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# **ANNUAL FINANCIAL REPORT FAYETTE COUNTY, TENNESSEE**



**FOR THE YEAR ENDED JUNE 30, 2012**



**ANNUAL FINANCIAL REPORT**  
**FAYETTE COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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

***DIVISION OF LOCAL GOVERNMENT AUDIT***  
***JAMES R. ARNETTE***  
***Director***

***JAN PAGE, CPA, CFE***  
***Audit Manager***

***LEE ANN WEST, CPA, CGFM***  
***Auditor 4***

***MELISSA DARBY, CPA, CFE***  
***ELISHA CROWELL, CFE***  
***State Auditors***

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

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## FAYETTE COUNTY, TENNESSEE

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# ***Audit Highlights***

Annual Financial Report  
Fayette County, Tennessee  
For the Year Ended June 30, 2012

## ***Scope***

We have audited the basic financial statements of Fayette County as of and for the year ended June 30, 2012.

## ***Results***

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

Our audit resulted in 16 findings and recommendations, which we have reviewed with Fayette County management. Detailed findings, recommendations, and management's responses are included in the Single Audit section of this report.

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

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

### **OFFICE OF COUNTY MAYOR**

- ◆ The office had deficiencies in purchasing procedures.
- ◆ The office had deficiencies in budget operations.
- ◆ The Adequate Facilities Office did not deposit some funds within three days of collection.
- ◆ The office did not file a Report on Debt Obligation with the state Comptroller's Office.
- ◆ The Ambulance Service had receipting deficiencies.

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### **OFFICE OF PUBLIC WORKS SUPERINTENDENT**

- ◆ Time sheets were not signed by employees.
-

## **OFFICE OF DIRECTOR OF SCHOOLS**

- ◆ Deficiencies were noted in the maintenance of general ledger cash accounts.
  - ◆ The office had weaknesses in posting financial transactions.
  - ◆ The office had deficiencies in budget operations.
  - ◆ Unauthorized salary supplements were paid to employees.
  - ◆ The School Department had deficiencies in purchasing procedures.
  - ◆ The director of schools failed to comply with state statutes when entering into lease agreements.
  - ◆ Employee insurance payroll deduction amounts were incorrect and were not reconciled with payroll reports and payments.
  - ◆ Federal grant records were not adequately maintained and monitored.
- 

## **OFFICE OF REGISTER OF DEEDS**

- ◆ Multiple employees operated from the same cash drawer.
- 

## **OFFICES OF REGISTER OF DEEDS AND SHERIFF**

- ◆ Duties were not segregated adequately.
- 

## **BEST PRACTICES**

The Division of Local Government 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 Fayette County.

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

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## INTRODUCTORY SECTION

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## Fayette County Officials

June 30, 2012

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### **Officials**

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

### **Board of County Commissioners**

Rhea Taylor, County Mayor, Chairman	Judy Karcher
Ed Allen	Bill Kelley
Joann Allen	Terry Leggett
Steve Anderson	David Lillard, Sr.
Charles Brewer, Sr.	Sylvester Logan
Odis Cox	Claude Oglesby, Jr.
Sissy Dowdle	Steve Reeves
Willie German, Jr.	Ray Seals
Ronald Harris	Larry Watkins
Reggie Howard	Myles Wilson

### **Board of Education**

Bryon O'Brien, Chairman	Robert Redditt
David Barnes	Evangeline Shaw
Linda Barton	Sally Spencer
Patricia Burnette	Marandy Wilkerson
Ronnie McCarty	

### **Board of Public Works**

Hank Franck, Chairman	Wesley Parks
Andrew Avery	Russell Wicker
Jimmy Jordan	

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## FINANCIAL SECTION

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

**INDEPENDENT AUDITOR'S REPORT**

March 7, 2013

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fayette County, Tennessee, as of and for the year ended June 30, 2012, which collectively comprise Fayette County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Fayette County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Fayette County Emergency Communications District, which represent 7.7 percent and 1.7 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Fayette County Emergency Communications District, is based on the report of other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fayette County, Tennessee, as of June 30, 2012, 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 March 7, 2013, on our consideration of Fayette County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

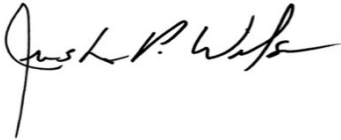
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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 65 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

Very truly yours,

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

Justin P. Wilson  
Comptroller of the Treasury

JPW/sb

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## BASIC FINANCIAL STATEMENTS

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## Exhibit A

Fayette County, Tennessee  
Statement of Net Assets  
June 30, 2012

		Component Units	
	Primary Government Governmental Activities	Fayette County School Department	Fayette County Emergency Communications District
<u>ASSETS</u>			
Cash	\$ 37,026	\$ 0	\$ 1,204,627
Equity in Pooled Cash and Investments	5,333,723	601,186	0
Accounts Receivable	1,511,456	23,694	18,899
Allowance for Uncollectibles	(750,783)	0	0
Due from Other Governments	519,399	1,301,742	0
Property Taxes Receivable	8,346,191	6,775,781	0
Allowance for Uncollectible Property Taxes	(415,075)	(336,974)	0
Prepaid Items	0	0	42,531
Accrued Interest Receivable	0	0	348
Cash Shortage	0	16,234	0
Deferred Charges - Debt Issuance Costs	423,741	0	0
Capital Assets:			
Assets Not Depreciated:			
Land	1,826,337	359,607	0
Assets Net of Accumulated Depreciation:			
Land Improvements	0	1,978	0
Buildings and Improvements	14,207,949	9,445,784	0
Infrastructure	22,842,559	0	0
Other Capital Assets	3,418,954	2,099,652	418,147
Total Assets	<u>\$ 57,301,477</u>	<u>\$ 20,288,684</u>	<u>\$ 1,684,552</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 0	\$ 271,607	\$ 0
Accrued Payroll	0	29,899	0
Payroll Deductions Payable	0	167,484	0
Accrued Leave	0	0	1,925
Cash Overdraft	0	163,589	0
Contracts Payable	0	9,500	0
Accrued Interest Payable	153,697	6,669	0
Deferred Revenue - Current Property Taxes	7,709,522	6,258,907	0
Noncurrent Liabilities:			
Due Within One Year	1,243,222	453,552	0
Due in More Than One Year (net of unamortized discounts and premiums on debt and deferred amount on refunding)	21,703,390	1,073,492	0
Total Liabilities	<u>\$ 30,809,831</u>	<u>\$ 8,434,699</u>	<u>\$ 1,925</u>

(Continued)

Exhibit A

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

		Component Units	
	Primary Government	Fayette County School Department	Fayette County Emergency Communications District
	Governmental Activities		
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 29,891,229	\$ 11,166,531	\$ 0
Invested in Capital Assets	0	0	418,147
Restricted for:			
General Government	43,567	0	0
Finance	10,638	0	0
Administration of Justice	74,596	0	0
Public Safety	409,735	0	0
Public Health and Welfare	64,776	0	0
Agriculture and Natural Resources	50,000	0	0
Other Operations	184,639	0	0
Highway/Public Works	709,685	0	0
Capital Outlay	159,097	7,618	0
Debt Service	1,904,993	0	0
Education	0	94,756	0
Operation of Non-Instructional Services	0	699,065	0
Unrestricted	(7,011,309)	(113,985)	1,264,480
Total Net Assets	\$ 26,491,646	\$ 11,853,985	\$ 1,682,627

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



Exhibit B

Fayette County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2012

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 Units		
					Governmental Activities	Total	Fayette County School Department	Fayette County Emergency Communications District	
Primary Government:									
Governmental Activities:									
General Government	\$ 1,366,358	\$ 885,020	\$ 15,164	\$ 0	\$ (466,174)	\$ 0	\$ 0	\$ 0	0
Finance	1,075,447	894,532	0	0	(180,915)	0	0	0	0
Administration of Justice	1,219,722	579,880	0	0	(639,842)	0	0	0	0
Public Safety	7,396,396	685,691	151,631	72,356	(6,486,718)	0	0	0	0
Public Health and Welfare	3,022,366	1,615,190	139,620	0	(1,267,556)	0	0	0	0
Social, Cultural, and Recreational Services	238,793	12,078	0	0	(226,715)	0	0	0	0
Agriculture and Natural Resources	192,964	0	0	0	(192,964)	0	0	0	0
Other Operations	927,421	406,923	3,794	0	(516,704)	0	0	0	0
Highways/Public Works	6,504,544	11,532	2,229,247	273,674	(3,990,091)	0	0	0	0
Interest on Long-term Debt	788,218	0	5,305	0	(782,913)	0	0	0	0
Other Debt Service	177,412	0	0	0	(177,412)	0	0	0	0
Total Primary Government	\$ 22,909,641	\$ 5,090,846	\$ 2,544,761	\$ 346,030	\$ (14,928,004)	\$ 0	\$ 0	\$ 0	0
Component Units:									
Fayette County School Department	\$ 34,166,224	\$ 495,446	\$ 5,566,140	\$ 0	\$ 0	\$ (28,104,638)	\$ 0	\$ 0	0
Emergency Communications District	424,601	319,044	218,130	0	0	0	0	0	112,573
Total Component Units	\$ 34,590,825	\$ 814,490	\$ 5,784,270	\$ 0	\$ 0	\$ (28,104,638)	\$ 0	\$ 0	112,573

(Continued)

Exhibit B

Fayette County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets					
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary		Component Units			
				Government		Fayette County School Department	Fayette County Emergency Communications District		
				Total Governmental Activities					
General Revenues:									
Taxes:				\$	8,169,442	\$	6,660,766	\$	0
Property Taxes Levied for General Purposes					136,342		0		0
Property Taxes Levied for Debt Service					493,097		2,734,410		0
Local Option Sales Tax					2,597,382		0		0
Wheel Tax					112,040		0		0
Litigation Tax					246,421		0		0
Business Tax					290,587		0		0
Adequate Facilities/Development Tax					73,396		0		0
Wholesale Beer Tax					8,172		2,211		0
Other Local Taxes					1,170,390		17,350,502		0
Grants and Contributions Not Restricted to Specific Programs					118,981		0		5,866
Unrestricted Investment Income					16,152		132,744		20,419
Miscellaneous									
Total General Revenues				\$	13,432,402	\$	26,880,633	\$	26,285
Change in Net Assets				\$	(1,495,602)	\$	(1,224,005)	\$	138,858
Net Assets, July 1, 2011					27,987,248		13,278,691		1,543,769
Prior-period Adjustment					0		(200,701)		0
Net Assets, June 30, 2012				\$	26,491,646	\$	11,853,985	\$	1,682,627

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

## Exhibit C-1

Fayette County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2012

	Major Funds			Nonmajor Funds	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 37,026	\$ 37,026
Equity in Pooled Cash and Investments	1,660,857	1,211,000	1,743,068	718,798	5,333,723
Accounts Receivable	1,482,155	1,197	62	28,042	1,511,456
Allowance for Uncollectibles	(750,783)	0	0	0	(750,783)
Due from Other Governments	71,278	424,619	0	23,502	519,399
Due from Other Funds	29,706	0	250,224	0	279,930
Property Taxes Receivable	7,209,562	703,871	432,758	0	8,346,191
Allowance for Uncollectible Property Taxes	(358,548)	(35,005)	(21,522)	0	(415,075)
Total Assets	\$ 9,344,227	\$ 2,305,682	\$ 2,404,590	\$ 807,368	\$ 14,861,867
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Due to Other Funds	\$ 32,670	\$ 0	\$ 0	\$ 247,260	\$ 279,930
Deferred Revenue - Current Property Taxes	6,659,598	650,178	399,746	0	7,709,522
Deferred Revenue - Delinquent Property Taxes	167,297	16,014	11,113	0	194,424
Other Deferred Revenues	609,824	212,310	148,862	0	970,996
Total Liabilities	\$ 7,469,389	\$ 878,502	\$ 559,721	\$ 247,260	\$ 9,154,872
<u>Fund Balances</u>					
Restricted:					
Restricted for General Government	\$ 36,145	\$ 0	\$ 0	\$ 7,422	\$ 43,567
Restricted for Finance	10,638	0	0	0	10,638
Restricted for Administration of Justice	74,596	0	0	0	74,596
Restricted for Public Safety	233,149	0	0	176,586	409,735
Restricted for Public Health and Welfare	64,776	0	0	0	64,776
Restricted for Agriculture and Natural Resources	50,000	0	0	0	50,000
Restricted for Other Operations	0	0	0	184,639	184,639
Restricted for Highways/Public Works	0	550,323	0	0	550,323
Restricted for Capital Outlay	0	0	0	159,097	159,097
Restricted for Debt Service	0	0	1,844,869	0	1,844,869
Committed:					
Committed for Public Safety	42,412	0	0	0	42,412
Committed for Public Health and Welfare	0	0	0	32,364	32,364
Committed for Social, Cultural, and Recreational Services	23,985	0	0	0	23,985
Committed for Other Operations	4,800	0	0	0	4,800
Committed for Highways/Public Works	0	876,857	0	0	876,857
Unassigned	1,334,337	0	0	0	1,334,337
Total Fund Balances	\$ 1,874,838	\$ 1,427,180	\$ 1,844,869	\$ 560,108	\$ 5,706,995
Total Liabilities and Fund Balances	\$ 9,344,227	\$ 2,305,682	\$ 2,404,590	\$ 807,368	\$ 14,861,867

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

Exhibit C-2

Fayette County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
June 30, 2012

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)		\$	5,706,995
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,826,337	
Add: buildings and improvements net of accumulated depreciation		14,207,949	
Add: infrastructure net of accumulated depreciation		22,842,559	
Add: other capital assets net of accumulated depreciation		<u>3,418,954</u>	42,295,799
(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	\$	(167,840)	
Less: bonds payable		(21,007,328)	
Less: capital leases payable		(263,529)	
Add: deferred charges - debt issuance costs		423,741	
Add: deferred discount on debt issuances		3,597	
Add: deferred amount on refunding		54,616	
Less: premium on debt issuances		(252,975)	
Less: compensated absences payable		(357,731)	
Less: landfill postclosure care costs		(729,200)	
Less: other postemployment benefits liability		(226,222)	
Less: accrued interest on bonds, notes, and capital leases		<u>(153,697)</u>	(22,676,568)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>1,165,420</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>26,491,646</u></u>

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

Exhibit C-3

Fayette County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2012

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 8,134,115	\$ 2,025,369	\$ 1,744,879	\$ 290,587	\$ 12,194,950
Licenses and Permits	215,198	0	0	0	215,198
Fines, Forfeitures, and Penalties	124,946	0	0	56,141	181,087
Charges for Current Services	1,312,872	0	0	426,005	1,738,877
Other Local Revenues	308,184	23,806	1	274,891	606,882
Fees Received from County Officials	1,446,410	0	0	0	1,446,410
State of Tennessee	1,808,632	2,345,664	0	180,760	4,335,056
Federal Government	141,781	157,257	0	0	299,038
Other Governments and Citizens Groups	284,855	0	0	0	284,855
Total Revenues	\$ 13,776,993	\$ 4,552,096	\$ 1,744,880	\$ 1,228,384	\$ 21,302,353
<u>Expenditures</u>					
Current:					
General Government	\$ 957,891	\$ 0	\$ 0	\$ 150,215	\$ 1,108,106
Finance	848,012	0	0	0	848,012
Administration of Justice	821,673	0	0	4,300	825,973
Public Safety	6,202,239	0	0	77,187	6,279,426
Public Health and Welfare	2,065,727	0	0	709,623	2,775,350
Social, Cultural, and Recreational Services	194,985	0	0	0	194,985
Agriculture and Natural Resources	170,304	0	0	0	170,304
Other Operations	2,199,440	0	0	5,948	2,205,388
Highways	0	4,844,742	0	0	4,844,742
Debt Service:					
Principal on Debt	0	29,322	799,230	0	828,552
Interest on Debt	26,005	2,092	856,950	0	885,047
Other Debt Service	0	0	376,872	0	376,872
Capital Projects	0	144,038	0	40,046	184,084
Total Expenditures	\$ 13,486,276	\$ 5,020,194	\$ 2,033,052	\$ 987,319	\$ 21,526,841
Excess (Deficiency) of Revenues Over Expenditures	\$ 290,717	\$ (468,098)	\$ (288,172)	\$ 241,065	\$ (224,488)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 50,000	\$ 0	\$ 0	\$ 50,000
Capital Leases Issued	233,180	0	0	0	233,180
Refunding Debt Issued	0	0	16,825,000	0	16,825,000
Premiums on Debt Issued	0	0	258,280	0	258,280
Insurance Recovery	76,560	6,030	0	0	82,590
Transfers In	2,085	0	250,224	0	252,309
Transfers Out	(32,670)	0	0	(219,639)	(252,309)
Payments to Refunded Debt Escrow Agent	0	0	(16,726,202)	0	(16,726,202)
Total Other Financing Sources (Uses)	\$ 279,155	\$ 56,030	\$ 607,302	\$ (219,639)	\$ 722,848
Net Change in Fund Balances	\$ 569,872	\$ (412,068)	\$ 319,130	\$ 21,426	\$ 498,360
Fund Balance, July 1, 2011	1,304,966	1,839,248	1,525,739	538,682	5,208,635
Fund Balance, June 30, 2012	\$ 1,874,838	\$ 1,427,180	\$ 1,844,869	\$ 560,108	\$ 5,706,995

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

# Exhibit C-4

## Fayette County, Tennessee Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2012

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)		\$	498,360
(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	\$	659,171	
Less: current-year depreciation expense		(3,156,598)	(2,497,427)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net assets.			
Add: capital assets donated and capitalized in the current period	\$	72,356	
Less: proceeds received from the disposal of capital assets		(32,304)	40,052
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2012	\$	1,165,420	
Less: deferred delinquent property taxes and other deferred June 30, 2011		(1,131,395)	34,025
(4) The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items.			
Less: refunding bond proceeds	\$	(16,825,000)	
Less: note proceeds		(50,000)	
Less: capital lease proceeds		(233,180)	
Less: change in discount on debt issuances		(28,482)	
Less: change in premium on debt issuances		(252,975)	
Add: change in deferred debt issuance costs		259,528	
Add: change in deferred amount on refunding		54,616	
Add: refunded bond principal		16,640,000	
Add: principal payments on bonds		789,445	
Add: principal payments on notes		9,785	
Add: principal payments on capital leases		29,322	393,059
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest payable	\$	96,829	
Change in compensated absences payable		(4,779)	
Change in other postemployment benefits liability		(48,800)	
Change in landfill postclosure care costs		(6,921)	36,329
Change in net assets of governmental activities (Exhibit B)		\$	<u>(1,495,602)</u>

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

Exhibit D

Fayette County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2012

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 2,291,302
Equity in Pooled Cash and Investments	42,792
Accounts Receivable	5,937
Due from Other Governments	<u>340,000</u>
Total Assets	<u><u>\$ 2,680,031</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 382,792
Due to Litigants, Heirs, and Others	<u>2,297,239</u>
Total Liabilities	<u><u>\$ 2,680,031</u></u>

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

**FAYETTE COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2012**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

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

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

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

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

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



Administrative Office:

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

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

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

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

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

Fayette County issues all debt for the discretely presented Fayette County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2012.

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

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

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

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

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

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

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

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

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

Fayette County reports the following major governmental funds:

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

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

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

Additionally, Fayette County reports the following fund types:

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

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

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

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

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

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

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

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

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

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Fayette County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the primary government's Solid Waste/Sanitation Fund. Fayette County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net

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

## **2. Receivables and Payables**

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

All ambulance and property taxes receivables are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 2.59 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 of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

### 4. **Compensated Absences**

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

matured, for example, as a result of employee resignations and retirements.

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

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

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

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

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

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

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

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

The government-wide Statement of Net Assets reports \$3,611,726 of restricted net assets for the primary government, of which \$184,639 is restricted by enabling legislation.

As of June 30, 2012, Fayette County had \$9,215,000 in outstanding debt for capital purposes for the discretely presented Fayette County School Department. This debt is a liability of Fayette County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Fayette County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

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.

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, and shall remain binding unless removed in the same manner.

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 Commission has authorized the county's Budget Committee to make assignments for the general government. The Board of Education makes assignments for the School Department.

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.

## **7. Prior-period Adjustment**

Capital assets of the discretely presented Fayette County School Department were restated \$200,701 from the prior year because three buses had been included twice.

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

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

#### **Primary Government**

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

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

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

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

##### **Primary Government**

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

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

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

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

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

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

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

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

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

**B. Cash Shortage – Prior-Years**

On April 27, 2010, a special report was issued on the Fayette County School Food Service Department for the period July 1, 2007, through December 15, 2009. This report disclosed that the food service supervisor circumvented purchasing procedures, resulting in a cash shortage of \$142,433. In addition, the food service supervisor altered time sheets of a part-time cafeteria worker, resulting in a cash shortage of \$35,196.93. In May 2010, the School Department's insurance carrier paid the department \$149,500. The three individuals entered into plea agreements. As of June 30, 2012, restitution outstanding totaled \$16,233.93.

**C. Cash Overdraft**

The discretely presented School Federal Projects Fund had a cash overdraft of \$163,589 at June 30, 2012. This cash overdraft resulted from the issuance of warrants exceeding cash on deposit with the county trustee. The cash overdraft was liquidated subsequent to June 30, 2012.

**D. Expenditures Exceeded Appropriations**

Expenditures exceeded appropriations approved by the County Commission in the Other Charges major appropriation category (the legal level of control) of the General Fund by \$1,176.

Total expenditures in the General Purpose School Fund exceeded total appropriations approved by the County Commission by \$1,252,647. Expenditures in the School Federal Projects Fund exceeded appropriations approved by the County Commission in the following major appropriation categories (the legal level of control):

School Federal Projects Fund:

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
Instruction - Alternative Instruction Program	\$ 1,746
Instruction - Special Education Program	162,966
Instruction - Vocational Education Program	122
Support Services - Health Services	43,855
Support Services - Other Student Support	96,611
Support Services - Special Education Program	3,409

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

**E. The Director of Schools Failed to Comply With State Statutes When Entering into Lease Agreements**

The director of schools failed to comply with state statutes when entering into lease agreements for copy machines, a scanner, and software. Details are discussed in the Schedule of Findings and Questioned Costs section of this report.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

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

**Deposits**

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

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

## **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, 2012.

## **B. Capital Assets**

Capital assets activity for the year ended June 30, 2012, was as follows:

### **Primary Government - Governmental Activities:**

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets Not Depreciated:				
Land	\$ 1,826,337	\$ 0	\$ 0	\$ 1,826,337
Total Capital Assets Not Depreciated	\$ 1,826,337	\$ 0	\$ 0	\$ 1,826,337
Capital Assets Depreciated:				
Buildings and Improvements	\$ 18,994,162	\$ 0	\$ 0	\$ 18,994,162
Infrastructure	114,797,285	0	0	114,797,285
Other Capital Assets	8,212,094	731,527	72,995	8,870,626
Total Capital Assets Depreciated	\$ 142,003,541	\$ 731,527	\$ 72,995	\$ 142,662,073

**Primary Government - Governmental Activities (Cont.):**

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Less Accumulated Depreciation For: Buildings and Improvements	\$ 4,046,002	\$ 740,211	\$ 0	\$ 4,786,213
Infrastructure	90,232,305	1,722,421	0	91,954,726
Other Capital Assets	4,798,397	693,966	40,691	5,451,672
Total Accumulated Depreciation	\$ 99,076,704	\$ 3,156,598	\$ 40,691	\$ 102,192,611
Total Capital Assets Depreciated, Net	\$ 42,926,837	\$ (2,425,071)	\$ 32,304	\$ 40,469,462
Governmental Activities Capital Assets, Net	\$ 44,753,174	\$ (2,425,071)	\$ 32,304	\$ 42,295,799

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

**Governmental Activities:**

General Government	\$ 41,408
Finance	3,482
Administration of Justice	154,821
Public Safety	784,305
Public Health and Welfare	170,404
Social, Cultural, and Recreational Services	10,200
Other Operations	228,608
Highway/Public Works	1,763,370
Total Depreciation Expense - Governmental Activities	\$ 3,156,598

**Discretely Presented Fayette County School Department -  
Governmental Activities:**

	*Restated Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets Not Depreciated:				
Land	\$ 359,607	\$ 0	\$ 0	\$ 359,607
Total Capital Assets Not Depreciated	\$ 359,607	\$ 0	\$ 0	\$ 359,607

**Discretely Presented Fayette County School Department -  
Governmental Activities (Cont.):**

	*Restated				
	Balance				Balance
	7-1-11	Increases	Decreases		6-30-12
Capital Assets Depreciated:					
Land Improvements	\$ 127,792	\$ 0	\$ 0	\$	127,792
Buildings and					
Improvements	34,482,906	0	0		34,482,906
Infrastructure	394,280	0	0		394,280
Other Capital Assets	6,076,009	508,249	57,175		6,527,083
Total Capital Assets					
Depreciated	\$ 41,080,987	\$ 508,249	\$ 57,175	\$	41,532,061
Less Accumulated					
Depreciation For:					
Land Improvements	\$ 125,814	\$ 0	\$ 0	\$	125,814
Buildings and					
Improvements	24,208,050	829,072	0		25,037,122
Infrastructure	394,280	0	0		394,280
Other Capital Assets	4,152,164	332,442	57,175		4,427,431
Total Accumulated					
Depreciation	\$ 28,880,308	\$ 1,161,514	\$ 57,175	\$	29,984,647
Total Capital Assets					
Depreciated, Net	\$ 12,200,679	\$ (653,265)	\$ 0	\$	11,547,414
Governmental Activities					
Capital Assets, Net	\$ 12,560,286	\$ (653,265)	\$ 0	\$	11,907,021

See Note I.D.7. for prior-period adjustment.

