

**ANNUAL FINANCIAL REPORT  
OF  
DEKALB COUNTY, TENNESSEE  
AND  
DEKALB COUNTY SCHOOL DEPARTMENT**

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**SINGLE AUDIT REPORT**



**FOR THE YEAR ENDED JUNE 30, 2005**

**Comptroller of the Treasury  
Department of Audit  
Division of County Audit  
Nashville, Tennessee**

**ANNUAL FINANCIAL REPORT**  
**DEKALB COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2005**

*DEPARTMENT OF AUDIT*  
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*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
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*State Auditors*

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

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# DEKALB COUNTY, TENNESSEE

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***Audit Highlights***  
Annual Financial Report  
DeKalb County, Tennessee  
For the Year Ended June 30, 2005

***Scope***

We have audited the financial statements of each major fund and the aggregate remaining fund information of DeKalb County as of and for the year ended June 30, 2005.

***Results***

Our report on DeKalb County's financial statements expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34.

Our audit resulted in 17 findings and recommendations, which we have reviewed with DeKalb County management. Detailed findings and recommendations are included in the Single Audit Report.

***Findings***

The following are summaries of the audit findings:

**DEKALB COUNTY**

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.

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**OFFICE OF COUNTY MAYOR**

- ◆ General Debt Service Fund expenditures exceeded appropriations approved by the County Commission by \$65,826.
  - ◆ In some required instances, the office issued purchase orders after purchases were made and did not list descriptions and amounts on the purchase orders. Also, some invoices were not on file and several invoices were paid without documentation of the receipt of the goods or services.
  - ◆ Inventory records were not maintained for assets owned by the general county government.
  - ◆ The office had deficiencies in computer system backup procedures.
-

## **OFFICE OF HIGHWAY SUPERINTENDENT**

- ◆ The office did not label and number some of its capital assets.
  - ◆ Inventory records of consumable assets such as fuel, tires, repair parts, and tile were not maintained.
  - ◆ In some required instances, the office issued purchase orders after purchases were made and did not list descriptions and amounts on the purchase orders. Also, some invoices were paid without documentation of the receipt of the goods or services.
  - ◆ A complete list of all county roads was not submitted to and approved by the County Commission.
- 

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

- ◆ Execution docket trial balances prepared for Circuit and General Sessions Courts did not reconcile with cash journal accounts by material amounts.
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## **OFFICE OF REGISTER**

- ◆ Excess fees were not reported and paid to the county in compliance with state law.
- 

## **OFFICE OF SHERIFF**

- ◆ Seized property was returned without proper authorization from the state Department of Safety.
  - ◆ The sheriff's office had numerous accounting deficiencies.
  - ◆ The sheriff's office disbursed confidential funds for non-confidential expenditures. Payments to informants were not always witnessed by a second officer. Also, several forms and reports required by the Comptroller of the Treasury for drug fund expenditures were not completed or maintained.
  - ◆ Inventory records were not maintained for seized property held by the sheriff's office.
- 

## **OTHER FINDINGS**

- ◆ County officials had not adopted a central system of accounting and budgeting.
- ◆ Duties were not segregated adequately in the Offices of County Mayor, Highway Superintendent, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.

*State of Tennessee  
Comptroller of the Treasury  
Department of Audit  
Division of County Audit*

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# INTRODUCTORY SECTION

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DeKalb County Officials  
June 30, 2005

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Officials:

Mike Foster, County Mayor  
Kenny Edge, Highway Superintendent  
Bobbie Young, Trustee  
Timothy Banks, Assessor of Property  
Mike Clayborn, County Clerk  
Katherine Pack, Circuit and General Sessions Court Clerk  
Debra Malone, Clerk and Master  
Jeff McMillen, Register  
Lloyd Emmons, Sheriff

Board of County Commissioners:

Mike Foster, Chairman	
Shelie Askew	Bobby Joines
Jesse D. Baker	Roy D. Merriman
Jeff Barnes	Jimmy Poss
Wayne Cantrell	Jerry Scott
Kenneth Clayborn	Larry Summers
Marshall Ferrell	Jerry Taylor
John Green	Frank Thomas

Purchasing Committee:

Mike Foster, Chairman  
Jesse D. Baker  
John Green  
Bobby Joines  
Jerry Scott  
Larry Summers

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**FINANCIAL SECTION**

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841

INDEPENDENT AUDITOR'S REPORT

August 31, 2005

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of DeKalb County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 37, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of DeKalb County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial

statements for the county's governmental activities, business-type activities, and discretely presented component units are not reasonably determinable.

As described in Note I, DeKalb County, Tennessee, has prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. These standards require county governments that do not present government-wide financial statements to present fund financial statements in conformity with all the accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements. These standards also require some additional disclosures to be included in the notes to the financial statements, as described in Note I.

In our opinion, because of the effects of the matter discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of DeKalb County, Tennessee, as of June 30, 2005, or the changes in its financial position or its cash flows, where applicable for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of DeKalb County, Tennessee, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

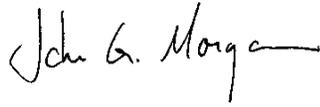
In accordance with Government Auditing Standards, we have also issued our report dated August 31, 2005, on our consideration of DeKalb County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other 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 provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note IV.B., DeKalb County has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures which modifies the county's disclosures for custodial credit risk and adds disclosures about other types of risk.

The budgetary comparison information on pages 41 through 47 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise DeKalb County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, miscellaneous schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan" with a stylized flourish at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/sb

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

DeKalb County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2005

	Major Funds				Nonmajor	Total
	General	Local Purpose Tax	Highway/ Public Works	General Debt Service	Other Governmental Funds	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 75,911	\$ 75,911
Equity in Pooled Cash and Investments	976,484	1,437,225	449,573	490,289	125,216	3,478,787
Accounts Receivable	57,412	0	364	0	134	57,910
Due from Other Governments	125,340	170,367	261,862	0	0	557,569
Due from Other Funds	7,834	13,214	1,900	782	6,562	30,292
Property Taxes Receivable	2,729,730	0	0	367,937	0	3,097,667
Allowance for Uncollectible Property Taxes	(78,192)	0	0	(8,992)	0	(87,184)
<b>Total Assets</b>	<b>\$ 3,818,608</b>	<b>\$ 1,620,806</b>	<b>\$ 713,699</b>	<b>\$ 850,016</b>	<b>\$ 207,823</b>	<b>\$ 7,210,952</b>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 64,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 64,000
Payroll Deductions Payable	66	0	0	0	0	66
Due to Other Funds	8,248	0	0	13,214	7,234	28,696
Deferred Revenue - Current Property Taxes	2,570,000	0	0	352,054	0	2,922,054
Deferred Revenue - Delinquent Property Taxes	81,538	0	0	6,891	0	88,429
Other Deferred Revenues	67,300	83,340	122,228	0	0	272,868
<b>Total Liabilities</b>	<b>\$ 2,791,152</b>	<b>\$ 83,340</b>	<b>\$ 122,228</b>	<b>\$ 372,159</b>	<b>\$ 7,234</b>	<b>\$ 3,376,113</b>
<u>Fund Balances</u>						
Reserved for Alcohol and Drug Treatment	\$ 30,371	\$ 0	\$ 0	\$ 0	\$ 0	\$ 30,371
Reserved for Drug Court	9,830	0	0	0	0	9,830
Reserved for Automation Purposes - Circuit Court	5,256	0	0	0	0	5,256
Reserved for Automation Purposes - General Sessions Court	12,411	0	0	0	0	12,411
Reserved for Automation Purposes - Juvenile Court	328	0	0	0	0	328
Reserved for Automation Purposes - Chancery Court	908	0	0	0	0	908
Reserved for Automation Purposes - Sheriff	2,907	0	0	0	0	2,907
Unreserved, Reported In:						
General Fund	965,445	0	0	0	0	965,445
Special Revenue Funds	0	1,537,466	591,471	0	173,920	2,302,857

(Continued)

Exhibit A

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

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)

Unreserved, Reported In (Cont.):  
 Debt Service Funds  
 Capital Projects Funds  
 Total Fund Balances

Total Liabilities and Fund Balances

	Major Funds			Nonmajor	Total
	Local Purpose Tax	Highway/ Public Works	General Debt Service	Other Governmental Funds	
	\$ 0	\$ 0	\$ 0	\$ 477,857	\$ 477,857
	0	0	0	26,669	26,669
Total Fund Balances	\$ 1,027,456	\$ 1,537,466	\$ 591,471	\$ 477,857	\$ 3,834,839
Total Liabilities and Fund Balances	\$ 3,818,608	\$ 1,620,806	\$ 713,699	\$ 850,016	\$ 7,210,952

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

DeKalb County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2005

Exhibit B

	Major Funds				Nonmajor	Total
	General	Local Purpose Tax	Highway/ Public Works	General Debt Service	Other Governmental Funds	
<u>Revenues</u>						
Local Taxes	\$ 2,425,700	\$ 1,000,076	\$ 55,681	\$ 159,943	\$ 66,913	\$ 3,708,313
Licenses and Permits	15,777	0	0	0	0	15,777
Fines, Forfeitures and Penalties	126,701	0	0	0	9,614	136,315
Charges for Current Services	21,913	0	0	0	166,527	188,440
Other Local Revenues	121,826	0	33,029	55,376	40	210,271
Fees Received from County Officials	514,033	0	0	0	0	514,033
State of Tennessee	465,886	0	1,538,163	129,042	43,014	2,176,105
Federal Government	286,452	0	0	0	0	286,452
Other Governments and Citizens Groups	108,028	0	0	0	0	108,028
Total Revenues	\$ 4,086,316	\$ 1,000,076	\$ 1,626,873	\$ 344,361	\$ 286,108	\$ 7,343,734
<u>Expenditures</u>						
Current:						
General Government	\$ 615,438	\$ 0	\$ 0	\$ 0	\$ 135,795	\$ 751,233
Finance	265,371	0	0	0	85,299	350,670
Administration of Justice	329,405	0	0	0	0	329,405
Public Safety	1,896,402	0	0	0	24,604	1,921,006
Public Health and Welfare	207,626	0	0	0	0	207,626
Social, Cultural, and Recreational Services	115,796	0	0	0	0	115,796
Agricultural and Natural Resources	73,529	0	0	0	0	73,529
Other Operations	643,307	610,006	0	0	104	1,253,417
Highways	0	0	1,664,545	0	0	1,664,545
Support Services	0	0	0	0	1,795	1,795
Debt Service:						
Principal	0	0	0	777,441	0	777,441
Interest	0	0	0	348,425	0	348,425
Other Debt Service	0	0	0	21,376	0	21,376
Capital Projects	0	0	0	0	161,345	161,345
Total Expenditures	\$ 4,146,874	\$ 610,006	\$ 1,664,545	\$ 1,147,242	\$ 408,942	\$ 7,977,609
Excess (Deficiency) of Revenues Over Expenditures	\$ (60,558)	\$ 390,070	\$ (37,672)	\$ (802,881)	\$ (122,834)	\$ (633,875)
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 255,000	\$ 145,000	\$ 400,000

