,827,550
<u>DISCRETELY PRESENTED MACON COUNTY SCHOOL DEPARTMENT</u>									
<u>NOTES PAYABLE</u>									
<u>Payable through General Purpose School Fund</u>									
School Refunding	4,766,431	3.66	9-29-10	10-1-18	\$ 0	\$ 4,766,431	\$ 582,000	\$ 0	\$ 4,184,431
Total Notes Payable					\$ 0	\$ 4,766,431	\$ 582,000	\$ 0	\$ 4,184,431
<u>BONDS PAYABLE</u>									
<u>Payable through General Purpose School Fund</u>									
School Refunding	8,900,000	3.7 to 4.85	7-1-1998	9-29-10	\$ 4,655,000	\$ 0	\$ 0	\$ 4,655,000	\$ 0
Total Bonds Payable					\$ 4,655,000	\$ 0	\$ 0	\$ 4,655,000	\$ 0

Exhibit J-2

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

PRIMARY GOVERNMENT

Year Ending June 30	Notes		
	Principal	Interest	Total
2012	\$ 566,586	\$ 192,383	\$ 758,969
2013	585,470	171,917	757,387
2014	598,224	149,898	748,122
2015	612,540	127,697	740,237
2016	595,808	104,280	700,088
2017	489,099	82,010	571,109
2018	508,594	62,515	571,109
2019	528,632	42,477	571,109
2020	549,460	21,649	571,109
Total	<u>\$ 5,034,413</u>	<u>\$ 954,826</u>	<u>\$ 5,989,239</u>

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2012	\$ 488,445	\$ 17,862	\$ 22,799	\$ 529,106
2013	508,445	16,055	20,699	545,199
2014	529,445	14,173	18,512	562,130
2015	551,445	12,215	16,235	579,895
2016	574,445	10,174	13,864	598,483
2017	597,445	8,049	11,394	616,888
2018	623,445	5,838	8,825	638,108
2019	649,435	3,532	5,877	658,844
2020	149,000	1,129	2,332	152,461
2021	156,000	576	1,548	158,124
Total	<u>\$ 4,827,550</u>	<u>\$ 89,603</u>	<u>\$ 122,085</u>	<u>\$ 5,039,238</u>

(Continued)

Exhibit J-2

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

DISCRETELY PRESENTED MACON  
COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Notes		Total
	Principal	Interest	
2012	\$ 595,804	\$ 164,130	\$ 759,934
2013	595,804	141,888	737,692
2014	595,804	120,064	715,868
2015	595,804	98,239	694,043
2016	595,804	76,594	672,398
2017	595,804	54,591	650,395
2018	595,804	32,766	628,570
2019	13,803	10,942	24,745
Total	\$ 4,184,431	\$ 699,214	\$ 4,883,645

Exhibit J-3

Macon County, Tennessee  
Schedule of Transfers  
Primary Government and Discretely Presented Macon 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 Highway/Public Works	Solid Waste/Sanitation General	To reinstate recycling program Risk management director's salary	\$ 6,000 2,400
			<u>\$ 8,400</u>
<u>DISCRETELY PRESENTED MACON COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 24,468

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA, and County Commission	\$ 68,502	(1) \$ 50,000	Western Surety Company
Supervisor of Roads	Section 8-24-102, TCA	63,527	100,000	"
Director of Schools:				
Dan Hampton (7-1-10 through 11-19-10)	State Board of Education and Local Board of Education	107,417	(2) (4)	
Margaret Oldham (11-22-10 through 6-30-11)	State Board of Education and Local Board of Education	55,363	(3) (4)	
Assessor of Property	Section 8-24-102, TCA	57,751	10,000	Western Surety Company
Trustee	Section 8-24-102, TCA	57,751	930,100	"
County Clerk	Section 8-24-102, TCA	57,751	(5) 50,000	"
Circuit, General Sessions, and Juvenile Courts Clerk	Section 8-24-102, TCA	57,751	60,000	"
Clerk and Master	Section 8-24-102, TCA, and Chancery Court Judge	57,751	(6) 75,000	The Cincinnati Insurance Company
Register	Section 8-24-102, TCA	57,751	25,000	Western Surety Company
Sheriff	Section 8-24-102, TCA	63,527	(7) 25,000	"
Other Bonds				
County Employees	Public Employee - Blanket Bond		150,000	Local Government Insurance Pool
School Department Employees	Public Employee - Blanket Bond		150,000	Tennessee Risk Management Trust

(1) Includes \$1,800 for serving as a consultant to the County Commission.  
(2) Includes \$9,149 for unused sick leave, \$7,748 for unused vacation, and \$900 for a chief executive officer training supplement.  
(3) Includes \$100 for a chief executive officer training supplement.  
(4) Includes employee blanket bond coverage for the director of schools.  
(5) Does not include \$1,200 for attending County Commission meetings.  
(6) Does not include \$6,004 in special commissioner fees.  
(7) Does not include \$600 for a law enforcement training supplement.

Exhibit J-5

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works		
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 3,357,291	\$ 0	\$ 135,702	\$ 0	\$ 0	\$ 367,008	\$ 0	\$ 3,860,001
Discount on Property Taxes	(27,082)	0	(1,089)	0	0	(2,955)	0	(31,126)
Trustee's Collections - Prior Year	138,682	0	4,297	0	0	13,390	0	156,369
Trustee's Collections - Bankruptcy	796	0	20	0	0	27	0	843
Circuit/Clerk & Master Collections - Prior Years	56,073	0	1,500	0	0	4,463	0	62,036
Interest and Penalty	23,392	0	737	0	0	2,372	0	26,501
<u>County Local Option Taxes</u>								
Local Option Sales Tax	214,676	0	0	0	0	0	0	214,676
Wheel Tax	0	0	0	0	0	0	999,556	999,556
Litigation Tax - General	112,682	0	0	0	0	0	40,916	153,598
Litigation Tax - Special Purpose	0	4,430	0	0	0	0	0	4,430
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	0	6,199	6,199
Business Tax	130,537	0	0	0	0	0	0	130,537
Adequate Facilities/Development Tax	160,704	0	0	0	0	0	0	160,704
<u>Statutory Local Taxes</u>								
Bank Excise Tax	52,172	0	1,557	0	0	5,370	0	59,099
Wholesale Beer Tax	127,647	0	0	0	0	0	0	127,647
Interstate Telecommunications Tax	1,090	0	0	0	0	0	0	1,090
<b>Total Local Taxes</b>	<b>\$ 4,348,660</b>	<b>\$ 4,430</b>	<b>\$ 142,724</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 389,675</b>	<b>\$ 1,046,671</b>	<b>\$ 5,932,160</b>
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Cable TV Franchise	\$ 33,323	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 33,323
<u>Permits</u>								
Beer Permits	839	0	0	0	0	0	0	839
Building Permits	13,095	0	0	0	0	0	0	13,095
<b>Total Licenses and Permits</b>	<b>\$ 47,257</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 47,257</b>

(Continued)

Exhibit J-5

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

	Special Revenue Funds							Total
	Special Revenue Funds						Debt Service Fund	
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works		
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 8,574	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	8,574
DUI Treatment Fines	3,311	0	0	0	0	0	0	3,311
<u>General Sessions Court</u>								
Fines	22,916	0	0	0	0	0	0	22,916
Fines for Littering	48	0	0	0	0	0	0	48
Officers Costs	29,429	0	0	0	0	0	0	29,429
Game and Fish Fines	36	0	0	0	0	0	0	36
Drug Control Fines	0	0	0	5,397	0	0	0	5,397
Jail Fees	11,570	0	0	0	0	0	0	11,570
District Attorney General Fees	6,769	0	0	0	0	0	0	6,769
DUI Treatment Fines	1,007	0	0	0	0	0	0	1,007
Courtroom Security Fee	1,788	0	0	0	0	0	0	1,788
<u>Juvenile Court</u>								
Fines	2,931	0	0	0	0	0	0	2,931
Officers Costs	4,295	0	0	0	0	0	0	4,295
Interpreter Fees	5,056	0	0	0	0	0	0	5,056
Data Entry Fee - Juvenile Court	426	0	0	0	0	0	0	426
Courtroom Security Fee	93	0	0	0	0	0	0	93
<u>Chancery Court</u>								
Officers Costs	2,505	0	0	0	0	0	0	2,505
Data Entry Fee - Chancery Court	1,021	0	0	0	0	0	0	1,021
<u>Judicial District Drug Program</u>								
Data Entry Fee - Other Courts	4,071	0	0	0	0	0	0	4,071
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 105,846</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 5,397</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 111,243</b>
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Transfer Waste Stations Collection Charge	\$ 0	\$ 0	\$ 78,279	\$ 0	\$ 0	\$ 0	\$ 0	\$ 78,279
Patient Charges	1,409,731	0	0	0	0	0	0	1,409,731
Water Tap Sales	10,500	0	0	0	0	0	0	10,500

(Continued)