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

**Governmental Activities:**

Instruction	\$ 753,137
Support Services	334,196
Operation of Non-Instructional Services	<u>74,181</u>
Total Depreciation Expense -	
Governmental Activities	<u><u>\$ 1,161,514</u></u>

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

The composition of interfund balances as of June 30, 2012, was as follows:

**Due to/from Other Funds:**

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 29,706
General Debt Service	General	32,670
"	Nonmajor governmental	217,554
Discretely Presented School		
Department:		
General Purpose School	School Federal Projects	776
School Federal Projects	General Purpose School	206,481

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

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2012, consisted of the following amounts:

Transfers Out	Transfers In	
	General Fund	General Debt Service Fund
General Fund	\$ 0	\$ 32,670
Nonmajor governmental funds	2,085	217,554
Total	\$ 2,085	\$ 250,224

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



**D. Operating Leases**

The discretely presented Fayette County School Department rents copiers and teacher software under operating leases considered to be noncancelable. The rental expenditures for the year ended June 30, 2012, were \$151,150. There are no provisions for contingent or sublease rentals in the agreements. The future minimum lease payments for these leases are as follows:

Year Ending June 30	Amount
2013	\$ 158,280
2014	158,280
2015	158,280
2016	<u>158,280</u>
Total	<u><u>\$ 633,120</u></u>

**E. Capital Leases**

**Primary Government**

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

On November 2, 2011, Fayette County entered into a five-year lease-purchase agreement for ten patrol cars. The terms of the agreement require total lease payments of \$233,180 plus interest of 3.27 percent. Title to the patrol cars transfers to Fayette County at the end of the lease period. The lease payments are made by the General Debt Service Fund.

The assets acquired through capital leases are as follows:

Asset	Governmental Activities
Other Capital Assets	\$ 321,180
Less: Accumulated Depreciation	<u>56,009</u>
Total Book Value	<u><u>\$ 377,189</u></u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2012, were as follows:

Year Ending June 30	Governmental Funds
2013	\$ 82,794
2014	51,381
2015	51,381
2016	51,381
2017	51,381
Total Minimum Lease Payments	\$ 288,318
Less: Amount Representing Interest	(24,789)
Present Value of Minimum Lease Payments	<u>\$ 263,529</u>

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

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

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

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

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

The assets acquired through capital leases are as follows:

Asset	Governmental Activities
Machinery and Equipment	\$ 630,455
Less: Accumulated Depreciation	<u>(256,838)</u>
Total Book Value	<u>\$ 373,617</u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2012, were as follows:

Year Ending June 30	Governmental Funds
2013	\$ 173,246
Total Minimum Lease Payments	\$ 173,246
Less: Amount Representing Interest	(7,756)
Present Value of Minimum Lease Payments	\$ 165,490

**F. Long-term Debt**

**Primary Government**

**General Obligation Bonds and Notes**

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 37 years for bonds and up to 12 years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2012, will be retired from the Highway/Public Works and General Debt Service funds.

General obligation bonds, capital outlay notes, and capital leases outstanding as of June 30, 2012, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-12
General Obligation Bonds	3.5 to 4.375 %	9-16-45	\$ 5,550,000	\$ 4,552,328
General Obligation Bonds - Refunding	1.25 to 3.5	4-1-30	16,825,000	16,455,000
Capital Outlay Notes	1.725 to 4.25	3-15-22	189,789	167,840
Capital Leases	3.27 to 3.45	11-10-16	321,180	263,529

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2012, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2013	\$ 797,516	\$ 578,537	\$ 1,376,053
2014	797,845	576,777	1,374,622
2015	818,188	559,513	1,377,701
2016	868,546	540,826	1,409,372
2017	1,023,920	520,199	1,544,119
2018-2022	5,570,808	2,191,980	7,762,788
2023-2027	6,647,937	1,362,550	8,010,487
2028-2032	4,152,964	342,896	4,495,860
2033-2037	96,577	66,772	163,349
2038-2042	119,635	43,716	163,351
2043-2046	113,392	14,714	128,106
Total	\$ 21,007,328	\$ 6,798,480	\$ 27,805,808

Year Ending June 30	Notes		
	Principal	Interest	Total
2013	\$ 60,126	\$ 8,633	\$ 68,759
2014	10,557	4,577	15,134
2015	11,005	4,129	15,134
2016	11,463	3,671	15,134
2017	11,960	3,174	15,134
2018-2022	62,729	7,805	70,534
Total	\$ 167,840	\$ 31,989	\$ 199,829

There is \$1,844,869 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$547, based on the 2010 federal census. Debt per capita, including bonds, notes, and capital leases totaled \$558, based on the 2010 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

Governmental Activities:

	Bonds		Notes	Capital Leases
Balance, July 1, 2011	\$ 21,611,773	\$ 127,625	\$ 59,671	
Additions	16,825,000	50,000	233,180	
Reductions	(17,429,445)	(9,785)	(29,322)	
Balance, June 30, 2012	\$ 21,007,328	\$ 167,840	\$ 263,529	
Balance Due Within One Year	\$ 797,516	\$ 60,126	\$ 73,990	

Governmental Activities (Cont.):

	Compensated Absences	Landfill Postclosure Care Costs	Other Postemployment Benefits
Balance, July 1, 2011	\$ 352,952	\$ 722,279	\$ 177,422
Additions	325,281	17,091	62,564
Reductions	(320,502)	(10,170)	(13,764)
Balance, June 30, 2012	<u>\$ 357,731</u>	<u>\$ 729,200</u>	<u>\$ 226,222</u>
Balance Due Within One Year	<u>\$ 301,420</u>	<u>\$ 10,170</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	\$ 22,751,850
Less: Balance Due Within One Year	(1,243,222)
Add: Unamortized Premium on Debt	252,975
Less: Deferred Discount on Debt	(3,597)
Less: Deferred Amount on Refunding	<u>(54,616)</u>

Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 21,703,390</u>
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Compensated absences will be paid from the employing funds, primarily the General, Solid Waste/Sanitation, and Highway/Public Works funds. Landfill postclosure care costs will be paid from the Solid Waste/Sanitation Fund. Other postemployment benefits will be paid from the employing funds, primarily the General and Highway/Public Works funds.

Current Refundings

On September 15, 2011, Fayette County issued \$9,585,000 in general obligation bonds for a current refunding of \$9,390,000 in school refunding bonds. As a result, the refunded bonds are considered defeased, and the liability has been removed from the county's long-term debt. As a result of the refunding, total debt service payments over the next 19 years will increase by \$937,589, and an economic gain of \$650,527 was obtained.

On May 1, 2012, Fayette County issued \$7,240,000 in general obligation bonds for a current refunding of \$7,250,000 in general obligation bonds. As a result, the refunded bonds are considered defeased, and the liability has been removed from the county's long-term debt. As a result of the refunding, total

debt service payments over the next 17 years will be reduced by \$1,437,829, and an economic gain of \$1,181,230 was obtained.

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

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

Capital outlay notes are direct obligations and pledge the full faith and credit of the government. The capital outlay note was issued for original terms of up to eight years. The capital outlay note outstanding as of June 30, 2012, will be retired from the General Purpose School Fund.

The capital outlay note and capital leases outstanding as of June 30, 2012, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-12
Capital Outlay Note	3.86%	6-1-16	\$ 1,080,000	\$ 575,000
Capital Leases	4.465 to 5.07	9-24-12	630,455	165,490

The annual requirements to amortize the note outstanding as of June 30, 2012, including interest payments, are presented in the following table:

Year Ending June 30	Note		
	Principal	Interest	Total
2013	\$ 140,000	\$ 22,503	\$ 162,503
2014	150,000	17,024	167,024
2015	155,000	11,154	166,154
2016	130,000	5,102	135,102
Total	\$ 575,000	\$ 55,783	\$ 630,783

### **Changes in Long-term Liabilities**

Long-term liability activity for the discretely presented Fayette County School Department for the year ended June 30, 2012, was as follows:

Governmental Activities:

	Note	Capital Leases
Balance, July 1, 2011	\$ 710,000	\$ 323,573
Reductions	(135,000)	(158,083)
Balance, June 30, 2012	\$ 575,000	\$ 165,490
Balance Due Within One Year	\$ 140,000	\$ 165,490

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2011	\$ 155,419	\$ 507,833
Additions	92,818	297,751
Reductions	(79,574)	(187,693)
Balance, June 30, 2012	\$ 168,663	\$ 617,891
Balance Due Within One Year	\$ 148,062	\$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	\$ 1,527,044
Less: Balance Due Within One Year	<u>(453,552)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 1,073,492</u>

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

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

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

Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2012, were \$50,454 and \$27,886, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

#### **H. Short-term Debt**

Fayette County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General (\$1,500,000) and General Purpose School (\$1,200,000) funds. These notes were necessary because funds were not available to meet operating expenses coming due before current tax collections. Short-term debt activity for the year ended June 30, 2012, was as follows:

	Balance 7-1-11	Issued	Paid	Balance 6-30-12
Tax Anticipation Notes	\$ 0	\$ 2,700,000	\$ (2,700,000)	\$ 0

#### **V. OTHER INFORMATION**

##### **A. Risk Management**

##### **Primary Government**

##### **Liability, Property, and Casualty**

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

##### **Workers' Compensation Insurance**

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



### Employee Health Insurance

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

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

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

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

### Employee Health Insurance

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

## **B. Subsequent Events**

Director of Schools Dr. Cedric Gray resigned June 30, 2012, and was succeeded by James Teague.

Subsequent to June 30, 2012, Fayette County issued tax anticipation notes to provide temporary operating funds for the following funds:

Fund	Date Issued	Amount
General	7-17-12	\$ 50,000
"	8-23-12	550,000
"	9-29-12	500,000
"	10-31-12	300,000
General Purpose School	7-17-12	250,000
"	8-13-12	750,000
"	9-13-12	150,000
"	9-17-12	150,000
"	9-29-12	200,000
"	10-25-12	200,000

On December 12, 2012, Fayette County issued \$4,575,000 in general obligation bonds for school construction, public works projects, and vehicle purchases.

**C. Contingent Liabilities**

The county is involved in several pending lawsuits. Management 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.

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

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

State and federal laws and regulations require the county to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Fayette County closed its sanitary landfill in 1998. The \$729,200 reported as postclosure care liability at June 30, 2012, represents amounts based on what it would cost to perform all postclosure care in 2012. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**E. Joint Venture**

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

Administrative Office:

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

**F. Retirement Commitments**

**Plan Description**

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

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

### **Funding Policy**

Fayette County requires employees to contribute five percent of their earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012, was 8.57 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ended June 30, 2012, Fayette County's annual pension cost of \$1,148,037 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 three percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) 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 six years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

### **Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-12	\$1,148,037	100%	\$0
6-30-11	1,092,374	100	0
6-30-10	1,125,349	100	0

## **Funded Status and Funding Progress**

As of July 1, 2011, the most recent actuarial valuation date, the plan was 95.51 percent funded. The actuarial accrued liability for benefits was \$35.58 million, and the actuarial value of assets was \$33.99 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.6 million. The covered payroll (annual payroll of active employees covered by the plan) was \$12.87 million, and the ratio of the UAAL to the covered payroll was 12.42 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.

## **SCHOOL TEACHERS**

### **Plan Description**

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew

Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.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, 2012, 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, 2012, 2011, and 2010, were \$1,306,386, \$1,300,320, and \$910,334, respectively, equal to the required contributions for each year.

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

### **Plan Description**

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

### **Funding Policy**

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plans are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year ended June 30, 2012, Fayette County and the

discretely presented School Department contributed \$13,764 and \$187,693, respectively, for postemployment health care.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 299,000	\$ 63,000
Interest on the NPO	20,313	7,097
Adjustment to the ARC	(21,562)	(7,533)
Annual OPEB cost	\$ 297,751	\$ 62,564
Less: Amount of contribution	(187,693)	(13,764)
Increase/decrease in NPO	\$ 110,058	\$ 48,800
Net OPEB obligation, 7-1-11	507,833	177,422
Net OPEB obligation, 6-30-12	\$ 617,891	\$ 226,222

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-10	Local Education Group	\$ 234,747	56 %	\$ 417,217
6-30-11	"	244,992	63	507,833
6-30-12	"	297,751	63	617,891
6-30-10	Local Government Group	94,078	29	104,114
6-30-11	"	98,247	25	177,422
6-30-12	"	62,564	22	226,222

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-11	7-1-11
Actuarial accrued liability (AAL)	\$ 2,132,000	\$ 423,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 2,132,000	\$ 423,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 19,426,014	\$ 7,752,730
UAAL as a % of covered payroll	11%	5%

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

#### Actuarial Methods and Assumptions

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

In the July 1, 2011, actuarial valuation for the Local Education Group and the Local Government Group plans, the projected unit credit actuarial cost method was used and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25 percent for fiscal year 2012. The trend will decrease to 8.75 percent in fiscal year 2013 and then be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both rates include a 2.5 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.

### **H. Purchasing Laws**

#### Office of County Mayor

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

#### Office of Public Works Superintendent

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



## Office of Director of Schools

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

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

### **A. Significant Accounting Policies**

#### **1. Reporting Entity**

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

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

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

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

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

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

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

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

**3. Assets, Liabilities, and Net Assets**

**a. Deposits and Investments**

The district’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of inception. Investments consist of certificates of deposit.

**b. Accounts Receivable**

Accounts receivable represent amounts due from AT&T, other various telephone companies, and state wireless charges.

**c. Capital Assets**

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

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

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

**d. Compensated Absences**

The district allows full-time employees one day of vacation per month. The vacation days will have monetary value, and may be accrued, but only 15 days may be carried over at

December 31. A liability is reflected in the financial statements for \$1,925.

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

e. **Net Assets**

Equity is reported as net assets, which are classified into the following components as applicable:

- i. Invested in capital assets – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any payables that are attributable to the acquisition, construction, or improvement of those assets.
- ii. Restricted – net assets when constraints are placed on their use by external third parties or imposed by law.
- iii. Unrestricted – all other net assets that do not meet the definition of the other categories.

B. **Stewardship, Compliance, and Accountability**

**Budgetary Information**

The district's Board of Directors approves an appropriate budget annually. The budget is prepared on a basis, which differs from generally accepted accounting principles pertaining to proprietary funds, in that capital expenditures are budgeted as operating expenses rather than being capitalized as capital assets, and expenses are on the cash basis rather than the accrual basis. The legal level of control is at each line-item of expense; therefore, each line-item must be amended prior to expending funds.

There were individual line-item budget overages of \$710 for the fiscal year ended June 30, 2012.

C. **Detailed Notes on Accounts**

1. **Deposits and Investments**

The district's policies limit deposits and investments to those instruments allowed by applicable state laws and are described below. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to

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

As of June 30, 2012, all deposits were fully collateralized or insured.

## 2. Capital Assets

Capital asset activity for the year was as follows:

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets Depreciated:				
Furniture and Fixtures	\$ 8,627	\$ 0	\$ 0	\$ 8,627
Office Equipment	50,798	8,379	220	58,957
Communications				
Equipment	609,317	29,573	525	638,365
Vehicles	22,415	0	0	22,415
Total Capital Assets				
Depreciated	\$ 691,157	\$ 37,952	\$ 745	\$ 728,364
Less Accumulated Depreciation:				
Furniture and Fixtures	\$ 6,976	\$ 1,187	\$ 0	\$ 8,163
Office Equipment	21,872	4,987	220	26,639
Communications				
Equipment	198,619	54,906	525	253,000
Vehicles	19,984	2,431	0	22,415
Total Accumulated				
Depreciation	\$ 247,451	\$ 63,511	\$ 745	\$ 310,217
Total Capital Assets, Net	\$ 443,706	\$ (25,559)	\$ 0	\$ 418,147

**D. Other Information**

**1. Commitments**

The district has contracted with AT&T for the provision of services relating to the operation of the VIPER system. The monthly obligation by the district under the contract is \$4,964 for a 60-month period.

**2. Funding Sources**

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

**3. Retirement Plan**

**Plan Description**

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee

Treasury Department, Consolidated Retirement System, 10<sup>th</sup> Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

### **Funding Policy**

The district requires employees to contribute five percent of their earnable compensation. The district is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012, was 9.13 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the district is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ended June 30, 2012, the district's annual pension cost of \$5,610 to TCRS was equal to the district'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 three percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected postretirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a five-year period. The district's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was 18 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

### **Trend Information**

Fiscal Year Ended		Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-12	\$	5,610	100%	\$ 0
6-30-11		5,393	100	0
6-30-10		3,851	100	0

## **Funding Status and Funding Progress**

As of July 1, 2009, the most recent actuarial valuation date available, the plan was 51.95 percent funded. The actuarial accrued liability for benefits was \$51 thousand, and the actuarial value of assets was \$26 thousand, resulting in an unfunded actuarial accrued liability (UAAL) of \$24 thousand. The covered payroll (annual payroll of active employees covered by the plan) was \$42 thousand, and the ratio of the UAAL to the covered payroll was 58.81 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, present 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.

### **4. Risk Management**

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

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## REQUIRED SUPPLEMENTARY INFORMATION

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## Exhibit E-1

Fayette County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund  
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 8,134,115	\$ 7,882,746	\$ 7,882,746	\$ 251,369
Licenses and Permits	215,198	182,000	182,000	33,198
Fines, Forfeitures, and Penalties	124,946	134,210	134,210	(9,264)
Charges for Current Services	1,312,872	1,226,980	1,281,093	31,779
Other Local Revenues	308,184	229,878	287,827	20,357
Fees Received from County Officials	1,446,410	1,295,000	1,295,000	151,410
State of Tennessee	1,808,632	1,841,090	1,895,961	(87,329)
Federal Government	141,781	156,389	111,389	30,392
Other Governments and Citizens Groups	284,855	233,500	255,500	29,355
Total Revenues	<u>\$ 13,776,993</u>	<u>\$ 13,181,793</u>	<u>\$ 13,325,726</u>	<u>\$ 451,267</u>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 65,669	\$ 70,538	\$ 65,701	\$ 32
Beer Board	0	603	0	0
County Mayor/Executive	88,764	90,872	89,475	711
County Attorney	67,773	57,077	69,577	1,804
Election Commission	236,481	233,141	238,492	2,011
Register of Deeds	18,208	18,750	18,750	542
Development	190,049	192,607	192,607	2,558
Building	68,991	71,349	71,349	2,358
County Buildings	164,563	156,485	164,564	1
Other Facilities	6,316	2,300	6,357	41
Other General Administration	51,077	52,270	52,270	1,193
<u>Finance</u>				
Accounting and Budgeting	141,146	177,873	177,873	36,727
Property Assessor's Office	227,045	253,400	256,462	29,417
Reappraisal Program	43,554	47,267	44,205	651
County Trustee's Office	184,830	188,352	188,352	3,522
County Clerk's Office	251,437	254,061	254,061	2,624
<u>Administration of Justice</u>				
Circuit Court	157,728	170,932	170,932	13,204
General Sessions Court	142,274	146,263	146,263	3,989
General Sessions Judge	181,483	181,149	181,626	143
General Sessions Court Clerk	59,526	64,979	64,979	5,453
Drug Court	48,499	50,000	50,000	1,501
Chancery Court	169,176	176,975	176,975	7,799
Juvenile Court	51,434	51,937	51,460	26
Other Administration of Justice	11,553	41,910	41,910	30,357
<u>Public Safety</u>				
Sheriff's Department	2,499,262	2,193,483	2,531,848	32,586
Drug Enforcement	220,230	216,331	222,246	2,016
Jail	2,564,665	2,465,871	2,564,890	225

(Continued)

## Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Safety (Cont.)</u>				
Workhouse	\$ 15,023	\$ 18,827	\$ 16,214	\$ 1,191
Fire Prevention and Control	501,115	501,205	501,205	90
Civil Defense	231,119	233,168	252,333	21,214
Rescue Squad	921	9,100	1,017	96
Other Emergency Management	5,554	0	6,304	750
County Coroner/Medical Examiner	27,000	35,000	27,000	0
Other Public Safety	137,350	123,959	138,890	1,540
<u>Public Health and Welfare</u>				
Local Health Center	49,790	55,637	59,137	9,347
Rabies and Animal Control	76,350	80,104	77,424	1,074
Ambulance/Emergency Medical Services	1,576,670	1,447,225	1,600,690	24,020
Dental Health Program	266,471	342,871	339,371	72,900
Crippled Children Services	2,216	2,216	2,216	0
Other Local Health Services	1,534	1,534	1,534	0
Appropriation to State	25,761	25,761	25,761	0
Aid to Dependent Children	500	2,750	2,750	2,250
Other Local Welfare Services	9,138	9,138	9,138	0
Sanitation Education/Information	57,297	49,461	58,132	835
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	11,924	18,711	11,925	1
Libraries	183,061	175,026	187,532	4,471
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	111,013	122,302	122,302	11,289
Soil Conservation	59,291	59,633	59,633	342
<u>Other Operations</u>				
Industrial Development	1,224	500	1,250	26
Airport	309,124	287,062	312,341	3,217
Veterans' Services	3,528	5,900	5,900	2,372
Other Charges	295,461	285,810	294,285	(1,176)
Contributions to Other Agencies	45,545	38,759	45,545	0
Employee Benefits	1,535,555	1,568,195	1,539,979	4,424
Miscellaneous	9,003	1,000	9,684	681
<u>Interest on Debt</u>				
General Government	26,005	45,000	26,005	0
Total Expenditures	\$ 13,486,276	\$ 13,172,629	\$ 13,828,721	\$ 342,445
Excess (Deficiency) of Revenues Over Expenditures	\$ 290,717	\$ 9,164	\$ (502,995)	\$ 793,712
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 233,180	\$ 0	\$ 233,180	\$ 0
Insurance Recovery	76,560	0	76,145	415

(Continued)

## Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Other Financing Sources (Uses) (Cont.)</u>				
Transfers In	\$ 2,085	\$ 0	\$ 39,730	\$ (37,645)
Transfers Out	(32,670)	0	(32,670)	0
Total Other Financing Sources (Uses)	<u>\$ 279,155</u>	<u>\$ 0</u>	<u>\$ 316,385</u>	<u>\$ (37,230)</u>
Net Change in Fund Balance	\$ 569,872	\$ 9,164	\$ (186,610)	\$ 756,482
Fund Balance, July 1, 2011	<u>1,304,966</u>	<u>1,342,346</u>	<u>1,342,346</u>	<u>(37,380)</u>
Fund Balance, June 30, 2012	<u>\$ 1,874,838</u>	<u>\$ 1,351,510</u>	<u>\$ 1,155,736</u>	<u>\$ 719,102</u>

## Exhibit E-2

Fayette County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,025,369	\$ 1,961,375	\$ 1,961,375	\$ 63,994
Other Local Revenues	23,806	181,300	181,300	(157,494)
State of Tennessee	2,345,664	2,662,000	2,662,000	(316,336)
Federal Government	157,257	0	157,257	0
Total Revenues	\$ 4,552,096	\$ 4,804,675	\$ 4,961,932	\$ (409,836)
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 182,668	\$ 184,967	\$ 185,967	\$ 3,299
Highway and Bridge Maintenance	1,731,607	1,510,649	1,851,349	119,742
Operation and Maintenance of Equipment	542,781	484,000	636,000	93,219
Other Charges	244,497	248,000	251,100	6,603
Employee Benefits	622,540	633,600	639,600	17,060
Capital Outlay	1,520,649	1,600,000	1,775,900	255,251
<u>Principal on Debt</u>				
Highways and Streets	29,322	31,418	29,326	4
<u>Interest on Debt</u>				
Highways and Streets	2,092	0	2,092	0
<u>Capital Projects</u>				
Highway and Street Capital Projects	144,038	118,000	148,000	3,962
Total Expenditures	\$ 5,020,194	\$ 4,810,634	\$ 5,519,334	\$ 499,140
Excess (Deficiency) of Revenues Over Expenditures	\$ (468,098)	\$ (5,959)	\$ (557,402)	\$ 89,304
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 50,000	\$ 0	\$ 0	\$ 50,000
Insurance Recovery	6,030	0	0	6,030
Total Other Financing Sources (Uses)	\$ 56,030	\$ 0	\$ 0	\$ 56,030
Net Change in Fund Balance	\$ (412,068)	\$ (5,959)	\$ (557,402)	\$ 145,334
Fund Balance, July 1, 2011	1,839,248	1,611,739	1,611,739	227,509
Fund Balance, June 30, 2012	\$ 1,427,180	\$ 1,605,780	\$ 1,054,337	\$ 372,843

Exhibit E-3

Fayette County, Tennessee

Schedule of Funding Progress – Pension Plan

Primary Government and Discretely Presented Fayette County School Department

June 30, 2012

(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)
7-1-11	\$ 33,986	\$ 35,584	\$ 1,598	95.51%	\$ 12,867	12.42 %
7-1-09	27,496	28,498	1,002	96.48	12,272	8.17
7-1-07	25,406	26,656	1,250	95.31	10,796	11.58

Exhibit E-4

Fayette County, Tennessee

Schedule of Funding Progress – Pension Plan

Discretely Presented Fayette County Emergency Communications District

June 30, 2012

(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)
7-1-11	\$ 45	\$ 65	\$ 20	69.83%	\$ 45	43.70%
7-1-09	26	51	24	51.95	42	58.81
7-1-07	18	39	21	46.15	55	38.18

Exhibit E-5

Fayette County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plans  
Primary Government and Discretely Presented Fayette County School Department  
June 30, 2012

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>PRIMARY GOVERNMENT</u>							
Local Government Group	7-1-09	\$ 0	\$ 798	\$ 798	0 %	\$ 7,119	11 %
"	7-1-10	0	846	846	0	7,690	11
"	7-1-11	0	423	423	0	7,753	5
<u>DISCRETELY PRESENTED FAYETTE</u> <u>COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-09	0	1,835	1,835	0	18,148	10
"	7-1-10	0	1,905	1,905	0	19,157	10
"	7-1-11	0	2,132	2,132	0	19,426	11

**FAYETTE COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2012**

**A. BUDGETARY INFORMATION**

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

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

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

**B. EXPENDITURES EXCEEDED APPROPRIATIONS**

Expenditures exceeded appropriations approved by the County Commission in the Other Charges major appropriation category (the legal level of control) of the General Fund by \$1,176. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balance.