(Continued)

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

Exhibit B

	Major Funds				Nonmajor	Total
	General	Local Purpose Tax	Highway/ Public Works	General Debt Service	Other Govern- mental Funds	
<u>Other Financing Sources (Uses) (Cont.)</u>						
Transfers In	\$ 0	\$ 0	\$ 0	\$ 672,386	\$ 0	\$ 672,386
Transfers Out	0	(672,386)	0	(255,000)	0	(927,386)
Total Other Financing Sources (Uses)	\$ 0	\$ (672,386)	\$ 0	\$ 672,386	\$ 145,000	\$ 145,000
Net Change in Fund Balances	\$ (60,558)	\$ (282,316)	\$ (37,672)	\$ (130,495)	\$ 22,166	\$ (488,875)
Fund Balance, July 1, 2004	1,088,014	1,819,782	629,143	608,352	178,423	4,323,714
Fund Balance, June 30, 2005	\$ 1,027,456	\$ 1,537,466	\$ 591,471	\$ 477,857	\$ 200,589	\$ 3,834,839

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

DeKalb County, Tennessee  
Statement of Net Assets  
Proprietary Fund  
June 30, 2005

	Business-type Activities
	<u>Major Fund</u>
	<u>Solid Waste Disposal Fund</u>
<u>ASSETS</u>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 750,490
Accounts Receivable	36,454
Due from Other Governments	5,195
Due from Other Funds	904
Property Taxes Receivable	682,828
Allowance for Uncollectible Property Taxes	(22,074)
Total Current Assets	<u>\$ 1,453,797</u>
Noncurrent Assets:	
Capital Assets (Net of Accumulated Depreciation):	
Land	\$ 361,271
Landfill Facilities and Development	599,812
Buildings and Improvements	13,125
Machinery and Equipment	367,426
Total Noncurrent Assets	<u>\$ 1,341,634</u>
Total Assets	<u>\$ 2,795,431</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Payroll Deductions Payable	\$ 30,000
Total Current Liabilities	<u>\$ 30,000</u>
Noncurrent Liabilities:	
Accrued Liability for Landfill Closure/Postclosure Care Costs	\$ 1,087,664
Capitalized Lease Obligations	58,137
Total Noncurrent Liabilities	<u>\$ 1,145,801</u>
Total Liabilities	<u>\$ 1,175,801</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 1,283,497
Unrestricted	<u>336,133</u>
Total Net Assets	<u>\$ 1,619,630</u>

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

Exhibit C-2

DeKalb County, Tennessee  
Statement of Revenues, Expenses, and  
Changes in Net Assets  
Proprietary Fund  
For the Year Ended June 30, 2005

	Business-type Activities
	<u>Major Fund</u>
	<u>Solid Waste</u>
	<u>Disposal Fund</u>
<u>Operating Revenues</u>	
Charges for Current Services	\$ 243,341
Other Local Revenues	21,955
Total Operating Revenues	<u>\$ 265,296</u>
<u>Operating Expenses</u>	
Waste Pickup	\$ 41,195
Convenience Centers	162,945
Landfill Operation and Maintenance	692,414
Depreciation	130,493
Other Waste Disposal	51,327
Employee Benefits	861
Total Operating Expenses	<u>\$ 1,079,235</u>
Operating Income (Loss)	<u>\$ (813,939)</u>
<u>Nonoperating Revenues (Expenses)</u>	
Local Taxes	\$ 643,210
Grants	140,707
Interest on Capital Lease	(3,546)
Total Nonoperating Revenues (Expenses)	<u>\$ 780,371</u>
Income (Loss) Before Transfers	\$ (33,568)
Transfers In	<u>255,000</u>
Change in Net Assets	\$ 221,432
Net Assets, July 1, 2004	878,198
Prior Period Adjustment	<u>520,000</u>
Net Assets, June 30, 2005	<u><u>\$ 1,619,630</u></u>

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

DeKalb County, Tennessee  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2005

	Business-type Activities
	Major Fund
	Solid Waste Disposal Fund
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 286,078
Payments to Suppliers	(382,180)
Payments to Employees	(383,392)
Other Payments	(15,460)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (494,954)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Local Taxes	\$ 643,210
Grants Received	140,707
Transfers From Other Funds	255,000
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ 1,038,917</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of Capital Assets	\$ (247,382)
Principal Paid on Capitalized Lease	(17,104)
Interest Paid on Capitalized Lease	(3,546)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (268,032)</u>
Net Increase (Decrease) in Cash	\$ 275,931
Cash, July 1, 2004	<u>474,559</u>
Cash, June 30, 2005	<u><u>\$ 750,490</u></u>
<u>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</u>	
Operating Income (Loss)	\$ (813,939)
Adjustment to Reconcile Net Operating Loss	
To Net Cash Provided By (Used In) Operating Activities:	
Depreciation	130,493
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	35,658
(Increase) Decrease in Due From Other Governments	(2,605)
(Increase) Decrease in Due From Other Funds	8,484
(Increase) Decrease in Property Taxes Receivable (net)	(20,755)
Increase (Decrease) in Accounts Payable	29,875
Increase (Decrease) in Due To Other Funds	(2,400)
Increase (Decrease) in Landfill Closure/Postclosure Care Costs	140,235
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ (494,954)</u></u>

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

Exhibit D

DeKalb County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2005

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,648,674
Due from Other Governments	66,177
Notes Receivable - Long-term	<u>47,329</u>
Total Assets	<u>\$ 1,762,180</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 66,177
Due to Litigants, Heirs, and Others	<u>1,696,003</u>
Total Liabilities	<u>\$ 1,762,180</u>

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

**DEKALB COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2005**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

DeKalb County's financial statements are not 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.

DeKalb County has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and discretely presented component units. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement 34 and accounting principles generally accepted in the United States of America. DeKalb County has elected instead only to implement the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused DeKalb County's auditor to issue an adverse opinion on the county's financial statements.

Although DeKalb County's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

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

**A. Reporting Entity**

DeKalb County is a public municipal corporation governed by an elected 14-member board. As required by GAAP, these financial statements present DeKalb County (the primary government).

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

**Excluded Component Units** – The following entities meet the criteria for discretely presented component units of the county. Since DeKalb County is presenting fund financial statements only, the financial information of entities that meet the criteria for discretely presented component units is not included in the fund financial statements, as required by generally accepted accounting principles. These entities would have been presented as separate columns in those statements to emphasize that they are legally separate from the county.

The DeKalb County School Department operates the public school system in the county, and the voters of DeKalb 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 DeKalb County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of DeKalb County, and the DeKalb 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 DeKalb County School Department and the DeKalb County Emergency Communications District issue separate financial statements from those of the county. The School Department's financial statements are published as a separate report but under the same cover as the county's financial statements. The DeKalb County Emergency Communications District's financial statements are published as a separate report. Complete financial statements of the DeKalb County Emergency Communications District can be obtained from its administrative office at the following address:

DeKalb County Emergency Communications District  
P. O. Box 346  
Smithville, TN 37166

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

Fund financial statements of DeKalb 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/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category and the proprietary category. DeKalb County only reports one proprietary fund, an enterprise fund.

Separate financial statements are provided for governmental funds, the proprietary fund, and fiduciary funds. Major individual governmental and major individual proprietary 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 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. DeKalb County considers grant 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.

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. Property taxes collected within 30 days after year-end are considered to be immaterial for reporting purposes. 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.

Proprietary fund and fiduciary fund financial statements are reported using the economic resources 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. 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.

DeKalb 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.

**Local Purpose Tax Fund** – This accounts for local sales tax collections. These funds are eventually disbursed to other county funds for their operations.

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

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

DeKalb County reports the following major enterprise fund:

**Solid Waste Disposal Fund** – This fund accounts for transactions of the county-owned landfill.

Additionally, DeKalb County reports the following fund types:

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. DeKalb County has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has one proprietary fund, an enterprise fund used to account for transactions at the county's landfill. Operating revenues and expenses generally result from providing services in connection with the funds' principal ongoing operations. The principal operating revenues of the county's enterprise fund are property taxes and charges for services. Operating expenses for the enterprise fund include waste collection, landfill operation, administrative expenses, and employee benefits.

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

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

**1. Deposits and Investments**

For purposes of the statement of cash flows, cash includes cash on deposit with the county trustee which is presented as Equity in Pooled Cash and Investments on the balance sheet.

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

The county trustee maintains a cash and internal investment pool that is used by all DeKalb County and DeKalb County School Department 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. Most income from these pooled investments is assigned to the General and General Debt Service Funds. DeKalb County and the DeKalb County 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 are reported at cost. 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**

Outstanding balances between funds are reported as due to/from other funds.

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 shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.74 percent of total taxes levied.

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 not material for financial reporting purposes and are thus not 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. DeKalb County does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, DeKalb County does not present government-wide statements.

Capital assets are reported in the statement of net assets of the proprietary fund. DeKalb County defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than two years. 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. Interest incurred during the construction phase of capital assets of the enterprise fund is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the proprietary fund are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20
Machinery and Equipment	5 - 20
Landfill Facilities and Development	5 - 10

**4. Compensated Absences**

It is the county's policy to not allow for the accumulation of unused vacation and sick days beyond year-end.

Vested or accumulated vacation leave is accrued when incurred in proprietary funds using the accrual basis of accounting. DeKalb County's proprietary fund did not have a policy for accruing vested or accumulated vacation leave when it was incurred. However, these amounts would be immaterial to the financial statements of DeKalb County's proprietary fund.

**5. Long-term Obligations**

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, claims and judgments, and landfill closure/postclosure care costs are recognized to the extent that the liabilities have matured (come due for payment) each period.

Long-term debt and other long-term obligations are reported as liabilities in the proprietary 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.

**6. Net Assets and Fund Equity**

In the proprietary fund, 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.