Exhibit J-5

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Charges for Current Services (Cont.)</u>									
<u>Fees</u>									
Copy Fees	\$ 143	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	143
Telephone Commissions	19,817	0	0	0	0	0	0	0	19,817
Vending Machine Collections	383	0	0	0	0	0	0	0	383
Constitutional Officers' Fees and Commissions	0	0	0	0	253,354	0	0	0	253,354
Special Commissioner Fees/Special Master Fees	0	0	0	0	6,004	0	0	0	6,004
Data Processing Fee - Register	6,222	0	0	0	0	0	0	0	6,222
Probation Fees	91,812	0	0	0	0	0	0	0	91,812
Data Processing Fee - Sheriff	6,113	0	0	0	0	0	0	0	6,113
Sexual Offender Registration Fees - Sheriff	2,700	0	0	0	0	0	0	0	2,700
Total Charges for Current Services	\$ 1,547,421	\$ 0	\$ 78,279	\$ 0	\$ 259,358	\$ 0	\$ 0	\$ 0	\$ 1,885,058
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 89,340	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	89,340
Lease/Rentals	28,620	0	0	0	0	0	8,800	0	37,420
Sale of Materials and Supplies	0	0	0	0	0	4,878	0	0	4,878
Commissary Sales	24,553	0	0	0	0	0	0	0	24,553
Sale of Animals/Livestock	290	0	0	0	0	0	0	0	290
Miscellaneous Refunds	97,594	0	0	0	0	38,102	0	0	135,696
<u>Nonrecurring Items</u>									
Damages Recovered from Individuals	1,217	0	0	0	0	0	0	0	1,217
Contributions and Gifts	2,016	0	0	0	0	0	0	0	2,016
<u>Other Local Revenues</u>									
Other Local Revenues	135	0	0	0	0	0	0	0	135
Total Other Local Revenues	\$ 243,765	\$ 0	\$ 0	\$ 0	\$ 42,980	\$ 0	\$ 8,800	\$ 0	\$ 295,545
<u>Fees Received from County Officials</u>									
<u>Excess Fees</u>									
County Clerk	\$ 57,800	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 57,800

(Continued)

Exhibit J-5

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Fees Received from County Officials (Cont.)</u>									
<u>Fees in-Lieu-of Salary</u>									
Circuit Court Clerk	\$ 127,737	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 127,737
General Sessions Court Clerk	60,758	0	0	0	0	0	0	0	60,758
Clerk and Master	61,834	0	0	0	0	0	0	0	61,834
Juvenile Court Clerk	18,512	0	0	0	0	0	0	0	18,512
Register	62,942	0	0	0	0	0	0	0	62,942
Sheriff	9,538	0	0	0	0	0	0	0	9,538
Trustee	261,223	0	0	0	0	0	0	0	261,223
<b>Total Fees Received from County Officials</b>	<b>\$ 660,344</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 660,344</b>
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
Solid Waste Grants	0	0	13,709	0	0	0	0	0	13,709
Public Safety Grants									
Law Enforcement Training Programs	15,600	0	0	0	0	0	0	0	15,600
Health and Welfare Grants									
Health Department Programs	42,805	0	0	0	0	0	0	0	42,805
Public Works Grants									
Bridge Program	0	0	0	0	0	73,523	0	0	73,523
State Aid Program	0	0	0	0	0	100,369	0	0	100,369
Litter Program	29,237	0	0	0	0	0	0	0	29,237
Other Public Works Grants	0	0	0	0	0	47,627	0	0	47,627
<u>Other State Revenues</u>									
Income Tax	25,507	0	0	0	0	0	0	0	25,507
Beer Tax	18,724	0	0	0	0	0	0	0	18,724
Alcoholic Beverage Tax	35,996	0	0	0	0	0	0	0	35,996
State Revenue Sharing - T.V.A.	242,241	0	0	0	0	0	0	0	242,241
Contracted Prisoner Boarding	0	0	0	0	0	0	650,233	0	650,233
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,500,931	0	0	1,500,931
Petroleum Special Tax	0	0	0	0	0	16,372	0	0	16,372

(Continued)

Exhibit J-5

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service		
<u>State of Tennessee (Cont.)</u>									
<u>Other State Revenues (Cont.)</u>									
Registrar's Salary Supplement	\$ 15,468	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,468
Other State Grants	33,017	0	0	0	0	0	0	0	33,017
Other State Revenues	2,145	0	0	0	0	0	0	0	2,145
Total State of Tennessee	\$ 469,740	\$ 0	\$ 13,709	\$ 0	\$ 0	\$ 1,738,822	\$ 650,233	\$ 0	\$ 2,872,504
<u>Federal Government</u>									
<u>Federal Through State</u>									
Community Development	\$ 634,053	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 634,053
Disaster Relief	134,765	0	0	0	0	260,176	1,028,932	0	1,423,873
Other Federal through State	9,000	0	0	0	0	194,095	0	0	203,095
Direct Federal Revenue	82,800	0	0	0	0	0	0	0	82,800
Other Direct Federal Revenue	860,618	0	0	0	0	454,271	1,028,932	0	2,343,821
Total Federal Government	\$ 860,618	\$ 0	\$ 0	\$ 0	\$ 0	\$ 454,271	\$ 1,028,932	\$ 0	\$ 2,343,821
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Prisoner Board Contributions	\$ 43,455	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 43,455
Contributions	110,506	0	0	0	0	0	0	0	110,506
Total Other Governments and Citizens Groups	\$ 153,961	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 153,961
Total	\$ 8,437,612	\$ 4,430	\$ 234,712	\$ 5,397	\$ 259,358	\$ 2,625,748	\$ 2,734,636	\$ 14,301,893	\$ 14,301,893

Exhibit J-6

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

	General Purpose School	School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 2,790,796	\$ 0	\$ 2,790,796
Discount on Property Taxes	(22,393)	0	(22,393)
Trustee's Collections - Prior Year	90,346	0	90,346
Trustee's Collections - Bankruptcy	599	0	599
Circuit/Clerk & Master Collections - Prior Years	42,541	0	42,541
Interest and Penalty	17,676	0	17,676
<u>County Local Option Taxes</u>			
Local Option Sales Tax	1,734,752	0	1,734,752
<u>Statutory Local Taxes</u>			
Bank Excise Tax	38,713	0	38,713
Interstate Telecommunications Tax	1,423	0	1,423
Total Local Taxes	<u>\$ 4,694,453</u>	<u>\$ 0</u>	<u>\$ 4,694,453</u>
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 1,758	\$ 0	\$ 1,758
Total Licenses and Permits	<u>\$ 1,758</u>	<u>\$ 0</u>	<u>\$ 1,758</u>
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
Tuition - Regular Day Students	\$ 4,850	\$ 0	\$ 4,850
Tuition - Other	2,450	0	2,450
Receipts from Individual Schools	76,985	0	76,985
Total Charges for Current Services	<u>\$ 84,285</u>	<u>\$ 0</u>	<u>\$ 84,285</u>
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Lease/Rentals	\$ 800	\$ 0	\$ 800
Refund of Telecommunication and Internet Fees (E-Rate)	40,155	0	40,155
Miscellaneous Refunds	13,599	0	13,599
<u>Nonrecurring Items</u>			
Sale of Equipment	6,180	0	6,180
Damages Recovered from Individuals	1,700	0	1,700
Contributions and Gifts	17,266	0	17,266
<u>Other Local Revenues</u>			
Other Local Revenues	155	0	155
Total Other Local Revenues	<u>\$ 79,855</u>	<u>\$ 0</u>	<u>\$ 79,855</u>

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	Total
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
On-Behalf Contributions for OPEB	\$ 87,135	\$ 0	\$ 87,135
<u>State Education Funds</u>			
Basic Education Program	16,216,346	0	16,216,346
Basic Education Program - ARRA	1,904,182	0	1,904,182
Early Childhood Education	278,959	0	278,959
School Food Service	19,699	0	19,699
Driver Education	9,378	0	9,378
Other State Education Funds	26,652	0	26,652
Coordinated School Health - ARRA	115,000	0	115,000
Internet Connectivity - ARRA	11,159	0	11,159
Statewide Student Management System (SSMS) - ARRA	9,366	0	9,366
Career Ladder Program	169,715	0	169,715
Career Ladder - Extended Contract - ARRA	30,165	0	30,165
<u>Other State Revenues</u>			
State Revenue Sharing - T.V.A.	181,630	0	181,630
Total State of Tennessee	<u>\$ 19,059,386</u>	<u>\$ 0</u>	<u>\$ 19,059,386</u>
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 859,686	\$ 0	\$ 859,686
USDA - Commodities	72,939	0	72,939
Breakfast	291,873	0	291,873
USDA - Other	1,352	0	1,352
Adult Education State Grant Program	73,815	0	73,815
Vocational Education - Basic Grants to States	0	67,731	67,731
Title I Grants to Local Education Agencies	0	923,122	923,122
Special Education - Grants to States	32,013	1,093,581	1,125,594
Special Education Preschool Grants	0	33,400	33,400
English Language Acquisition Grants	0	9,803	9,803
Eisenhower Professional Development State Grants	0	222,904	222,904
ARRA Grant No. 1	4,507	0	4,507
Race to the Top - ARRA	0	402,869	402,869
Other Federal through State	50,450	465,267	515,717
Total Federal Government	<u>\$ 1,386,635</u>	<u>\$ 3,218,677</u>	<u>\$ 4,605,312</u>
Total	<u>\$ 25,306,372</u>	<u>\$ 3,218,677</u>	<u>\$ 28,525,049</u>

Exhibit J-7

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

General Fund

General Government

County Commission

County Official/Administrative Officer	\$	1,800	
Board and Committee Members Fees		34,700	
Social Security		2,778	
State Retirement		154	
Audit Services		6,116	
Consultants		1,250	
Dues and Memberships		1,350	
Legal Services		15,966	
Legal Notices, Recording, and Court Costs		719	
Other Equipment		2,116	
Total County Commission			\$ 66,949

Board of Equalization

Board and Committee Members Fees	\$	960	
Total Board of Equalization			960

Beer Board

Legal Notices, Recording, and Court Costs	\$	153	
Total Beer Board			153

Budget and Finance Committee

Legal Notices, Recording, and Court Costs	\$	330	
Other Supplies and Materials		460	
Total Budget and Finance Committee			790

Other Boards and Committees

Legal Notices, Recording, and Court Costs	\$	1,129	
Other Supplies and Materials		271	
Total Other Boards and Committees			1,400

County Mayor/Executive

County Official/Administrative Officer	\$	66,702	
Accountants/Bookkeepers		93,130	
Overtime Pay		1,800	
Social Security		12,232	
State Retirement		8,781	
Dues and Memberships		1,404	
Maintenance and Repair Services - Office Equipment		7,571	
Postal Charges		1,254	
Printing, Stationery, and Forms		3,460	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Mayor/Executive (Cont.)