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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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

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

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

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

# Capital Projects Funds

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

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

HUD Grant Projects Fund – The HUD Grant Projects Fund is used to account for grant proceeds and expenditures for a Community Development Block grant and a Tennessee Housing Development Agency grant. This fund was closed during the 2011-12 year.

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

Exhibit F-1

Fayette County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2012

	Special Revenue Funds				Capital Projects Funds				Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Adequate Facilities/ Development Tax	Constitu- tional Officers - Fees	Total	General Capital Projects	Other Capital Projects	Total	
Cash	\$ 100	\$ 0	\$ 0	\$ 36,926	\$ 37,026	\$ 0	\$ 0	\$ 0	\$ 37,026
Equity in Pooled Cash and Investments	4,424	176,586	402,193	0	583,203	29,333	106,262	135,595	718,798
Accounts Receivable	27,840	0	0	202	28,042	0	0	0	28,042
Due from Other Governments	0	0	0	0	0	0	23,502	23,502	23,502
Total Assets	\$ 32,364	\$ 176,586	\$ 402,193	\$ 37,128	\$ 648,271	\$ 29,333	\$ 129,764	\$ 159,097	\$ 807,368
<u>LIABILITIES AND FUND BALANCES</u>									
Liabilities									
Due to Other Funds	\$ 0	\$ 0	\$ 217,554	\$ 29,706	\$ 247,260	\$ 0	\$ 0	\$ 0	\$ 247,260
Total Liabilities	\$ 0	\$ 0	\$ 217,554	\$ 29,706	\$ 247,260	\$ 0	\$ 0	\$ 0	\$ 247,260
Fund Balances									
Restricted:									
Restricted for General Government	\$ 0	\$ 0	\$ 0	\$ 7,422	\$ 7,422	\$ 0	\$ 0	\$ 0	\$ 7,422
Restricted for Public Safety	0	176,586	0	0	176,586	0	0	0	176,586
Restricted for Other Operations	0	0	184,639	0	184,639	0	0	0	184,639
Restricted for Capital Outlay	0	0	0	0	0	29,333	129,764	159,097	159,097
Committed:									
Committed for Public Health and Welfare	32,364	0	0	0	32,364	0	0	0	32,364
Total Fund Balances	\$ 32,364	\$ 176,586	\$ 184,639	\$ 7,422	\$ 401,011	\$ 29,333	\$ 129,764	\$ 159,097	\$ 560,108
Total Liabilities and Fund Balances	\$ 32,364	\$ 176,586	\$ 402,193	\$ 37,128	\$ 648,271	\$ 29,333	\$ 129,764	\$ 159,097	\$ 807,368

## Exhibit F-2

Fayette County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2012

	Special Revenue Funds					
	Solid Waste / Sanitation	Drug Control	Adequate Facilities/ Development Tax	Constitu- tional Officers - Fees		Total
<u>Revenues</u>						
Local Taxes	\$ 0	\$ 0	\$ 290,587	\$ 0	\$	290,587
Fines, Forfeitures, and Penalties	0	56,141	0	0		56,141
Charges for Current Services	271,035	0	0	154,970		426,005
Other Local Revenues	261,398	13,493	0	0		274,891
State of Tennessee	84,000	0	0	0		84,000
Total Revenues	<u>\$ 616,433</u>	<u>\$ 69,634</u>	<u>\$ 290,587</u>	<u>\$ 154,970</u>	<u>\$</u>	<u>1,131,624</u>
<u>Expenditures</u>						
Current:						
General Government	\$ 0	\$ 0	\$ 0	\$ 150,215	\$	150,215
Administration of Justice	0	0	0	4,300		4,300
Public Safety	0	77,187	0	0		77,187
Public Health and Welfare	709,623	0	0	0		709,623
Other Operations	0	0	5,948	0		5,948
Capital Projects	0	0	0	0		0
Total Expenditures	<u>\$ 709,623</u>	<u>\$ 77,187</u>	<u>\$ 5,948</u>	<u>\$ 154,515</u>	<u>\$</u>	<u>947,273</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (93,190)</u>	<u>\$ (7,553)</u>	<u>\$ 284,639</u>	<u>\$ 455</u>	<u>\$</u>	<u>184,351</u>
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ 0	\$ 0	\$ (217,554)	\$ 0	\$	(217,554)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (217,554)</u>	<u>\$ 0</u>	<u>\$</u>	<u>(217,554)</u>
Net Change in Fund Balances	\$ (93,190)	\$ (7,553)	\$ 67,085	\$ 455	\$	(33,203)
Fund Balance, July 1, 2011	125,554	184,139	117,554	6,967		434,214
Fund Balance, June 30, 2012	<u>\$ 32,364</u>	<u>\$ 176,586</u>	<u>\$ 184,639</u>	<u>\$ 7,422</u>	<u>\$</u>	<u>401,011</u>

(Continued)

## Exhibit F-2

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

	Capital Projects Funds				Total Nonmajor Governmental Funds
	General Capital Projects	HUD Grant Projects	Other Capital Projects	Total	
<u>Revenues</u>					
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 290,587
Fines, Forfeitures, and Penalties	0	0	0	0	56,141
Charges for Current Services	0	0	0	0	426,005
Other Local Revenues	0	0	0	0	274,891
State of Tennessee	0	0	96,760	96,760	180,760
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 96,760</u>	<u>\$ 96,760</u>	<u>\$ 1,228,384</u>
<u>Expenditures</u>					
Current:					
General Government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 150,215
Administration of Justice	0	0	0	0	4,300
Public Safety	0	0	0	0	77,187
Public Health and Welfare	0	0	0	0	709,623
Other Operations	0	0	0	0	5,948
Capital Projects	12,378	0	27,668	40,046	40,046
Total Expenditures	<u>\$ 12,378</u>	<u>\$ 0</u>	<u>\$ 27,668</u>	<u>\$ 40,046</u>	<u>\$ 987,319</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (12,378)</u>	<u>\$ 0</u>	<u>\$ 69,092</u>	<u>\$ 56,714</u>	<u>\$ 241,065</u>
<u>Other Financing Sources (Uses)</u>					
Transfers Out	\$ 0	\$ (2,085)	\$ 0	\$ (2,085)	\$ (219,639)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ (2,085)</u>	<u>\$ 0</u>	<u>\$ (2,085)</u>	<u>\$ (219,639)</u>
Net Change in Fund Balances	\$ (12,378)	\$ (2,085)	\$ 69,092	\$ 54,629	\$ 21,426
Fund Balance, July 1, 2011	41,711	2,085	60,672	104,468	538,682
Fund Balance, June 30, 2012	<u>\$ 29,333</u>	<u>\$ 0</u>	<u>\$ 129,764</u>	<u>\$ 159,097</u>	<u>\$ 560,108</u>

## Exhibit F-3

Fayette County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 271,035	\$ 322,960	\$ 322,960	\$ (51,925)
Other Local Revenues	261,398	305,000	305,000	(43,602)
State of Tennessee	84,000	26,500	26,500	57,500
Total Revenues	<u>\$ 616,433</u>	<u>\$ 654,460</u>	<u>\$ 654,460</u>	<u>\$ (38,027)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Convenience Centers	\$ 213,492	\$ 228,500	\$ 228,500	\$ 15,008
Landfill Operation and Maintenance	496,131	527,488	527,488	31,357
Total Expenditures	<u>\$ 709,623</u>	<u>\$ 755,988</u>	<u>\$ 755,988</u>	<u>\$ 46,365</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (93,190)</u>	<u>\$ (101,528)</u>	<u>\$ (101,528)</u>	<u>\$ 8,338</u>
Net Change in Fund Balance	\$ (93,190)	\$ (101,528)	\$ (101,528)	\$ 8,338
Fund Balance, July 1, 2011	<u>125,554</u>	<u>123,150</u>	<u>123,150</u>	<u>2,404</u>
Fund Balance, June 30, 2012	<u><u>\$ 32,364</u></u>	<u><u>\$ 21,622</u></u>	<u><u>\$ 21,622</u></u>	<u><u>\$ 10,742</u></u>

## Exhibit F-4

Fayette County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 56,141	\$ 0	\$ 0	\$ 56,141
Other Local Revenues	13,493	0	0	13,493
Total Revenues	<u>\$ 69,634</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 69,634</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 77,187	\$ 100,500	\$ 100,500	\$ 23,313
Total Expenditures	<u>\$ 77,187</u>	<u>\$ 100,500</u>	<u>\$ 100,500</u>	<u>\$ 23,313</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (7,553)</u>	<u>\$ (100,500)</u>	<u>\$ (100,500)</u>	<u>\$ 92,947</u>
Net Change in Fund Balance	\$ (7,553)	\$ (100,500)	\$ (100,500)	\$ 92,947
Fund Balance, July 1, 2011	184,139	225,052	225,052	(40,913)
Fund Balance, June 30, 2012	<u><u>\$ 176,586</u></u>	<u><u>\$ 124,552</u></u>	<u><u>\$ 124,552</u></u>	<u><u>\$ 52,034</u></u>



## Exhibit F-5

Fayette County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Adequate Facilities/Development Tax Fund  
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 290,587	\$ 200,000	\$ 200,000	\$ 90,587
Total Revenues	\$ 290,587	\$ 200,000	\$ 200,000	\$ 90,587
<u>Expenditures</u>				
<u>Other Operations</u>				
Other Charges	\$ 5,948	\$ 7,500	\$ 7,500	\$ 1,552
Miscellaneous	0	217,554	0	0
Total Expenditures	\$ 5,948	\$ 225,054	\$ 7,500	\$ 1,552
Excess (Deficiency) of Revenues Over Expenditures	\$ 284,639	\$ (25,054)	\$ 192,500	\$ 92,139
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (217,554)	\$ 0	\$ (217,554)	\$ 0
Total Other Financing Sources (Uses)	\$ (217,554)	\$ 0	\$ (217,554)	\$ 0
Net Change in Fund Balance	\$ 67,085	\$ (25,054)	\$ (25,054)	\$ 92,139
Fund Balance, July 1, 2011	117,554	117,554	117,554	0
Fund Balance, June 30, 2012	\$ 184,639	\$ 92,500	\$ 92,500	\$ 92,139

# **Major Governmental Fund**

## **General Debt Service Fund**

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

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## Exhibit G

Fayette County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,744,879	\$ 1,888,154	\$ 1,888,154	\$ (143,275)
Other Local Revenues	1	0	0	1
Total Revenues	\$ 1,744,880	\$ 1,888,154	\$ 1,888,154	\$ (143,274)
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 429,230	\$ 417,220	\$ 436,450	\$ 7,220
Education	370,000	435,000	435,000	65,000
<u>Interest on Debt</u>				
General Government	499,566	496,047	523,116	23,550
Education	357,384	302,134	357,384	0
<u>Other Debt Service</u>				
General Government	375,213	21,000	378,778	3,565
Education	1,659	1,000	1,659	0
Total Expenditures	\$ 2,033,052	\$ 1,672,401	\$ 2,132,387	\$ 99,335
Excess (Deficiency) of Revenues Over Expenditures	\$ (288,172)	\$ 215,753	\$ (244,233)	\$ (43,939)
<u>Other Financing Sources (Uses)</u>				
Refunding Debt Issued	\$ 16,825,000	\$ 0	\$ 16,825,000	\$ 0
Premiums on Debt Issued	258,280	0	258,280	0
Transfers In	250,224	32,076	64,746	185,478
Payments to Refunded Debt Escrow Agent	(16,726,202)	0	(16,726,202)	0
Total Other Financing Sources (Uses)	\$ 607,302	\$ 32,076	\$ 421,824	\$ 185,478
Net Change in Fund Balance	\$ 319,130	\$ 247,829	\$ 177,591	\$ 141,539
Fund Balance, July 1, 2011	1,525,739	1,570,264	1,570,264	(44,525)
Fund Balance, June 30, 2012	\$ 1,844,869	\$ 1,818,093	\$ 1,747,855	\$ 97,014

# Fiduciary Funds

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

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

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

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

Exhibit H-1

Fayette County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2012

	Agency Funds			
	Cities - Sales Tax	Watershed District	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 2,291,302	\$ 2,291,302
Equity in Pooled Cash and Investments	0	42,792	0	42,792
Accounts Receivable	0	0	5,937	5,937
Due from Other Governments	340,000	0	0	340,000
Total Assets	\$ 340,000	\$ 42,792	2,297,239	\$ 2,680,031
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 340,000	\$ 42,792	\$ 0	\$ 382,792
Due to Litigants, Heirs, and Others	0	0	2,297,239	2,297,239
Total Liabilities	\$ 340,000	\$ 42,792	\$ 2,297,239	\$ 2,680,031

## Exhibit H-2

Fayette County, Tennessee  
Combining Statement of Changes in Assets and Liabilities - All Agency Funds  
For the Year Ended June 30, 2012

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 2,149,398	\$ 2,149,398	\$ 0
Due from Other Governments	336,869	340,000	336,869	340,000
Total Assets	\$ 336,869	\$ 2,489,398	\$ 2,486,267	\$ 340,000
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 336,869	\$ 2,489,398	\$ 2,486,267	\$ 340,000
Total Liabilities	\$ 336,869	\$ 2,489,398	\$ 2,486,267	\$ 340,000
<u>Watershed District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 42,792	\$ 0	\$ 0	\$ 42,792
Total Assets	\$ 42,792	\$ 0	\$ 0	\$ 42,792
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 42,792	\$ 0	\$ 0	\$ 42,792
Total Liabilities	\$ 42,792	\$ 0	\$ 0	\$ 42,792
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,362,874	\$ 12,068,296	\$ 11,139,868	\$ 2,291,302
Accounts Receivable	4,121	5,937	4,121	5,937
Total Assets	\$ 1,366,995	\$ 12,074,233	\$ 11,143,989	\$ 2,297,239
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,366,995	\$ 12,074,233	\$ 11,143,989	\$ 2,297,239
Total Liabilities	\$ 1,366,995	\$ 12,074,233	\$ 11,143,989	\$ 2,297,239
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,362,874	\$ 12,068,296	\$ 11,139,868	\$ 2,291,302
Equity in Pooled Cash and Investments	42,792	2,149,398	2,149,398	42,792
Accounts Receivable	4,121	5,937	4,121	5,937
Due from Other Governments	336,869	340,000	336,869	340,000
Total Assets	\$ 1,746,656	\$ 14,563,631	\$ 13,630,256	\$ 2,680,031
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 379,661	\$ 2,489,398	\$ 2,486,267	\$ 382,792
Due to Litigants, Heirs, and Others	1,366,995	12,074,233	11,143,989	2,297,239
Total Liabilities	\$ 1,746,656	\$ 14,563,631	\$ 13,630,256	\$ 2,680,031

# Fayette County School Department

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

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

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

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

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

Exhibit I-1

Fayette County, Tennessee  
Statement of Activities  
Discretely Presented Fayette County School Department  
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental Activities:				
Instruction	\$ 18,749,344	\$ 62,919	2,287,549	\$ (16,398,876)
Support Services	12,068,308	49,599	1,347,071	(10,671,638)
Operation of Non-Instructional Services	3,283,514	382,928	1,931,520	(969,066)
Interest on Long-term Debt	55,172	0	0	(55,172)
Other Debt Service	9,886	0	0	(9,886)
Total Governmental Activities	\$ 34,166,224	\$ 495,446	5,566,140	\$ (28,104,638)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 6,660,766
Local Option Sales Taxes				2,734,410
Other Local Taxes				2,211
Grants and Contributions Not Restricted to Specific Programs				17,350,502
Miscellaneous				132,744
Total General Revenues				\$ 26,880,633
Change in Net Assets				\$ (1,224,005)
Net Assets, July 1, 2011				13,278,691
Prior-period Adjustment				(200,701)
Net Assets, June 30, 2012				\$ 11,853,985



## Exhibit I-2

Fayette County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Fayette County School Department  
June 30, 2012

	<u>Major Funds</u>		<u>Nonmajor Funds</u>	
	<u>General</u>	<u>School</u>	<u>Other</u>	<u>Total</u>
	<u>Purpose</u>	<u>Federal</u>	<u>Govern-</u>	<u>Govern-</u>
	<u>School</u>	<u>Projects</u>	<u>mental</u>	<u>mental</u>
			<u>Funds</u>	<u>Funds</u>
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 160,938	\$ 0	\$ 440,248	\$ 601,186
Accounts Receivable	21,180	273	2,241	23,694
Due from Other Governments	1,009,268	40,384	252,090	1,301,742
Due from Other Funds	776	206,481	0	207,257
Property Taxes Receivable	6,775,781	0	0	6,775,781
Allowance for Uncollectible Property Taxes	(336,974)	0	0	(336,974)
Cash Shortage	0	0	16,234	16,234
Total Assets	\$ 7,630,969	\$ 247,138	\$ 710,813	\$ 8,588,920
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 271,456	\$ 0	\$ 151	\$ 271,607
Accrued Payroll	28,481	0	1,418	29,899
Payroll Deductions Payable	153,459	12,464	1,561	167,484
Cash Overdraft	0	163,589	0	163,589
Contracts Payable	8,500	0	1,000	9,500
Due to Other Funds	206,481	776	0	207,257
Deferred Revenue - Current Property Taxes	6,258,907	0	0	6,258,907
Deferred Revenue - Delinquent Property Taxes	157,622	0	0	157,622
Other Deferred Revenues	250,175	0	0	250,175
Total Liabilities	\$ 7,335,081	\$ 176,829	\$ 4,130	\$ 7,516,040
<u>Fund Balances</u>				
Restricted:				
Restricted for Education	\$ 54,099	\$ 40,657	\$ 0	\$ 94,756
Restricted for Operation of Non-Instructional Services	0	0	699,065	699,065
Restricted for Capital Outlay	0	0	7,618	7,618
Assigned:				
Assigned for Education	104,261	29,652	0	133,913
Unassigned	137,528	0	0	137,528
Total Fund Balances	\$ 295,888	\$ 70,309	\$ 706,683	\$ 1,072,880
Total Liabilities and Fund Balances	\$ 7,630,969	\$ 247,138	\$ 710,813	\$ 8,588,920

Exhibit I-3

Fayette County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to  
the Statement of Net Assets  
Discretely Presented Fayette County School Department  
June 30, 2012

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 1,072,880
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 359,607	
Add: land improvements net of accumulated depreciation	1,978	
Add: buildings and improvements net of accumulated depreciation	9,445,784	
Add: other capital assets net of accumulated depreciation	<u>2,099,652</u>	11,907,021
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: capital leases payable	\$ (165,490)	
Less: note payable	(575,000)	
Less: compensated absences payable	(168,663)	
Less: accrued interest on capital leases	(6,669)	
Less: other postemployment benefits liability	<u>(617,891)</u>	(1,533,713)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>407,797</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 11,853,985</u>

## Exhibit I-4

Fayette County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented Fayette County School Department  
For the Year Ended June 30, 2012

	Major Funds		Nonmajor Funds	
	General Purpose School	School Federal Projects	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>				
Local Taxes	\$ 9,424,521	\$ 0	\$ 0	\$ 9,424,521
Licenses and Permits	2,781	0	0	2,781
Charges for Current Services	68,679	0	383,348	452,027
Other Local Revenues	176,248	0	4,555	180,803
State of Tennessee	16,388,684	0	18,923	16,407,607
Federal Government	832,004	3,729,198	1,906,165	6,467,367
Total Revenues	\$ 26,892,917	\$ 3,729,198	\$ 2,312,991	\$ 32,935,106
<u>Expenditures</u>				
Current:				
Instruction	\$ 15,771,693	\$ 1,766,085	\$ 0	\$ 17,537,778
Support Services	10,469,253	1,635,226	0	12,104,479
Operation of Non-Instructional Services	915,096	0	2,290,928	3,206,024
Capital Outlay	523,282	0	0	523,282
Debt Service:				
Principal on Debt	293,083	0	0	293,083
Interest on Debt	61,851	0	0	61,851
Other Debt Service	9,886	0	0	9,886
Total Expenditures	\$ 28,044,144	\$ 3,401,311	\$ 2,290,928	\$ 33,736,383
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,151,227)	\$ 327,887	\$ 22,063	\$ (801,277)
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 46,964	\$ 0	\$ 0	\$ 46,964
Total Other Financing Sources (Uses)	\$ 46,964	\$ 0	\$ 0	\$ 46,964
Net Change in Fund Balances	\$ (1,104,263)	\$ 327,887	\$ 22,063	\$ (754,313)
Fund Balance, July 1, 2011	1,400,151	(257,578)	684,620	1,827,193
Fund Balance, June 30, 2012	\$ 295,888	\$ 70,309	\$ 706,683	\$ 1,072,880

Exhibit I-5

Fayette County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Discretely Presented Fayette County School Department  
For the Year Ended June 30, 2012

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)		\$	(754,313)
(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	\$	508,249	
Less: current-year depreciation expense		<u>(1,161,514)</u>	(653,265)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2012	\$	407,797	
Less: deferred delinquent property taxes and other deferred June 30, 2011		<u>(400,684)</u>	7,113
(3) The issuance of long-term debt (e.g., notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.			
Add: principal payments on note	\$	135,000	
Add: principal payments on capital leases		<u>158,083</u>	293,083
(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	\$	6,679	
Change in compensated absences payable		(13,244)	
Change in other postemployment benefits liability		<u>(110,058)</u>	<u>(116,623)</u>
Change in net assets of governmental activities (Exhibit B)			<u>\$ (1,224,005)</u>

## Exhibit I-6

Fayette County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Discretely Presented Fayette County School Department  
June 30, 2012

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Central Cafeteria	Capital Projects	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 432,630	\$ 7,618	\$ 440,248
Accounts Receivable	2,241	0	2,241
Due from Other Governments	252,090	0	252,090
Cash Shortage	16,234	0	16,234
Total Assets	<u>\$ 703,195</u>	<u>\$ 7,618</u>	<u>\$ 710,813</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 151	\$ 0	\$ 151
Accrued Payroll	1,418	0	1,418
Payroll Deductions Payable	1,561	0	1,561
Contracts Payable	1,000	0	1,000
Total Liabilities	<u>\$ 4,130</u>	<u>\$ 0</u>	<u>\$ 4,130</u>
<u>Fund Balances</u>			
Restricted:			
Restricted for Operation of Non-Instructional Services	\$ 699,065	\$ 0	\$ 699,065
Restricted for Capital Outlay	0	7,618	7,618
Total Fund Balances	<u>\$ 699,065</u>	<u>\$ 7,618</u>	<u>\$ 706,683</u>
Total Liabilities and Fund Balances	<u>\$ 703,195</u>	<u>\$ 7,618</u>	<u>\$ 710,813</u>

## Exhibit I-7

Fayette County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Discretely Presented Fayette County School Department  
For the Year Ended June 30, 2012

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Central Cafeteria	Education Capital Projects	
<u>Revenues</u>			
Charges for Current Services	\$ 383,348	\$ 0	\$ 383,348
Other Local Revenues	4,555	0	4,555
State of Tennessee	18,923	0	18,923
Federal Government	1,906,165	0	1,906,165
Total Revenues	<u>\$ 2,312,991</u>	<u>\$ 0</u>	<u>\$ 2,312,991</u>
<u>Expenditures</u>			
Current:			
Operation of Non-Instructional Services	\$ 2,290,928	\$ 0	\$ 2,290,928
Total Expenditures	<u>\$ 2,290,928</u>	<u>\$ 0</u>	<u>\$ 2,290,928</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 22,063</u>	<u>\$ 0</u>	<u>\$ 22,063</u>
Net Change in Fund Balances	\$ 22,063	\$ 0	\$ 22,063
Fund Balance, July 1, 2011	677,002	7,618	684,620
Fund Balance, June 30, 2012	<u><u>\$ 699,065</u></u>	<u><u>\$ 7,618</u></u>	<u><u>\$ 706,683</u></u>

Exhibit I-8

Fayette County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Fayette County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2012

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Final	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>							
Local Taxes	\$ 9,424,521	\$ 0	\$ 0	\$ 9,424,521	\$ 9,016,066	\$ 9,016,066	\$ 408,455
Licenses and Permits	2,781	0	0	2,781	2,500	2,500	281
Charges for Current Services	68,679	0	0	68,679	60,000	60,000	8,679
Other Local Revenues	176,248	0	0	176,248	102,700	102,700	73,548
State of Tennessee	16,388,684	0	0	16,388,684	16,044,058	16,122,398	266,286
Federal Government	832,004	0	0	832,004	1,294,000	1,294,000	(461,996)
Other Governments and Citizens Groups	0	0	0	0	25,000	25,000	(25,000)
<b>Total Revenues</b>	<b>\$ 26,892,917</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 26,892,917</b>	<b>\$ 26,544,324</b>	<b>\$ 26,622,664</b>	<b>\$ 270,253</b>
<b>Expenditures</b>							
<u>Instruction</u>							
Regular Instruction Program	\$ 12,906,653	\$ 0	4,685	\$ 12,911,338	\$ 12,400,542	\$ 12,406,268	\$ (505,070)
Special Education Program	2,022,385	0	0	2,022,385	1,868,389	1,868,611	(153,774)
Vocational Education Program	811,186	0	0	811,186	790,956	791,131	(20,055)
Adult Education Program	31,469	0	0	31,469	24,506	24,506	(6,963)
<u>Support Services</u>							
Attendance	118,088	0	0	118,088	115,909	115,910	(2,178)
Health Services	176,219	0	0	176,219	175,326	175,340	(879)
Other Student Support	550,250	0	0	550,250	556,146	556,221	5,971
Regular Instruction Program	980,252	0	0	980,252	898,252	898,322	(81,930)
Special Education Program	315,333	0	0	315,333	341,499	341,512	26,179
Vocational Education Program	457,963	0	0	457,963	541,028	541,029	83,066
Adult Programs	438,462	0	0	438,462	480,071	480,072	41,610
Other Programs	78,340	0	0	78,340	0	78,340	0