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**7. Prior-period Adjustment**

A prior period adjustment was recognized in the Solid Waste Disposal Fund (\$520,000), a proprietary fund, to reduce capital outlay notes payable and increase net assets as of July 1, 2004. This capital outlay note is being retired from the General Debt Service Fund.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Expenditures Exceeded Appropriations**

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

<u>Fund</u>	<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
General	Board of Equalization	\$ 174
"	Correctional Incentive Program	4,027
"	Other Charges	901
General Debt Service	Principal - General Government	87,797
"	Interest - Highways and Streets	212
"	Other Debt Service - General Government	233

In addition, the total expenditures exceeded appropriations approved by the County Commission in the General Debt Service Fund by \$65,826. Such overexpenditures are a violation of state statute. In each of these funds, the overexpenditures were funded by available fund balance.

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

DeKalb County and the DeKalb County School Department participate in an internal cash and investment pool through the Office of Trustee. The DeKalb County School Department meets the criteria for a discretely presented component unit of DeKalb County. Since DeKalb County is presenting fund financial statements only, the financial information for the DeKalb County School Department is not included in these fund financial statements. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, 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 in the fund financial statements 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; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out

in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase.

The county had no pooled and nonpooled investments as of June 30, 2005.

**B. Notes Receivable**

Several years ago, the county sold its hospital to a private corporation. A portion of the proceeds from this sale were deposited with the clerk and master and were earmarked for loans to students in medical-related fields. Notes receivable of \$47,329 in the Constitutional Officers – Agency Fund represents the amount of these student loans outstanding at June 30, 2005. These loans are repayable to the county over a ten-year period after the student leaves school with an interest rate equal to the average yearly prime rate.

**C. Capital Assets**

Capital assets activity of the proprietary fund for the year ended June 30, 2005, was as follows:

Business-type Activities:

	Balance 7-1-04	Increases	Balance 6-30-05
Capital Assets Not Depreciated:			
Land	\$ 361,271	\$ 0	\$ 361,271
Total Capital Assets Not Depreciated	<u>\$ 361,271</u>	<u>\$ 0</u>	<u>\$ 361,271</u>

Business-type Activities: (Cont.)

	Balance 7-1-04	Increases	Balance 6-30-05
Capital Assets Depreciated:			
Buildings and Improvements	\$ 35,000	\$ 0	\$ 35,000
Machinery and Equipment	614,905	93,410	708,315
Landfill Facilities and Development	1,052,143	153,972	1,206,115
	<hr/>		
Total Capital Assets Depreciated	\$ 1,702,048	\$ 247,382	\$ 1,949,430
	<hr/>		
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 20,125	\$ 1,750	\$ 21,875
Machinery and Equipment	286,452	54,437	340,889
Landfill Facilities and Development	531,997	74,306	606,303
	<hr/>		
Total Accumulated Depreciation	\$ 838,574	\$ 130,493	\$ 969,067
	<hr/>		
Total Capital Assets Depreciated, Net	\$ 863,474	\$ 116,889	\$ 980,363
	<hr/>		
Business-type Activities Capital Assets, Net	\$ 1,224,745	\$ 116,889	\$ 1,341,634
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**D. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2005, is as follows:

**Due to/from other funds:**

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 7,234
General	Highway/Public Works	600
General Debt Service	General	782
Solid Waste Disposal	General	904
Nonmajor governmental	General	6,562
Highway/Public Works	Solid Waste Disposal	1,900
Local Purpose Tax	General Debt Service	13,214
Total		<u><u>\$ 31,196</u></u>

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.

A receivable in the General Fund (\$600) was in transit from the Highway/Public Works Fund at June 30, 2005. The receivable in the Highway/Public Works Fund (\$1,900) was in transit from the Solid Waste Disposal Fund at June 30, 2005.

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2005, consisted of the following amounts:

Transfers Out	Transfers In:	
	General Debt Service Fund	Solid Waste Disposal Fund
Local Purpose Tax Fund	\$ 672,386	\$ 0
General Debt Service Fund	<u>0</u>	<u>255,000</u>
Total	<u><u>\$ 672,386</u></u>	<u><u>\$ 255,000</u></u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

**E. Capital Leases**

On November 15, 2002, DeKalb County entered into a three-year lease-purchase agreement for the purchase of five patrol vehicles. The terms of the agreement require total lease payments of \$105,096 plus interest of 9.79 percent. Title to the leased patrol vehicles transfers to DeKalb County at the end of the lease period. The lease payments are made by the General Fund.

On November 10, 2002, DeKalb County entered into a five-year lease-purchase agreement for a roll-off truck for the landfill. The terms of the agreement require total lease payments of \$92,345 plus interest of 3.84 percent. Title to the leased truck transfers to DeKalb County at the end of the lease period. The lease payments are made by the Solid Waste Disposal Fund.

Since DeKalb County is presenting fund financial statements only, the present value of minimum lease payments under lease agreements has not been reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in the government-wide financial statements, but DeKalb County is not presenting government-wide financial statements. Capital leases are reported as a liability in the fund financial statements of enterprise funds. Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2005, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>	<u>Enterprise Fund</u>
2006	\$ 13,413	\$ 20,650
2007	0	20,650
2008	0	20,650
Total Minimum Lease Payments	\$ 13,413	\$ 61,950
Amounts Representing Interest	(269)	(3,813)
Present Value of Minimum Lease Payments	<u>\$ 13,144</u>	<u>\$ 58,137</u>

**F. Long-term Debt**

Since DeKalb County is presenting fund financial statements only, long-term debt is not reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in government-wide financial statements, but DeKalb County is not presenting government-wide financial statements.

## 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 loans. 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 were issued for original terms of up to 16 years for bonds and up to ten 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 included in long-term debt as of June 30, 2005, will be retired from the General Debt Service Fund. Capital outlay notes included in long-term debt as of June 30, 2005, will be retired from the General Debt Service Fund (\$903,303) and the Highway/Public Works Fund (\$450,000).

General obligation bonds, capital outlay notes, and capital leases outstanding as of June 30, 2005, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
General Obligation Bonds	4 to 5.5%	\$ 1,550,000	\$ 335,000
General Obligation Bonds - Refunding	.1 to 5.5	7,930,000	7,105,000
Capital Outlay Notes - Refunding	2 to 3	670,000	450,000
Capital Outlay Notes	2.8 to 4.44	1,280,000	903,303
Capital Leases	9.79	105,096	13,144

The annual requirements to amortize all general obligation bonds and notes as of June 30, 2005, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2006	\$ 590,000	\$ 290,762	\$ 264,368	\$ 39,094
2007	620,000	258,175	240,110	31,611
2008	475,000	228,750	249,345	24,560
2009	505,000	202,625	233,723	16,881
2010	525,000	174,850	138,250	9,354
2011-2015	2,935,000	444,525	227,507	14,379
2016-2019	1,790,000	19,450	0	0
Total	\$ 7,440,000	\$ 1,619,137	\$ 1,353,303	\$ 135,879

There is \$477,857 available in the General Debt Service Fund to service long-term debt. General bonded debt per capita amounted to \$427, based on the 2000 federal census. Total debt per capita, including bonds, notes, and capital leases amounted to \$505, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2004	\$ 8,000,000	\$ 760,744	\$ 50,108
Additions	0	400,000	0
Prior Period Adjustment:			
Previous Debt of the Solid Waste Disposal Fund	0	520,000	0
Deductions	(560,000)	(327,441)	(36,964)
Balance, June 30, 2005	\$ 7,440,000	\$ 1,353,303	\$ 13,144
Balance Due Within One Year	\$ 590,000	\$ 264,368	\$ 13,144

#### DeKalb County Solid Waste Disposal Fund (Enterprise Fund)

#### Changes in Long-term Liabilities

Long-term liability activity for the Solid Waste Disposal Fund (enterprise fund) for the year ended June 30, 2005, was as follows:

Business-type Activities:

	Notes	Closure/ Postclosure Care Costs	Capital Leases
Balance, July 1, 2004	\$ 520,000	\$ 947,429	\$ 75,241
Prior Period Adjustment:			
Debt to be Paid by General Debt Service Fund	(520,000)	0	0
Additions	0	153,209	0
Deductions	0	(12,974)	(17,104)
Balance, June 30, 2005	\$ 0	\$ 1,087,664	\$ 58,137
Balance Due Within One Year	\$ 0	\$ 12,974	\$ 19,100

Total debt per capita of the enterprise fund, including landfill closure/postclosure care costs, and capital leases amounted to \$66, based on the 2000 federal census.

**IV. OTHER INFORMATION**

**A. Risk Management**

The county is exposed to various risks related to general liability, property, casualty, workers' compensation, and health. The county participates in public entity risk pools, Local Government Property and Casualty Fund (LGPCF), Local Government Workers' Compensation Fund (LGWCF), and the Local Government Group Insurance (LGGIF), as opposed to purchasing commercial insurance for these risks. The LGPCF and LGWCF are public entity risk pools established by the Tennessee County Services Association, an association of member counties. The LGGIF is a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that were established for the primary purpose of providing services for or on behalf of state and local governments. The county pays monthly or annual premiums to these pools for their insurance coverage. These pools are to be self-sustaining through member premiums.

**B. Accounting Change**

During the year, DeKalb County adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the county's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit

risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

**C. Subsequent Event**

On July 18, 2005, DeKalb County issued a capital outlay note totaling \$610,000 for roof repairs at a school.

**D. Contingent Liabilities**

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

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

State and federal laws and regulations require the county to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfills stop accepting waste, the Solid Waste Disposal Fund 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. The \$1,087,664 reported as landfill closure and postclosure care liability at June 30, 2005, represents the total postclosure care costs for the Midway Landfill, which closed in 1992 (\$141,042); the Felts Landfill Cell B, which was closed during the 2000-01 year (\$333,786); and a portion of the Felts Cell D, which was opened during the 2001-02 year (\$612,836). The Solid Waste Disposal Fund will recognize the remaining estimated cost of closure and postclosure care of \$919,254 for the Felts Landfill Cell D as this cell is filled over the next six years. These amounts are based on what it would cost to perform all closure and postclosure care in 2005. The county expects to close the Felts Landfill Cell D in 2011. Actual cost may vary from the estimate due to inflation, changes in technology, or changes in regulations.

**F. Retirement Commitments**

**Plan Description**

Employees of DeKalb 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 DeKalb County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

### **Funding Policy**

DeKalb County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 3.31 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for DeKalb County is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ended June 30, 2005, DeKalb County's annual pension cost of \$138,747 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), and (c) projected 3.5 percent annual increase in the Social Security wage base. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. DeKalb 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, 2003, was 15 years.