Travel	\$	2,957	
Other Contracted Services		4,539	
Office Supplies		2,875	
Premiums on Corporate Surety Bonds		175	
Data Processing Equipment		549	
Office Equipment		1,707	
Total County Mayor/Executive			\$ 209,136

County Attorney

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

Election Commission

County Official/Administrative Officer	\$	51,976	
Deputy(ies)		25,359	
Temporary Personnel		9,970	
Election Commission		6,334	
Election Workers		7,380	
Social Security		6,199	
State Retirement		5,306	
Dues and Memberships		175	
Legal Notices, Recording, and Court Costs		3,392	
Maintenance and Repair Services - Equipment		7,824	
Postal Charges		459	
Printing, Stationery, and Forms		712	
Rentals		9,000	
Travel		2,044	
Other Contracted Services		7,320	
Office Supplies		804	
Utilities		5,158	
Total Election Commission			149,412

Register of Deeds

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		35,473	
Social Security		7,132	
State Retirement		6,348	
Dues and Memberships		412	
Legal Notices, Recording, and Court Costs		867	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds (Cont.)

Postal Charges	\$	400	
Printing, Stationery, and Forms		4,037	
Office Supplies		949	
Other Supplies and Materials		84	
Premiums on Corporate Surety Bonds		266	
Data Processing Equipment		9,472	
Office Equipment		52	
Total Register of Deeds			\$ 123,243

Planning

Supervisor/Director	\$	30,900	
In-Service Training		498	
Social Security		2,338	
State Retirement		2,115	
Contracts with Government Agencies		9,250	
Dues and Memberships		100	
Legal Notices, Recording, and Court Costs		728	
Travel		6,398	
Office Supplies		737	
Premiums on Corporate Surety Bonds		700	
Total Planning			53,764

County Buildings

Supervisor/Director	\$	23,168	
Custodial Personnel		10,601	
Overtime Pay		2,550	
Social Security		2,690	
State Retirement		2,474	
Communication		25,893	
Licenses		165	
Maintenance and Repair Services - Buildings		8,889	
Other Contracted Services		1,199	
Electricity		14,324	
Water and Sewer		7,749	
Other Supplies and Materials		6,227	
Building Improvements		5,400	
Office Equipment		2,369	
Total County Buildings			113,698

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Other Facilities

Custodial Personnel	\$	33,549	
Maintenance Personnel		27,048	
Overtime Pay		274	
Other Salaries and Wages		408	
Social Security		4,519	
State Retirement		4,205	
Communication		40,219	
Maintenance and Repair Services - Buildings		24,996	
Maintenance and Repair Services - Vehicles		30	
Pest Control		1,190	
Custodial Supplies		4,520	
Electricity		89,412	
Gasoline		900	
Water and Sewer		56,874	
Other Charges		150	
Total Other Facilities			\$ 288,294

Other General Administration

Supervisor/Director	\$	1,200	
Social Security		92	
State Retirement		82	
Total Other General Administration			1,374

Preservation of Records

Other Supplies and Materials	\$	1,984	
Total Preservation of Records			1,984

Risk Management

Supervisor/Director	\$	12,397	
Social Security		948	
Medical and Dental Services		550	
Travel		37	
Other Contracted Services		3,096	
Other Supplies and Materials		50	
Total Risk Management			17,078

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		49,564	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Overtime Pay	\$	575	
Other Salaries and Wages		7,135	
Social Security		8,623	
State Retirement		7,385	
Contracts with Other Public Agencies		5,079	
Legal Notices, Recording, and Court Costs		292	
Postal Charges		331	
Printing, Stationery, and Forms		55	
Travel		126	
Office Supplies		150	
Premiums on Corporate Surety Bonds		100	
Total Property Assessor's Office			\$ 137,166

Reappraisal Program

Maintenance and Repair Services - Vehicles	\$	684	
Postal Charges		265	
Gasoline		1,742	
Office Supplies		57	
Data Processing Equipment		160	
Total Reappraisal Program			2,908

County Trustee's Office

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		49,586	
Overtime Pay		3,627	
Other Salaries and Wages		5,439	
Social Security		8,494	
State Retirement		7,624	
Data Processing Services		7,851	
Dues and Memberships		497	
Legal Notices, Recording, and Court Costs		280	
Maintenance and Repair Services - Office Equipment		7,217	
Postal Charges		3,972	
Printing, Stationery, and Forms		204	
Travel		624	
Office Supplies		561	
Premiums on Corporate Surety Bonds		6,192	
Data Processing Equipment		195	
Office Equipment		135	
Total County Trustee's Office			160,249

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office

Social Security	\$	14,015	
State Retirement		12,343	
Postal Charges		1,566	
Printing, Stationery, and Forms		526	
Office Supplies		1,541	
Other Supplies and Materials		2,732	
Premiums on Corporate Surety Bonds		865	
Total County Clerk's Office			\$ 33,588

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		146,259	
Overtime Pay		2,113	
Jury and Witness Expense		6,806	
Social Security		14,659	
State Retirement		12,348	
Dues and Memberships		457	
Legal Notices, Recording, and Court Costs		45	
Maintenance and Repair Services - Equipment		338	
Postal Charges		4,038	
Printing, Stationery, and Forms		3,837	
Travel		861	
Other Contracted Services		12,709	
Office Supplies		8,081	
Premiums on Corporate Surety Bonds		1,000	
Other Charges		789	
Data Processing Equipment		13,384	
Office Equipment		1,697	
Total Circuit Court			287,172

General Sessions Court

Judge(s)	\$	89,422	
Social Security		6,841	
State Retirement		6,121	
Dues and Memberships		50	
Travel		1,377	
Other Contracted Services		2,184	
Total General Sessions Court			105,995

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		25,359	
Temporary Personnel		17,950	
Social Security		7,510	
State Retirement		6,147	
Dues and Memberships		457	
Legal Notices, Recording, and Court Costs		221	
Postal Charges		1,245	
Printing, Stationery, and Forms		1,057	
Travel		575	
Office Supplies		815	
Premiums on Corporate Surety Bonds		275	
Data Processing Equipment		3,079	
Office Equipment		320	
Total Chancery Court			\$ 122,761

Juvenile Court

Youth Service Officer(s)	\$	27,987	
Social Security		2,030	
State Retirement		1,916	
Contracts with Government Agencies		5,250	
Dues and Memberships		285	
Postal Charges		44	
Printing, Stationery, and Forms		174	
Travel		731	
Office Supplies		316	
Other Supplies and Materials		111	
Total Juvenile Court			38,844

Judicial Commissioners

County Official/Administrative Officer	\$	12,051	
Assistant(s)		1,530	
Social Security		1,039	
Office Supplies		211	
Data Processing Equipment		1,970	
Office Equipment		500	
Total Judicial Commissioners			17,301

Probation Services

Probation Officer(s)	\$	73,815	
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(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Probation Services (Cont.)