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Board of Education	\$ 789,955	0	0	789,955	\$ 684,620	\$ 684,620	\$ (105,335)
Director of Schools	291,653	0	6,762	298,415	263,891	264,503	(33,912)
Office of the Principal	1,365,347	0	0	1,365,347	1,365,796	1,366,819	1,472
Fiscal Services	236,287	0	0	236,287	234,231	235,029	(1,258)
Operation of Plant	1,546,350	0	17,179	1,563,529	1,543,481	1,545,678	(17,851)
Maintenance of Plant	565,724	0	6,656	572,380	556,732	558,753	(13,627)
Transportation	2,332,802	(16,012)	65,328	2,382,118	2,052,196	2,091,592	(290,526)
Central and Other	226,228	0	0	226,228	189,476	190,354	(35,874)
<u>Operation of Non-Instructional Services</u>							
Community Services	47,038	0	132	47,170	65,571	65,571	18,401
Early Childhood Education	868,058	0	0	868,058	801,305	801,477	(66,581)
<u>Capital Outlay</u>							
Regular Capital Outlay	523,282	0	3,519	526,801	200,000	537,578	10,777
<u>Principal on Debt</u>							
Education	293,083	0	0	293,083	487,400	149,822	(143,261)
<u>Interest on Debt</u>							
Education	61,851	0	0	61,851	77,000	100,802	38,951
<u>Other Debt Service</u>							
Education	9,886	0	0	9,886	0	9,886	0
Total Expenditures	\$ 28,044,144	\$ (16,012)	\$ 104,261	\$ 28,132,393	\$ 26,714,323	\$ 26,879,746	\$ (1,252,647)
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,151,227)	\$ 16,012	\$ (104,261)	\$ (1,239,476)	\$ (169,999)	\$ (257,082)	\$ (982,394)

(Continued)



Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Final	Variance with Final Budget - Positive (Negative)
Other Financing Sources (Uses)							
Insurance Recovery	\$ 46,964 \$	0 \$	0 \$	46,964 \$	10,000 \$	10,000 \$	36,964
Transfers In	0	0	0	0	160,000	160,000	(160,000)
Total Other Financing Sources (Uses)	\$ 46,964 \$	0 \$	0 \$	46,964 \$	170,000 \$	170,000 \$	(123,036)
Net Change in Fund Balance	\$ (1,104,263) \$	16,012 \$	(104,261) \$	(1,192,512) \$	1 \$	(87,082) \$	(1,105,430)
Fund Balance, July 1, 2011	1,400,151	(16,012)	0	1,384,139	1,069,000	1,069,000	315,139
Fund Balance, June 30, 2012	\$ 295,888 \$	0 \$	(104,261) \$	191,627 \$	1,069,001 \$	981,918 \$	(790,291)

Exhibit I-9

Fayette County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Fayette County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2012

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Final	Variance with Final Budget - Positive (Negative)
<u>Revenues</u>							
Federal Government	\$ 3,729,198	\$ 0	\$ 0	\$ 3,729,198	\$ 3,172,291	\$ 3,680,040	\$ 49,158
Total Revenues	\$ 3,729,198	\$ 0	\$ 0	\$ 3,729,198	\$ 3,172,291	\$ 3,680,040	\$ 49,158
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 898,115	\$ 0	\$ 2,328	\$ 900,443	\$ 1,657,945	\$ 986,972	\$ 86,529
Alternative Instruction Program	1,746	0	0	1,746	52,965	0	(1,746)
Special Education Program	810,789	(21,916)	0	788,873	751,730	625,907	(162,966)
Vocational Education Program	55,435	0	0	55,435	63,596	55,313	(122)
<u>Support Services</u>							
Health Services	163,808	0	0	163,808	119,953	119,953	(43,855)
Other Student Support	420,155	0	0	420,155	87,125	323,544	(96,611)
Regular Instruction Program	823,056	0	23,000	846,056	678,767	955,202	109,146
Alternative Instruction Program	0	0	0	0	0	45,800	45,800
Special Education Program	59,167	(2,758)	0	56,409	84,100	53,000	(3,409)
Vocational Education Program	2,041	0	0	2,041	3,000	3,000	959
Transportation	166,999	0	0	166,999	112,401	239,493	72,494
Total Expenditures	\$ 3,401,311	\$ (24,674)	\$ 25,328	\$ 3,401,965	\$ 3,611,582	\$ 3,408,184	\$ 6,219
Excess (Deficiency) of Revenues Over Expenditures	\$ 327,887	\$ 24,674	\$ (25,328)	\$ 327,233	\$ (439,291)	\$ 271,856	\$ 55,377
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 195,027	\$ 0	\$ 0
Transfers Out	0	0	0	0	(219,526)	(235,854)	235,854
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ (24,499)	\$ (235,854)	\$ 235,854
Net Change in Fund Balance	\$ 327,887	\$ 24,674	\$ (25,328)	\$ 327,233	\$ (463,790)	\$ 36,002	\$ 291,231
Fund Balance, July 1, 2011	(257,578)	(24,674)	0	(282,252)	680,908	680,908	(963,160)
Fund Balance, June 30, 2012	\$ 70,309	\$ 0	\$ (25,328)	\$ 44,981	\$ 217,118	\$ 716,910	\$ (671,929)

## Exhibit I-10

Fayette County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Fayette County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 383,348	\$ 368,309	\$ 368,309	\$ 15,039
Other Local Revenues	4,555	9,000	9,000	(4,445)
State of Tennessee	18,923	22,000	22,000	(3,077)
Federal Government	1,906,165	1,663,860	1,772,883	133,282
Total Revenues	<u>\$ 2,312,991</u>	<u>\$ 2,063,169</u>	<u>\$ 2,172,192</u>	<u>\$ 140,799</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 2,290,928	\$ 2,321,161	\$ 2,430,184	\$ 139,256
Total Expenditures	<u>\$ 2,290,928</u>	<u>\$ 2,321,161</u>	<u>\$ 2,430,184</u>	<u>\$ 139,256</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 22,063</u>	<u>\$ (257,992)</u>	<u>\$ (257,992)</u>	<u>\$ 280,055</u>
Net Change in Fund Balance	\$ 22,063	\$ (257,992)	\$ (257,992)	\$ 280,055
Fund Balance, July 1, 2011	<u>677,002</u>	<u>659,920</u>	<u>659,920</u>	<u>17,082</u>
Fund Balance, June 30, 2012	<u>\$ 699,065</u>	<u>\$ 401,928</u>	<u>\$ 401,928</u>	<u>\$ 297,137</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit J-1

Fayette County, Tennessee  
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds  
Primary Government and Discretely Presented Fayette County School Department  
For the Year Ended June 30, 2012

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-11	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-12		
PRIMARY GOVERNMENT											
NOTES PAYABLE											
Payable through General Debt Service Fund											
Sheriff's Department Maintenance Shop	\$ 139,789	4.25	%	7-29-10	3-15-22	\$	127,625	\$	0	\$ 117,840	
Payable through Highway/Public Works Fund											
General Obligation Capital Outlay Note, Series 2012	(1)	1.725		5-31-12	5-31-13		0	50,000	0	50,000	
Total Notes Payable						\$ 127,625	\$ 50,000	\$ 9,785	\$ 0	\$ 167,840	
CAPITAL LEASES PAYABLE											
Payable through Highway/Public Works Fund											
Mack Dump Truck	88,000	3.45		9-25-09	9-25-12	\$	59,671	\$	0	\$ 30,349	
Payable through General Debt Service Fund											
Ten Sheriff Cars	233,180	3.27		11-2-11	11-10-16		0	233,180	0	233,180	
Total Capital Leases Payable						\$ 59,671	\$ 233,180	\$ 29,322	\$ 0	\$ 263,529	
BONDS PAYABLE											
Payable through General Debt Service Fund											
School Refunding Bonds, Series 2001	9,960,000	3 to 5		12-1-01	9-15-11	\$	7,180,000	\$	0	\$ 0	
School Refunding Bonds, Series 2002	2,210,000	5		1-2-02	9-15-11		2,210,000	0	2,210,000	0	
General Obligation Bonds, Series 2004	8,200,000	2.5 to 4.625		10-1-04	5-1-12		7,500,000	0	250,000	7,250,000	0
General Obligation Bonds, Series 2006	4,950,000	3.5 to 4		11-28-06	4-1-29		4,150,000	0	160,000	0	3,990,000
USDA Rural Development Bonds	600,000	4.375		9-16-08	9-16-45		571,773	0	9,445	0	562,328
General Obligation Refunding, Series 2011	9,585,000	1.25 to 3.5		9-15-11	4-1-30		0	9,585,000	370,000	0	9,215,000
General Obligation Refunding, Series 2012A	7,240,000	2 to 3		5-1-12	4-1-29		0	7,240,000	0	7,240,000	0
Total Bonds Payable						\$ 21,611,773	\$ 16,825,000	\$ 789,445	\$ 16,640,000	\$ 21,007,328	

(Continued)

Exhibit J-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-11	Issued During Period	Paid and/or			
							Matured During Period	Debt Refunded	Outstanding 6-30-12	
<u>DISCRETELY PRESENTED FAYETTE COUNTY SCHOOL DEPARTMENT</u>										
<u>NOTE PAYABLE</u>										
Payable through General Purpose School Fund School Capital Outlay Note	\$ 1,080,000	3.86	%	9-16-08	6-1-16	\$	710,000	\$	0	\$ 575,000
Total Note Payable						\$	710,000	\$	0	\$ 575,000
<u>CAPITAL LEASES PAYABLE</u>										
Payable through General Purpose School Fund										
School Buses	220,500	5.07		8-14-07	8-1-12	\$	94,801	\$	0	\$ 48,572
School Buses	189,000	4.64		9-25-07	9-24-12		80,777		0	41,304
School Buses	220,955	4.465		8-15-10	8-15-12		147,995		0	75,614
Total Capital Leases Payable						\$	323,573	\$	0	\$ 165,490

(1) Total amount approved was \$855,000, of which \$805,000 remains available for draws as of June 30, 2012.

## Exhibit J-2

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

PRIMARY GOVERNMENT

Year Ending June 30	Notes		
	Principal	Interest	Total
2013	\$ 60,126	\$ 8,633	\$ 68,759
2014	10,557	4,577	15,134
2015	11,005	4,129	15,134
2016	11,463	3,671	15,134
2017	11,960	3,174	15,134
2018	12,468	2,666	15,134
2019	12,998	2,136	15,134
2020	13,547	1,588	15,135
2021	14,127	1,007	15,134
2022	9,589	408	9,997
Total	\$ 167,840	\$ 31,989	\$ 199,829

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2013	\$ 73,990	\$ 8,804	\$ 82,794
2014	45,090	6,291	51,381
2015	46,586	4,795	51,381
2016	48,133	3,248	51,381
2017	49,730	1,651	51,381
Total	\$ 263,529	\$ 24,789	\$ 288,318

Year Ending June 30	Bonds		
	Principal	Interest	Total
2013	\$ 797,516	\$ 578,537	\$ 1,376,053
2014	797,845	576,777	1,374,622
2015	818,188	559,513	1,377,701
2016	868,546	540,826	1,409,372
2017	1,023,920	520,199	1,544,119
2018	1,049,310	496,292	1,545,602
2019	1,074,718	468,333	1,543,051
2020	1,105,143	439,734	1,544,877
2021	1,155,587	410,169	1,565,756
2022	1,186,050	377,452	1,563,502
2023	1,236,533	343,128	1,579,661
2024	1,277,038	310,945	1,587,983
2025	1,322,564	275,404	1,597,968
2026	1,378,114	237,124	1,615,238
2027	1,433,688	195,949	1,629,637
2028	1,494,287	152,001	1,646,288
2029	1,549,912	104,550	1,654,462

(Continued)

Exhibit J-2

Fayette County, Tennessee

Schedule of Long-term Debt Requirements by Year

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

PRIMARY GOVERNMENT (CONT.)

Year Ending June 30	Bonds (Cont.)		
	Principal	Interest	Total
2030	\$ 1,075,564	\$ 54,206	\$ 1,129,770
2031	16,245	16,425	32,670
2032	16,956	15,714	32,670
2033	17,698	14,972	32,670
2034	18,472	14,198	32,670
2035	19,280	13,390	32,670
2036	20,123	12,546	32,669
2037	21,004	11,666	32,670
2038	21,923	10,747	32,670
2039	22,882	9,788	32,670
2040	23,883	8,787	32,670
2041	24,928	7,742	32,670
2042	26,019	6,652	32,671
2043	27,157	5,513	32,670
2044	28,345	4,325	32,670
2045	29,585	3,085	32,670
2046	28,305	1,791	30,096
Total	\$ 21,007,328	\$ 6,798,480	\$ 27,805,808

DISCRETELY PRESENTED FAYETTE  
COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Note		
	Principal	Interest	Total
2013	\$ 140,000	\$ 22,503	\$ 162,503
2014	150,000	17,024	167,024
2015	155,000	11,154	166,154
2016	130,000	5,102	135,102
Total	\$ 575,000	\$ 55,783	\$ 630,783

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2013	\$ 165,490	\$ 7,756	\$ 173,246
Total	\$ 165,490	\$ 7,756	\$ 173,246



Exhibit J-3

Fayette County, Tennessee  
Schedule of Transfers  
For the Year Ended June 30, 2012

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	General Debt Service	Debt retirement	\$ 32,670
Adequate Facilities/Development Tax	"	"	217,554
HUD Grant Projects	General	Close fund	2,085
Total Transfers			<u>\$ 252,309</u>

Exhibit J-4

Fayette County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Fayette County School Department  
For the Year Ended June 30, 2012

Official	Authorization for Salary	\$	82,022 76,733	(1)	\$	50,000 100,000	Bond	Surety	Salary Paid During Period
County Mayor	Section 8-24-102, TCA							Western Surety Company	
Public Works Superintendent	Chapter 234, Private Acts of 1974 and Section 8-24-102, TCA							"	
Director of Schools	State Board of Education and County Board of Education		106,000	(2)	(3)	100,000		"	
Trustee	Section 8-24-102, TCA		67,081			1,202,900		"	
Assessor of Property	Section 8-24-102, TCA		67,081			10,000		"	
County Clerk	Section 8-24-102, TCA		67,081			50,000		"	
Circuit, General Sessions, and Juvenile Courts Clerk	Section 8-24-102, TCA		67,081			50,000		"	
Clerk and Master	Section 8-24-102, TCA		67,081	(4)		100,000		"	
Register	Section 8-24-102, TCA		67,081			25,000		"	
Sheriff	Section 8-24-102, TCA		78,116	(5)		25,000		"	
Employees Blanket Bond:									
Office:									
County Mayor:									
All Employees									
Public Works Superintendent:									
All Employees							150,000	Local Government Property and Casualty	
Director of Schools:							150,000	"	
All Employees							150,000	Tennessee Risk Management Trust	

- (1) Includes a certified public administrator supplement of \$1,362.
- (2) Includes a chief executive officer training supplement of \$1,000.
- (3) Does not include accrued leave of \$6,058.
- (4) Does not include special commissioner fees of \$4,300.
- (5) Does not include a law enforcement training supplement of \$600.

Exhibit J-5

Fayette County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
For the Year Ended June 30, 2012

	Special Revenue Funds								Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Adequate Facilities/ Development Tax	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service	Other Capital Projects			
Local Taxes											
County Property Taxes											
Current Property Tax	\$ 6,926,988	\$ 0	\$ 0	\$ 0	\$ 0	\$ 739,825	\$ 100,910	\$ 0	\$ 0	\$ 7,767,723	
Trustee's Collections - Prior Year	204,896	0	0	0	0	22,601	11,700	0	0	239,197	
Circuit/Clerk & Master Collections - Prior Years	235,565	0	0	0	0	25,358	21,563	0	0	282,486	
Interest and Penalty	43,333	0	0	0	0	4,159	2,159	0	0	49,651	
Pick-up Taxes	3,073	0	0	0	0	330	51	0	0	3,454	
Payments in-Lieu-of Taxes - Local Utilities	4,024	0	0	0	0	434	59	0	0	4,517	
Payments in-Lieu-of Taxes - Other	32,757	0	0	0	0	3,711	1,735	0	0	38,203	
County Local Option Taxes											
Local Option Sales Tax	0	0	0	0	0	485,097	0	0	0	485,097	
Hotel/Motel Tax	6,724	0	0	0	0	0	0	0	0	6,724	
Wheel Tax	185,964	0	0	0	0	743,854	1,606,702	0	0	2,536,520	
Litigation Tax - General	58,444	0	0	0	0	0	0	0	0	58,444	
Litigation Tax - Jail, Workhouse, or Courthouse	53,596	0	0	0	0	0	0	0	0	53,596	
Business Tax	246,421	0	0	0	0	0	0	0	0	246,421	
Adequate Facilities/Development Tax	0	0	0	290,587	0	0	0	0	0	290,587	
Statutory Local Taxes											
Bank Excise Tax	57,486	0	0	0	0	0	0	0	0	57,486	
Wholesale Beer Tax	73,396	0	0	0	0	0	0	0	0	73,396	
Interstate Telecommunications Tax	1,448	0	0	0	0	0	0	0	0	1,448	
Total Local Taxes	\$ 8,134,115	\$ 0	\$ 0	\$ 290,587	\$ 0	\$ 2,025,369	\$ 1,744,879	\$ 0	\$ 12,194,950		
Licenses and Permits											
Licenses											
Animal Registration	\$ 19,699	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	19,699	
Cable TV Franchise	141,153	0	0	0	0	0	0	0	0	141,153	
Permits											
Beer Permits	570	0	0	0	0	0	0	0	0	570	
Building Permits	53,776	0	0	0	0	0	0	0	0	53,776	
Total Licenses and Permits	\$ 215,198	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	215,198	

(Continued)

Exhibit J-5

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

	Special Revenue Funds								Debt Service Fund	Capital Projects Fund	Total	
	General	Solid Waste / Sanitation	Drug Control	Adequate Facilities/ Development Tax	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service	Other Capital Projects				
<u>Fines, Forfeitures, and Penalties</u>												
<u>Circuit Court</u>												
Fines	\$	2,733	\$	0	\$	0	\$	0	\$	0	\$	2,733
Officers Costs		10,161		0		0		0		0		10,161
Drug Control Fines		15,935		0		0		0		0		15,935
Drug Court Fees		927		0		0		0		0		927
Jail Fees		1,428		0		0		0		0		1,428
DUI Treatment Fines		508		0		0		0		0		508
Data Entry Fee - Circuit Court		1,613		0		0		0		0		1,613
<u>General Sessions Court</u>												
Fines		13,036		0		0		0		0		13,036
Officers Costs		21,612		0		0		0		0		21,612
Game and Fish Fines		184		0		0		0		0		184
Drug Control Fines		902		0		884		0		0		1,786
Drug Court Fees		0		0		1,862		0		0		1,862
Jail Fees		2,891		0		0		0		0		2,891
Judicial Commissioner Fees		39,317		0		0		0		0		39,317
DUI Treatment Fines		6,900		0		0		0		0		6,900
Data Entry Fee - General Sessions Court		3,612		0		0		0		0		3,612
Courtroom Security Fee		335		0		0		0		0		335
<u>Juvenile Court</u>												
Officers Costs		627		0		0		0		0		627
<u>Chancery Court</u>												
Officers Costs		1,577		0		0		0		0		1,577
Data Entry Fee - Chancery Court		646		0		0		0		0		646
<u>Judicial District Drug Program</u>												
Courtroom Security Fee		2		0		0		0		0		2
<u>Other Fines, Forfeitures, and Penalties</u>												
Proceeds from Confiscated Property		0		0		53,395		0		0		53,395
Total Fines, Forfeitures, and Penalties	\$	124,946	\$	0	\$	56,141	\$	0	\$	0	\$	181,087

(Continued)

Exhibit J-5

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

	Special Revenue Funds										Debt Service Fund	Capital Projects Fund	Total			
	Solid Waste / Sanitation					Adequate Facilities/ Development Tax		Constitu- tional Officers - Fees	Highway / Public Works							
	General					Drug Control				General Debt Service				Other Capital Projects		
Charges for Current Services																
General Service Charges																
Other Employee Benefit Charges/Contributions	\$	122,600	\$	0	\$	0	\$	0	\$	0	\$	0	\$	122,600		
Residential Waste Collection Charge		13,550		0		0		0		0		0		13,550		
Solid Waste Disposal Fees		0		271,035		0		0		0		0		271,035		
Patient Charges		1,005,946		0		0		0		0		0		1,005,946		
Service Charges		520		0		0		0		0		0		520		
Fees																
Airport Fees		95,963		0		0		0		0		0		95,963		
Copy Fees		240		0		0		0		0		0		240		
Library Fees		12,078		0		0		0		0		0		12,078		
Greenbelt Late Application Fee		150		0		0		0		0		0		150		
Telephone Commissions		33,952		0		0		0		0		0		33,952		
Vending Machine Collections		1,001		0		0		0		0		0		1,001		
Constitutional Officers' Fees and Commissions		0		0		0		150,670		0		0		150,670		
Special Commissioner Fees/Special Master Fees				0		0		4,300		0		0		4,300		
Data Processing Fee - Register		14,018		0		0		0		0		0		14,018		
Data Processing Fee - Sheriff		2,134		0		0		0		0		0		2,134		
Sexual Offender Registration Fees - Sheriff		2,500		0		0		0		0		0		2,500		
Data Processing Fee - County Clerk		3,320		0		0		0		0		0		3,320		
Other Charges for Services																
Other Charges for Services		4,900		0		0		0		0		0		4,900		
Total Charges for Current Services																
	\$	1,312,872	\$	271,035	\$	0	\$	0	\$	154,970	\$	0	\$	1,738,877		
Other Local Revenues																
Recurring Items																
Investment Income																
Lease/Rentals	\$	0	\$	76,250	\$	0	\$	0	\$	0	\$	10	\$	1	\$	76,261
Sale of Materials and Supplies		36,902		0		0		0		0		0		0		36,902
Commissary Sales		2,762		0		0		0		0		0		0		2,762
Sale of Gasoline		15,731		0		0		0		0		0		0		15,731
Sale of Recycled Materials		250,611		0		0		0		0		0		0		250,611
		0		185,148		0		0		0		11,532		0		196,680

(Continued)

Exhibit J-5

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

	Special Revenue Funds										Total	
	Adequate Facilities/Development Tax					Constitutional Officers - Fees	Highway / Public Works		Debt Service Fund			Capital Projects Fund
	General	Solid Waste / Sanitation	Drug Control				General Debt Service	Other Capital Projects				
<u>Other Local Revenues (Cont.)</u>												
<u>Recurring Items (Cont.)</u>												
Miscellaneous Refunds	\$ 1,037	\$ 0	\$ 13,493	\$ 0	\$ 0	\$ 0	\$ 1,014	\$ 0	\$ 0	\$ 0	\$ 15,544	
Nonrecurring Items	533	0	0	0	0	0	11,250	0	0	0	11,783	
Contributions and Gifts	608	0	0	0	0	0	0	0	0	0	608	
Other Local Revenues	\$ 308,184	\$ 261,398	\$ 13,493	\$ 0	\$ 0	\$ 0	\$ 23,806	\$ 1	\$ 0	\$ 0	\$ 606,882	
Total Other Local Revenues												
<u>Fees Received from County Officials</u>												
Excess Fees	\$ 47,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 47,500	
Register												
Fees in-Lieu-of-Salary												
County Clerk	379,939	0	0	0	0	0	0	0	0	0	379,939	
Circuit Court Clerk	111,235	0	0	0	0	0	0	0	0	0	111,235	
General Sessions Court Clerk	109,850	0	0	0	0	0	0	0	0	0	109,850	
Clerk and Master	196,053	0	0	0	0	0	0	0	0	0	196,053	
Juvenile Court Clerk	31,105	0	0	0	0	0	0	0	0	0	31,105	
Sheriff	28,496	0	0	0	0	0	0	0	0	0	28,496	
Trustee	542,232	0	0	0	0	0	0	0	0	0	542,232	
Total Fees Received from County Officials	\$ 1,446,410	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,446,410	
<u>State of Tennessee</u>												
General Government Grants	\$ 4,950	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,950	
Airport Maintenance Program												
Public Safety Grants	24,000	0	0	0	0	0	0	0	0	0	24,000	
Law Enforcement Training Programs	40,909	0	0	0	0	0	0	0	0	0	40,909	
Other Public Safety Grants												
Health and Welfare Grants	243,019	0	0	0	0	0	0	0	0	0	243,019	
Health Department Programs												
Public Works Grants												
Bridge Program	0	0	0	0	0	0	273,674	0	0	0	273,674	

(Continued)