### Trend Information

Fiscal Year Ended	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2005	\$138,747	100%	\$0
June 30, 2004	88,776	100	0
June 30, 2003	75,527	100	0

### Required Supplementary Information

Schedule of Funding Progress for DeKalb County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2003	\$4,861	\$4,861	\$0	100%	\$3,425	0%
June 30, 2001	4,350	4,350	0	100	3,061	0
June 30, 1999	3,642	3,642	0	100	2,803	0

### G. Purchasing Laws

Purchasing procedures for the funds administered by the county mayor and highway superintendent are governed by provisions of Chapter 63, Private Acts of 1979, as amended. Purchasing procedures for the Highway Department are also governed by Section 54-7-113, Tennessee Code Annotated (Uniform Road Law). Chapter 63, Private Acts of 1979, as amended, provides for the establishment of a Purchasing Committee and designates the county mayor as purchasing agent for purchases approved by the committee. All purchases of materials, supplies, equipment, or services estimated to exceed \$5,000 (\$10,000 for the Highway Department) are required to be made by the Purchasing Committee on the basis of competitive bids solicited through newspaper advertisement. Other purchases may be made by the department heads. Requisitions and purchase orders are required for all purchases.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E-1

DeKalb County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Fund  
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 2,425,700	\$ 0	\$ 2,425,700	\$ 2,319,657	\$ 2,319,657	\$ 106,043
Licenses and Permits	15,777	0	15,777	13,250	13,250	2,527
Fines, Forfeitures and Penalties	126,701	0	126,701	71,800	71,800	54,901
Charges for Current Services	21,913	0	21,913	19,035	24,451	(2,538)
Other Local Revenues	121,826	0	121,826	129,000	136,384	(14,558)
Fees Received from County Officials	514,033	0	514,033	565,335	583,309	(69,276)
State of Tennessee	465,886	0	465,886	705,699	721,659	(255,773)
Federal Government	286,452	0	286,452	280,053	280,053	6,399
Other Governments and Citizens Groups	108,028	0	108,028	45,000	45,000	63,028
<b>Total Revenues</b>	<b>\$ 4,086,316</b>	<b>\$ 0</b>	<b>\$ 4,086,316</b>	<b>\$ 4,148,829</b>	<b>\$ 4,195,563</b>	<b>\$ (109,247)</b>
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 30,048	\$ 0	\$ 30,048	\$ 36,750	\$ 36,750	\$ 6,702
Board of Equalization	3,174	0	3,174	3,000	3,000	(174)
Beer Board	1,410	0	1,410	2,500	2,500	1,090
Budget and Finance Committee	3,720	0	3,720	6,500	6,500	2,780
County Mayor	106,317	0	106,317	110,504	110,504	4,187
County Attorney	13,538	0	13,538	14,000	14,000	462
Election Commission (Including Voter Registration)	96,179	0	96,179	106,975	106,975	10,796
Register of Deeds	30,579	0	30,579	106,469	124,443	93,864
Planning	12,510	0	12,510	12,600	12,600	90
County Buildings	153,689	0	153,689	132,000	156,900	3,211
Other General Administration	164,274	0	164,274	170,050	170,050	5,776
<u>Finance</u>						
Property Assessor's Office	119,698	0	119,698	130,024	130,024	10,326
County Trustee's Office	34,840	0	34,840	130,719	130,719	95,879

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Finance (Cont.)</u>						
County Clerk's Office	\$ 110,833	\$ 0	\$ 110,833	\$ 113,469	\$ 113,469	\$ 2,636
<u>Administration of Justice</u>						
Circuit Court	132,180	0	132,180	134,240	134,061	1,881
General Sessions Court	71,642	0	71,642	72,005	72,184	542
Chancery Court	72,514	0	72,514	75,969	75,969	3,455
Juvenile Court	32,407	0	32,407	31,199	33,200	793
Judicial Commissioners	20,662	0	20,662	21,600	21,600	938
<u>Public Safety</u>						
Sheriff's Department	969,949	0	969,949	903,579	1,010,762	40,813
Special Patrols	32,510	0	32,510	32,600	32,600	90
Traffic Control	1,375	0	1,375	2,000	2,000	625
Correctional Incentive Program Improvements	607,919	0	607,919	476,750	603,892	(4,027)
Fire Prevention and Control	97,156	0	97,156	320,555	335,315	238,159
Civil Defense	103,361	0	103,361	126,000	126,000	22,639
Other Emergency Management	84,132	0	84,132	66,471	93,431	9,299
<u>Public Health and Welfare</u>						
Local Health Center	33,480	0	33,480	38,118	39,318	5,838
Rabies and Animal Control	1,850	0	1,850	7,000	7,000	5,150
Ambulance/Emergency Medical Services	163,500	0	163,500	163,500	163,500	0
Regional Mental Health Center	7,180	0	7,180	7,180	7,180	0
General Welfare Assistance	1,616	0	1,616	3,200	3,200	1,584
<u>Social, Cultural and Recreational Services</u>						
Senior Citizens Assistance	11,696	0	11,696	13,000	13,000	1,304
Libraries	104,100	0	104,100	108,800	108,800	4,700
<u>Agriculture &amp; Natural Resources</u>						
Agriculture Extension Service	54,029	0	54,029	50,136	54,739	710

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Agriculture &amp; Natural Resources (Cont.)</u>						
Soil Conservation	\$ 19,500	\$ 0	\$ 19,500	\$ 19,500	\$ 19,500	\$ 0
<u>Other Operations</u>						
Industrial Development	514	0	514	4,000	4,000	3,486
Other Economic and Community Development	103,633	(92,504)	11,129	151,053	156,469	145,340
Veterans' Services	4,342	0	4,342	4,400	4,400	58
Other Charges	52,901	0	52,901	52,000	52,000	(901)
Contributions to Other Agencies	32,732	0	32,732	31,500	32,733	1
Employee Benefits	324,061	0	324,061	325,984	330,042	5,981
Miscellaneous	125,124	0	125,124	125,500	125,500	376
Total Expenditures	\$ 4,146,874	\$ (92,504)	\$ 4,054,370	\$ 4,443,399	\$ 4,780,829	\$ 726,459
Excess (Deficiency) of Revenues						
Over Expenditures	\$ (60,558)	\$ 92,504	\$ 31,946	\$ (294,570)	\$ (585,266)	\$ 617,212
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,900	\$ (24,900)
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,900	\$ (24,900)
Net Change in Fund Balance						
Fund Balance, July 1, 2004	\$ (60,558)	\$ 92,504	\$ 31,946	\$ (294,570)	\$ (560,366)	\$ 592,312
	1,088,014	(92,504)	995,510	1,082,069	1,082,069	(86,559)
Fund Balance, June 30, 2005						
	\$ 1,027,456	\$ 0	\$ 1,027,456	\$ 787,499	\$ 521,703	\$ 505,753

Exhibit E-2

DeKalb County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Local Purpose Tax Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,000,076	\$ 1,063,000	\$ 1,063,000	\$ (62,924)
Total Revenues	\$ 1,000,076	\$ 1,063,000	\$ 1,063,000	\$ (62,924)
<u>Expenditures</u>				
<u>Other Operations</u>				
Other Charges	\$ 10,006	\$ 0	\$ 10,000	\$ (6)
Contributions to Other Agencies	600,000	0	600,000	0
<u>Capital Projects</u>				
Other General Government Projects	0	610,000	0	0
Total Expenditures	\$ 610,006	\$ 610,000	\$ 610,000	\$ (6)
Excess (Deficiency) of Revenues Over Expenditures	\$ 390,070	\$ 453,000	\$ 453,000	\$ (62,930)
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (672,386)	\$ (685,600)	\$ (685,600)	\$ 13,214
Total Other Financing Sources (Uses)	\$ (672,386)	\$ (685,600)	\$ (685,600)	\$ 13,214
Net Change in Fund Balance	\$ (282,316)	\$ (232,600)	\$ (232,600)	\$ (49,716)
Fund Balance, July 1, 2004	1,819,782	1,428,360	1,428,360	391,422
Fund Balance, June 30, 2005	\$ 1,537,466	\$ 1,195,760	\$ 1,195,760	\$ 341,706

Exhibit E-3

DeKalb County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 55,681	\$ 51,382	\$ 51,382	\$ 4,299
Other Local Revenues	33,029	8,000	8,000	25,029
State of Tennessee	1,538,163	1,564,000	1,564,000	(25,837)
Total Revenues	<u>\$ 1,626,873</u>	<u>\$ 1,623,382</u>	<u>\$ 1,623,382</u>	<u>\$ 3,491</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 129,302	\$ 130,349	\$ 135,424	\$ 6,122
Highway and Bridge Maintenance	526,813	1,075,000	970,625	443,812
Operation and Maintenance of Equipment	190,669	262,500	278,500	87,831
Quarry Operations	163,197	175,650	184,650	21,453
Other Charges	85,315	92,000	92,000	6,685
Employee Benefits	160,627	164,000	170,400	9,773
Capital Outlay	408,622	383,618	455,397	46,775
Total Expenditures	<u>\$ 1,664,545</u>	<u>\$ 2,283,117</u>	<u>\$ 2,286,996</u>	<u>\$ 622,451</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (37,672)</u>	<u>\$ (659,735)</u>	<u>\$ (663,614)</u>	<u>\$ 625,942</u>
Net Change in Fund Balance	\$ (37,672)	\$ (659,735)	\$ (663,614)	\$ 625,942
Fund Balance, July 1, 2004	629,143	684,169	684,169	(55,026)
Fund Balance, June 30, 2005	<u>\$ 591,471</u>	<u>\$ 24,434</u>	<u>\$ 20,555</u>	<u>\$ 570,916</u>

**DEKALB COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2005**

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

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County Mayor, County Attorney, etc.). Management may make revisions within major categories, but only the governing body 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 statement.

**B. EXPENDITURES EXCEEDED APPROPRIATIONS**

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

Board of Equalization	\$ 174
Correctional Incentive Program	4,027
Other Charges	901

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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

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

Constitutional Officers - Fees Fund – The Constitutional Officers - Fees Fund is used to account for transactions of the fee and commission accounts of the trustee, clerks, register, and sheriff. Revenues from fees and commissions earned by these officials are remitted to the county's General Fund.