Overtime Pay	\$	599	
Social Security		4,919	
State Retirement		5,094	
Evaluation and Testing		4,249	
Postal Charges		100	
Printing, Stationery, and Forms		471	
Travel		15	
Office Supplies		722	
Premiums on Corporate Surety Bonds		100	
Office Equipment		785	
Total Probation Services			\$ 90,869

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	63,527	
Deputy(ies)		839,835	
Salary Supplements		15,600	
Clerical Personnel		17,924	
Overtime Pay		9,361	
Other Salaries and Wages		38,701	
In-Service Training		3,400	
Social Security		72,467	
State Retirement		65,649	
Contracts with Private Agencies		4,643	
Confidential Drug Enforcement Payments		8,174	
Dues and Memberships		1,600	
Maintenance and Repair Services - Equipment		892	
Maintenance and Repair Services - Vehicles		23,745	
Travel		4,866	
Other Contracted Services		7,511	
Gasoline		91,949	
Lubricants		1,780	
Office Supplies		4,918	
Tires and Tubes		4,933	
Uniforms		10,699	
Premiums on Corporate Surety Bonds		3,250	
Law Enforcement Equipment		12,783	
Motor Vehicles		193,705	
Office Equipment		1,291	
Total Sheriff's Department			1,503,203

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Administration of the Sexual Offender Registry

Contracts with Government Agencies	\$	850	
Law Enforcement Equipment		5,836	
Total Administration of the Sexual Offender Registry			\$ 6,686

Jail

County Official/Administrative Officer	\$	29,994	
Accountants/Bookkeepers		28,052	
Medical Personnel		39,393	
Dispatchers/Radio Operators		165,239	
Guards		421,367	
Cafeteria Personnel		50,200	
Overtime Pay		4,404	
Other Salaries and Wages		39,378	
Social Security		57,423	
State Retirement		46,906	
Medical and Dental Services		187,271	
Travel		3,004	
Custodial Supplies		14,053	
Food Supplies		107,538	
Office Supplies		6,721	
Uniforms		3,250	
Other Supplies and Materials		13,236	
Communication Equipment		1	
Data Processing Equipment		13,041	
Law Enforcement Equipment		1,633	
Office Equipment		1,022	
Other Equipment		19,748	
Total Jail			1,252,874

Workhouse

Truck Drivers	\$	19,896	
Guards		20,053	
Social Security		2,800	
State Retirement		1,362	
Maintenance and Repair Services - Vehicles		194	
Instructional Supplies and Materials		14,984	
Other Charges		1,478	
Other Equipment		1,455	
Total Workhouse			62,222

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control

Contributions	\$	1,500	
Maintenance and Repair Services - Vehicles		383	
Diesel Fuel		770	
Total Fire Prevention and Control			\$ 2,653

Rural Fire Protection

Other Salaries and Wages	\$	9,440	
Contributions		2,500	
Maintenance Agreements		2,500	
Total Rural Fire Protection			14,440

Civil Defense

Supervisor/Director	\$	5,898	
Social Security		451	
Maintenance and Repair Services - Vehicles		849	
Gasoline		1,206	
Utilities		3,746	
Other Equipment		1,848	
Total Civil Defense			13,998

Rescue Squad

Other Salaries and Wages	\$	5,000	
Maintenance and Repair Services - Vehicles		212	
Gasoline		585	
Other Equipment		440	
Total Rescue Squad			6,237

Disaster Relief

Other Salaries and Wages	\$	2,500	
In-Service Training		411	
Maintenance and Repair Services - Buildings		181	
Maintenance and Repair Services - Vehicles		415	
Gasoline		258	
Utilities		2,897	
Other Equipment		4,421	
Total Disaster Relief			11,083

Other Emergency Management

In-Service Training	\$	300	
Maintenance and Repair Services - Equipment		747	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management (Cont.)

Maintenance and Repair Services - Vehicles	\$	1,289	
Other Contracted Services		60	
Gasoline		385	
Utilities		1,413	
Other Equipment		3,155	
Total Other Emergency Management			\$ 7,349

County Coroner/Medical Examiner

Medical Personnel	\$	1,900	
Medical and Dental Services		21,750	
Premiums on Corporate Surety Bonds		100	
Total County Coroner/Medical Examiner			23,750

Other Public Safety

Maintenance Personnel	\$	3,000	
Maintenance and Repair Services - Buildings		660	
Maintenance and Repair Services - Equipment		205	
Road Signs		3,983	
Other Equipment		3,860	
Total Other Public Safety			11,708

Public Health and Welfare

Local Health Center

Janitorial Services	\$	7,006	
Maintenance and Repair Services - Buildings		3,341	
Custodial Supplies		754	
Drugs and Medical Supplies		225	
Office Supplies		1,098	
Utilities		13,681	
Other Supplies and Materials		200	
Total Local Health Center			26,305

Rabies and Animal Control

Part-time Personnel	\$	9,618	
Social Security		733	
State Retirement		26	
Veterinary Services		630	
Gasoline		1,646	
Utilities		1,276	
Other Supplies and Materials		1,620	
Total Rabies and Animal Control			15,549

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services

Supervisor/Director	\$	48,204	
Accountants/Bookkeepers		57,512	
Medical Personnel		574,365	
Dispatchers/Radio Operators		114,656	
Overtime Pay		320,369	
Social Security		82,805	
State Retirement		62,768	
Dues and Memberships		460	
Laundry Service		6,151	
Licenses		2,400	
Maintenance and Repair Services - Buildings		5,513	
Maintenance and Repair Services - Vehicles		39,410	
Postal Charges		790	
Travel		62	
Other Contracted Services		34,116	
Custodial Supplies		3,941	
Drugs and Medical Supplies		48,267	
Gasoline		61,290	
Instructional Supplies and Materials		3,306	
Office Supplies		15,201	
Tires and Tubes		3,078	
Uniforms		7,433	
Utilities		50,827	
Other Charges		8,517	
Communication Equipment		3,375	
Motor Vehicles		108,995	
Other Equipment		63,259	
Total Ambulance/Emergency Medical Services			\$ 1,727,070

Crippled Children Services

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

Other Local Health Services

Social Workers	\$	32,852	
Part-time Personnel		3,119	
Social Security		2,707	
State Retirement		2,249	
Travel		1,878	
Total Other Local Health Services			42,805

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Regional Mental Health Center

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

Appropriation to State

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

Other Local Welfare Services

Temporary Personnel	\$ 77,141	
Social Security	5,907	
Pauper Burials	700	
Drugs and Medical Supplies	263	
Utilities	10,762	
Total Other Local Welfare Services		94,773

Sanitation Education/Information

Other Charges	\$ 1,895	
Total Sanitation Education/Information		1,895

Social, Cultural, and Recreational Services

Adult Activities

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

Senior Citizens Assistance

Contributions	\$ 7,500	
Total Senior Citizens Assistance		7,500

Libraries

Supervisor/Director	\$ 24,551
Clerical Personnel	54,791
Custodial Personnel	4,368
Social Security	6,370
State Retirement	3,236
Communication	3,833
Maintenance and Repair Services - Buildings	2,031
Postal Charges	750
Library Books/Media	5,823
Office Supplies	285
Utilities	14,060

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Other Supplies and Materials	\$	1,642	
Data Processing Equipment		<u>1,742</u>	
Total Libraries			\$ 123,482

Parks and Fair Boards

Contributions	\$	<u>16,950</u>	
Total Parks and Fair Boards			16,950

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	28,303	
Secretary(ies)		4,685	
State Retirement		5,730	
Maintenance and Repair Services - Buildings		742	
Utilities		<u>4,148</u>	
Total Agriculture Extension Service			43,608

Soil Conservation

Contributions	\$	<u>26,500</u>	
Total Soil Conservation			26,500

Other Operations

Tourism

Other Supplies and Materials	\$	<u>2,466</u>	
Total Tourism			2,466

Industrial Development

Contributions	\$	7,000	
Rentals		<u>3,600</u>	
Total Industrial Development			10,600

Veterans' Services

Supervisor/Director	\$	18,931	
Social Security		1,448	
State Retirement		1,296	
Dues and Memberships		81	
Travel		849	
Office Supplies		<u>778</u>	
Total Veterans' Services			23,383

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Other Charges

Employee and Dependent Insurance	\$	229,441	
Liability Insurance		127,066	
Trustee's Commission		97,876	
Workers' Compensation Insurance		181,338	
Total Other Charges			\$ 635,721

Contributions to Other Agencies

Salary Supplements	\$	800	
Maintenance and Repair Services - Buildings		1,519	
Matching Share		11,287	
Gasoline		8,500	
Total Contributions to Other Agencies			22,106

Employee Benefits

Social Security	\$	354	
Unemployment Compensation		24,764	
Total Employee Benefits			25,118

ARRA Grant No. 2

Instructional Supplies and Materials	\$	36,184	
Building Improvements		97,001	
Total ARRA Grant No. 2			133,185

Miscellaneous

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

Instruction

Vocational Education Program

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

Support Services

Other Programs

Travel	\$	622	
Office Supplies		56	
Other Charges		298	
Total Other Programs			976

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Capital Projects

General Administration Projects

Consultants	\$	83,096	
Legal Notices, Recording, and Court Costs		323	
Site Development		401,091	
		<u>401,091</u>	
Total General Administration Projects	\$		484,510

Public Safety Projects

Consultants	\$	36,000	
Legal Notices, Recording, and Court Costs		520	
Motor Vehicles		184,975	
		<u>184,975</u>	
Total Public Safety Projects			<u>221,495</u>

Total General Fund \$ 8,713,803

Courthouse and Jail Maintenance Fund

General Government

County Buildings

Maintenance and Repair Services - Buildings	\$	16,997	
Trustee's Commission		48	
Other Equipment		5,400	
		<u>5,400</u>	
Total County Buildings	\$		<u>22,445</u>

Total Courthouse and Jail Maintenance Fund 22,445

Solid Waste/Sanitation Fund

Public Health and Welfare

Transfer Stations

Accountants/Bookkeepers	\$	34,195	
Equipment Operators - Heavy		55,076	
Overtime Pay		598	
Social Security		6,611	
State Retirement		4,252	
Employee and Dependent Insurance		7,257	
Maintenance and Repair Services - Vehicles		9,350	
Contracts for Landfill Facilities		67,518	
Custodial Supplies		942	
Gasoline		15,202	
Office Supplies		2,431	
Utilities		6,599	
Other Supplies and Materials		5,291	
Premiums on Corporate Surety Bonds		100	

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Transfer Stations (Cont.)