Exhibit J-5

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

	Special Revenue Funds							Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Adequate Facilities/ Development Tax	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service			
State of Tennessee (Cont.)										
Public Works Grants (Cont.)										
Litter Program										
Other State Revenues										
Beer Tax	\$ 49,414	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 49,414
Alcoholic Beverage Tax	18,421	0	0	0	0	0	0	0	0	18,421
Mixed Drink Tax	74,543	0	0	0	0	0	0	0	0	74,543
State Revenue Sharing - T.V.A.	745	0	0	0	0	0	0	0	0	745
Contracted Prisoner Boarding	870,893	84,000	0	0	0	0	0	0	0	954,893
Gasoline and Motor Fuel Tax	322,280	0	0	0	0	0	0	0	0	322,280
Petroleum Special Tax	0	0	0	0	0	2,044,273	0	0	0	2,044,273
Registrar's Salary Supplement	0	0	0	0	0	27,717	0	0	0	27,717
Other State Grants	15,164	0	0	0	0	0	0	0	0	15,164
Other State Revenues	136,988	0	0	0	0	0	0	0	36,411	173,399
Total State of Tennessee	7,306	0	0	0	0	0	0	0	60,349	67,655
	\$ 1,808,632	\$ 84,000	\$ 0	\$ 0	\$ 0	\$ 2,345,664	\$ 0	\$ 0	\$ 96,760	\$ 4,335,056
Federal Government										
Federal Through State										
Civil Defense Reimbursement	\$ 45,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 45,000
Disaster Relief	0	0	0	0	0	157,257	0	0	0	157,257
Other Federal through State	90,206	0	0	0	0	0	0	0	0	90,206
Direct Federal Revenue										
ARRA Grant # 6	6,575	0	0	0	0	0	0	0	0	6,575
Total Federal Government	\$ 141,781	\$ 0	\$ 0	\$ 0	\$ 0	\$ 157,257	\$ 0	\$ 0	\$ 0	\$ 299,038
Other Governments and Citizens Groups										
Other Governments										
Prisoner Board	\$ 186,538	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 186,538
Contributions	45,432	0	0	0	0	0	0	0	0	45,432
Contracted Services	29,649	0	0	0	0	0	0	0	0	29,649
Citizens Groups										
Donations	10,180	0	0	0	0	0	0	0	0	10,180
Other										
	13,056	0	0	0	0	0	0	0	0	13,056
Total Other Governments and Citizens Groups	\$ 284,855	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 284,855
Total	\$ 13,776,993	\$ 616,433	\$ 69,634	\$ 290,587	\$ 154,970	\$ 4,552,096	\$ 1,744,880	\$ 96,760	\$ 21,302,353	

## Exhibit J-6

Fayette County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Fayette County School Department  
For the Year Ended June 30, 2012

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 6,187,661	\$ 0	\$ 0	\$ 6,187,661
Trustee's Collections - Prior Year	214,208	0	0	214,208
Circuit/Clerk & Master Collections - Prior Years	247,137	0	0	247,137
Interest and Penalty	40,145	0	0	40,145
Pick-up Taxes	2,761	0	0	2,761
Payments in-Lieu-of Taxes - Local Utilities	3,607	0	0	3,607
Payments in-Lieu-of Taxes - Other	30,631	0	0	30,631
<u>County Local Option Taxes</u>				
Local Option Sales Tax	2,696,110	0	0	2,696,110
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	2,261	0	0	2,261
Total Local Taxes	\$ 9,424,521	\$ 0	\$ 0	\$ 9,424,521
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 2,781	\$ 0	\$ 0	\$ 2,781
Total Licenses and Permits	\$ 2,781	\$ 0	\$ 0	\$ 2,781
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Summer School	\$ 300	\$ 0	\$ 0	\$ 300
Tuition - Other	62,619	0	0	62,619
Lunch Payments - Children	0	0	57,646	57,646
Lunch Payments - Adults	0	0	22,240	22,240
Income from Breakfast	0	0	22,551	22,551
TBI Criminal Background Fees	5,760	0	420	6,180
<u>Other Charges for Services</u>				
Other Charges for Services	0	0	280,491	280,491
Total Charges for Current Services	\$ 68,679	\$ 0	\$ 383,348	\$ 452,027
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 85	\$ 0	\$ 4,555	\$ 4,640
Lease/Rentals	43,419	0	0	43,419
Miscellaneous Refunds	93,637	0	0	93,637
<u>Nonrecurring Items</u>				
Sale of Equipment	23,931	0	0	23,931
Damages Recovered from Individuals	513	0	0	513
Contributions and Gifts	14,663	0	0	14,663
Total Other Local Revenues	\$ 176,248	\$ 0	\$ 4,555	\$ 180,803
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 78,340	\$ 0	\$ 0	\$ 78,340
<u>State Education Funds</u>				
Basic Education Program	14,833,000	0	0	14,833,000
Early Childhood Education	838,779	0	0	838,779
School Food Service	0	0	18,923	18,923

(Continued)



## Exhibit J-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
Driver Education	\$ 11,383	\$ 0	\$ 0	\$ 11,383
Other State Education Funds	158,009	0	0	158,009
Coordinated School Health - ARRA	75,251	0	0	75,251
Statewide Student Management System (SSMS) - ARRA	9,470	0	0	9,470
Career Ladder Program	75,989	0	0	75,989
Career Ladder - Extended Contract	40,200	0	0	40,200
Career Ladder - Extended Contract - ARRA	34,974	0	0	34,974
Other Vocational	4,000	0	0	4,000
<u>Other State Revenues</u>				
Income Tax	210,540	0	0	210,540
Mixed Drink Tax	749	0	0	749
Safe Schools - ARRA	18,000	0	0	18,000
Total State of Tennessee	\$ 16,388,684	\$ 0	\$ 18,923	\$ 16,407,607
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,165,408	\$ 1,165,408
USDA - Commodities	0	0	109,023	109,023
Breakfast	0	0	589,399	589,399
USDA - Other	0	0	42,335	42,335
Vocational Education - Basic Grants to States	0	79,455	0	79,455
Title I Grants to Local Education Agencies	0	1,334,066	0	1,334,066
Special Education - Grants to States	0	1,098,136	0	1,098,136
Special Education Preschool Grants	0	45,118	0	45,118
English Language Acquisition Grants	0	9,708	0	9,708
Eisenhower Professional Development State Grants	0	245,226	0	245,226
Job Training Partnership Act	363,395	0	0	363,395
Race-to-the-Top - ARRA	0	518,153	0	518,153
Other Federal through State	468,609	399,336	0	867,945
Total Federal Government	\$ 832,004	\$ 3,729,198	\$ 1,906,165	\$ 6,467,367
Total	\$ 26,892,917	\$ 3,729,198	\$ 2,312,991	\$ 32,935,106

## Exhibit J-7

Fayette County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2012

General FundGeneral GovernmentCounty Commission

Board and Committee Members Fees	\$	43,491	
State Retirement		2,014	
Communication		816	
Consultants		4,389	
Legal Services		4,662	
Rentals		1,188	
Travel		465	
Duplicating Supplies		3,000	
Gasoline		200	
Office Supplies		1,610	
Other Charges		3,834	
Total County Commission			\$ 65,669

County Mayor/Executive

County Official/Administrative Officer	\$	82,022	
Communication		2,009	
Legal Notices, Recording, and Court Costs		1,584	
Maintenance and Repair Services - Vehicles		147	
Postal Charges		100	
Printing, Stationery, and Forms		1,101	
Rentals		594	
Travel		519	
Office Supplies		688	
Total County Mayor/Executive			88,764

County Attorney

Other Salaries and Wages	\$	19,471	
Board and Committee Members Fees		1,457	
Other Per Diem and Fees		42,134	
Social Security		3,818	
Employer Medicare		893	
Total County Attorney			67,773

Election Commission

Assistant(s)	\$	29,730	
Supervisor/Director		60,373	
Deputy(ies)		28,287	
Temporary Personnel		5,072	
Part-time Personnel		10,561	
Election Commission		6,195	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Election Workers	\$	25,928	
In-Service Training		700	
Communication		1,449	
Data Processing Services		10,952	
Dues and Memberships		200	
Legal Notices, Recording, and Court Costs		3,788	
Maintenance and Repair Services - Office Equipment		1,528	
Postal Charges		10,681	
Printing, Stationery, and Forms		5,826	
Rentals		3,048	
Travel		8,354	
Office Supplies		5,686	
Other Supplies and Materials		2,750	
Data Processing Equipment		15,373	
Total Election Commission			\$ 236,481

Register of Deeds

Communication	\$	892	
Data Processing Services		13,000	
Postal Charges		220	
Printing, Stationery, and Forms		938	
Rentals		1,080	
Travel		1,097	
Office Supplies		981	
Total Register of Deeds			18,208

Development

Assistant(s)	\$	37,570	
Supervisor/Director		54,233	
Deputy(ies)		25,628	
Secretary(ies)		35,525	
Board and Committee Members Fees		4,635	
Communication		2,344	
Consultants		3,286	
Data Processing Services		16,282	
Legal Notices, Recording, and Court Costs		2,788	
Maintenance and Repair Services - Buildings		523	
Postal Charges		45	
Rentals		1,997	
Travel		2,549	

(Continued)

## Exhibit J-7

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

General Fund (Cont.)General Government (Cont.)Development (Cont.)

Data Processing Supplies	\$	381	
Office Supplies		2,185	
Data Processing Equipment		78	
Total Development			\$ 190,049

Building

Supervisor/Director	\$	41,004	
Part-time Personnel		17,339	
In-Service Training		500	
Communication		1,160	
Contracts with Private Agencies		1,815	
Maintenance and Repair Services - Vehicles		1,299	
Postal Charges		300	
Travel		1,042	
Gasoline		3,912	
Office Supplies		258	
Other Supplies and Materials		237	
Other Charges		125	
Total Building			68,991

County Buildings

Custodial Personnel	\$	25,628	
Temporary Personnel		3,344	
Communication		830	
Contracts with Government Agencies		11,899	
Contracts with Other Public Agencies		350	
Maintenance and Repair Services - Buildings		25,982	
Maintenance and Repair Services - Vehicles		888	
Postal Charges		19,990	
Rentals		27,513	
Custodial Supplies		3,921	
Gasoline		2,310	
Uniforms		489	
Utilities		41,419	
Total County Buildings			164,563

Other Facilities

Communication	\$	1,233	
Maintenance and Repair Services - Buildings		840	
Electricity		2,703	

(Continued)

## Exhibit J-7

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

General Fund (Cont.)General Government (Cont.)Other Facilities (Cont.)

Propane Gas	\$ 1,540	
Total Other Facilities		\$ 6,316

Other General Administration

Dues and Memberships	\$ 51,077	
Total Other General Administration		51,077

FinanceAccounting and Budgeting

Supervisor/Director	\$ 22,535	
Purchasing Personnel	43,764	
Clerical Personnel	47,547	
In-Service Training	475	
Audit Services	11,524	
Communication	1,013	
Data Processing Services	8,804	
Legal Notices, Recording, and Court Costs	759	
Printing, Stationery, and Forms	661	
Rentals	594	
Travel	979	
Duplicating Supplies	1,000	
Office Supplies	1,045	
Data Processing Equipment	186	
Office Equipment	260	
Total Accounting and Budgeting		141,146

Property Assessor's Office

County Official/Administrative Officer	\$ 67,081	
Assistant(s)	30,753	
Deputy(ies)	53,546	
Investigator(s)	30,150	
Board and Committee Members Fees	995	
Communication	2,911	
Consultants	23,930	
Data Processing Services	5,580	
Dues and Memberships	468	
Legal Notices, Recording, and Court Costs	120	
Maintenance Agreements	3,001	
Maintenance and Repair Services - Vehicles	1,283	
Postal Charges	140	

(Continued)

## Exhibit J-7

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

General Fund (Cont.)Finance (Cont.)Property Assessor's Office (Cont.)

Printing, Stationery, and Forms	\$	345	
Rentals		1,044	
Travel		395	
Gasoline		2,575	
Office Supplies		696	
Other Supplies and Materials		1,554	
Data Processing Equipment		312	
Office Equipment		166	
Total Property Assessor's Office			\$ 227,045

Reappraisal Program

Communication	\$	81	
Consultants		30,000	
Data Processing Services		12,287	
Gasoline		1,186	
Total Reappraisal Program			43,554

County Trustee's Office

County Official/Administrative Officer	\$	67,081	
Assistant(s)		30,753	
Deputy(ies)		52,793	
In-Service Training		900	
Communication		1,293	
Data Processing Services		8,788	
Dues and Memberships		225	
Legal Notices, Recording, and Court Costs		175	
Maintenance and Repair Services - Office Equipment		80	
Postal Charges		6,426	
Printing, Stationery, and Forms		7,539	
Rentals		1,096	
Travel		1,179	
Office Supplies		1,276	
Other Supplies and Materials		1,369	
Data Processing Equipment		3,596	
Office Equipment		261	
Total County Trustee's Office			184,830

County Clerk's Office

County Official/Administrative Officer	\$	67,081	
Assistant(s)		30,753	

(Continued)

## Exhibit J-7

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

General Fund (Cont.)Finance (Cont.)County Clerk's Office (Cont.)

Deputy(ies)	\$	125,900	
Other Salaries and Wages		1,500	
In-Service Training		175	
Communication		3,262	
Data Processing Services		14,695	
Legal Notices, Recording, and Court Costs		1,405	
Maintenance and Repair Services - Office Equipment		80	
Printing, Stationery, and Forms		965	
Rentals		2,194	
Travel		1,379	
Office Supplies		1,748	
Other Supplies and Materials		300	
Total County Clerk's Office			\$ 251,437

Administration of JusticeCircuit Court

County Official/Administrative Officer	\$	67,081	
Assistant(s)		30,753	
Deputy(ies)		28,959	
Jury and Witness Expense		17,175	
In-Service Training		585	
Communication		2,164	
Data Processing Services		5,762	
Maintenance and Repair Services - Office Equipment		315	
Postal Charges		90	
Printing, Stationery, and Forms		2,471	
Transportation - Other than Students		496	
Travel		581	
Office Supplies		1,296	
Total Circuit Court			157,728

General Sessions Court

Assistant(s)	\$	30,753	
Deputy(ies)		100,640	
In-Service Training		95	
Communication		1,915	
Data Processing Services		2,658	
Postal Charges		110	
Printing, Stationery, and Forms		1,748	
Rentals		3,394	

(Continued)

## Exhibit J-7

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

General Fund (Cont.)Administration of Justice (Cont.)General Sessions Court (Cont.)

Office Supplies	\$	961	
Total General Sessions Court			\$ 142,274

General Sessions Judge

Judge(s)	\$	150,734	
Deputy(ies)		27,165	
In-Service Training		800	
Communication		889	
Travel		951	
Office Supplies		267	
Other Supplies and Materials		677	
Total General Sessions Judge			181,483

General Sessions Court Clerk

Assistant(s)	\$	26,565	
Deputy(ies)		25,125	
Communication		600	
Data Processing Services		4,606	
Printing, Stationery, and Forms		552	
Rentals		1,474	
Office Supplies		604	
Total General Sessions Court Clerk			59,526

Drug Court

Temporary Personnel	\$	36,035	
Social Security		2,048	
State Retirement		3,088	
Employee and Dependent Insurance		6,599	
Employer Medicare		479	
Workers' Compensation Insurance		250	
Total Drug Court			48,499

Chancery Court

County Official/Administrative Officer	\$	67,081	
Assistant(s)		30,753	
Deputy(ies)		53,896	
Jury and Witness Expense		858	
Communication		986	
Data Processing Services		5,719	
Legal Notices, Recording, and Court Costs		2,990	

(Continued)



Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Maintenance and Repair Services - Office Equipment	\$	300	
Printing, Stationery, and Forms		3,117	
Rentals		2,394	
Data Processing Supplies		261	
Office Supplies		821	
Total Chancery Court			\$ 169,176

Juvenile Court

Youth Service Officer(s)	\$	38,762	
In-Service Training		571	
Communication		3,581	
Contracts with Government Agencies		6,500	
Postal Charges		125	
Transportation - Other than Students		23	
Travel		408	
Other Contracted Services		988	
Office Supplies		476	
Total Juvenile Court			51,434

Other Administration of Justice

Overtime Pay	\$	5,704	
Social Security		350	
State Retirement		720	
Employer Medicare		82	
Evaluation and Testing		582	
Travel		2,735	
Other Contracted Services		1,380	
Total Other Administration of Justice			11,553

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	78,116	
Supervisor/Director		119,021	
Deputy(ies)		813,449	
Investigator(s)		119,432	
Captain(s)		82,760	
Lieutenant(s)		113,026	
Sergeant(s)		123,685	
Salary Supplements		21,600	
Part-time Personnel		8,444	

(Continued)

## Exhibit J-7

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

General Fund (Cont.)Public Safety (Cont.)Sheriff's Department (Cont.)

Overtime Pay	\$	68,555	
In-Service Training		6,840	
Employee and Dependent Insurance		231,450	
Communication		24,930	
Maintenance and Repair Services - Buildings		359	
Maintenance and Repair Services - Office Equipment		8,379	
Maintenance and Repair Services - Vehicles		43,452	
Medical and Dental Services		2,948	
Postal Charges		1,219	
Printing, Stationery, and Forms		1,965	
Rentals		7,386	
Travel		553	
Gasoline		281,759	
Office Supplies		18,774	
Uniforms		12,784	
Other Supplies and Materials		6,614	
Liability Insurance		63,986	
Communication Equipment		4,596	
Motor Vehicles		233,180	
Total Sheriff's Department			\$ 2,499,262

Drug Enforcement

Supervisor/Director	\$	41,818	
Investigator(s)		116,313	
Salary Supplements		1,800	
Overtime Pay		10,800	
Social Security		9,615	
State Retirement		13,345	
Employee and Dependent Insurance		24,290	
Employer Medicare		2,249	
Total Drug Enforcement			220,230

Jail

Assistant(s)	\$	41,643	
Supervisor/Director		43,776	
Lieutenant(s)		56,160	
Sergeant(s)		113,783	
Data Processing Personnel		30,436	
Salary Supplements		600	
Dispatchers/Radio Operators		362,297	

(Continued)

## Exhibit J-7

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

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

Guards	\$	608,513	
Secretary(ies)		30,243	
Cafeteria Personnel		12,951	
Maintenance Personnel		60,975	
Part-time Personnel		53,585	
Overtime Pay		36,521	
In-Service Training		2,682	
Employee and Dependent Insurance		289,532	
Contracts with Private Agencies		8,676	
Data Processing Services		9,980	
Maintenance and Repair Services - Buildings		47,878	
Maintenance and Repair Services - Vehicles		985	
Medical and Dental Services		187,628	
Postal Charges		131	
Printing, Stationery, and Forms		551	
Royalties		9,061	
Travel		4,253	
Custodial Supplies		32,462	
Food Supplies		174,371	
Gasoline		10,605	
Office Supplies		4,240	
Prisoners Clothing		3,139	
Uniforms		9,931	
Utilities		264,514	
Other Supplies and Materials		2,123	
Liability Insurance		46,871	
Communication Equipment		1,020	
Law Enforcement Equipment		890	
Other Equipment		1,659	
Total Jail			\$ 2,564,665

Workhouse

Guards	\$	15,023	
Total Workhouse			15,023

Fire Prevention and Control

Assistant(s)	\$	28,140	
Supervisor/Director		41,178	
Part-time Personnel		44,831	
In-Service Training		11,868	

(Continued)

## Exhibit J-7

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

General Fund (Cont.)Public Safety (Cont.)Fire Prevention and Control (Cont.)

Communication	\$	9,503	
Contracts with Government Agencies		80,000	
Contracts with Other Public Agencies		600	
Dues and Memberships		1,056	
Evaluation and Testing		2,412	
Forest Resource Services		2,000	
Operating Lease Payments		10,200	
Licenses		50	
Maintenance and Repair Services - Buildings		13,682	
Maintenance and Repair Services - Equipment		3,028	
Maintenance and Repair Services - Vehicles		42,768	
Postal Charges		378	
Printing, Stationery, and Forms		628	
Travel		3,892	
Data Processing Supplies		1,957	
Diesel Fuel		15,573	
Drugs and Medical Supplies		495	
Gasoline		17,497	
Natural Gas		4,462	
Office Supplies		1,125	
Propane Gas		6,903	
Uniforms		5,476	
Utilities		9,432	
Other Supplies and Materials		24,976	
Building and Contents Insurance		9,259	
Liability Insurance		7,090	
Vehicle and Equipment Insurance		44,152	
Workers' Compensation Insurance		8,700	
Other Charges		9,113	
Administration Equipment		1,406	
Communication Equipment		19,970	
Office Equipment		1,119	
Other Equipment		16,196	
Total Fire Prevention and Control			\$ 501,115

Civil Defense

Assistant(s)	\$	12,027
Supervisor/Director		41,884
Deputy(ies)		25,628
Communication		2,748

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

Legal Notices, Recording, and Court Costs	\$	220	
Maintenance and Repair Services - Vehicles		1,689	
Postal Charges		140	
Printing, Stationery, and Forms		185	
Rentals		897	
Travel		353	
Other Contracted Services		2,220	
Gasoline		7,860	
Office Supplies		697	
Uniforms		121	
Utilities		8,192	
Other Supplies and Materials		91,748	
Liability Insurance		13,504	
Other Charges		18,459	
Office Equipment		566	
Other Equipment		1,981	
Total Civil Defense			\$ 231,119

Rescue Squad

Maintenance and Repair Services - Vehicles	\$	111	
Gasoline		71	
Other Supplies and Materials		323	
Liability Insurance		416	
Total Rescue Squad			921

Other Emergency Management

Other Supplies and Materials	\$	5,554	
Total Other Emergency Management			5,554

County Coroner/Medical Examiner

Contracts with Government Agencies	\$	27,000	
Total County Coroner/Medical Examiner			27,000

Other Public Safety

Mechanic(s)	\$	62,988	
Employee and Dependent Insurance		13,198	
Communication		874	
Equipment Parts - Light		47,567	
Gasoline		8,402	
Uniforms		420	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Public Safety (Cont.)

Utilities	\$	3,717	
Other Supplies and Materials		184	
Total Other Public Safety			\$ 137,350

Public Health and Welfare

Local Health Center

Board and Committee Members Fees	\$	87	
Communication		3,023	
Janitorial Services		12,519	
Maintenance and Repair Services - Buildings		14,938	
Postal Charges		192	
Drugs and Medical Supplies		6,092	
Office Supplies		2,470	
Utilities		10,469	
Total Local Health Center			49,790

Rabies and Animal Control

Deputy(ies)	\$	26,706	
Investigator(s)		28,976	
Communication		1,895	
Maintenance and Repair Services - Buildings		852	
Maintenance and Repair Services - Vehicles		1,947	
Animal Food and Supplies		545	
Gasoline		11,438	
Uniforms		692	
Utilities		1,780	
Other Supplies and Materials		1,519	
Total Rabies and Animal Control			76,350

Ambulance/Emergency Medical Services

Supervisor/Director	\$	47,943	
Secretary(ies)		30,753	
Attendants		513,814	
Part-time Personnel		63,560	
Overtime Pay		249,799	
In-Service Training		1,720	
Social Security		54,611	
State Retirement		68,775	
Employee and Dependent Insurance		116,898	
Employer Medicare		12,772	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Communication	\$	4,452	
Debt Collection Services		68,284	
Licenses		3,466	
Maintenance and Repair Services - Buildings		1,660	
Maintenance and Repair Services - Office Equipment		307	
Maintenance and Repair Services - Vehicles		24,881	
Postal Charges		2,000	
Printing, Stationery, and Forms		2,082	
Rentals		1,044	
Travel		557	
Custodial Supplies		1,266	
Diesel Fuel		66,155	
Drugs and Medical Supplies		77,515	
Gasoline		1,478	
Office Supplies		2,377	
Uniforms		799	
Utilities		7,534	
Other Supplies and Materials		959	
Building and Contents Insurance		692	
Vehicle and Equipment Insurance		25,938	
Communication Equipment		608	
Data Processing Equipment		8,000	
Furniture and Fixtures		972	
Motor Vehicles		112,999	
Total Ambulance/Emergency Medical Services			\$ 1,576,670

Dental Health Program

Medical Personnel	\$	122,134	
Paraprofessionals		24,361	
Clerical Personnel		44,677	
Longevity Pay		2,300	
Social Security		11,536	
State Retirement		15,247	
Employee and Dependent Insurance		26,396	
Employer Medicare		2,698	
Other Fringe Benefits		2,412	
Travel		1,428	
Drugs and Medical Supplies		13,282	
Total Dental Health Program			266,471

(Continued)

## Exhibit J-7

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

General Fund (Cont.)Public Health and Welfare (Cont.)Crippled Children Services

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

Other Local Health Services

Contracts with Other Public Agencies	\$	1,534	
Total Other Local Health Services			1,534

Appropriation to State

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

Aid to Dependent Children

Other Supplies and Materials	\$	500	
Total Aid to Dependent Children			500

Other Local Welfare Services

Contributions	\$	9,138	
Total Other Local Welfare Services			9,138

Sanitation Education/Information

Foremen	\$	30,176	
Social Security		1,851	
State Retirement		2,586	
Employee and Dependent Insurance		6,599	
Employer Medicare		433	
Maintenance and Repair Services - Vehicles		2,474	
Other Supplies and Materials		3,208	
Other Charges		9,970	
Total Sanitation Education/Information			57,297

Social, Cultural, and Recreational ServicesSenior Citizens Assistance

Matching Share	\$	11,924	
Total Senior Citizens Assistance			11,924

Libraries

Assistant(s)	\$	46,793	
Supervisor/Director		31,676	
Librarians		17,386	
Part-time Personnel		3,511	

(Continued)



## Exhibit J-7

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

General Fund (Cont.)Social, Cultural, and Recreational Services (Cont.)Libraries (Cont.)