## Capital Projects Funds

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

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

DeKalb County, Tennessee  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2005

Exhibit F-1

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Drug Control	Constitu - tional Officers - Fees	Total	General Capital Projects	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 75,911	\$ 75,911	\$ 0	\$ 75,911
Equity in Pooled Cash and Investments	59,874	38,673	0	98,547	26,669	125,216
Accounts Receivable	0	0	134	134	0	134
Due from Other Funds	6,481	81	0	6,562	0	6,562
Total Assets	\$ 66,355	\$ 38,754	\$ 76,045	\$ 181,154	\$ 26,669	\$ 207,823
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Due to Other Funds	\$ 70	\$ 255	\$ 6,909	\$ 7,234	\$ 0	\$ 7,234
Total Liabilities	\$ 70	\$ 255	\$ 6,909	\$ 7,234	\$ 0	\$ 7,234
<u>Fund Balances</u>						
Unreserved	\$ 66,285	\$ 38,499	\$ 69,136	\$ 173,920	\$ 26,669	\$ 200,589
Total Fund Balances	\$ 66,285	\$ 38,499	\$ 69,136	\$ 173,920	\$ 26,669	\$ 200,589
Total Liabilities and Fund Balances	\$ 66,355	\$ 38,754	\$ 76,045	\$ 181,154	\$ 26,669	\$ 207,823

DeKalb County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2005

Exhibit F-2

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Drug Control	Constitu - tional Officers - Fees	Total	General Capital Projects	
<u>Revenues</u>						
Local Taxes	\$ 66,913	\$ 0	\$ 0	\$ 66,913	\$ 0	\$ 66,913
Fines, Forfeitures and Penalties	0	9,614	0	9,614	0	9,614
Charges for Current Services	0	0	166,527	166,527	0	166,527
Other Local Revenues	40	0	0	40	0	40
State of Tennessee	0	0	0	0	43,014	43,014
Total Revenues	\$ 66,953	\$ 9,614	\$ 166,527	\$ 243,094	\$ 43,014	\$ 286,108
<u>Expenditures</u>						
Current:						
General Government	\$ 45,257	\$ 0	\$ 90,538	\$ 135,795	\$ 0	\$ 135,795
Finance	0	0	85,299	85,299	0	85,299
Public Safety	0	24,604	0	24,604	0	24,604
Other Operations	0	104	0	104	0	104
Support Services	0	1,795	0	1,795	0	1,795
Capital Projects	0	0	0	0	161,345	161,345
Total Expenditures	\$ 45,257	\$ 26,503	\$ 175,837	\$ 247,597	\$ 161,345	\$ 408,942
Excess (Deficiency) of Revenues Over Expenditures	\$ 21,696	\$ (16,889)	\$ (9,310)	\$ (4,503)	\$ (118,331)	\$ (122,834)
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 145,000	\$ 145,000
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 145,000	\$ 145,000
Net Change in Fund Balances	\$ 21,696	\$ (16,889)	\$ (9,310)	\$ (4,503)	\$ 26,669	\$ 22,166
Fund Balance, July 1, 2004	44,589	55,388	78,446	178,423	0	178,423
Fund Balance, June 30, 2005	\$ 66,285	\$ 38,499	\$ 69,136	\$ 173,920	\$ 26,669	\$ 200,589

Exhibit F-3

DeKalb County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Courthouse & Jail Maintenance Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 66,913	\$ 51,000	\$ 51,000	\$ 15,913
Other Local Revenues	40	0	0	40
Total Revenues	<u>\$ 66,953</u>	<u>\$ 51,000</u>	<u>\$ 51,000</u>	<u>\$ 15,953</u>
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 45,257	\$ 50,300	\$ 50,300	\$ 5,043
Total Expenditures	<u>\$ 45,257</u>	<u>\$ 50,300</u>	<u>\$ 50,300</u>	<u>\$ 5,043</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 21,696</u>	<u>\$ 700</u>	<u>\$ 700</u>	<u>\$ 20,996</u>
Net Change in Fund Balance	\$ 21,696	\$ 700	\$ 700	\$ 20,996
Fund Balance, July 1, 2004	<u>44,589</u>	<u>6,600</u>	<u>6,600</u>	<u>37,989</u>
Fund Balance, June 30, 2005	<u>\$ 66,285</u>	<u>\$ 7,300</u>	<u>\$ 7,300</u>	<u>\$ 58,985</u>

Exhibit F-4

DeKalb County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures and Penalties	\$ 9,614	\$ 10,000	\$ 10,000	\$ (386)
Other Local Revenues	0	800	800	(800)
Total Revenues	\$ 9,614	\$ 10,800	\$ 10,800	\$ (1,186)
<u>Expenditures</u>				
<u>Public Safety</u>				
Sheriff's Department	\$ 1,111	\$ 3,800	\$ 3,800	\$ 2,689
Drug Enforcement	23,493	15,000	24,260	767
<u>Other Operations</u>				
Other Charges	104	230	230	126
<u>Support Services</u>				
Other Student Support	1,795	2,700	2,700	905
Total Expenditures	\$ 26,503	\$ 21,730	\$ 30,990	\$ 4,487
Excess (Deficiency) of Revenues Over Expenditures	\$ (16,889)	\$ (10,930)	\$ (20,190)	\$ 3,301
Net Change in Fund Balance	\$ (16,889)	\$ (10,930)	\$ (20,190)	\$ 3,301
Fund Balance, July 1, 2004	55,388	45,926	45,926	9,462
Fund Balance, June 30, 2005	\$ 38,499	\$ 34,996	\$ 25,736	\$ 12,763

# **Major Governmental Fund**

## **General Debt Service Fund**

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

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Exhibit G

DeKalb County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 159,943	\$ 158,334	\$ 158,334	\$ 1,609
Other Local Revenues	55,376	70,000	70,000	(14,624)
State of Tennessee	129,042	159,000	159,000	(29,958)
Total Revenues	<u>\$ 344,361</u>	<u>\$ 387,334</u>	<u>\$ 387,334</u>	<u>\$ (42,973)</u>
<u>Expenditures</u>				
<u>Principal</u>				
General Government	\$ 349,441	\$ 261,644	\$ 261,644	\$ (87,797)
Highways and Streets	13,000	13,000	13,000	0
Education	415,000	415,000	415,000	0
<u>Interest</u>				
General Government	90,605	99,805	99,805	9,200
Highways and Streets	1,078	866	866	(212)
Education	256,742	269,401	269,401	12,659
<u>Other Debt Service</u>				
General Government	20,733	20,500	20,500	(233)
Highways and Streets	0	1,200	0	0
Education	643	0	1,200	557
Total Expenditures	<u>\$ 1,147,242</u>	<u>\$ 1,081,416</u>	<u>\$ 1,081,416</u>	<u>\$ (65,826)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (802,881)</u>	<u>\$ (694,082)</u>	<u>\$ (694,082)</u>	<u>\$ (108,799)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 672,386	\$ 685,600	\$ 685,600	\$ (13,214)
Total Other Financing Sources (Uses)	<u>\$ 672,386</u>	<u>\$ 685,600</u>	<u>\$ 685,600</u>	<u>\$ (13,214)</u>
Net Change in Fund Balance	\$ (130,495)	\$ (8,482)	\$ (8,482)	\$ (122,013)
Fund Balance, July 1, 2004	608,352	538,273	538,273	70,079
Fund Balance, June 30, 2005	<u>\$ 477,857</u>	<u>\$ 529,791</u>	<u>\$ 529,791</u>	<u>\$ (51,934)</u>

# Agency 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.

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 and general sessions courts clerk, clerk and master, register, and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

DeKalb County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2005

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,648,674	\$ 1,648,674
Due from Other Governments	66,177	0	66,177
Notes Receivable - Long-term	0	47,329	47,329
Total Assets	<u>\$ 66,177</u>	<u>\$ 1,696,003</u>	<u>\$ 1,762,180</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 66,177	\$ 0	\$ 66,177
Due to Litigants, Heirs, and Others	0	1,696,003	1,696,003
Total Liabilities	<u>\$ 66,177</u>	<u>\$ 1,696,003</u>	<u>\$ 1,762,180</u>

## Exhibit H-2

DeKalb County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
For the Year Ended June 30, 2005

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 411,061	\$ 411,061	\$ 0
Due From Other Governments	71,832	66,177	71,832	66,177
Total Assets	\$ 71,832	\$ 477,238	\$ 482,893	\$ 66,177
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 71,832	\$ 477,238	\$ 482,893	\$ 66,177
Total Liabilities	\$ 71,832	\$ 477,238	\$ 482,893	\$ 66,177
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 2,922,657	\$ 4,694,943	\$ 5,968,926	\$ 1,648,674
Accounts Receivable	32	0	32	0
Notes Receivable - Long-term	32,025	15,304	0	47,329
Total Assets	\$ 2,954,714	\$ 4,710,247	\$ 5,968,958	\$ 1,696,003
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 2,954,714	\$ 4,710,247	\$ 5,968,958	\$ 1,696,003
Total Liabilities	\$ 2,954,714	\$ 4,710,247	\$ 5,968,958	\$ 1,696,003
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 411,061	\$ 411,061	\$ 0
Cash	2,922,657	4,694,943	5,968,926	1,648,674
Accounts Receivable	32	0	32	0
Due From Other Governments	71,832	66,177	71,832	66,177
Notes Receivable - Long-term	32,025	15,304	0	47,329
Total Assets	\$ 3,026,546	\$ 5,187,485	\$ 6,451,851	\$ 1,762,180
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 71,832	\$ 477,238	\$ 482,893	\$ 66,177
Due to Litigants, Heirs, and Others	2,954,714	4,710,247	5,968,958	1,696,003
Total Liabilities	\$ 3,026,546	\$ 5,187,485	\$ 6,451,851	\$ 1,762,180

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## MISCELLANEOUS SCHEDULES

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Exhibit I-1

DeKalb County, Tennessee  
 Schedule of Changes in Long-term Notes,  
 Capital Leases, and Bonds  
 For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-05
<b>NOTES PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
Road Grader	\$ 130,000	4.44 %	8-7-1995	8-7-05	\$ 26,000	\$ 0	\$ 13,000	\$ 13,000
Library Construction	230,000	2.8	6-30-03	12-30-08	174,744	0	112,922	61,822
Land and Equipment	520,000	3.1	8-18-03	8-15-13	520,000 (1)	0	91,519	428,481
Improvement and Equipment	400,000	3.47	8-25-04	9-1-09	0	400,000	0	400,000
Total Notes Payable through General Debt Service Fund					<u>\$ 720,744</u>	<u>\$ 400,000</u>	<u>\$ 217,441</u>	<u>\$ 903,303</u>
<u>Payable through Highway/Public Works Fund</u>								
Refunding	670,000	2 to 3	4-1-03	4-1-09	\$ 560,000	\$ 0	\$ 110,000	\$ 450,000
Total Notes Payable					<u>\$ 1,280,744</u>	<u>\$ 400,000</u>	<u>\$ 327,441</u>	<u>\$ 1,353,303</u>
<b>CAPITAL LEASE</b>								
<u>Payable through General Fund</u>								
Patrol Cars	105,096	9.79	11-15-02	10-31-05	\$ 50,108	\$ 0	\$ 36,964	\$ 13,144
<b>GENERAL BONDED DEBT</b>								
<u>Payable through General Debt Service Fund</u>								
School Bonds, Series 1994	1,550,000	4 to 5.5	8-15-1994	8-1-06	\$ 490,000	\$ 0	\$ 155,000	\$ 335,000
Refunding Bonds, Series 2003	7,930,000	.1 to 5.5	4-24-03	3-1-19	7,510,000	0	405,000	7,105,000
Total General Bonded Debt					<u>\$ 8,000,000</u>	<u>\$ 0</u>	<u>\$ 560,000</u>	<u>\$ 7,440,000</u>

(1) This amount was shown as a liability of the Solid Waste Disposal Fund in the prior audit.