Trustee's Commission	\$	3,638	
Landfill Closure/Postclosure Care Costs		<u>8,097</u>	
Total Transfer Stations			<u>\$ 227,157</u>

Total Solid Waste/Sanitation Fund \$ 227,157

Drug Control Fund

Public Safety

Drug Enforcement

Trustee's Commission	\$	48	
Law Enforcement Equipment		<u>1,587</u>	
Total Drug Enforcement			<u>\$ 1,635</u>

Total Drug Control Fund 1,635

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Constitutional Officers' Operating Expenses	\$	<u>62,942</u>	
Total Register of Deeds			<u>\$ 62,942</u>

Finance

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	<u>184,647</u>	
Total County Clerk's Office			<u>184,647</u>

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	<u>6,004</u>	
Total Chancery Court			<u>6,004</u>

Total Constitutional Officers - Fees Fund 253,593

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	63,527	
Secretary(ies)		54,142	
Overtime Pay		3,522	
Advertising		1,730	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Data Processing Services	\$	5,196	
Dues and Memberships		2,366	
Evaluation and Testing		1,055	
Janitorial Services		704	
Laundry Service		834	
Postal Charges		440	
Printing, Stationery, and Forms		590	
Travel		60	
Custodial Supplies		737	
Office Supplies		1,088	
Other Charges		1,210	
Data Processing Equipment		125	
Total Administration			\$ 137,326

Highway and Bridge Maintenance

Equipment Operators	\$	133,270	
Truck Drivers		200,053	
Laborers		190,821	
Overtime Pay		10,052	
Rentals		54	
Other Contracted Services		3,070	
Asphalt		34,538	
Asphalt - Cold Mix		72,770	
Concrete		8,535	
Crushed Stone		219,430	
Diesel Fuel		220,507	
Ice		50	
Pipe - Metal		9,065	
Road Signs		5,146	
Salt		7,387	
Small Tools		4,510	
Wood Products		1,967	
Other Supplies and Materials		3,024	
Other Charges		126	
Total Highway and Bridge Maintenance			1,124,375

Operation and Maintenance of Equipment

Mechanic(s)	\$	79,819
Overtime Pay		1,134
Freight Expenses		2,169

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Maintenance and Repair Services - Equipment	\$	2,776	
Tow-in Services		1,065	
Other Contracted Services		10,896	
Equipment and Machinery Parts		85,983	
Garage Supplies		7,518	
Gasoline		36,235	
Lubricants		8,888	
Small Tools		1,633	
Tires and Tubes		37,038	
Total Operation and Maintenance of Equipment			\$ 275,154

Other Charges

Communication	\$	9,816	
Pest Control		95	
Electricity		5,119	
Water and Sewer		285	
Liability Insurance		66,850	
Premiums on Corporate Surety Bonds		350	
Trustee's Commission		22,898	
Liability Claims		2,284	
Total Other Charges			107,697

Employee Benefits

Social Security	\$	50,559	
State Retirement		45,921	
Medical Insurance		52,068	
Unemployment Compensation		7,861	
Employer Medicare		11,824	
Workers' Compensation Insurance		45,334	
Total Employee Benefits			213,567

Capital Outlay

Engineering Services	\$	11,881	
General Construction Materials		226	
Bridge Construction		75,543	
Highway Construction		32,402	
Highway Equipment		216,612	
State Aid Projects		106,253	
Other Capital Outlay		8,425	
Total Capital Outlay			451,342

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Capital Projects

Other General Government Projects

Engineering Services	\$	3,002	
Pipe - Metal		8,102	
Highway Construction		<u>632,885</u>	
Total Other General Government Projects			\$ 643,989

Highway and Street Capital Projects

Equipment Operators	\$	31,532	
Truck Drivers		15,521	
Laborers		10,235	
Clerical Personnel		11,933	
Overtime Pay		9,904	
Engineering Services		17,363	
Freight Expenses		2,250	
Rentals		18,630	
Other Contracted Services		546,521	
Crushed Stone		205,255	
Office Supplies		655	
Pipe - Metal		46,934	
Road Signs		342	
Other Supplies and Materials		3,384	
Bridge Construction		<u>20,159</u>	
Total Highway and Street Capital Projects			<u>940,618</u>

Total Highway/Public Works Fund \$ 3,894,068

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$	52,597	
Principal on Other Loans		<u>469,445</u>	
Total General Government			\$ 522,042

Highways and Streets

Principal on Notes	\$	333,744	
Principal on Other Loans		<u>1,000,000</u>	
Total Highways and Streets			1,333,744

Education

Principal on Notes	\$	<u>161,673</u>	
Total Education			161,673

(Continued)

Exhibit J-7

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

General Debt Service Fund (Cont.)

Interest on Debt

General Government

Interest on Notes	\$	7,634	
Interest on Other Loans		<u>24,563</u>	
Total General Government	\$		32,197

Highways and Streets

Interest on Notes	\$	157,409	
Interest on Other Loans		<u>28,932</u>	
Total Highways and Streets			186,341

Education

Interest on Notes	\$	47,262	
Total Education			47,262

Other Debt Service

General Government

Trustee's Commission	\$	11,445	
Other Debt Service		<u>24,341</u>	
Total General Government			<u>35,786</u>

Total General Debt Service Fund \$ 2,319,045

Total Governmental Funds - Primary Government \$ 15,431,746

Exhibit J-8

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 7,956,387	
Career Ladder Program	87,746	
Career Ladder Extended Contracts	52,905	
Homebound Teachers	35,039	
Educational Assistants	344,006	
Other Salaries and Wages	10,000	
Certified Substitute Teachers	37,907	
Non-certified Substitute Teachers	89,454	
Social Security	491,222	
State Retirement	748,784	
Life Insurance	5,668	
Medical Insurance	968,454	
Unemployment Compensation	15,327	
Employer Medicare	116,087	
Other Fringe Benefits	63,008	
Contracts with Private Agencies	64,724	
Maintenance and Repair Services - Equipment	74,869	
Instructional Supplies and Materials	97,745	
Textbooks	300,139	
Fee Waivers	30,265	
Other Charges	1,486	
Regular Instruction Equipment	172,045	
Total Regular Instruction Program		\$ 11,763,267

Alternative Instruction Program

Teachers	\$ 105,281	
Career Ladder Program	1,000	
Educational Assistants	14,104	
Non-certified Substitute Teachers	1,250	
Social Security	5,738	
State Retirement	7,411	
Life Insurance	58	
Medical Insurance	6,784	
Unemployment Compensation	219	
Employer Medicare	1,696	
Instructional Supplies and Materials	891	
Total Alternative Instruction Program		144,432

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program

Teachers	\$	799,001	
Career Ladder Program		4,000	
Homebound Teachers		2,316	
Educational Assistants		129,126	
Speech Pathologist		40,828	
Certified Substitute Teachers		1,400	
Non-certified Substitute Teachers		13,490	
Social Security		57,283	
State Retirement		81,687	
Life Insurance		636	
Medical Insurance		101,474	
Unemployment Compensation		2,090	
Employer Medicare		13,575	
Other Fringe Benefits		34,136	
Maintenance and Repair Services - Equipment		4,227	
Other Contracted Services		106,655	
Instructional Supplies and Materials		6,386	
Special Education Equipment		6,772	
Total Special Education Program			\$ 1,405,082

Vocational Education Program

Teachers	\$	427,831	
Career Ladder Program		2,000	
Certified Substitute Teachers		5,440	
Non-certified Substitute Teachers		4,870	
Social Security		24,944	
State Retirement		38,226	
Life Insurance		321	
Medical Insurance		53,865	
Unemployment Compensation		742	
Employer Medicare		5,889	
Contracts with Other School Systems		318,237	
Instructional Supplies and Materials		14,691	
Vocational Instruction Equipment		3,000	
Total Vocational Education Program			900,056

Adult Education Program

Teachers	\$	9,958
Social Security		169

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Adult Education Program (Cont.)

State Retirement	\$	187	
Unemployment Compensation		34	
Employer Medicare		144	
Other Supplies and Materials		3,524	
Total Adult Education Program			\$ 14,016

Support Services

Attendance

Supervisor/Director	\$	59,575	
Career Ladder Program		1,000	
Social Security		3,553	
State Retirement		5,350	
Life Insurance		19	
Medical Insurance		4,627	
Unemployment Compensation		54	
Employer Medicare		831	
Contracts with Private Agencies		9,366	
Travel		766	
Other Supplies and Materials		2,455	
Attendance Equipment		1,856	
Total Attendance			89,452

Health Services

Assistant(s)	\$	21,504	
Supervisor/Director		67,115	
Medical Personnel		148,343	
Other Salaries and Wages		11,838	
Social Security		14,060	
State Retirement		20,994	
Unemployment Compensation		567	
Employer Medicare		3,288	
Other Fringe Benefits		18,321	
Communication		1,200	
Travel		7,083	
Drugs and Medical Supplies		4,534	
Other Supplies and Materials		4,908	
Other Charges		11,108	
Total Health Services			334,863

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support

Career Ladder Program	\$	6,000	
Guidance Personnel		339,560	
Other Salaries and Wages		30,600	
Social Security		21,649	
State Retirement		32,733	
Life Insurance		196	
Medical Insurance		40,965	
Unemployment Compensation		445	
Employer Medicare		5,063	
Contracts with Government Agencies		110,506	
Evaluation and Testing		13,094	
Other Supplies and Materials		4,018	
Other Equipment		47,529	
Total Other Student Support			\$ 652,358