Social Security	\$	6,121	
State Retirement		6,725	
Employee and Dependent Insurance		16,598	
Employer Medicare		1,432	
Communication		2,173	
Janitorial Services		4,800	
Maintenance and Repair Services - Buildings		2,377	
Maintenance and Repair Services - Office Equipment		600	
Printing, Stationery, and Forms		200	
Travel		291	
Library Books/Media		16,162	
Office Supplies		843	
Utilities		9,171	
Other Supplies and Materials		977	
Other Charges		13,821	
Data Processing Equipment		1,404	
Total Libraries			\$ 183,061

Agriculture and Natural ResourcesAgriculture Extension Service

Board and Committee Members Fees	\$	928	
Communication		4,633	
Contracts with Government Agencies		73,972	
Contributions		1,000	
Dues and Memberships		490	
Maintenance and Repair Services - Buildings		2,400	
Rentals		12,798	
Travel		5,000	
Other Contracted Services		1,452	
Custodial Supplies		353	
Utilities		5,398	
Office Equipment		2,589	
Total Agriculture Extension Service			111,013

Soil Conservation

Secretary(ies)	\$	27,165	
Educational Assistants		29,318	
Rentals		2,028	
Travel		759	
Office Supplies		21	
Total Soil Conservation			59,291

(Continued)

## Exhibit J-7

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

General Fund (Cont.)Other OperationsIndustrial Development

Utilities	\$	1,224	
Total Industrial Development			\$ 1,224

Airport

Supervisor/Director	\$	35,769	
Temporary Personnel		28,299	
In-Service Training		365	
Advertising		99	
Communication		4,324	
Maintenance and Repair Services - Buildings		9,093	
Travel		620	
Custodial Supplies		243	
Diesel Fuel		1,557	
Gasoline		201,754	
Office Supplies		204	
Small Tools		500	
Utilities		17,969	
Liability Insurance		8,328	
Total Airport			309,124

Veterans' Services

Communication	\$	1,335	
Travel		456	
Office Supplies		1,737	
Total Veterans' Services			3,528

Other Charges

Boiler Insurance	\$	50	
Liability Insurance		69,934	
Premiums on Corporate Surety Bonds		14,090	
Trustee's Commission		179,036	
Tax Relief Program		32,351	
Total Other Charges			295,461

Contributions to Other Agencies

Contracts with Other Public Agencies	\$	6,800	
Contributions		38,745	
Total Contributions to Other Agencies			45,545

(Continued)

## Exhibit J-7

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

General Fund (Cont.)Other Operations (Cont.)Employee Benefits

Longevity Pay	\$	76,300	
Social Security		322,953	
State Retirement		433,702	
Employee and Dependent Insurance		312,536	
Unemployment Compensation		23,386	
Employer Medicare		76,109	
Medical and Dental Services		4,770	
Workers' Compensation Insurance		285,799	
Total Employee Benefits			\$ 1,535,555

Miscellaneous

Other Supplies and Materials	\$	220	
Refunds		8,783	
Total Miscellaneous			9,003

Interest on DebtGeneral Government

Interest on Notes	\$	26,005	
Total General Government			26,005

Total General Fund \$ 13,486,276

Solid Waste/Sanitation FundPublic Health and WelfareConvenience Centers

Contracts with Public Carriers	\$	213,492	
Total Convenience Centers			\$ 213,492

Landfill Operation and Maintenance

Supervisor/Director	\$	52,309	
Accountants/Bookkeepers		32,107	
Equipment Operators - Heavy		132,480	
Temporary Personnel		19,235	
Longevity Pay		4,300	
Overtime Pay		12,338	
Board and Committee Members Fees		266	
In-Service Training		697	
Social Security		15,436	
State Retirement		20,014	
Employee and Dependent Insurance		39,594	

(Continued)

## Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Landfill Operation and Maintenance (Cont.)

Employer Medicare	\$	3,610	
Communication		4,546	
Consultants		750	
Data Processing Services		4,650	
Evaluation and Testing		3,015	
Licenses		5,283	
Maintenance and Repair Services - Equipment		2,620	
Diesel Fuel		8,110	
Equipment and Machinery Parts		22,206	
Gasoline		14,827	
Lubricants		54	
Tires and Tubes		5,930	
Utilities		9,455	
Other Supplies and Materials		5,036	
Liability Insurance		42,690	
Trustee's Commission		4,019	
Workers' Compensation Insurance		26,914	
Other Charges		3,640	
Total Landfill Operation and Maintenance			\$ 496,131

Total Solid Waste/Sanitation Fund \$ 709,623

Drug Control Fund

Public Safety

Drug Enforcement

In-Service Training	\$	250	
Communication		10,867	
Confidential Drug Enforcement Payments		3,000	
Travel		302	
Veterinary Services		115	
Animal Food and Supplies		51	
Trustee's Commission		259	
Other Equipment		62,343	
Total Drug Enforcement			\$ 77,187

Total Drug Control Fund 77,187

(Continued)

## Exhibit J-7

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

Adequate Facilities/Development Tax FundOther OperationsOther Charges

Refunds	\$	3,042	
Trustee's Commission		<u>2,906</u>	
Total Other Charges			<u>\$ 5,948</u>

Total Adequate Facilities/Development Tax Fund \$ 5,948

Constitutional Officers - Fees FundGeneral GovernmentRegister of Deeds

Constitutional Officers' Operating Expenses	\$	<u>150,215</u>	
Total Register of Deeds			\$ 150,215

Administration of JusticeChancery Court

Constitutional Officers' Operating Expenses	\$	<u>4,300</u>	
Total Chancery Court			<u>4,300</u>

Total Constitutional Officers - Fees Fund 154,515

Highway/Public Works FundHighwaysAdministration

County Official/Administrative Officer	\$	75,371	
Accountants/Bookkeepers		61,506	
Educational Incentive - Official/Admin Officer		1,362	
Educational Incentive - Other County Employees		4,086	
Board and Committee Members Fees		6,840	
In-Service Training		1,472	
Data Processing Services		7,993	
Dues and Memberships		3,699	
Rentals		2,837	
Office Supplies		3,769	
Other Charges		<u>13,733</u>	
Total Administration			\$ 182,668

Highway and Bridge Maintenance

Supervisor/Director	\$	142,525	
Foremen		102,671	
Equipment Operators		219,716	
Equipment Operators - Light		76,352	

(Continued)

## Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Truck Drivers	\$	264,764	
Laborers		233,449	
Clerical Personnel		29,759	
Longevity Pay		34,500	
Overtime Pay		60,022	
Freight Expenses		301,042	
Other Contracted Services		104,400	
Asphalt - Liquid		18,586	
Crushed Stone		125,196	
Road Signs		17,835	
Small Tools		350	
Other Supplies and Materials		440	
Total Highway and Bridge Maintenance			\$ 1,731,607

Operation and Maintenance of Equipment

Mechanic(s)	\$	139,300	
Maintenance and Repair Services - Equipment		11,845	
Diesel Fuel		171,953	
Equipment and Machinery Parts		89,591	
Garage Supplies		3,951	
Gasoline		59,640	
Lubricants		12,142	
Small Tools		1,667	
Tires and Tubes		41,435	
Other Supplies and Materials		6,378	
Other Capital Outlay		4,879	
Total Operation and Maintenance of Equipment			542,781

Other Charges

Communication	\$	8,314	
Contracts with Government Agencies		3,000	
Evaluation and Testing		26,591	
Utilities		17,140	
Liability Insurance		139,016	
Premiums on Corporate Surety Bonds		500	
Trustee's Commission		49,436	
Liability Claims		500	
Total Other Charges			244,497

(Continued)

## Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits

Social Security	\$	108,624	
State Retirement		120,829	
Employee and Dependent Insurance		252,944	
Evaluation and Testing		880	
Workers' Compensation Insurance		139,263	
Total Employee Benefits			\$ 622,540

Capital Outlay

Bridge Construction	\$	121,417	
Highway Equipment		240,075	
State Aid Projects		358,344	
Other Construction		800,813	
Total Capital Outlay			1,520,649

Principal on Debt

Highways and Streets

Principal on Capital Leases	\$	29,322	
Total Highways and Streets			29,322

Interest on Debt

Highways and Streets

Interest on Capital Leases	\$	2,092	
Total Highways and Streets			2,092

Capital Projects

Highway and Street Capital Projects

Other Capital Outlay	\$	144,038	
Total Highway and Street Capital Projects			144,038

Total Highway/Public Works Fund \$ 5,020,194

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	419,445	
Principal on Notes		9,785	
Total General Government			\$ 429,230

Education

Principal on Bonds	\$	370,000	
Total Education			370,000

(Continued)

## Exhibit J-7

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

General Debt Service Fund (Cont.)

Interest on Debt

General Government

Interest on Bonds	\$ 494,216	
Interest on Notes	<u>5,350</u>	
Total General Government		\$ 499,566

Education

Interest on Bonds	\$ 357,384	
Total Education		357,384

Other Debt Service

General Government

Trustee's Commission	\$ 17,435	
Underwriter's Discount	223,000	
Other Debt Issuance Charges	134,078	
Other Debt Service	<u>700</u>	
Total General Government		375,213

Education

Other Debt Service	\$ 1,659	
Total Education		<u>1,659</u>

Total General Debt Service Fund \$ 2,033,052

General Capital Projects Fund

Capital Projects

Administration of Justice Projects

Legal Services	\$ 12,378	
Total Administration of Justice Projects		\$ 12,378

Total General Capital Projects Fund 12,378

Other Capital Projects Fund

Capital Projects

Other General Government Projects

Site Development	\$ 27,668	
Total Other General Government Projects		\$ 27,668

Total Other Capital Projects Fund 27,668

Total Governmental Funds - Primary Government \$ 21,526,841



Exhibit J-8

Fayette County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Fayette County School Department  
For the Year Ended June 30, 2012

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 8,493,795	
Career Ladder Program	45,868	
Career Ladder Extended Contracts	13,051	
Educational Assistants	512,896	
Non-certified Substitute Teachers	157,080	
Social Security	557,404	
State Retirement	839,794	
Medical Insurance	1,526,454	
Employer Medicare	129,292	
Maintenance and Repair Services - Equipment	2,900	
Other Contracted Services	183,582	
Instructional Supplies and Materials	140,526	
Textbooks	303,372	
Other Charges	541	
Regular Instruction Equipment	98	
Total Regular Instruction Program		\$ 12,906,653

Special Education Program

Teachers	\$ 1,144,458	
Career Ladder Program	9,000	
Homebound Teachers	11,493	
Educational Assistants	107,010	
Other Salaries and Wages	46,298	
Non-certified Substitute Teachers	8,190	
Social Security	78,087	
State Retirement	118,676	
Medical Insurance	144,975	
Employer Medicare	18,270	
Other Fringe Benefits	20,287	
Contracts with Private Agencies	315,641	
Total Special Education Program		2,022,385

Vocational Education Program

Teachers	\$ 612,372
Career Ladder Program	4,000
Non-certified Substitute Teachers	900
Social Security	36,796
State Retirement	55,577
Medical Insurance	61,879

(Continued)

## Exhibit J-8

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

General Purpose School Fund (Cont.)Instruction (Cont.)Vocational Education Program (Cont.)

Employer Medicare	\$	8,637	
Other Fringe Benefits		65	
Travel		2,500	
Other Contracted Services		1,529	
Instructional Supplies and Materials		17,004	
Vocational Instruction Equipment		9,927	
Total Vocational Education Program			\$ 811,186

Adult Education Program

Teachers	\$	16,776	
Social Security		521	
State Retirement		294	
Employer Medicare		243	
Instructional Supplies and Materials		13,635	
Total Adult Education Program			31,469

Support ServicesAttendance

Supervisor/Director	\$	49,908	
Career Ladder Program		1,000	
Clerical Personnel		26,069	
Social Security		4,426	
State Retirement		6,841	
Medical Insurance		17,190	
Employer Medicare		1,035	
Travel		1,157	
Other Contracted Services		9,470	
Other Supplies and Materials		992	
Total Attendance			118,088

Health Services

Medical Personnel	\$	114,910	
Other Salaries and Wages		16,583	
Social Security		7,936	
State Retirement		11,494	
Medical Insurance		8,206	
Employer Medicare		1,856	
Communication		1,064	
Travel		4,900	

(Continued)

## Exhibit J-8

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

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

Other Contracted Services	\$	2,000	
Drugs and Medical Supplies		1,026	
Other Supplies and Materials		4,891	
In Service/Staff Development		930	
Other Charges		423	
Total Health Services			\$ 176,219

Other Student Support

Career Ladder Program	\$	3,000	
Guidance Personnel		375,357	
Clerical Personnel		17,055	
Social Security		23,938	
State Retirement		35,703	
Medical Insurance		40,315	
Employer Medicare		5,598	
Evaluation and Testing		32,879	
Other Charges		16,405	
Total Other Student Support			550,250

Regular Instruction Program

Supervisor/Director	\$	85,851	
Career Ladder Program		8,948	
Career Ladder Extended Contracts		14,410	
Librarians		411,641	
Instructional Computer Personnel		2,634	
Other Salaries and Wages		210,796	
Social Security		35,280	
State Retirement		57,765	
Medical Insurance		51,694	
Employer Medicare		7,308	
Travel		239	
Other Contracted Services		9,195	
Library Books/Media		59,878	
Other Supplies and Materials		3,408	
In Service/Staff Development		11,713	
Other Charges		9,492	
Total Regular Instruction Program			980,252

(Continued)

## Exhibit J-8

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

General Purpose School Fund (Cont.)Support Services (Cont.)Special Education Program

Supervisor/Director	\$	100,667	
Career Ladder Program		1,500	
Psychological Personnel		12,261	
Assessment Personnel		44,126	
Secretary(ies)		26,069	
Clerical Personnel		26,050	
Other Salaries and Wages		30,000	
Social Security		14,528	
State Retirement		21,112	
Medical Insurance		24,081	
Employer Medicare		3,398	
Other Fringe Benefits		4,441	
Communication		7,100	
Total Special Education Program			\$ 315,333

Vocational Education Program

Supervisor/Director	\$	56,719	
Career Ladder Program		3,000	
Secretary(ies)		27,326	
Other Salaries and Wages		157,303	
Social Security		14,518	
State Retirement		21,529	
Medical Insurance		29,524	
Employer Medicare		3,468	
Other Fringe Benefits		634	
Communication		3,415	
Maintenance and Repair Services - Equipment		5,616	
Travel		797	
Other Supplies and Materials		72,867	
Other Charges		61,247	
Total Vocational Education Program			457,963

Adult Programs

Supervisor/Director	\$	114,319	
Career Ladder Program		500	
Other Salaries and Wages		155,787	
Social Security		15,582	
State Retirement		22,267	
Medical Insurance		33,622	

(Continued)

## Exhibit J-8

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

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

Employer Medicare	\$	3,727	
Travel		1,952	
Other Contracted Services		48,834	
In Service/Staff Development		797	
Other Charges		41,075	
Total Adult Programs			\$ 438,462

Other Programs

On-Behalf Payments to OPEB	\$	78,340	
Total Other Programs			78,340

Board of Education

Longevity Pay	\$	32,200	
Board and Committee Members Fees		23,218	
Social Security		3,302	
State Retirement		2,971	
Unemployment Compensation		135,820	
Employer Medicare		804	
Audit Services		14,026	
Dues and Memberships		18,212	
Legal Services		81,634	
Travel		24,205	
Liability Insurance		47,741	
Premiums on Corporate Surety Bonds		3,571	
Trustee's Commission		267,557	
Workers' Compensation Insurance		106,185	
Criminal Investigation of Applicants - TBI		7,800	
Other Charges		20,709	
Total Board of Education			789,955

Director of Schools

County Official/Administrative Officer	\$	111,058	
Assistant(s)		30,336	
Career Ladder Program		1,000	
Secretary(ies)		26,069	
Clerical Personnel		1,215	
Social Security		10,943	
State Retirement		15,271	
Medical Insurance		27,271	

(Continued)

## Exhibit J-8

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

General Purpose School Fund (Cont.)Support Services (Cont.)Director of Schools (Cont.)

Employer Medicare	\$	2,559	
Communication		24,887	
Dues and Memberships		5,215	
Legal Services		12,573	
Travel		8,087	
Office Supplies		2,849	
Other Charges		12,320	
Total Director of Schools			\$ 291,653

Office of the Principal

Principals	\$	557,793	
Career Ladder Program		5,000	
Career Ladder Extended Contracts		5,741	
Assistant Principals		294,407	
Secretary(ies)		179,918	
Social Security		61,902	
State Retirement		92,753	
Medical Insurance		90,005	
Employer Medicare		14,532	
Communication		43,982	
Other Contracted Services		9,620	
Administration Equipment		9,694	
Total Office of the Principal			1,365,347

Fiscal Services

Supervisor/Director	\$	50,250	
Accountants/Bookkeepers		30,224	
Other Salaries and Wages		86,953	
Social Security		8,648	
State Retirement		12,483	
Medical Insurance		25,439	
Employer Medicare		2,295	
Data Processing Services		5,800	
Dues and Memberships		745	
Travel		3,364	
Data Processing Supplies		2,704	
Office Supplies		2,736	
Other Charges		4,646	
Total Fiscal Services			236,287

(Continued)

## Exhibit J-8

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

General Purpose School Fund (Cont.)Support Services (Cont.)Operation of Plant

Secretary(ies)	\$	25,661	
Custodial Personnel		428,177	
Social Security		27,614	
State Retirement		35,864	
Medical Insurance		17,949	
Employer Medicare		6,458	
Rentals		11,400	
Travel		698	
Other Contracted Services		42,323	
Custodial Supplies		39,321	
Electricity		573,789	
Natural Gas		84,477	
Water and Sewer		53,901	
Other Supplies and Materials		3,667	
Boiler Insurance		7,106	
Building and Contents Insurance		129,458	
Other Charges		3,436	
Plant Operation Equipment		55,051	
Total Operation of Plant			\$ 1,546,350

Maintenance of Plant

Supervisor/Director	\$	48,160	
Maintenance Personnel		272,659	
Social Security		19,837	
State Retirement		26,000	
Medical Insurance		53,336	
Employer Medicare		4,639	
Maintenance and Repair Services - Buildings		5,063	
Maintenance and Repair Services - Equipment		40,526	
Other Contracted Services		22,380	
General Construction Materials		22,709	
Other Supplies and Materials		45,267	
Other Charges		826	
Maintenance Equipment		4,322	
Total Maintenance of Plant			565,724

Transportation

Supervisor/Director	\$	43,215	
Mechanic(s)		216,085	

(Continued)

## Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Bus Drivers	\$	849,064	
Clerical Personnel		25,123	
Other Salaries and Wages		12,976	
Social Security		70,374	
State Retirement		86,242	
Medical Insurance		39,860	
Employer Medicare		16,506	
Other Fringe Benefits		665	
Communication		6,397	
Contracts with Public Carriers		539	
Travel		1,841	
Other Contracted Services		36,478	
Diesel Fuel		543,427	
Equipment and Machinery Parts		34,886	
Gasoline		53,765	
Lubricants		22,618	
Tires and Tubes		40,226	
Vehicle Parts		150,097	
Other Supplies and Materials		6,916	
Vehicle and Equipment Insurance		39,970	
Other Charges		3,989	
Transportation Equipment		31,543	
Total Transportation			\$ 2,332,802

Central and Other

Other Salaries and Wages	\$	166,405	
Social Security		10,177	
State Retirement		13,876	
Medical Insurance		109	
Employer Medicare		2,380	
Other Contracted Services		20,121	
Instructional Supplies and Materials		9,738	
Other Equipment		3,422	
Total Central and Other			226,228

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	6,000	
Other Salaries and Wages		22,683	

(Continued)



## Exhibit J-8

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

General Purpose School Fund (Cont.)Operation of Non-Instructional Services (Cont.)Community Services (Cont.)

Social Security	\$	1,107	
State Retirement		1,559	
Employer Medicare		416	
Other Supplies and Materials		15,273	
Total Community Services			\$ 47,038

Early Childhood Education

Supervisor/Director	\$	95,573	
Teachers		380,645	
Career Ladder Program		2,000	
Educational Assistants		139,767	
Other Salaries and Wages		16,466	
Non-certified Substitute Teachers		900	
Social Security		37,994	
State Retirement		55,459	
Medical Insurance		49,489	
Employer Medicare		8,896	
Contracts with Other Public Agencies		26,778	
Travel		3,821	
Instructional Supplies and Materials		30,161	
In Service/Staff Development		3,808	
Other Charges		4,681	
Other Equipment		11,620	
Total Early Childhood Education			868,058

Capital OutlayRegular Capital Outlay

Building Improvements	\$	138,968	
Motor Vehicles		8,700	
Transportation Equipment		328,878	
Other Capital Outlay		46,736	
Total Regular Capital Outlay			523,282

Principal on DebtEducation

Principal on Notes	\$	135,000	
Principal on Capital Leases		158,083	
Total Education			293,083

(Continued)

## Exhibit J-8

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

General Purpose School Fund (Cont.)Interest on DebtEducation

Interest on Notes	\$	46,688	
Interest on Capital Leases		<u>15,163</u>	
Total Education			\$ 61,851

Other Debt ServiceEducation

Fines, Assessments, and Penalties	\$	<u>9,886</u>	
Total Education			<u>9,886</u>

Total General Purpose School Fund \$ 28,044,144

School Federal Projects FundInstructionRegular Instruction Program

Teachers	\$	262,636	
Educational Assistants		83,988	
Other Salaries and Wages		165,985	
Social Security		10,200	
State Retirement		15,654	
Employer Medicare		5,012	
Other Fringe Benefits		40	
Maintenance and Repair Services - Equipment		8,056	
Other Contracted Services		128,302	
Instructional Supplies and Materials		116,439	
Other Supplies and Materials		1,766	
Other Charges		233	
Regular Instruction Equipment		<u>99,804</u>	
Total Regular Instruction Program			\$ 898,115

Alternative Instruction Program

Clerical Personnel	\$	1,500	
Social Security		93	
State Retirement		131	
Employer Medicare		<u>22</u>	
Total Alternative Instruction Program			1,746

Special Education Program

Clerical Personnel	\$	2,018	
Educational Assistants		310,062	

(Continued)

## Exhibit J-8

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

School Federal Projects Fund (Cont.)Instruction (Cont.)Special Education Program (Cont.)

Social Security	\$	20,226	
State Retirement		23,775	
Employer Medicare		4,736	
Other Fringe Benefits		13,839	
Maintenance and Repair Services - Equipment		1,496	
Other Contracted Services		338,895	
Instructional Supplies and Materials		54,509	
Other Supplies and Materials		41,149	
Special Education Equipment		84	
Total Special Education Program			\$ 810,789

Vocational Education Program

Educational Assistants	\$	14,920	
Other Salaries and Wages		1,200	
Social Security		999	
State Retirement		1,384	
Employer Medicare		234	
Other Contracted Services		600	
Instructional Supplies and Materials		2,500	
Other Charges		1,500	
Vocational Instruction Equipment		32,098	
Total Vocational Education Program			55,435

Support ServicesHealth Services

Other Salaries and Wages	\$	113,805	
Social Security		5,957	
State Retirement		8,375	
Medical Insurance		31,199	
Employer Medicare		1,393	
Other Fringe Benefits		3,079	
Total Health Services			163,808

Other Student Support

Bus Drivers	\$	120	
Secretary(ies)		88,349	
Other Salaries and Wages		163,685	
Social Security		14,677	
State Retirement		21,561	

(Continued)

## Exhibit J-8

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

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

Medical Insurance	\$	9,535	
Employer Medicare		3,497	
Travel		12,398	
Other Contracted Services		42,559	
Other Supplies and Materials		1,774	
In Service/Staff Development		62,000	
Total Other Student Support			\$ 420,155

Regular Instruction Program

Supervisor/Director	\$	87,067	
Instructional Computer Personnel		50,481	
Secretary(ies)		1,556	
Other Salaries and Wages		449,013	
Social Security		14,065	
State Retirement		19,240	
Medical Insurance		13,935	
Employer Medicare		5,331	
Other Fringe Benefits		30,606	
Travel		37,059	
In Service/Staff Development		114,703	
Total Regular Instruction Program			823,056

Special Education Program

Travel	\$	39,131	
Other Supplies and Materials		10,822	
In Service/Staff Development		9,214	
Total Special Education Program			59,167

Vocational Education Program

Travel	\$	2,041	
Total Vocational Education Program			2,041

Transportation

Bus Drivers	\$	52,650	
Other Salaries and Wages		27,917	
Social Security		5,021	
State Retirement		6,550	
Employer Medicare		1,168	
Other Fringe Benefits		3,806	

(Continued)

## Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Contracts with Parents	\$	18,327	
Diesel Fuel		<u>51,560</u>	
Total Transportation			<u>\$ 166,999</u>

Total School Federal Projects Fund \$ 3,401,311

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	38,693	
Accountants/Bookkeepers		24,185	
Cafeteria Personnel		880,452	
Longevity Pay		4,550	
Other Salaries and Wages		36,904	
Social Security		60,275	
State Retirement		77,301	
Medical Insurance		21,125	
Unemployment Compensation		9,204	
Employer Medicare		14,209	
Communication		8,870	
Maintenance and Repair Services - Equipment		3,329	
Travel		951	
Other Contracted Services		29,089	
Food Supplies		832,752	
USDA - Commodities		109,023	
Other Supplies and Materials		90,991	
Workers' Compensation Insurance		28,381	
In Service/Staff Development		1,740	
Food Service Equipment		<u>18,904</u>	
Total Food Service			<u>\$ 2,290,928</u>

Total Central Cafeteria Fund 2,290,928

Total Governmental Funds - Fayette County School Department \$ 33,736,383

Exhibit J-9

Fayette County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2012

	Cities - Sales Tax Fund
	<hr/>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 2,149,398
Total Cash Receipts	<u>\$ 2,149,398</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 2,127,904
Trustee's Commission	21,494
Total Cash Disbursements	<u>\$ 2,149,398</u>
 Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2011	<hr/> 0
 Cash Balance, June 30, 2012	 <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 LOCAL GOVERNMENT 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***

March 7, 2013

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fayette County, Tennessee, as of and for the year ended June 30, 2012, which collectively comprise Fayette County's basic financial statements and have issued our report thereon dated March 7, 2013. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Fayette County Emergency Communications District, a discretely presented component unit, as described in our report on Fayette County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

The management of Fayette County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Fayette County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the



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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 12.07(B,C), 12.08, and 12.14.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 12.01(A-E), 12.06, 12.11(A-I), 12.13(B), 12.15, and 12.16.

#### Compliance and Other Matters

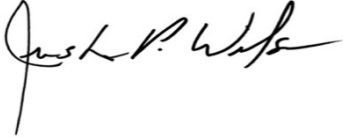
As part of obtaining reasonable assurance about whether Fayette County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items: 12.01(F), 12.02, 12.03, 12.04, 12.05, 12.07(A), 12.09, 12.10, 12.11(J), 12.12, and 12.13(A).