Exhibit I-2

DeKalb County, Tennessee  
Schedule of Bond and Interest Requirements by Year

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2006	\$ 590,000	\$ 290,762	\$ 880,762
2007	620,000	258,175	878,175
2008	475,000	228,750	703,750
2009	505,000	202,625	707,625
2010	525,000	174,850	699,850
2011	545,000	145,975	690,975
2012	570,000	116,000	686,000
2013	600,000	84,650	684,650
2014	600,000	59,450	659,450
2015	620,000	38,450	658,450
2016	440,000	16,750	456,750
2017	450,000	1,350	451,350
2018	450,000	900	450,900
2019	450,000	450	450,450
Total	<u>\$ 7,440,000</u>	<u>\$ 1,619,137</u>	<u>\$ 9,059,137</u>

Exhibit I-3

DeKalb County, Tennessee  
Schedule of Transfers - All Funds  
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Local Purpose Tax	General Debt Service	Debt retirement	\$ 672,386
General Debt Service	Solid Waste Disposal	To transfer note proceeds	<u>255,000</u>
Total Transfers			<u>\$ 927,386</u>

DeKalb County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u> , and Chairman of Roads, Chapter 156, Private Acts of 1943, as amended	\$ 56,003 (1)	\$ 50,000	State Farm Fire and Casualty Company
Highway Superintendent	Section 8-24-102, <u>TCA</u> , and DeKalb County Commission	54,265 (2)	100,000	Western Surety Company
Trustee	Section 8-24-102, <u>TCA</u>	47,969	462,700	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	47,969	20,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	47,969	50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	47,969	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	50,269 (3)	75,000	General Accident Insurance Company
Register	Section 8-24-102, <u>TCA</u>	47,969	25,000	Western Surety Company
Sheriff	Section 8-24-102, <u>TCA</u>	53,284 (4)	50,000	State Farm Fire and Casualty Company
Employee Blanket Bond Coverage: General County Employees			150,000	Local Government Insurance Pool

(1) Includes a \$600 payment for serving as chairman of roads.

(2) Includes additional compensation of \$1,500.

(3) Includes special commissioner fees of \$2,300.

(4) Includes law enforcement training supplement of \$519.

Exhibit I-5

DeKalb County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2005

	Special Revenue Funds						Debt Service Fund	Capital Projects Fund	Total
	General	Courthouse and Jail Maintenance	Local Purpose Tax	Drug Control	Constitutional Officers - Fees	Highway/ Public Works	General Debt Service	General Capital Projects	
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 1,764,300	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 149,987	\$ 0	\$ 1,914,287
Trustee's Collections - Prior Year	68,219	0	0	0	0	0	5,037	0	73,256
Circuit/Clerk & Master Collections - Prior Years	14,563	0	0	0	0	0	3,165	0	17,728
Interest and Penalty	11,466	0	0	0	0	0	970	0	12,436
Pick-up Taxes	9,273	0	0	0	0	0	784	0	10,057
Payments in Lieu of Taxes - T.V.A.	50,433	0	0	0	0	0	0	0	50,433
Payments in Lieu of Taxes - Other	2,248	0	0	0	0	0	0	0	2,248
<u>County Local Option Taxes</u>									
Local Option Sales Tax	180,923	0	1,000,076	0	0	0	0	0	1,180,999
Hotel/Motel Tax	61,275	0	0	0	0	0	0	0	61,275
Litigation Tax - General	478	62,377	0	0	0	0	0	0	62,855
Litigation Tax - Special Purpose	15,101	4,536	0	0	0	0	0	0	19,637
Business Tax	76,266	0	0	0	0	1,382	0	0	77,648
Mineral Severance Tax	0	0	0	0	0	54,299	0	0	54,299
<u>Statutory Local Taxes</u>									
Bank Excise Tax	72,282	0	0	0	0	0	0	0	72,282
Wholesale Beer Tax	98,873	0	0	0	0	0	0	0	98,873
Total Local Taxes	\$ 2,425,700	\$ 66,913	\$ 1,000,076	\$ 0	\$ 0	\$ 55,681	\$ 159,943	\$ 0	\$ 3,708,313
<u>Licenses and Permits</u>									
<u>Licenses</u>									
Cable TV Franchise	\$ 12,836	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,836
<u>Permits</u>									
Beer Permits	2,941	0	0	0	0	0	0	0	2,941
Total Licenses and Permits	\$ 15,777	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,777
<u>Fines, Forfeitures and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 13,974	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,974
Officers Costs	3,860	0	0	0	0	0	0	0	3,860
Drug Control Fines	0	0	0	7,343	0	0	0	0	7,343
Drug Court Fees	675	0	0	0	0	0	0	0	675

(Continued)

Exhibit I-5

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

	Special Revenue Funds						Debt Service Fund	Capital Projects Fund	Total
	General	Courthouse and Jail Maintenance	Local Purpose Tax	Drug Control	Constitutional Officers - Fees	Highway/ Public Works	General Debt Service	General Capital Projects	
<u>Fines, Forfeitures and Penalties (Cont.)</u>									
<u>Circuit Court (Cont.)</u>									
Jail Fees	\$ 453	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	453
DUI Treatment Fines	853	0	0	0	0	0	0	0	853
Data Entry Fee - Circuit Court	472	0	0	0	0	0	0	0	472
<u>General Sessions Court</u>									
Fines	37,575	0	0	0	0	0	0	0	37,575
Officers Costs	30,924	0	0	0	0	0	0	0	30,924
Game and Fish Fines	1,025	0	0	0	0	0	0	0	1,025
Drug Control Fines	0	0	0	2,271	0	0	0	0	2,271
Drug Court Fees	9,128	0	0	0	0	0	0	0	9,128
Jail Fees	808	0	0	0	0	0	0	0	808
DUI Treatment Fines	159	0	0	0	0	0	0	0	159
Data Entry Fee - General Sessions Court	5,307	0	0	0	0	0	0	0	5,307
<u>Juvenile Court</u>									
Fines	2,442	0	0	0	0	0	0	0	2,442
Officers Costs	2,277	0	0	0	0	0	0	0	2,277
Game and Fish Fines	3	0	0	0	0	0	0	0	3
Data Entry Fee - Juvenile Court	328	0	0	0	0	0	0	0	328
<u>Chancery Court</u>									
Officers Costs	1,872	0	0	0	0	0	0	0	1,872
Data Entry Fee - Chancery Court	460	0	0	0	0	0	0	0	460
<u>Other Courts - In-county</u>									
Fines	14,106	0	0	0	0	0	0	0	14,106
Total Fines, Forfeitures and Penalties	\$ 126,701	\$ 0	\$ 0	\$ 9,614	\$ 0	\$ 0	\$ 0	\$ 0	136,315
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Patient Charges	\$ 608	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	608
<u>Fees</u>									
Engineer Review Fees	10,174	0	0	0	0	0	0	0	10,174
Telephone Commissions	515	0	0	0	0	0	0	0	515
Constitutional Officers' Fees and Commissions	0	0	0	0	166,527	0	0	0	166,527
Data Processing Fee - Register	10,364	0	0	0	0	0	0	0	10,364

(Continued)

Exhibit I-5

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

	Special Revenue Funds						Debt Service Fund	Capital Projects Fund	Total
	General	Courthouse and Jail Maintenance	Local Purpose Tax	Drug Control	Constitutional Officers - Fees	Highway/ Public Works	General Debt Service	General Capital Projects	
<u>Charges for Current Services (Cont.)</u>									
<u>Fees (Cont.)</u>									
Data Processing Fee - Sheriff	\$ 192	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 192
Sexual Offender Registration Fee	60	0	0	0	0	0	0	0	60
<b>Total Charges for Current Services</b>	<b>\$ 21,913</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 166,527</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 188,440</b>
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 55,376	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 55,376	\$ 0	\$ 110,752
Lease/Rentals	28,761	0	0	0	0	0	0	0	28,761
Commissary Sales	11,291	0	0	0	0	0	0	0	11,291
Miscellaneous Refunds	15,445	40	0	0	0	5,970	0	0	21,455
<u>Nonrecurring Items</u>									
Insurance Recovery	7,607	0	0	0	0	14,474	0	0	22,081
Sale of Equipment	590	0	0	0	0	12,585	0	0	13,175
Damages Recovered from Individuals	243	0	0	0	0	0	0	0	243
Contributions & Gifts	1,088	0	0	0	0	0	0	0	1,088
Performance Bond Forfeitures	1,425	0	0	0	0	0	0	0	1,425
<b>Total Other Local Revenues</b>	<b>\$ 121,826</b>	<b>\$ 40</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 33,029</b>	<b>\$ 55,376</b>	<b>\$ 0</b>	<b>\$ 210,271</b>
<u>Fees Received from County Officials</u>									
<u>Excess Fees</u>									
Register	\$ 62,974	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 62,974
Trustee	90,000	0	0	0	0	0	0	0	90,000
<u>Fees In Lieu of Salary</u>									
County Clerk	138,155	0	0	0	0	0	0	0	138,155
Circuit Court Clerk	39,922	0	0	0	0	0	0	0	39,922
General Sessions Court Clerk	85,182	0	0	0	0	0	0	0	85,182
Clerk and Master	70,347	0	0	0	0	0	0	0	70,347
Juvenile Court Clerk	7,455	0	0	0	0	0	0	0	7,455
Sheriff	19,998	0	0	0	0	0	0	0	19,998
<b>Total Fees Received from County Officials</b>	<b>\$ 514,033</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 514,033</b>

(Continued)