Regular Instruction Program

Supervisor/Director	\$	65,186	
Career Ladder Program		11,416	
Career Ladder Extended Contracts		6,000	
Librarians		262,555	
Instructional Computer Personnel		65,606	
Clerical Personnel		18,742	
Other Salaries and Wages		91,096	
In-Service Training		4,625	
Social Security		30,855	
State Retirement		46,624	
Life Insurance		287	
Medical Insurance		34,995	
Unemployment Compensation		605	
Employer Medicare		7,216	
Other Fringe Benefits		3,376	
Travel		9,223	
Other Contracted Services		9,690	
Library Books/Media		31,320	
Other Supplies and Materials		45,748	
In Service/Staff Development		4,654	
Other Charges		47,083	
Other Equipment		22,762	
Total Regular Instruction Program			819,664

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Alternative Instruction Program

Supervisor/Director	\$	30,591	
Unemployment Compensation		54	
Employer Medicare		444	
Travel		377	
Total Alternative Instruction Program			\$ 31,466

Special Education Program

Supervisor/Director	\$	63,670	
Career Ladder Program		3,083	
Psychological Personnel		55,344	
Assessment Personnel		57,282	
Clerical Personnel		23,215	
Social Security		8,236	
State Retirement		12,490	
Life Insurance		55	
Medical Insurance		11,251	
Unemployment Compensation		269	
Employer Medicare		2,722	
Other Fringe Benefits		3,600	
Travel		8,582	
Other Contracted Services		1,565	
In Service/Staff Development		841	
Total Special Education Program			252,205

Vocational Education Program

Other Salaries and Wages	\$	25,077	
Unemployment Compensation		54	
Employer Medicare		364	
Travel		3,253	
Other Supplies and Materials		2,833	
Total Vocational Education Program			31,581

Adult Programs

Supervisor/Director	\$	55,089	
Clerical Personnel		19,730	
Social Security		3,680	
State Retirement		5,646	
Life Insurance		27	
Medical Insurance		7,025	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs (Cont.)

Unemployment Compensation	\$	100	
Employer Medicare		1,005	
Travel		1,555	
Other Supplies and Materials		1,288	
Other Charges		1,284	
Other Equipment		1,212	
Total Adult Programs			\$ 97,641

Other Programs

On-Behalf Payments to OPEB	\$	87,135	
Total Other Programs			87,135

Board of Education

Other Salaries and Wages	\$	775	
Board and Committee Members Fees		10,450	
Social Security		696	
State Retirement		53	
Unemployment Compensation		1	
Employer Medicare		163	
Payments to Retirees		21,600	
Audit Services		5,300	
Dues and Memberships		19,445	
Legal Services		5,665	
Travel		5,721	
Trustee's Commission		110,220	
Workers' Compensation Insurance		120,703	
Refund to Applicant for Criminal Investigation		3,072	
Other Charges		32,741	
Total Board of Education			336,605

Director of Schools

County Official/Administrative Officer	\$	161,780	
Career Ladder Program		1,000	
Social Security		9,261	
State Retirement		9,551	
Life Insurance		29	
Medical Insurance		7,850	
Unemployment Compensation		139	
Employer Medicare		2,280	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Communication	\$	18,943	
Dues and Memberships		2,024	
Postal Charges		4,985	
Travel		2,700	
Other Contracted Services		2,636	
Office Supplies		6,049	
Administration Equipment		200	
Total Director of Schools			\$ 229,427

Office of the Principal

Principals	\$	471,878	
Career Ladder Program		8,000	
Accountants/Bookkeepers		140,610	
Assistant Principals		203,496	
Clerical Personnel		190,384	
Social Security		59,322	
State Retirement		77,662	
Life Insurance		340	
Medical Insurance		66,071	
Unemployment Compensation		1,627	
Employer Medicare		13,874	
Other Fringe Benefits		29,553	
Communication		2,183	
Travel		497	
Administration Equipment		4,525	
Total Office of the Principal			1,270,022

Fiscal Services

Accountants/Bookkeepers	\$	74,665	
Clerical Personnel		111,714	
Social Security		10,712	
State Retirement		11,441	
Unemployment Compensation		389	
Employer Medicare		2,505	
Other Fringe Benefits		8,510	
Data Processing Services		7,902	
Travel		717	
Other Contracted Services		2,249	
Data Processing Supplies		2,050	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Office Supplies	\$	693	
Administration Equipment		3,215	
Total Fiscal Services			\$ 236,762

Operation of Plant

Custodial Personnel	\$	522,897	
Other Salaries and Wages		17,136	
Social Security		32,336	
State Retirement		31,569	
Unemployment Compensation		1,604	
Employer Medicare		7,566	
Other Fringe Benefits		43,436	
Disposal Fees		30,687	
Custodial Supplies		115,440	
Electricity		613,852	
Natural Gas		121,192	
Propane Gas		16,963	
Water and Sewer		93,307	
Other Supplies and Materials		4,633	
Building and Contents Insurance		159,931	
Total Operation of Plant			1,812,549

Maintenance of Plant

Supervisor/Director	\$	38,500	
Clerical Personnel		23,277	
Maintenance Personnel		205,727	
Other Salaries and Wages		5,996	
Social Security		15,597	
State Retirement		13,350	
Unemployment Compensation		658	
Employer Medicare		3,648	
Other Fringe Benefits		29,859	
Travel		741	
Other Contracted Services		75,655	
Other Supplies and Materials		172,083	
Maintenance Equipment		5,951	
Total Maintenance of Plant			591,042

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation

Supervisor/Director	\$	38,500	
Mechanic(s)		134,597	
Bus Drivers		505,117	
Other Salaries and Wages		17,756	
Social Security		42,022	
State Retirement		35,975	
Unemployment Compensation		2,049	
Employer Medicare		10,022	
Other Fringe Benefits		4,646	
Medical and Dental Services		4,154	
Travel		1,345	
Diesel Fuel		266,787	
Garage Supplies		29,015	
Lubricants		8,351	
Tires and Tubes		31,283	
Vehicle Parts		115,853	
Other Charges		14,680	
Transportation Equipment		297,569	
Total Transportation			\$ 1,559,721

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	26,544	
In-Service Training		2,500	
Social Security		1,910	
State Retirement		200	
Unemployment Compensation		40	
Employer Medicare		445	
Other Fringe Benefits		57,795	
Communication		555	
Payments to Schools - Breakfast		291,873	
Payments to Schools - Lunch		867,351	
Travel		38	
USDA - Commodities		72,939	
Other Charges		2,133	
Total Food Service			1,324,323

Early Childhood Education

Teachers	\$	124,290	
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(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

Educational Assistants	\$	40,418	
Non-certified Substitute Teachers		2,295	
Social Security		9,523	
State Retirement		13,940	
Life Insurance		86	
Medical Insurance		17,275	
Unemployment Compensation		331	
Employer Medicare		2,227	
Other Contracted Services		3,780	
Instructional Supplies and Materials		43,122	
In Service/Staff Development		7,390	
Other Equipment		14,282	
Total Early Childhood Education			\$ 278,959

Capital Outlay

Regular Capital Outlay

Building Construction	\$	320,881	
Building Improvements		110,648	
Other Capital Outlay		71,986	
Total Regular Capital Outlay			503,515

Principal on Debt

Education

Principal on Notes	\$	582,000	
Total Education			582,000

Interest on Debt

Education

Interest on Bonds	\$	111,431	
Interest on Notes		88,015	
Total Education			199,446

Other Debt Service

Education

Other Debt Service	\$	3,906	
Total Education			3,906

Total General Purpose School Fund \$ 25,551,495

(Continued)

Exhibit J-8

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	410,568	
Educational Assistants		444,015	
Certified Substitute Teachers		4,120	
Non-certified Substitute Teachers		8,814	
Social Security		50,454	
State Retirement		62,648	
Life Insurance		322	
Medical Insurance		39,792	
Unemployment Compensation		2,530	
Employer Medicare		12,108	
Other Contracted Services		4,855	
Instructional Supplies and Materials		40,784	
Regular Instruction Equipment		453,557	
Total Regular Instruction Program			\$ 1,534,567

Special Education Program

Teachers	\$	206,520	
Educational Assistants		410,602	
Other Salaries and Wages		9,207	
Social Security		35,903	
State Retirement		45,407	
Life Insurance		173	
Medical Insurance		35,726	
Unemployment Compensation		1,811	
Employer Medicare		8,391	
Maintenance and Repair Services - Equipment		5,509	
Other Contracted Services		127,739	
Instructional Supplies and Materials		58,775	
Other Supplies and Materials		1,287	
Special Education Equipment		20,557	
Total Special Education Program			967,607

Vocational Education Program

Vocational Instruction Equipment	\$	46,593	
Total Vocational Education Program			46,593

Support Services

Other Student Support

Other Salaries and Wages	\$	2,000	
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(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Social Security	\$	124	
State Retirement		181	
Employer Medicare		29	
Travel		18,087	
In Service/Staff Development		230	
Other Charges		16,827	
Total Other Student Support			\$ 37,478

Regular Instruction Program

Supervisor/Director	\$	64,875	
Clerical Personnel		23,147	
Other Salaries and Wages		99,162	
In-Service Training		20,925	
Social Security		12,313	
State Retirement		18,319	
Life Insurance		84	
Medical Insurance		11,412	
Unemployment Compensation		179	
Employer Medicare		2,880	
Other Supplies and Materials		3,718	
In Service/Staff Development		91,200	
Other Charges		350	
Other Equipment		22,019	
Total Regular Instruction Program			370,583