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

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

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

Very truly yours,

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

Justin P. Wilson  
Comptroller of the Treasury

JPW/sb



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF LOCAL GOVERNMENT 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

Independent Auditor's Report

March 7, 2013

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited Fayette County's compliance 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, 2012. Fayette County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Fayette County's management. Our responsibility is to express an opinion on Fayette County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fayette County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Fayette County's compliance with those requirements.

As described in items 12.14 and 12.17 in the accompanying Schedule of Findings and Questioned Costs, Fayette County did not comply with requirements regarding activities allowed or unallowed and allowable costs/cost principles that are applicable to its Title I Grants to Local Educational Agencies (CFDA No. 84.010); the Special Education Cluster: Special Education – Grants to States, Special Education – Preschool Grants, Special Education – Grants to States, Recovery Act, and Special Education – Preschool Grants, Recovery Act (CFDA Nos. 84.027, 84.173, 84.391, and 84.392); State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395); and Education Jobs Fund (CFDA No. 84.410) major federal programs and its Career and Technical Education – Basic Grants to States (CFDA No. 84.048); Educational Technology State Grants Cluster: Educational Technology State Grants and Educational Technology State Grants, Recovery Act (CFDA Nos. 84.318 and 84.386); English Language Acquisition State Grants (CFDA No. 84.365); and Improving Teacher Quality State Grants (CFDA No. 84.367) nonmajor federal programs. Compliance with such requirements is necessary, in our opinion, for Fayette County to comply with the requirements applicable to those programs.

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, Fayette County did not comply in all material respects with the requirements referred to above that could have a direct and material effect on the Title I Grants to Local Educational Agencies; Special Education Cluster: Special Education – Grants to States, Special Education – Preschool Grants, Special Education – Grants to States, Recovery Act, and Special Education – Preschool Grants, Recovery Act; State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act; and Education Jobs Fund major federal programs and the Career and Technical Education – Basic Grants to States; Educational Technology State Grants Cluster: Educational Technology State Grants and Educational Technology State Grants, Recovery Act; English Language Acquisition State Grants; and Improving Teacher Quality State Grants nonmajor federal programs. Also, in our opinion, Fayette County complied, in all material respects, with the requirements referred to above that are applicable to its other major federal program; the Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children, for the year ended June 30, 2012.

#### Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the county's internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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. We consider the deficiencies in internal control over compliance as described in the accompanying Schedule of Findings and Questioned Costs as items 12.14 and 12.17 to be material weaknesses.

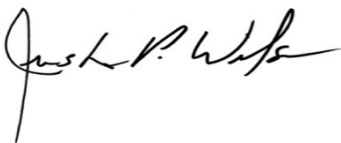
#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fayette County as of and for the year ended June 30, 2012, and have issued our report thereon dated March 7, 2013. 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, because of the material noncompliance and material weaknesses in internal control over compliance noted above, the information is not fairly stated in all material respects in relation to the financial statements as a whole.

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

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

Very truly yours,

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

Justin P. Wilson  
Comptroller of the Treasury

JPW/sb

Fayette County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year-Ended June 30, 2012

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 589,399
National School Lunch Program	10.555	N/A	1,165,408 (3)
Summer Food Service Program for Children	10.559	N/A	42,335
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	109,023 (3)
Total U.S. Department of Agriculture			<u>\$ 1,906,165</u>
U.S. Department of Justice:			
Passed-through State Department of Finance and Administration:			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	(2)	\$ 6,575
Total U.S. Department of Justice			<u>\$ 6,575</u>
U.S. Department of Labor:			
Passed-through City of Memphis, Tennessee:			
WIA Cluster:			
WIA Adult Program	17.258	(2)	\$ 363,395
WIA Youth Activities	17.259	(2)	390,979
Total U.S. Department of Labor			<u>\$ 754,374</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	(2)	\$ 40,909
Total U.S. Department of Transportation			<u>\$ 40,909</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	(2)	\$ 77,630
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	1,334,066 (4)
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	1,080,136 (4)
Special Education - Preschool Grants	84.173	N/A	30,623 (4)
Special Education - Grants to States, Recovery Act	84.391	N/A	18,000 (4)
Special Education - Preschool Grants, Recovery Act	84.392	N/A	14,495 (4)
Career and Technical Education - Basic Grants to States	84.048	N/A	79,455 (4)
Educational Technology State Grants Cluster:			
Educational Technology State Grants	84.318	N/A	349 (4)
Educational Technology State Grants, Recovery Act	84.386	N/A	20,000 (4)
English Language Acquisition State Grants	84.365	N/A	9,708 (4)
Improving Teacher Quality State Grants	84.367	N/A	245,226 (4)
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	518,153 (4)
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	N/A	137,695
Education Jobs Fund	84.410	N/A	378,987 (4)
Total U.S. Department of Education			<u>\$ 3,944,523</u>

(Continued)

Fayette County, Tennessee

Schedule of Expenditures of Federal Awards and State Grants (1) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Homeland Security: Passed-through State Department of Military: Emergency Management Performance Grants	97.042	(2)	\$ 202,257
Total U.S. Department of Homeland Security			<u>\$ 202,257</u>
Total Expenditures of Federal Awards			<u>\$ 6,854,803</u>
State Grants:		Contract Number	
Dental Program - State Department of Health	N/A	(2)	\$ 243,019
Airport Maintenance Grant - State Department of Transportation	N/A	(2)	4,950
Airport Terminal Building - State Department of Transportation	N/A	Z-09-21-4016-00	36,411
Litter Program - State Department of Transportation	N/A	(2)	49,414
Drug Court Grant - Tennessee Secretary of State	N/A	(2)	48,735
Flood Stream Debris Removal - State Department of Environment and Conservation	N/A	(2)	50,000
High Schools That Work - State Department of Education	N/A	(2)	4,000
Early Childhood Education - State Department of Education	N/A	(2)	838,779
Adult Education - State Department of Education	N/A	(2)	<u>158,009</u>
Total State Grants			<u>\$ 1,433,317</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

(1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.

(2) Information not available.

(3) Total CFDA No. 10.555 is \$1,274,431.

(4) Amounts presented are program revenues as expenditures were not available.

Fayette County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2012

*Government Auditing Standards* require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Fayette County, Tennessee, for the year ended June 30, 2011, which have not been corrected.

**OFFICE OF COUNTY MAYOR**

Finding Number	Page Number	Subject
11.02	165	The Adequate Facilities Office did not deposit some funds within three days of collection

**OFFICE OF DIRECTOR OF SCHOOLS**

Finding Number	Page Number	Subject
11.03	165	The School Federal Projects Fund had a cash overdraft
11.05	166	Expenditures exceeded appropriations

**OFFICE OF REGISTER OF DEEDS**

Finding Number	Page Number	Subject
11.09	169	Multiple employees operated from the same cash drawer

**OFFICES OF REGISTER OF DEEDS AND SHERIFF**

Finding Number	Page Number	Subject
11.10	170	Duties were not segregated adequately



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**FAYETTE COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2012**

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

1. Our report on the financial statements of Fayette County is unqualified.
2. The audit of the financial statements of Fayette County disclosed significant deficiencies in internal control. Three of these deficiencies were considered to be material weaknesses.
3. The audit disclosed six instances of noncompliance that are material to the financial statements of Fayette County.
4. The audit disclosed a material weakness in internal control over major programs.
5. An adverse opinion was issued on compliance for the Title I Grants to Local Educational Agencies (CFDA No. 84.010); the Special Education Cluster: Special Education – Grants to States, Special Education – Preschool Grants, Special Education – Grants to States, Recovery Act, and Special Education – Preschool Grants, Recovery Act (CFDA Nos. 84.027, 84.173, 84.391, and 84.392); State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395); and Education Jobs Fund (CFDA No. 84.410) major programs. An unqualified opinion on compliance was issued for compliance for the Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children (CFDA Nos. 10.553, 10.555, and 10.559) major program.
6. The audit revealed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children (CFDA Nos. 10.553, 10.555, and 10.559); Title I Grants to Local Educational Agencies (CFDA No. 84.010); the Special Education Cluster: Special Education – Grants to States, Special Education – Preschool Grants, Special Education – Grants to States, Recovery Act, and Special Education – Preschool Grants, Recovery Act (CFDA Nos. 84.027, 84.173, 84.391, and 84.392); State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395); and Education Jobs Fund (CFDA No. 84.410) were determined to be major programs.

8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Fayette County did not qualify as a low-risk auditee.

## PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The county mayor, public works superintendent, and former director of schools provided written responses on certain findings, which are paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

### **OFFICE OF COUNTY MAYOR**

#### **FINDING 12.01      **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES****

(A. through E. – Internal Control – Significant Deficiency Under *Government Auditing Standards*; F. – Noncompliance Under *Government Auditing Standards*)

Our examination revealed the following deficiencies in purchasing procedures. These deficiencies can be attributed to a lack of management oversight.

- A. Purchase orders were not issued in some instances. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments. The failure to issue purchase orders increases the risks of unauthorized purchases.
- B. In some instances, purchase orders were issued after purchases were made. This practice defeats the purpose of issuing a purchase order and makes the purchase order an approval for payment, rather than an approval of the purchase.
- C. Some purchase orders did not include adequate descriptions or dollar amounts of the items to be purchased. This detailed information is necessary to identify the items to be purchased and to quantify purchasing commitments.
- D. The Sheriff's Department issued their own purchase orders, which were not forwarded to the County Mayor's Office for approval. These purchase orders typically did not include any descriptions or amounts. This practice defeats the purpose of issuing purchase orders and increases the risk of unauthorized purchases.
- E. In a few instances, invoices on file were summary statements and did not include supporting documentation. Therefore, we could not determine from the summary statements what goods or services had been purchased. The failure to maintain adequate documentation increases the risks of unauthorized purchases.
- F. Competitive bids were not solicited for a Sheriff's Department vehicle costing \$12,900. Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated*, require public advertisement and solicitation of competitive bids on

purchases exceeding \$10,000. The failure to solicit competitive bids could result in the county paying more than the most competitive price.

### RECOMMENDATION

To strengthen internal controls over purchasing procedures and to document purchasing commitments, the County Mayor's Office should issue purchase orders for the general government for all applicable purchases before purchases are made. These purchase orders should include adequate descriptions and dollar amounts of items to be purchased. The Sheriff's Department should not issue purchase orders. Supporting documentation of all disbursements should be maintained. Purchases exceeding \$10,000 should be competitively bid as required by state statute.

### MANAGEMENT'S RESPONSE – COUNTY MAYOR

I concur. A more rigid system will be implemented to control and document purchasing to require more detailed descriptions and have all purchase orders issued through the County Mayor's Office. The practice of sending bill summary sheets for payments has stopped.

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### FINDING 12.02      **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS** (Noncompliance Under *Government Auditing Standards*)

We noted the following deficiencies in the budget operations of the office:

- A.      Expenditures exceeded appropriations approved by the County Commission in the Other Charges major appropriation category (the legal level of control) of the General Fund by \$1,176.
- B.      In two instances, salaries exceeded line-item appropriations approved in the budget document in the General Fund by \$491 and \$10,460.

Section 5-9-401, *Tennessee Code Annotated*, states, "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies." The budget resolution approved by the County Commission states that the salary, wages, or enumeration of each official, employee, or agent of the county will not exceed expenditures that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the County Commission. These deficiencies exist because management failed to hold spending to the limits authorized by the County Commission, which resulted in unauthorized expenditures.

### RECOMMENDATION

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

## MANAGEMENT'S RESPONSE – COUNTY MAYOR

I concur. The trustee commission's category was overspent, and it is a percentage of collected revenues, which raised the fees above the budgeted amount. The salary line-items were overspent because the County Commission's attendance payments (\$491) were higher than budgeted, and overtime for the jail (\$10,460) exceeded what was approved.

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### FINDING 12.03      **THE ADEQUATE FACILITIES OFFICE DID NOT DEPOSIT SOME FUNDS WITHIN THREE DAYS OF COLLECTION** (Noncompliance Under *Government Auditing Standards*)

The Adequate Facilities Office did not deposit some funds within three days of collection. Section 5-8-207, *Tennessee Code Annotated*, requires county officials to deposit public funds to an official bank account within three days of collection. In numerous instances during the period under examination, collections were held in the office up to 12 days before being deposited with the county trustee. This deficiency is the result of the failure of management to correct the finding noted in the prior-year audit report. The delay in depositing funds increases the risks of fraud and misappropriation.

### RECOMMENDATION

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

## MANAGEMENT'S RESPONSE – COUNTY MAYOR

I concur.

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### FINDING 12.04      **THE OFFICE DID NOT FILE A REPORT ON DEBT OBLIGATION WITH THE STATE COMPTROLLER'S OFFICE** (Noncompliance Under *Government Auditing Standards*)

The office did not file a Report on Debt Obligation with the state Comptroller's Office for a \$233,180 capital lease that was issued November 2, 2011. Section 9-21-151, *Tennessee Code Annotated*, requires that within 45 days following the issuance of debt, a county must provide to the state Comptroller's Office certain information, such as a description of the purchase for which the debt is issued, a description of the debt obligation, and an itemized description of the cost of issuance. A Report on Debt Obligation was filed on September 25, 2012, when this deficiency was brought to management's attention. Management stated they were not aware of the statutory requirements.

## RECOMMENDATION

The office should file a Report on Debt Obligation with the state Comptroller's Office for each debt issuance.

## MANAGEMENT'S RESPONSE – COUNTY MAYOR

I concur.

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### FINDING 12.05      **THE      AMBULANCE      SERVICE      HAD      RECEIPTING DEFICIENCIES**

(Noncompliance Under *Government Auditing Standards*)

The following deficiencies were noted during our examination of receipts issued by the Ambulance Service. These deficiencies can be attributed to a lack of oversight by management and a lack of understanding of state statutes.

- A.      The Ambulance Service did not issue official receipts for collections as required by Section 9-2-104, *Tennessee Code Annotated (TCA)*. Instead, the office used generic receipts and a stamp to affix the official name of the county and office. The use of generic receipts and a stamp exposes the office to risks that collections may not be accounted for properly.
- B.      Receipts were not issued on a current basis for all collections as required by Section 9-2-103, *TCA*. The bookkeeper advised she was approximately three months behind on receipting funds because they were out of receipt books. The practice of issuing receipts subsequent to the actual collection increases the risk that collections will not be accounted for properly. Since receipts were not issued at the time of collection, we were unable to determine if the office had complied with Section 5-8-207, *TCA*. This statute requires officials to deposit all collections within three days of receipt.

## RECOMMENDATION

Receipts should be issued at the time of collection. The office should issue official prenumbered receipts that clearly reflect the name of the county and the office. The office should immediately discontinue the use of the signature stamp.

## MANAGEMENT'S RESPONSE – COUNTY MAYOR

I concur. The practice of using numbered but generic receipts has been stopped. Numbered and preprinted receipts with Fayette County Ambulance identification are now being used.

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## **OFFICE OF PUBLIC WORKS SUPERINTENDENT**

### **FINDING 12.06**

#### **TIME SHEETS WERE NOT SIGNED BY EMPLOYEES**

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

Highway Department employees did not sign time sheets. Employees should sign time sheets as verification that the time reported is correct. This deficiency is due to an oversight by management. If employees do not review and sign their time sheets, it increases the risk that time worked will be reported and paid incorrectly.

### **RECOMMENDATION**

Employees should sign their time sheets as verification that the time reported is correct.

### **MANAGEMENT’S RESPONSE – PUBLIC WORKS SUPERINTENDENT**

Time sheets for Highway Department employees are now being reviewed and signed by the employee.

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## **OFFICE OF DIRECTOR OF SCHOOLS**

Dr. Cedrick Gray, who was the director of schools through June 30, 2012, provided 60 pages of responses to the School Department findings. His responses have been paraphrased in this report.

### **FINDING 12.07**

#### **DEFICIENCIES WERE NOTED IN THE MAINTENANCE OF GENERAL LEDGER CASH ACCOUNTS**

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

During the audit, numerous deficiencies were noted in the maintenance of general ledger cash accounts. These deficiencies can be attributed to a lack of understanding of internal controls and sound business practices and a lack of management oversight.

- A. General ledger cash accounts in the General Purpose School and School Federal Projects funds were not reconciled with county trustee reports on a monthly basis. Management did not provide us with any reconciliations for the year ended June 30, 2012. The finance director hired subsequent to June 30, 2012, was able to correct errors and reconcile the cash accounts. Section 9-2-138, *Tennessee Code Annotated*, requires officials to reconcile their respective fund accounts with the records of the county trustee monthly.

- B. At June 30, 2012, the School Federal Projects Fund had a cash overdraft of \$163,589. This cash overdraft resulted from the issuance of warrants that exceeded cash on deposit with the county trustee. Sound business practices dictate that expenditures should be held within available funds. The cash overdraft was liquidated subsequent to June 30, 2012, when monies were received from the General Purpose School Fund to reimburse these overexpenditures.
- C. Cash flow in the School Federal Projects Fund was not monitored, and requests to draw down grant funds were not submitted on a timely basis to the Tennessee Department of Education. As a result, the various federal grant programs had cash overdrafts throughout the audit period. Sound business practices dictate that requests for grant reimbursements be made on a current basis. School personnel were apparently unaware of the cash overdrafts until they were informed by the county trustee in May 2012. The department subsequently filed requests and received available grant reimbursements; however, as noted above, total expenditures exceeded the available funds, and monies had to be requested from the General Purpose School Fund to liquidate the overdraft.

#### RECOMMENDATION

The School Department should reconcile all funds' general ledger cash accounts with county trustee reports monthly as required by state statute, and any errors discovered should be corrected promptly. The School Department should not issue warrants exceeding cash on deposit with the county trustee. Cash balances should be monitored, and requests for reimbursements from grant funds should be made on a timely basis.

#### MANAGEMENT'S RESPONSE – DR. CEDRICK GRAY, DIRECTOR OF SCHOOLS

This was due to the inexperience of the staff, adjustments by the state Department of Education consultant, and the introduction of a new reconciliation process in the accounting software. During this period, software consultants were constantly in and out of the office testing and adjusting the new reconciliation module. I believe this was the case since this issue was not a finding in the previous year, and the new process had not yet been introduced.

#### AUDITOR'S COMMENT

It is the responsibility of management to ensure that general ledger cash accounts are monitored and reconciled monthly as required by state statute. There was no evidence that this was done at any time during the audit period. The director of finance began work with the department on July 1, 2010; therefore, the financial staff was not inexperienced.

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**FINDING 12.08**

**THE OFFICE HAD WEAKNESSES IN POSTING FINANCIAL TRANSACTIONS**

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

We observed 407 general journal entries that were posted to the accounting records for the General Purpose School and School Federal Projects funds. Included in these adjustments were 33 general journal entries that were posted to correct other journal entries, including some that were actually made in the prior year. Numerous entries were made with the notations “to correct...” or “to adjust...” as the only explanations, and in most instances, there was no supporting documentation. Sound business practices dictate that financial transactions should be accurately posted and documented in accordance with generally accepted accounting principles. The significant number of general journal entries indicates weaknesses in internal controls related to recording financial transactions.

**RECOMMENDATION**

Internal controls over the accounting process should be strengthened to correctly identify and accurately post transactions by nature, account, and fund when the transactions are initiated. Adequate documentation should be maintained to support all general journal entries.

**MANAGEMENT’S RESPONSE – DR. CEDRICK GRAY, DIRECTOR OF SCHOOLS**

This was due to the inexperience of the staff, adjustments by the state Department of Education consultant, and unsolicited retaliation from the current administration. It has been noted that 400 plus journal entries were made, and approximately 30 journal entries were made to correct or adjust other entries. This could be accurate; however, because of the inexperience of the financial staff at the time, the practice was to depend solely upon the state’s consultant to generate journal entries. Very few, if any, journal entries were constructed by the Fayette County School’s financial staff.

**AUDITOR’S COMMENT**

It is the responsibility of management to ensure that internal controls are in place to correctly identify and accurately post transactions, and that adequate documentation is maintained for all general journal entries. In support of his claim that the Department of Education consultant generated the journal entries, Dr. Gray provided three emails from the consultant referring to the need to adjust records and amend the budget. However, these emails were from June 2012, and reflect the consultant attempting to assist the staff in correcting records after the State Department of Education was contacted concerning the cash overdraft situation. There was no documentation provided for the journal entries made throughout the audit period and no indication of who made these entries. The director of finance began work with the department on July 1, 2010; therefore, the financial staff was not inexperienced.

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**FINDING 12.09****THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS**

(Material Noncompliance Under *Government Auditing Standards*)

Our examination revealed numerous deficiencies in budget operations of the School Department. These deficiencies exist because management failed to hold spending to the limits authorized by the County Commission, which resulted in unauthorized expenditures, failed to correct budgetary deficiencies noted in the prior-year audit report, and failed to provide sufficient oversight.

- A. During the year, several budget amendments were posted to the General Purpose School Fund that had not been approved by the Board of Education or the County Commission. In addition, budget amendments posted to the School Federal Projects Fund included amounts that had not been approved for those projects by the Tennessee Department of Education. Accurate budgetary statements are necessary to provide county officials and departments with available spending limits. We have recognized only those budget amendments, which were properly approved in the financial statements of this report.
- B. Expenditures exceeded total appropriations in the General Purpose School Fund by \$1,252,647. These overexpenditures included 16 major appropriation categories (the legal level of control) of the fund:

General Purpose School Fund:

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
Instruction - Regular Instruction Program	\$ 505,070
Instruction - Special Education Program	153,774
Instruction - Vocational Education Program	20,055
Instruction - Adult Education Program	6,963
Support Services - Attendance	2,178
Support Services - Health Services	879
Support Services - Regular Instruction Program	81,930
Support Services - Board of Education	105,335
Support Services - Director of Schools	33,912
Support Services - Fiscal Services	1,258
Support Services - Operation of Plant	17,851
Support Services - Maintenance of Plant	13,627
Support Services - Transportation	290,526
Support Services - Central and Other	35,874
Operation of Non-Instructional Services -	
Early Childhood Education	66,581
Principal on Debt - Education	143,261

- C. Expenditures exceeded appropriations in six major appropriation categories (the legal level of control) of the School Federal Projects Fund:

School Federal Projects Fund:

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
Instruction - Alternative Instruction Program	\$ 1,746
Instruction - Special Education Program	162,966
Instruction - Vocational Education Program	122
Support Services - Health Services	43,855
Support Services - Other Student Support	96,611
Support Services - Special Education Program	3,409

- D. Salaries exceeded line-item appropriations in the General Purpose School and School Federal Projects funds in 48 instances by amounts ranging from \$74 to \$204,734. Total salaries exceeding line-item appropriations in the General Purpose School and School Federal Projects funds were \$771,321 and \$93,326, respectively.

Section 5-9-401, *Tennessee Code Annotated*, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs for the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

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

#### RECOMMENDATION

Budget amendments should be accurately posted to the accounting records after approval by the Board of Education and County Commission. Expenditures should be held within appropriations approved by the County Commission.

#### MANAGEMENT’S RESPONSE – DR. CEDRICK GRAY, DIRECTOR OF SCHOOLS

This was due to an attempt to operate with an inadequate budget. More than once, the director of finance stated to the school board that the proposed operating budget was inadequate. The State of Tennessee increased certificated personnel salaries by 2.5 percent, and Fayette County Schools had approximately 50-plus teachers over the Better Education Program supported formula. Adjustments to rectify this budget shortfall were rejected by the school board after being brought to their attention by my administration. A suggested budgetary cut of approximately \$400,000, by removing teacher assistant positions, was ignored by the board. American Recovery and Reinvestment Act

and state funding, which was historically utilized by Fayette County Schools for summer school and extended-day programs ended, and health insurance premiums also increased.

Contrary to the summation of these findings, we stayed within our budgetary limits until approximately the fourth quarter of the year. We requested budgetary adjustments when the Board of Education made decisions to enter into certain contractual agreements and purchase items, which the budget could not withstand during the latter part of the fiscal year. For example, the Board of Education made the decision to start summer school and to purchase Edulog Transportation software and modules. At the end of the 2011-12 fiscal year, the county entered into a \$160,000 note for the purchase of a bus, which was an additional burden for the school budget.

The School Board never provided directives of where the new purchases were to come from, how to pay for summer school, or where the funds would come from for the new bus note. Therefore, salaries, transportation, principal on debt, and other items are over the appropriated budget. At no time was it the intention of this administration to defraud, usurp, or mislead the school board, County Commissioners, or the good people of Fayette County.

#### AUDITOR'S COMMENT

It is the responsibility of the Board of Education and management to ensure that expenditures are held within appropriations approved by the County Commission. According to the Board of Education minutes for the period, all proposed budgetary amendments were approved. In most instances, the budget was not exceeded until the last quarter as indicated by Dr. Gray. However, this was due to excessive spending throughout the period, which had depleted appropriations by the last quarter. There were 26 major appropriation categories in the General Purpose School Fund, and 62 percent of those categories were overspent. Almost all individual line-items within these categories were also overspent, which included salaries, benefits, and supplies. Between July 1, 2011, and June 30, 2012, the fund balance of the General Purpose School Fund decreased \$1,104,263, leaving only \$295,888 at June 30, 2012. It does not appear that the budget was monitored or adhered to at any time during the audit period.

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#### FINDING 12.10      **UNAUTHORIZED SALARY SUPPLEMENTS WERE PAID TO EMPLOYEES**

(Material Noncompliance Under *Government Auditing Standards*)

Our audit revealed material deficiencies regarding the authorization and payment of salary supplements to employees.