Exhibit I-5

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

	Special Revenue Funds						Debt Service Fund	Capital Projects Fund	Total
	General	Courthouse and Jail Maintenance	Local Purpose Tax	Drug Control	Constitutional Officers - Fees	Highway/ Public Works	General Debt Service	General Capital Projects	
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Aging Programs	\$ 4,078	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,078
State Reappraisal Grant	12,862	0	0	0	0	0	0	0	12,862
<u>Health and Welfare Grants</u>									
Health Department Programs	1,200	0	0	0	0	0	0	0	1,200
<u>Public Works Grants</u>									
State Aid Program	0	0	0	0	0	71,478	0	0	71,478
Litter Program	65,760	0	0	0	0	0	0	0	65,760
<u>Other State Revenues</u>									
Flood Control	94,049	0	0	0	0	0	0	0	94,049
Income Tax	12,064	0	0	0	0	0	0	0	12,064
Beer Tax	16,778	0	0	0	0	0	0	0	16,778
Alcoholic Beverage Tax	22,817	0	0	0	0	0	0	0	22,817
Mixed Drink Tax	3,552	0	0	0	0	0	0	0	3,552
State Revenue Sharing - T.V.A.	57,352	0	0	0	0	0	129,042	43,014	229,408
Board of Jurors	955	0	0	0	0	0	0	0	955
Contracted Prisoner Boarding	144,751	0	0	0	0	0	0	0	144,751
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,452,669	0	0	1,452,669
Petroleum Special Tax	0	0	0	0	0	14,016	0	0	14,016
Reappraisal Program Reimbursement	4,288	0	0	0	0	0	0	0	4,288
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	16,380
Other State Revenues	9,000	0	0	0	0	0	0	0	9,000
Total State of Tennessee	\$ 465,886	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,538,163	\$ 129,042	\$ 43,014	\$ 2,176,105
<u>Federal Government</u>									
<u>Federal Through State</u>									
Community Development	\$ 131,326	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 131,326
Homeland Security Grants	58,322	0	0	0	0	0	0	0	58,322
Other Federal through State	59,044	0	0	0	0	0	0	0	59,044
<u>Direct Federal Revenue</u>									
Police Service (Lake Area)	37,760	0	0	0	0	0	0	0	37,760
Total Federal Government	\$ 286,452	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 286,452

(Continued)

Exhibit I-5

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

	Special Revenue Funds						Debt Service Fund	Capital Projects Fund	Total
	General	Courthouse and Jail Maintenance	Local Purpose Tax	Drug Control	Constitutional Officers - Fees	Highway/ Public Works	General Debt Service	General Capital Projects	
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Contributions	\$ 108,028	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	108,028
Total Other Governments and Citizens Groups	\$ 108,028	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	108,028
Total	\$ 4,086,316	\$ 66,953	\$ 1,000,076	\$ 9,614	\$ 166,527	\$ 1,626,873	\$ 344,361	\$ 43,014	\$ 7,343,734

Exhibit I-6

DeKalb County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2005

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	17,141	
Audit Services		4,160	
Legal Notices, Recording and Court Costs		7,247	
Other Charges		1,500	
Total County Commission			\$ 30,048

Board of Equalization

Board and Committee Members Fees	\$	3,174	
Total Board of Equalization			3,174

Beer Board

Board and Committee Members Fees	\$	1,410	
Total Beer Board			1,410

Budget and Finance Committee

Board and Committee Members Fees	\$	3,720	
Total Budget and Finance Committee			3,720

County Mayor

County Official/Administrative Officer	\$	55,403	
Assistant(s)		39,442	
Data Processing Services		6,426	
Travel		1,000	
Office Supplies		4,046	
Total County Mayor			106,317

County Attorney

County Official/Administrative Officer	\$	11,600	
Legal Services		1,938	
Total County Attorney			13,538

Election Commission (Including Voter Registration)

County Official/Administrative Officer	\$	38,368	
Other Salaries & Wages		19,500	
Election Commission		2,829	
Election Workers		25,868	
Advertising		92	
Maintenance & Repair Services- Equipment		337	
Printing, Stationery and Forms		3,488	
Office Supplies		1,180	

(Continued)

Exhibit I-6

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Including Voter Registration)  
(Cont.)

Other Charges	\$ 4,517	
Total Election Commission (Including Voter Registration)		\$ 96,179

Register of Deeds

Other Contracted Services	\$ 385	
Office Supplies	2,205	
Other Supplies and Materials	1,125	
Data Processing Equipment	26,755	
Other Equipment	109	
Total Register of Deeds		30,579

Planning

Board and Committee Members Fees	\$ 4,010	
Other Contracted Services	8,500	
Total Planning		12,510

County Buildings

Custodial Personnel	\$ 26,625	
Maintenance & Repair Services- Buildings	70,785	
Utilities	52,848	
Building and Contents Insurance	3,431	
Total County Buildings		153,689

Other General Administration

Communication	\$ 33,622	
Contributions	3,511	
Operating Lease Payments	9,151	
Postal Charges	25,574	
Office Supplies	1,995	
Periodicals	1,079	
Premiums on Corporate Surety Bonds	4,746	
Workers' Compensation Insurance	82,851	
Office Equipment	1,745	
Total Other General Administration		164,274

Finance

Property Assessor's Office

County Official/Administrative Officer	\$ 47,969	
Secretary(s)	19,596	
Other Salaries & Wages	25,919	

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Travel	\$	1,852	
Other Contracted Services		23,484	
Office Supplies		878	
Total Property Assessor's Office			\$ 119,698

County Trustee's Office

Data Processing Services	\$	13,155	
Legal Notices, Recording and Court Costs		377	
Office Supplies		2,308	
Office Equipment		19,000	
Total County Trustee's Office			34,840

County Clerk's Office

County Official/Administrative Officer	\$	47,969	
Deputy(ies)		57,417	
Office Supplies		2,234	
Other Charges		913	
Office Equipment		2,300	
Total County Clerk's Office			110,833

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	47,969	
Deputy(ies)		58,688	
Jury and Witness Fees		10,369	
Data Processing Services		6,271	
Office Supplies		4,427	
Other Charges		4,456	
Total Circuit Court			132,180

General Sessions Court

Judge(s)	\$	60,984	
Secretary(s)		7,251	
Travel		720	
Office Supplies		1,200	
Other Charges		1,487	
Total General Sessions Court			71,642

Chancery Court

County Official/Administrative Officer	\$	47,969	
--	----	--------	--

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Secretary(s)	\$	19,500	
Office Supplies		2,013	
Other Charges		3,032	
Total Chancery Court			\$ 72,514

Juvenile Court

Youth Service Officer(s)	\$	23,835	
Contracts with Other Public Agencies		7,950	
Other Charges		622	
Total Juvenile Court			32,407

Judicial Commissioners

County Official/Administrative Officer	\$	20,600	
Office Supplies		62	
Total Judicial Commissioners			20,662

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	53,284	
Assistant(s)		21,417	
Deputy(ies)		310,212	
Medical Personnel		15,405	
Dispatchers/Radio Operators		113,032	
Secretary(s)		18,750	
Part-time Personnel		23,138	
Overtime Pay		88,058	
In-Service Training		5,410	
Communication		33,267	
Contributions		1,200	
Evaluation and Testing		22,318	
Maintenance & Repair Services- Vehicles		51,163	
Travel		2,724	
Gasoline		58,606	
Office Supplies		6,934	
Tires and Tubes		5,769	
Uniforms		11,303	
Utilities		47,109	
Other Supplies and Materials		21,821	
Other Charges		18,741	
Principal on Capitalized Leases		36,964	

(Continued)

Exhibit I-6

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

<u>General Fund (Cont.)</u>		
<u>Public Safety (Cont.)</u>		
<u>Sheriff's Department (Cont.)</u>		
Interest on Capitalized Leases	\$ 3,275	
Motor Vehicles	49	
Total Sheriff's Department		\$ 969,949
 <u>Special Patrols</u>		
Guards	\$ 19,500	
Gasoline	1,510	
Instructional Supplies and Materials	5,000	
Other Charges	6,500	
Total Special Patrols		32,510
 <u>Traffic Control</u>		
Other Salaries & Wages	\$ 1,375	
Total Traffic Control		1,375
 <u>Correctional Incentive Program Improvements</u>		
Cafeteria Personnel	\$ 18,350	
Other Salaries & Wages	297,425	
Medical and Dental Services	163,518	
Food Supplies	126,016	
Other Supplies and Materials	2,610	
Total Correctional Incentive Program Improvements		607,919
 <u>Fire Prevention and Control</u>		
In-Service Training	\$ 2,300	
Forest Resource Services	12,898	
Maintenance & Repair Services- Equipment	3,048	
Equipment and Machinery Parts	11,203	
Gasoline	6,901	
Instructional Supplies and Materials	1,488	
Utilities	14,294	
Other Supplies and Materials	2,414	
Liability Insurance	2,604	
Other Charges	5,763	
Communication Equipment	1,628	
Other Equipment	28,467	
Other Construction	4,148	
Total Fire Prevention and Control		97,156

(Continued)

Exhibit I-6

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

<u>General Fund (Cont.)</u>		
<u>Public Safety (Cont.)</u>		
<u>Civil Defense</u>		
Other Charges	\$ 1,056	
Law Enforcement Equipment	97,875	
Office Equipment	4,430	
Total Civil Defense		\$ 103,361
 <u>Other Emergency Management</u>		
Dispatchers/Radio Operators	\$ 84,014	
Other Contracted Services	118	
Total Other Emergency Management		84,132
 <u>Public Health and Welfare</u>		
<u>Local Health Center</u>		
Social Workers	\$ 499	
Custodial Personnel	3,120	
Communication	2,717	
Contracts with Government Agencies	11,460	
Maintenance & Repair Services- Equipment	15	
Postal Charges	341	
Other Contracted Services	1,208	
Custodial Supplies	1,269	
Drugs and Medical Supplies	368	
Office Supplies	1,400	
Utilities	10,737	
Other Charges	346	
Total Local Health Center		33,480
 <u>Rabies and Animal Control</u>		
Contracts with Other Public Agencies	\$ 1,850	
Total Rabies and Animal Control		1,850
 <u>Ambulance/Emergency Medical Services</u>		
Other Contracted Services	\$ 163,500	
Total Ambulance/Emergency Medical Services		163,500
 <u>Regional Mental Health Center</u>		
Contributions	\$ 7,180	
Total Regional Mental Health Center		7,180
 <u>General Welfare Assistance</u>		
Contributions	\$ 1,616	
Total General Welfare Assistance		1,616

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Social, Cultural and Recreational Services

Senior Citizens Assistance

Clerical Personnel	\$	10,700	
Travel		135	
Other Supplies and Materials		861	
Total Senior Citizens Assistance			\$ 11,696

Libraries

Librarians	\$	21,087	
Clerical Personnel		27,000	
Part-time Personnel		21,832	
Communication		5,143	
Library Books/Media		7,465	
Periodicals		1,489	
Utilities		9,451	
Other Supplies and Materials		4,581	
Other Charges		4,682	
Other Equipment		1,370	
Total Libraries			104,100

Agriculture & Natural Resources

Agriculture Extension Service

Assistant(s)	\$	24,303	
Supervisor/Director		10,330	
Clerical Personnel		7,274	
Other Fringe Benefits		4,222	
Rentals		7,900	
Total Agriculture Extension Service			54,029

Soil Conservation

Secretary(s)	\$	19,500	
Total Soil Conservation			19,500

Other Operations

Industrial Development

Other Charges	\$	514	
Total Industrial Development			514

Other Economic and Community Development

Contributions	\$	4,000	
Engineering Services		6,119	
Travel		1,010	

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Other Operations (Cont.)