Special Education Program

Other Salaries and Wages	\$	3,965	
Social Security		233	
State Retirement		359	
Life Insurance		2	
Medical Insurance		387	
Employer Medicare		55	
Maintenance and Repair Services - Equipment		150	
Travel		2,478	
Other Contracted Services		874	
Other Supplies and Materials		2,675	
In Service/Staff Development		27,381	
Total Special Education Program			38,559

(Continued)

Exhibit J-8

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

<u>School Federal Projects Fund (Cont.)</u>			
<u>Support Services (Cont.)</u>			
<u>Vocational Education Program</u>			
Travel	\$	489	
Total Vocational Education Program			\$ 489
 <u>Transportation</u>			
Bus Drivers	\$	21,080	
Social Security		1,267	
State Retirement		1,446	
Unemployment Compensation		67	
Employer Medicare		296	
Transportation Equipment		95,000	
Total Transportation			<u>119,156</u>
Total School Federal Projects Fund			<u>\$ 3,115,032</u>
Total Governmental Funds - Macon County School Department			<u><u>\$ 28,666,527</u></u>

Exhibit J-9

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

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 1,518,799
Total Cash Receipts	<u>\$ 1,518,799</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,503,611
Trustee's Commission	15,188
Total Cash Disbursements	<u>\$ 1,518,799</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*

October 4, 2011

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Macon County, Tennessee, as of and for the year ended June 30, 2011, which collectively comprise Macon County's basic financial statements and have issued our report thereon dated October 4, 2011. Our report on the aggregate remaining fund information was qualified due to not including the financial statements of the Public Library Fund, and our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Macon County Emergency Communications District, both of 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 Macon County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Macon County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Macon County's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 11.02, 11.03(A,B), 11.04(B,C), 11.05, 11.06 (A,E), 11.07 and 11.08. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Macon County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items: 11.01, 11.03(C), 11.04(A), and 11.06(B,C,D).

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

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

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

Very truly yours,

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

Justin P. Wilson  
Comptroller of the Treasury

JPW/sb



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

October 4, 2011

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

To the County Mayor and Board of County Commissioners:

Compliance

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

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

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

In our opinion, Macon County complied, in all material respects, with the requirements referred to above that 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 Macon County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Macon County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Macon County's internal control over compliance.

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

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

#### Schedule of Expenditures of Federal Awards

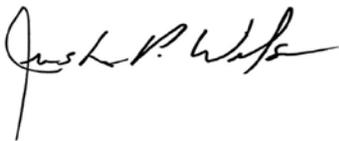
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Macon County as of and for the year ended June 30, 2011, and have issued our report thereon dated October 4, 2011. Our report on the aggregate remaining fund information was qualified due to not including the financial statements of the Public Library Fund, and our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Macon County Emergency Communications District, both of 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.

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

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

Very truly yours,

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

Justin P. Wilson  
Comptroller of the Treasury

JPW/sb

Macon 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:			
Direct Program:			
Community Facilities Loans and Grants	10.766	N/A	\$ 80,000
Emergency Watershed Protection Program, Recovery Act	10.923	N/A	194,095
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	(2)	72,939 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	291,873
National School Lunch Program	10.555	(2)	859,686 (3)
Fresh Fruit and Vegetable Program	10.582	(2)	1,352
Total U.S. Department of Agriculture			<u>\$ 1,499,945</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 and Non-Entitlement Grants in Hawaii	14.228	(2)	\$ 634,053
Total U.S. Department of Housing and Urban Development			<u>\$ 634,053</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	(2)	\$ 73,815
Passed-through State Department of Education:			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	(2)	506,856
Title I Grants to Local Educational Agencies, Recovery Act	84.389	(2)	345,886
Special Education Cluster:			
Special Education - Grants to States	84.027	(2)	615,925
Special Education - Grants to States, Recovery Act	84.391	(2)	514,083
Special Education - Preschool Grants	84.173	(2)	32,488
Special Education - Preschool Grants, Recovery Act	84.392	(2)	1,677
Vocational Education - Basic Grants to States	84.048	(2)	67,731
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	18,117
Education Technology State Grants Cluster:			
Education Technology State Grants	84.318	(2)	371
Education Technology State Grants, Recovery Act	84.386	(2)	16,697
Improving Teacher Quality State Grants	84.367	(2)	191,061
State Fiscal Stabilization Fund Cluster:			
State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	(2)	1,904,182
State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	(2)	165,690
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	(2)	407,230
Education Jobs Fund	84.410	(2)	448,197
Passed-through Wilson County School Department:			
English Language Acquisition Grants	84.365	(2)	9,701
Total U.S. Department of Education			<u>\$ 5,319,707</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Election Assistance Commission:			
Passed through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	(2)	\$ 9,000
Total U.S. Election Assistance Commission			<u>\$ 9,000</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Education:			
The Affordable Care Act	93.558	(2)	\$ 36,105
Passed-through State Department of Health:			
ARRA - Grants to Health Center Programs	93.703	(2)	132,730
Total U.S. Department of Health and Human Services			<u>\$ 168,835</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(2)	\$ 1,673,873
Total U.S. Department of Homeland Security:			<u>\$ 1,673,873</u>
Total Expenditures of Federal Grants			<u>\$ 9,305,413</u>

<u>State Grants</u>	Contract Number	
Early Childhood Education - Pilot/State - State Department of Education	N/A	(2) \$ 278,959
Rural Health Services - State Department of Health	N/A	(2) 42,805
Rural Library Computer Grants - State Library and Archives	N/A	(2) 33,017
Litter Program - State Department of Transportation	N/A	(2) 29,237
Adult Education - State Department of Labor and Workforce Development	N/A	(2) 26,652
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2) 13,709
Juvenile Justice - State Commission on Children and Youth	N/A	(2) 9,000
Total State Grants		<u>\$ 433,379</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 for CFDA No. 10.555 is \$932,625.

Macon 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 Macon County, Tennessee, for the year ended June 30, 2010, which have not been corrected.

**OFFICE OF COUNTY MAYOR**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.02	168	All financial activity of the Macon County Library Board was not subject to the budgetary control of the County Commission

**OFFICE OF CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK**

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

**OFFICE OF REGISTER**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.07	172	The office maintained a duplicate set of accounting records

**OTHER FINDING**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.09	173	Duties were not segregated adequately in the Offices of County Mayor; Supervisor of Roads; County Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff

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**MACON 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 remaining fund information and the aggregate discretely presented component units is qualified. Our report on the governmental activities and each major fund is unqualified.
2. The audit of the financial statements of Macon County disclosed significant deficiencies in internal control. None of these deficiencies was considered to be a material weakness.
3. The audit did not disclose any instances of noncompliance that are material to the financial statements of Macon County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555); the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (CFDA No. 14.228); The Title I Cluster: Title I Grants to Local Educational Agencies and Title I Grants to Local Educational Agencies, Recovery Act (CFDA Nos. 84.010 and 84.389); the Special Education Cluster: Special Education – Grants to States, Special Education – Grants to States, Recovery Act, Special Education – Preschool Grants, and Special Education – Preschool Grants, Recovery Act (CFDA Nos. 84.027, 84.391, 84.173, and 84.392); 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); The State Fiscal Stabilization Fund – Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395); the Education Jobs Fund (CFDA No. 84.410); and Disaster Grants – Public Assistance (CFDA No. 97.036) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Macon County did not qualify as a low-risk auditee.

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

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written responses of the county mayor, supervisor of roads, and sheriff are paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

### **OFFICE OF COUNTY MAYOR**

**FINDING 11.01      **THE PUBLIC LIBRARY FUND WAS NOT MAINTAINED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND STATE STATUTE****  
(Noncompliance Under *Government Auditing Standards*)

Macon County maintains a Public Library Fund (a nonmajor special revenue fund) to account for library operations. The Public Library Fund's primary revenue source is library fees, which by its nature is not restricted or committed to expenditure for specified purposes but may be expended at the discretion of the County Commission. Therefore, the Public Library Fund does not meet the criteria for a special revenue fund as defined by Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 provides that 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 and capital projects. GASB Statement No. 54 further provides that funds maintained as special revenue funds that do not meet the criteria for separate reporting in external financial statements should be presented as part of the General Fund or a qualifying special revenue fund for external reporting; however, Macon County did not follow this guidance for the financial statements presented to us for audit; therefore, the Public Library Fund is not combined with the General Fund or a qualifying special revenue fund in the financial statements of this report. We do not consider this noncompliance with GASB Statement No. 54 to be material to the financial statements of this report. In addition, Section 9-3-212(d), *Tennessee Code Annotated*, provides that local governments maintain their books and records in accordance with generally accepted accounting principles and rules and regulations prescribed by the state Comptroller's Office.

### **RECOMMENDATION**

Macon County should maintain its funds in compliance with generally accepted accounting principles and state statute.

### **MANAGEMENT'S RESPONSE – COUNTY MAYOR**

The Library Board has been reluctant to close this fund and is willing to accept a finding rather than close the fund.

## AUDITOR'S COMMENT

The Library Fund is a department within the county government and is under the ultimate control of the County Commission not the Library Board. The County Commission should mandate that the checking accounts be closed and require all library funds to be accounted for through the county's General Fund.