- A. Numerous salary supplements that were not approved by the Board of Education were paid to various employees during the year. The majority of the employees receiving these additional supplements were supervisors, school principals, or Finance Department and central office administrative personnel. Dr. Cedrick Gray, director of schools, had informed the Board of Education that due to the retirement of the Special Education program

supervisor, approximately \$53,000 remained in salaries for the program that needed to be spent before year-end to meet maintenance of effort requirements. The Board of Education approved this request on February 2, 2012. However, the actual salary supplements subsequently paid from the program to 13 people totaled \$101,004, and total program salaries exceeded appropriations by \$47,627. Also, other salary supplements were paid from various programs as directed by memorandums between the director of finance, the deputy director of schools, and the payroll supervisor. Dr. Gray advised auditors that he had authorized all of these supplements, which had been made to compensate employees for doing additional work in programs such as Special Education. There was no documentation of approval by the Board of Education for the payment of these supplements other than the \$53,000 from the Special Education program. In addition, in most instances, there was no funding available for these supplements. As previously noted, total salaries exceeded line-item appropriations in the General Purpose School and School Federal Projects funds by \$771,321 and \$93,326, respectively.

- B. Employees receiving supplements were generally paid from multiple expenditure line-items without documentation supporting the allocation between the accounts. In some instances, as many as eight line-items were used to account for one employee's compensation. We found many instances of salary payments, which were obviously misclassified. Portions of salaries for various individuals were charged to teachers, principals, or supervisor line-items that were unrelated to their positions. In one instance, a portion of the deputy director of schools salary was charged to the director of schools account. We also noted that a \$16,500 supplement for a principal was posted to "In Service/Staff Development," which is a non-payroll account line-item. In addition, unexplained journal entries were made during the year to several salary line-items. We have adjusted the director of schools expenditure account to reflect only the salary and accrued leave paid to Dr. Gray for the year. However, due to the use of multiple expenditure accounts, unexplained journal entries, and a lack of documentation, we were unable to make adjustments to properly classify other salary amounts for this report.
- C. Total compensation to numerous employees increased by excessive amounts as compared to the prior year. Five employees received total compensation, including base salaries and supplements, which exceeded the director of schools salary of \$105,000. The following table is an example of eight employees who received supplements, which increased their salaries by large percentages as compared to the prior year.

Position	Total Compensation 2011-12	Total Compensation 2010-11	Total Increase	Percentage Increase
Deputy Director of Schools	\$ 196,714	\$ 119,166	\$ 77,548	65 %
Title II Director	173,951	113,492	60,459	53
Principal, Fayette Ware High	145,021	109,881	35,140	32
Title I Director	108,362	73,646	34,716	47
Principal, West Middle School	107,563	84,588	22,975	27
Director of Finance	104,092	79,656	24,436	31
Principal, Central Elementary	97,172	67,004	30,168	45
Secretary	64,680	55,300	9,380	17

These and other salaries, which include excessive supplements, appear to be unreasonable and the totals compensated are questionable. These salaries were paid from the General Purpose School Fund as well as from federal revenues in the School Federal Projects Fund. Two employees, the Title I and Title II directors, did keep some time records to document additional hours of work for various federal projects. However, there were no time records provided from other employees to document the necessity of the excessive salaries charged to federal programs.

#### RECOMMENDATION

All salaries should be properly authorized and should not exceed budgeted amounts. Payments to individuals should be charged to the account that most appropriately reflects the true nature of the expenditures. Adequate payroll and time records should be maintained to document payroll paid to all employees. Salaries should be reasonable for services rendered. The School Department should take steps to review salaries charged to federal programs to determine if the amounts were reasonable and allowable.

#### MANAGEMENT'S RESPONSE – DR. CEDRICK GRAY, DIRECTOR OF SCHOOLS

This was due to no operating procedural manual. It was the practice of Fayette County Schools to approve supplements during the approval of the budget. During the budget process, directors of federal, state, and special education programs presented and explained their budget requests to the board, and the approval process occurred then, at the beginning of the year. Also, regarding federal and special education programs, the program application with these details were also approved by the Fayette County School Board.

Several positions have been noted in the findings as salaries and supplements being unreasonable and questionable. The salaries and supplements were approved by the board as I previously stated, during the budget and application process, and the work was done. Depending upon what the program is, it is my understanding that time sheets, Personnel Activity Reports (PARs), and other documentation are collected by the program director. Some of the personnel listed had multiple assignments.

In this finding, it was stated that the directors over the federal programs have their PARs, and I might add are still employees of Fayette County Schools. However, it seems that those directors cannot find the required documentation for the other employees. It was also stated in the finding that memos directing personnel to receive funds were solely done by me, the deputy superintendent, and the finance director. Federal and state dollars were approved by the directors of those particular programs. For example, the Special Education Director supplied their memos as well as federal and state program directors.

The reference in the finding showing an increased variance of a few Fayette County School employees' salaries between two years could be viewed as misleading. Almost all of the aforementioned employees mentioned had additional job assignments outside of their original job description in the 2011-12 fiscal year vs. the 2010-11 year.

#### AUDITOR'S COMMENT

All salary supplements were not approved by the Board of Education during the initial budget process. There were memorandums from various individuals throughout the audit period directing payments of salary supplements. These salary increases, in almost all instances, were not approved by the Board of Education and were not approved as allowed expenditures of federal programs. If they had been approved, during the initial budget process or subsequently, salary line-items would not exceed appropriations in the General Purpose School and School Federal Projects funds by \$771,321 and \$93,326, respectively.

Salaries were increased dramatically over the prior year despite the fact that the director of schools cites inexperienced staff as a cause for several of the findings in this report. Salaries paid also exceeded amounts for comparable positions in school systems of other counties. As part of his response, Dr. Gray provided a summary of extra hours spent on federal programs by the deputy director of schools. This summary included the entire period and was prepared after the fact as a response to the audit finding. Documentation of any additional job assignments was not maintained at the School Department, and funds were not available to pay these increased salaries.

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#### FINDING 12.11      **THE SCHOOL DEPARTMENT HAD DEFICIENCIES IN PURCHASING PROCEDURES**

(A. through I. – Internal Control – Significant Deficiency Under *Government Auditing Standards*; J. – Material Noncompliance Under *Government Auditing Standards*)

Our examination revealed the following deficiencies in purchasing procedures. These deficiencies can be attributed to a lack of understanding of internal controls and sound business practices and a lack of management oversight.

- A. In some instances, purchase orders were not issued. Purchase orders are necessary to control who has purchasing authority for the department and to document purchasing commitments. The failure to issue purchase orders in all required instances increases the risks of unauthorized purchases.

- B. Some purchase orders were issued after purchases were made. This practice defeats the purpose of issuing a purchase order and makes the purchase order an approval for payment, rather than an approval of the purchase.
- C. Some purchase orders were not dated. By not including a date on the purchase order when it is issued, it is impossible to verify whether the purchase order was issued prior to the purchase being made.
- D. In numerous instances, purchase orders did not include adequate descriptions or dollar amounts of the items to be purchased when the purchase order was issued. In some instances, this information had been obtained from the invoice after the purchase was made. The dollar amounts and descriptions of items on purchase orders at the time of issuance are necessary to quantify purchasing commitments and to identify the items purchased.
- E. Adequate documentation was not on file for all disbursements. In several instances, invoices were not on file to support disbursements. In other instances, only copies of invoices were on file or invoices were summary or partial statements that did not include supporting documentation. The failure to maintain adequate documentation increases the risks of unauthorized purchases.
- F. In some instances, invoices were paid without documentation that goods had been received or services rendered. The practice of paying invoices without documentation that goods had been received or services rendered, increases the risks of paying for goods or services that were not received.
- G. The department paid some invoices without canceling or marking them paid. This weakness could result in paying invoices more than once.
- H. In a few instances, service charges were incurred due to the late payment of invoices. In addition, two school bus lease payments were made approximately two months late, which resulted in additional interest and penalty charges of \$9,886. The accounting and purchasing system should be designed to ensure that invoices are paid timely.
- I. Several employee travel claims for reimbursement were not signed by a supervisor. The failure to properly approve travel claims increases the risks of unauthorized expenditures.
- J. Competitive bids were not solicited through public advertisement for the purchases of fuel pumps (\$28,527), a vehicle lift (\$26,800), rolling vehicle jacks (\$11,200), and an embroidery machine (\$11,693); however, price quotes were received for these purchases. Section 49-2-203, *Tennessee Code Annotated*, requires that competitive bids be solicited through newspaper advertisement on all purchases estimated to exceed \$10,000. Also, competitive bids were not solicited for the purchase of five buses totaling \$162,900 in August 2011. The director of schools provided auditors a letter dated June 20, 2012, stating that the Tennessee Department of Safety had



deemed several buses inoperable two weeks before the start of school, which forced them to make an emergency purchase of used buses without bidding. No other documentation was provided, and we were unable to determine if these buses were actually an emergency purchase. The failure to solicit competitive bids could result in the School Department paying more than the competitive price.

### RECOMMENDATION

The School Department should issue purchase orders for all applicable purchases before purchases are made to strengthen internal controls over purchasing procedures and to document purchasing commitments. Purchase orders should be dated when issued and should include adequate descriptions and dollar amounts of items to be purchased. Adequate documentation should be maintained to support all disbursements. The department should maintain documentation that goods have been received or services have been rendered before invoices are paid. All invoices should be canceled when paid and should be paid on a timely basis. Travel claims should be signed and approved by the employee's supervisor. Competitive bids should be solicited through public advertisement for all purchases exceeding \$10,000 as required by state statute.

### MANAGEMENT'S RESPONSE – DR. CEDRICK GRAY, DIRECTOR OF SCHOOLS

It is my understanding that the director of transportation did due diligence relative to the bid process with regard to the vehicle lift and wheel jacks. I have no recollection of an embroidery machine. The board approved equipment for the bus garage, and it is my understanding that these items were on the state bid list. The auditor did ask me about the buses and the process utilized for procurement. I gave the auditor a document regarding the emergency need of the buses because the Department of Transportation had shut the buses down, and school was preparing to start. This purchase was voted upon and approved by the school board.

### AUDITOR'S COMMENT

Competitive bids should be solicited through public advertisement for all purchases exceeding \$10,000. The process of only obtaining price quotes does not constitute due diligence in complying with state statutes. No documentation was provided to auditors to indicate that any of the items referenced above were on the state bid list. After receiving Dr. Gray's response regarding the buses, auditors obtained further information on the purchase and approval. We were informed during the audit that the bus purchase had not been competitively bid. The letter provided to us by Dr. Gray in June 2012, cites that he did not have time to exercise the bid process since several buses were inoperable, and he made an emergency decision to utilize a prior vendor. Dr. Gray's response also notes the emergency need for buses that was approved by the board. On August 4, 2011, the Board of Education did approve the purchase of the buses. However, the school supervisor of transportation stated to the board that they had received bus bids from three vendors. Dr. Gray recommended that the purchase be made from Taylor Bus Sales, and this recommendation was approved by the board. There is no discussion in the minutes of the necessity of an emergency purchase of buses. In addition, the invoice and bill of sale from Taylor Bus Sales is dated August 1, 2011. The invoice is signed at the bottom by Dr. Gray

and states that delivery of the vehicles was accepted by the undersigned on August 3, 2011, the day before the purchase was approved by the Board of Education.

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**FINDING 12.12      THE DIRECTOR OF SCHOOLS FAILED TO COMPLY WITH  
STATE STATUTES WHEN ENTERING INTO LEASE  
AGREEMENTS**

(Material Noncompliance Under *Government Auditing Standards*)

Our audit of the School Department revealed the following deficiencies concerning lease agreements for copy machines, a scanner, and software. Lease payments under these agreements were made from the General Purpose School and School Federal Projects funds.

- A. On May 26, 2011, Director of Schools Dr. Cedrick Gray entered into a \$580,200 five-year operating lease agreement for 34 copy machines with Wells Fargo Financial Leasing, Inc. On June 9, 2011, a \$113,700 supplement was added to the original lease for five additional copy machines and a scanner. On August 29, 2011, a \$22,125 supplement to the lease agreement was added for another copy machine. The copy machines were supplied by David Hunt, doing business as Doc Imaging, LLC, Hunt Services, Inc., and H&H Services, Inc. The original lease and supplemental agreements totaling \$716,025 were not competitively bid. Section 49-2-203, *Tennessee Code Annotated (TCA)*, requires that competitive bids be solicited through newspaper advertisement on all purchases estimated to exceed \$10,000. The failure to solicit competitive bids could result in the department paying more than the most competitive price.
- B. On December 18, 2007, a former director of schools had entered into a \$540,000 five-year operating lease agreement for 15 copy machines. This lease was also financed with Wells Fargo Financial Leasing, Inc., for equipment supplied by H&H Services, Inc. On May 5, 2011, Dr. Gray told the Board of Education that this lease was ending and could be extended with copier upgrades for the same cost of approximately \$9,673 per month. The board approved the extension of the agreement. In reality, the monthly payments under the old lease were \$9,000 per month, and the payments required by the new lease agreements totaled \$11,940 per month. The prior lease agreement would actually not end for another 18 months and had a remaining balance due of \$162,000. We were advised by Wells Fargo that the remaining balance of \$162,000 from the prior lease was incorporated into the new lease agreement on May 26, 2011. This information was not disclosed in the new lease contract. The agreement does note that stored equipment will be purchased for \$25,000, and this amount was received from David Hunt in November 2011. There is no indication of what equipment was purchased; however, school personnel said this was supposed to be a reimbursement for the copy machines from the prior lease, which were returned to H&H Services, Inc. As a result of these transactions, the School Department continued to pay a balance of \$137,000 (\$162,000 less \$25,000) remaining from the old lease for copy machines they no longer had in their possession.

- C. An additional lease agreement of \$66,250 for the use of teacher assistance software for 53 months was entered into by Dr. Gray on February 15, 2012, with Wells Fargo Financial Leasing, Inc. This software was also provided by David Hunt, doing business as Doc Imaging, LLC. The agreement provides no further information on the use or installation of the software. We were informed by current school employees that they had seen a demonstration of the software, which was to be used with the copy machines, but thought it was too expensive and not necessary. They were not aware Dr. Gray had leased the software until the first invoice was received. The software was installed on some of the copy machines; however, there were no records documenting how many machines should include the software. The employees advised that the software has been used infrequently, if at all.

None of the above-noted agreements were approved by the County Commission as required by Section 7-51-904, *TCA*. This statute provides that lease agreements must be approved by the governing body prior to the agreement being finalized. Also, none of the agreements were approved by the Board of Education other than the supposed initial extension of the existing lease in May 2011. The 18-month overlap of the copy machine lease agreements, the misrepresentation of the agreements to the Board of Education, and the lack of credible documentation defining what was actually included in the agreements, leave questions as to the propriety of these transactions.

### RECOMMENDATION

Competitive bids should be solicited for all applicable expenditures exceeding \$10,000 as required by state statute. School Department lease agreements should be approved by the Board of Education and the County Commission as required by state statute. Accurate information and documentation should be provided to the Board of Education and County Commission before the approval of agreements.

### MANAGEMENT'S RESPONSE – DR. CEDRICK GRAY, DIRECTOR OF SCHOOLS

This was due to no operating procedural manual. At the beginning of the 2010-11 school year, I was instructed to remove 25 copiers from a room in one of the schools. I was told they were the ones that remained from a previous copier agreement that was not renewed due to the expense it accrued. The district was under two copier contacts at the same time. One of these contracts was scheduled to end, and we submitted a letter to the copier company that we would not be extending the agreement. This left several copiers in the district without the appropriate maintenance agreement. Additionally, there were several schools that would not have a copier once the first agreement was not extended.

After communicating this to the board, we issued a Request for Proposal. The vendor aforementioned made a presentation at the school board meeting and subsequently received approval from the school board to supply updated copiers and a maintenance agreement to service the copiers. In addition to the copiers and service agreement, the vendor introduced software and a scanning system that would allow schools to produce and grade their own tests. The vendor presented this to the principals who overwhelmingly supported the efforts. The presentation was made before the board along with the director of technology.

## AUDITOR'S COMMENT

As noted in the finding, the Board of Education did approve an extension of an existing agreement based on inaccurate information. According to minutes of the board, there was no approval of the subsequent agreements, including the software purchase. Competitive bids were not solicited for any of the agreements, and none of the agreements were approved by the County Commission as required by state statutes.

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### FINDING 12.13      **EMPLOYEE INSURANCE PAYROLL DEDUCTION AMOUNTS WERE INCORRECT AND WERE NOT RECONCILED WITH PAYROLL REPORTS AND PAYMENTS**

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

The following deficiencies were noted concerning the payment and reporting of employee insurance payroll deductions:

- A. The Board of Education entered into an agreement with the Teachers Education Association (TEA), which authorized the department to pay 25 percent of employee's individual health insurance plan premiums. An additional amount equal to 25 percent of an individual plan premium would be paid by the department on other teacher health insurance plans, such as family coverage. However, our examination disclosed that in most instances the department was paying 25 percent of the premiums for all teacher insurance plans. This resulted in an additional annual cost to the department of approximately \$211,000 for employee health insurance benefits. This deficiency occurred because personnel did not verify the proper employee deduction amounts.
- B. General ledger payroll deduction accounts for employee health insurance were not reconciled with payroll reports and payments in the General Purpose School and School Federal Projects funds. Sound business practices dictate that these reconciliations be performed monthly. The failure to regularly reconcile payroll deduction accounts allowed errors to remain undiscovered and uncorrected. This deficiency occurred due to a lack of oversight by management.

## RECOMMENDATION

The employee and employer contributions for health insurance should be made in compliance with department policies and agreements. General ledger payroll liability accounts should be reconciled monthly with payroll reports and payments, and errors should be corrected promptly.

## MANAGEMENT’S RESPONSE – DR. CEDRICK GRAY, DIRECTOR OF SCHOOLS

This was due to no operating procedural manual. The previous director of finance left in May 2010, during the budgetary development process. At that point, the only references that this administration had to follow were the board policy manual, directions from the state fiscal consultant, and workshops. The practice of health insurance from Fayette County Schools from this administration was derived during the budget development process and was: Non-Certificated Employees – 100 percent of individual coverage and zero percent of family; Certificated Employees – 45 percent of total premium from the state, 25 percent of total premium from local funds, and 30 percent of total premium from the employee. Fayette County Schools realized an unanticipated increase in health insurance premiums during the year in question because many local employers were forcing their employees to join their spouse’s health insurance plans.

Regarding the statement in the finding referencing the TEA agreement and Fayette County Schools, at the time of this administration, Fayette County Schools did not recognize TEA nor any agreements made. I understand that the practice could have continued in certain areas, but our understanding was in 2010, Tennessee developed a new law and initiatives regarding health insurance. This would nullify any old agreements with TEA and require a new one, which at that time no new agreement existed.

## AUDITOR’S COMMENT

The employer and employee contributions for health insurance should be made in compliance with department policies and agreements. The only approved agreement on file allows the department to pay an amount equal to 25 percent of an individual plan premium. There were no other agreements or information provided to auditors to document that this amount had changed. Budget appropriations did not allow for an increase in the percentage paid for employee insurance or any other premium increases. Health insurance expenditure line-items for the period exceeded the budget by a total of \$696,236 in the General Purpose School and School Federal Project funds.

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<u>FINDING 12.14</u>	<b>FEDERAL GRANT RECORDS WERE NOT ADEQUATELY MAINTAINED AND MONITORED</b> (Internal Control – Material Weakness Under <i>Government Auditing Standards</i> and OMB Circular A-133; and Material Noncompliance Under OMB Circular A-133)
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Our examination revealed numerous material deficiencies in the maintenance of federal grant program records in the School Federal Projects Fund. These deficiencies prevented management from adequately controlling grant expenditures or monitoring compliance with grant requirements during the audit period. The deficiencies resulted from a lack of management oversight and a lack of understanding of internal controls, generally accepting accounting principles, and federal grant requirements.

- A. Accounting records of the individual grant programs were not reconciled during the audit period. Revenues, expenditures, and budget appropriations were not posted correctly to the various grants. Most programs reflected cash overdrafts throughout the period due to budget deficiencies and the failure to request reimbursements on a timely basis. An excessive number of general journal entries had been made to adjust the accounting records of the School Federal Projects Fund as previously noted. This included 55 journal entries totaling \$3,546,686, which moved unidentified amounts in federal programs without explanation or supporting documentation. As a result of these entries, grant funds were commingled, and individual expenditures could not be identified.
- B. Accounting personnel were unable to calculate year-end reserve balances for the various grants administered through the School Federal Projects Fund. The director of schools, the deputy director of schools, and the director of finance resigned from the School Department as of June 30, 2012, before the accounting records were closed for the year. Subsequently, a new finance director, with the assistance of the State of Tennessee Department of Education, attempted to correct records and determine if any reserve balances were needed for the individual grant projects. Revenue postings were corrected between grant programs using information available from grantor agencies. However, ending reserve balances for each grant could not be determined since expenditures could not be properly identified and exceeded budget appropriations. In order to close the accounting records as of June 30, 2012, the remaining cash overdraft balances for each federal grant project were closed into the Title I Grants to Local Educational Agencies program. This resulted in a deficit in the Title I program, which was liquidated by transferring unidentified expenditures totaling \$202,630 to the General Purpose School Fund.

As a result of the lack of adequately maintained accounting records for federal grants, we could not determine the expenditures of the individual grant programs accounted for in the School Federal Projects Fund. The total revenues received for each grant in the School Federal Projects Fund for the audit period are reflected on the Schedule of Expenditures of Federal Awards. The *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, Parts 3(A) and (B), require that all expenditures of grant funds be made for allowable activities and costs of each program. As grant funds were commingled, we were unable to test expenditures of these programs to determine compliance with OMB Circular A-133. Also, due to the material deficiencies in budgeting, purchasing, payroll, and lease purchase agreements previously discussed, it appears that numerous expenditures from the School Federal Projects Fund appear questionable and may not have been allowable costs under the guidelines of any grant program. Total grant revenues of the School Federal Projects Fund for the audit period are questioned costs under the provisions of OMB Circular A-133, as follows:

Grant Description	Federal CFDA Number	Questioned Costs
Title I Grants to Local Educational Agencies	84.010	\$ 1,334,066
Special Education Cluster:		
Special Education - Grants to States	84.027	1,080,136
Special Education - Preschool Grants	84.173	30,623
Special Education - Grants to States, Recovery Act	84.391	18,000
Special Education - Preschool Grants, Recovery Act	84.392	14,495
Career and Technical Education - Basic Grants to States	84.048	79,455
Educational Technology State Grants Cluster:		
Educational Technology State Grants	84.318	349
Educational Technology State Grants, Recovery Act	84.386	20,000
English Language Acquisition State Grants	84.365	9,708
Improving Teacher Quality State Grants	84.367	245,226
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top		
Incentive Grants, Recovery Act	84.395	518,153
Education Jobs Fund	84.410	378,987
Total Questioned Costs		<u>\$ 3,729,198</u>

### RECOMMENDATION

Transactions of each federal program should be clearly separated and reconciled in the accounting records. These records should be monitored by management to ensure that all funds are expended for the required purposes in compliance with grant requirements. The correct reserves for each program should be established at year-end. County officials should take steps to resolve the questioned costs.

### MANAGEMENT'S RESPONSE – DR. CEDRICK GRAY, DIRECTOR OF SCHOOLS

This was due to inexperienced staff and, as stated previously, any journal entries posted were generated by the state's fiscal consultant. This was the practice because of the inexperience of the staff. It was stated by state officials and is understood in the profession that it takes new directors of finance at least three to four years to command the office without assistance.

### AUDITOR'S COMMENT

It is the responsibility of management to ensure transactions of each federal program are clearly separated and reconciled in the accounting records, that these records are monitored to ensure that all funds are expended for the required purposes in compliance with grant requirements, and that correct reserves for each program are established at year-end.

## **OFFICE OF REGISTER OF DEEDS**

### **FINDING 12.15      **MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER****

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

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

### **RECOMMENDATION**

The register should assign each employee their own cash drawer.

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## **OFFICES OF REGISTER OF DEEDS AND SHERIFF**

### **FINDING 12.16      **DUTIES WERE NOT SEGREGATED ADEQUATELY****

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

Duties were not segregated adequately among officials and employees in the Offices of Register of Deeds and Sheriff. Employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

### **RECOMMENDATION**

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

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## **BEST PRACTICES**

The Division of Local Government 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 Fayette County.

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

Fayette County does not have a central system of accounting, budgeting, and purchasing. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort. 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.      FAYETTE COUNTY SHOULD ESTABLISH AN AUDIT COMMITTEE**

Fayette County does not have an Audit Committee. An Audit Committee can 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. County officials should establish an Audit Committee as a best practice.

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

Federal Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Education: Passed-through State Department of Education:	12.17		Circular A-133, Part 3 (A,B)	Material weakness in internal control and material noncompliance, see Finding 12.14 - Federal grant records were not adequately maintained and monitored.	
Title I Grants to Local Educational Agencies		84.010			\$ 1,334,066
Special Education Cluster:					
Special Education - Grants to States		84.027			1,080,136
Special Education - Preschool Grants		84.173			30,623
Special Education - Grants to States, Recovery Act		84.391			18,000
Special Education - Preschool Grants, Recovery Act		84.392			14,495
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Educational Technology State Grants Cluster:					
Educational Technology State Grants		84.318			349
Educational Technology State Grants, Recovery Act		84.386			20,000
English Language Acquisition State Grants		84.365			9,708
Improving Teacher Quality State Grants		84.367			245,226
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top					
Incentive Grants, Recovery Act		84.395			518,153
Education Jobs Fund		84.410			378,987
Total Questioned Costs					<u>\$ 3,729,198</u>

**FAYETTE COUNTY, TENNESSEE**  
**AUDITEE REPORTING RESPONSIBILITIES**  
**For the Year Ended June 30, 2012**

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

**Director of Schools – Corrective Action Plan for Current-Year's Findings**

**FINDINGS 12.14 and 12.17**

Contact person: James Teague, Director of Schools

Corrective action planned: In the future, the School Department will ensure that federal grant records are adequately maintained and monitored and will follow all requirements of OMB Circular A-133.

Anticipated completion date: 2012-13 fiscal year