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### FINDING 11.02      **AN EMPLOYEE WAS PAID FOR TIME NOT WORKED** (Internal Control – Significant Deficiency Under *Government Auditing Standards*)

On April 21, 2008, the County Mayor's Office employed a part-time custodian who had been working as a guard in the Sheriff's Department to clean the Macon County Justice Center, which houses the sheriff's administrative offices, jail facility, and courts. On May 23, 2011, the sheriff denied the employee access to the sheriff's administrative offices and jail facility. However, based on the advice of the county attorney, the County Mayor's Office continued to pay this employee for work that she was not allowed to perform since she was denied access to the job site. The employee continued to submit timesheets for 30 hours per week to the county mayor for approval noting her lack of access to the jail facility. The county mayor signed the timesheets also noting her lack of access to the facility. This employee was paid a total of \$3,824.76 for work not performed from May 24, 2011, through August 23, 2011. Subsequent to August 23, 2011, the custodian was transferred to work at the courthouse until she was laid off on October 7, 2011. This finding has been discussed with the district attorney general.

### RECOMMENDATION

Employees should only be paid for actual time worked. When the county decided to continue to pay the employee while the employee was denied access to the sheriff's administrative offices and jail facility, the employee should have been transferred to county space where access was not denied until the legal circumstances involving the employee being denied access could be resolved.

### MANAGEMENT'S RESPONSE – COUNTY MAYOR

I want to begin by saying the dispute between myself and the sheriff was never about the employee's job performance. Her job performance was never in question. There are two custodians and one maintenance person at the Justice Center who work under my authority and are compensated from the budget that I oversee. The employee in question was originally hired by the sheriff on September 8, 2006, as a guard. The custodial job for the jail is a part-time position (30 hours per week). The sheriff recommended the employee in question for the custodial position because she wanted part-time employment as opposed to full-time. I hired her as a custodian on April 21, 2008, to work at the Justice Center.

Effective May 24, 2011, due to an on-going dispute between the employee in question and another employee of the Sheriff's Department, the sheriff denied the employee in question access to the sheriff's administrative offices and jail facility, thus denying the employee the ability to work. I discussed the situation with the county attorney, and he in turn sent the sheriff a letter advising him that the sheriff did not have the authority to fire the employee in question since she worked under the county mayor's authority. Since the employee in question was being deprived of her ability to work by the sheriff, and after further discussion with the county attorney, I made the decision to continue to pay the employee until this matter could be resolved to avoid a potential lawsuit. Both the employee and I documented that she was being paid for work not performed.

This situation remained unchanged at the Justice Center, and on August 24, 2011, I had the employee begin helping the custodian at the courthouse. This employee continued to work at the courthouse until October 7, 2011, when I laid her off.

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**FINDING 11.03      THE CODES ENFORCEMENT OFFICE DID NOT HAVE ADEQUATE CONTROLS FOR ITS COMPUTER APPLICATION**  
(A. and B. – Internal Control – Significant Deficiency Under *Government Auditing Standards*; C. – Noncompliance Under *Government Auditing Standards*)

The following computer application deficiencies were identified:

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

Sound business practices dictate that proper computer application controls be implemented. This deficiency exists because management failed to correct the finding noted in the prior-year audit report. Since the vendor did not design the system with proper controls, inappropriate system activity could occur.

## RECOMMENDATION

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

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## OFFICE OF CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK

### FINDING 11.04      **DEFICIENCIES WERE NOTED IN THE MAINTENANCE OF ACCOUNTING RECORDS**

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

Our examination of accounting records revealed the following deficiencies in the maintenance of accounting records in the Office of Circuit, General Sessions, and Juvenile Courts Clerk. These deficiencies exist because management failed to correct the findings noted in the prior-year audit report.

- A. At June 30, 2011, the circuit, general sessions, and juvenile courts clerk prepared execution docket trial balances as required by Section 18-2-103, *Tennessee Code Annotated (TCA)*. However, these trial balances did not reconcile with the general ledger. The clerk had unidentified balances of \$1,084, \$453, and \$7,632 in Circuit, General Sessions, and Juvenile Courts, respectively. Therefore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-110, *TCA*, as it relates to the execution docket balances. This statute provides that any funds held by the courts for one year and unclaimed by the owner are considered abandoned. Section 66-29-113, *TCA*, further requires these funds to be reported and paid to the state Treasurer's Office.
- B. The Office of Circuit, General Sessions, and Juvenile Courts Clerk maintains one cash drawer for each court; however, all employees in the office operated from each of the cash drawers. 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 that 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 clerk would not be able to determine who was responsible for the shortage because multiple employees were operating from one cash drawer.

- C. During the year examined, the juvenile clerk posted short-term investment account activity to an investment ledger; however, the clerk did not attempt to reconcile the bank statement balances of these short-term investment accounts with the investment ledger and general ledger controls. Sound business practices dictate that accounting records accurately reflect account activity. We confirmed the balances of the short-term investment accounts and determined the amounts had been properly presented in the financial statements of this report.

### RECOMMENDATION

The clerk should reconcile the trial balance of execution docket cause balances with general ledger accounts. To strengthen internal controls over cash collections, the clerk should assign each employee their own cash drawer in each court. Investment ledgers should be prepared and reconciled with the general ledger and bank statements monthly.

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### OFFICE OF REGISTER

#### FINDING 11.05      **THE OFFICE MAINTAINED A DUPLICATE SET OF ACCOUNTING RECORDS**

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

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

### RECOMMENDATION

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

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## OFFICE OF SHERIFF

### FINDING 11.06      **DEFICIENCIES WERE NOTED IN THE MAINTENANCE OF ACCOUNTING RECORDS**

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

Our examination of accounting records revealed the following deficiencies in the maintenance of accounting records due to the lack of management oversight:

- A. Bank accounts maintained for general operations were not reconciled with accounting records for the months of April, May, and June 2011. The failure to regularly reconcile bank accounts with accounting records is a significant deficiency that increases the risk that errors will not be discovered and corrected in a timely manner. The June 30, 2011, bank balances were determined by substantive testing and alternative auditing procedures.
- B. The office was delinquent in reporting and paying fees to the county trustee for the months of April, May, and June 2011. Section 67-4-213(d), *Tennessee Code Annotated (TCA)*, requires officials collecting fees and county revenues to report those collections to the county within 15 days after the end of the month in which the funds were collected.
- C. Collections for sexual offender registration fees and wrecker reimbursements were not receipted and deposited. Instead these collections were carried directly to the county trustee. The practice of not issuing receipts increases the risk that collections will not be accounted for properly. Also, we noted 17 instances where other funds were not deposited to the official bank account within three days of collection. Section 9-2-103, TCA, requires the issuance of receipts, and Section 5-8-207, TCA, requires all public funds be deposited within three days of collection.
- D. The office did not report and pay to the state unclaimed funds (old outstanding checks) totaling \$6,721. The Unclaimed Property Act, Section 66-29-101 et seq., TCA, provides that any funds held for more than one year and unclaimed by the owner are considered abandoned. This statute further provides for the funds to be reported and paid to the state Treasurer's Office.
- E. The sheriff's annual financial report included undercover drug operations and commissary activity; however, the annual financial report failed to include general operations of the Sheriff's Department.

### RECOMMENDATION

Bank accounts should be reconciled with accounting records monthly. Fees should be remitted to the trustee monthly. All collections should be receipted and deposited within three days of collection. Unclaimed funds should be reported and paid to the state

Treasurer's Office. The annual financial report should include all financial activity of the Sheriff's Department.

#### MANAGEMENT'S RESPONSE – SHERIFF

Subsequent to the audit, we have corrected the problems, and have a new employee who fully understands that everything must be done in a timely manner.

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#### OTHER FINDINGS AND RECOMMENDATIONS

FINDING 11.07      **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY MAYOR; SUPERVISOR OF ROADS; COUNTY CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; CLERK AND MASTER; REGISTER; AND SHERIFF**

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

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

#### RECOMMENDATION

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

#### MANAGEMENT'S RESPONSE – COUNTY MAYOR

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

#### MANAGEMENT'S RESPONSE – SHERIFF

Currently, the only employees that receipt money are the dispatchers. A different employee makes the deposit, and another person handles disbursements. Due to budget constraints,

the Sheriff's Office cannot hire employees to do just one job. Office personnel handle many different jobs. Duties have been segregated as adequately as possible at this time.

#### AUDITOR'S COMMENT

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

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**FINDING 11.08      MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER IN THE OFFICES OF CLERK AND MASTER, COUNTY CLERK, AND REGISTER**  
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

All employees operated from the same cash drawer in each of the Offices of the Clerk and Master, County Clerk, and Register. 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 that beginning amount at the end of the day. This amount should be verified to that 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 in internal controls was the result of a lack of management oversight over risks related to safeguarding assets.

#### RECOMMENDATION

Management should assign each employee their own cash drawer.

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#### **BEST PRACTICES**

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

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

Macon County does not have a central system of accounting, budgeting, and purchasing. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The

absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort. The Division of County Audit strongly believes that the adoption of a central system of accounting, budgeting, and purchasing is a best practice and would significantly improve accountability and the quality of services provided to the citizens of Macon County. Therefore, we recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

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

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

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

There were no findings and questioned costs for federal awards.

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

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