Other Economic and Community Development (Cont.)

Other Construction	\$ 92,504	
Total Other Economic and Community Development		\$ 103,633

Veterans' Services

Supervisor/Director	\$ 3,842	
Travel	500	
Total Veterans' Services		4,342

Other Charges

Trustee's Commission	\$ 52,901	
Total Other Charges		52,901

Contributions to Other Agencies

Contributions	\$ 24,000	
Dues and Memberships	8,732	
Total Contributions to Other Agencies		32,732

Employee Benefits

Social Security	\$ 158,784	
State Retirement	53,843	
Employee and Dependent Insurance	95,428	
Unemployment Compensation	16,006	
Total Employee Benefits		324,061

Miscellaneous

Laborers	\$ 677	
Other Salaries & Wages	6,388	
Pauper Burials	1,050	
Road Signs	5,725	
Liability Insurance	106,937	
Refunds	101	
Other Charges	4,246	
Total Miscellaneous		125,124

Total General Fund		\$ 4,146,874
--------------------	--	--------------

Courthouse & Jail Maintenance Fund

General Government

County Buildings

Maintenance & Repair Services- Buildings	\$ 21,098	
--	-----------	--

(Continued)

Exhibit I-6

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

Courthouse & Jail Maintenance Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Custodial Supplies	\$	23,506	
Trustee's Commission		653	
Total County Buildings			\$ 45,257

Total Courthouse & Jail Maintenance Fund \$ 45,257

Local Purpose Tax Fund

Other Operations

Other Charges

Trustee's Commission	\$	10,006	
Total Other Charges			\$ 10,006

Contributions to Other Agencies

Contributions	\$	600,000	
Total Contributions to Other Agencies			600,000

Total Local Purpose Tax Fund 610,006

Drug Control Fund

Public Safety

Sheriff's Department

Travel	\$	1,111	
Total Sheriff's Department			\$ 1,111

Drug Enforcement

Confidential Drug Enforcement Payments	\$	7,000	
Other Charges		11,793	
Motor Vehicles		4,700	
Total Drug Enforcement			23,493

Other Operations

Other Charges

Trustee's Commission	\$	104	
Total Other Charges			104

Support Services

Other Student Support

Other Supplies and Materials	\$	1,239	
Other Charges		556	
Total Other Student Support			1,795

Total Drug Control Fund 26,503

(Continued)

Exhibit I-6

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

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Constitutional Officers' Operating Expenses	\$ 86,236	
Total Register of Deeds		\$ 86,236

Other General Administration

Constitutional Officers' Operating Expenses	\$ 4,302	
Total Other General Administration		4,302

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$ 85,299	
Total County Trustee's Office		<u>85,299</u>

Total Constitutional Officers - Fees Fund		\$ 175,837
---	--	------------

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 54,265	
Accountants/Bookkeepers	20,800	
Secretary(s)	19,334	
Board and Committee Members Fees	600	
Communication	7,827	
Data Processing Services	4,183	
Dues and Memberships	3,032	
Legal Services	5,232	
Postal Charges	296	
Printing, Stationery and Forms	263	
Rentals	826	
Travel	337	
Electricity	2,830	
Natural Gas	7,017	
Office Supplies	2,041	
Water and Sewer	174	
Data Processing Equipment	<u>245</u>	
Total Administration		\$ 129,302

Highway and Bridge Maintenance

Foremen	\$ 21,864
Equipment Operators	78,367
Truck Drivers	29,417

(Continued)

Exhibit I-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Laborers	\$	65,614	
Rentals		4,584	
Other Contracted Services		55,686	
Asphalt - Liquid		118,903	
Concrete		3,439	
Crushed Stone		105,901	
General Construction Materials		5,224	
Pipe - Metal		23,016	
Salt		1,135	
Structural Steel		5,325	
Wood Products		1,853	
Other Supplies and Materials		6,485	
Total Highway and Bridge Maintenance			\$ 526,813

Operation and Maintenance of Equipment

Mechanic(s)	\$	43,572	
Maintenance & Repair Services- Equipment		6,422	
Diesel Fuel		60,997	
Equipment and Machinery Parts		31,013	
Garage Supplies		6,138	
Gasoline		19,321	
Lubricants		3,817	
Small Tools		220	
Tires and Tubes		19,169	
Total Operation and Maintenance of Equipment			190,669

Quarry Operations

Foremen	\$	24,650	
Equipment Operators		63,721	
Explosive and Drilling Services		26,041	
Maintenance & Repair Services- Equipment		8,774	
Diesel Fuel		5,209	
Electricity		6,191	
Equipment and Machinery Parts		28,611	
Total Quarry Operations			163,197

Other Charges

Liability Insurance	\$	39,674	
Trustee's Commission		15,198	
Workers' Compensation Insurance		30,443	
Total Other Charges			85,315

(Continued)

Exhibit I-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits

Social Security	\$	32,314	
State Retirement		13,671	
Employee and Dependent Insurance		110,282	
Unemployment Compensation		4,360	
Total Employee Benefits			\$ 160,627

Capital Outlay

Principal on Notes	\$	110,000	
Interest on Notes		13,868	
Bridge Construction		4,000	
Highway Equipment		164,873	
Motor Vehicles		11,800	
State Aid Projects		104,081	
Total Capital Outlay			408,622

Total Highway/Public Works Fund \$ 1,664,545

General Debt Service Fund

Principal

General Government

Principal on Bonds	\$	145,000	
Principal on Notes		204,441	
Total General Government			\$ 349,441

Highways and Streets

Principal on Notes	\$	13,000	
Total Highways and Streets			13,000

Education

Principal on Bonds	\$	415,000	
Total Education			415,000

Interest

General Government

Interest on Bonds	\$	65,056	
Interest on Notes		25,549	
Total General Government			90,605

Highways and Streets

Interest on Notes	\$	1,078	
Total Highways and Streets			1,078

(Continued)

Exhibit I-6

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

General Debt Service Fund (Cont.)

Interest (Cont.)

Education

Interest on Bonds	\$ 256,742	
Total Education		\$ 256,742

Other Debt Service

General Government

Fiscal Agent Charges	\$ 15,000	
Trustee's Commission	3,787	
Other Debt Service	1,946	
Total General Government		20,733

Education

Other Debt Service	\$ 643	
Total Education		643

Total General Debt Service Fund		\$ 1,147,242
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General Capital Projects Fund

Capital Projects

General Administration Projects

Motor Vehicles	\$ 136,445	
Other Capital Outlay	24,900	
Total General Administration Projects		\$ 161,345

Total General Capital Projects Fund		161,345
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Total Governmental Funds - Primary Government		<u>\$ 7,977,609</u>
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Exhibit I-7

DeKalb County, Tennessee  
Schedule of Detailed Revenues and Expenses  
Proprietary Fund  
For the Year Ended June 30, 2005

	Primary Government <u>Enterprise Fund</u> Solid Waste Disposal Fund
<u>Revenues</u>	
<u>Operating Revenues</u>	
Charges for Current Services	
Commercial and Industrial Waste Collection Charge	\$ 32,369
Residential Waste Collection Charge	2,400
Tipping Fees	208,572
Total Charges for Current Services	<u>\$ 243,341</u>
Other Local Revenues	
Sale of Recycled Materials	\$ 5,094
Miscellaneous Refunds	3,451
Sale of Equipment	13,410
Total Other Local Revenues	<u>\$ 21,955</u>
Total Operating Revenue	<u>\$ 265,296</u>
<u>Nonoperating Revenues</u>	
Local Taxes	
County Property Taxes	\$ 604,125
Trustee Collections - Prior Year	24,609
Circuit/Clerk and Master Collections - Prior Years	7,596
Interest and Penalty	3,804
Pick-up Taxes	3,076
Grants	140,707
Total Nonoperating Revenues	<u>\$ 783,917</u>
Total Revenues	<u>\$ 1,049,213</u>
<u>Expenses</u>	
<u>Operating Expenses</u>	
Waste Pickup	
Laborers	\$ 41,170
Maintenance & Repair Services - Vehicles	25
Total Waste Pickup	<u>\$ 41,195</u>
Convenience Centers	
Laborers	\$ 157,508
Other Supplies and Materials	5,137
Other Construction	300
Total Convenience Centers	<u>\$ 162,945</u>

(Continued)

Exhibit I-7

DeKalb County, Tennessee  
Schedule of Detailed Revenues and Expenses  
Proprietary Fund (Cont.)

	<u>Primary</u> <u>Government</u> <u>Enterprise Fund</u> Solid Waste Disposal Fund
<hr/>	
<u>Expenses (Cont.)</u>	
<u>Operating Expenses (Cont.)</u>	
Landfill Operation and Maintenance	
Laborers	\$ 145,001
Overtime Pay	2,860
Engineering Services	35,300
Laundry Service	11,979
Maintenance and Repair Services - Vehicles	74,334
Rentals	19,136
Other Contracted Services	31,075
Crushed Stone	12,693
Diesel Fuel	67,553
Utilities	13,241
Other Supplies and Materials	26,543
Depreciation	130,493
Landfill Closure/Postclosure Care Costs	140,235
Other Charges	112,464
Total Landfill Operation and Maintenance	<u>\$ 822,907</u>
Other Waste Disposal	
Social Security	\$ 26,346
State Retirement	5,611
Unemployment Compensation	3,910
Trustee's Commission	15,460
Total Other Waste Disposal	<u>\$ 51,327</u>
Employee Benefits	
Employee and Dependent Insurance	\$ 861
Total Employee Benefits	<u>\$ 861</u>
Total Operating Expenses	<u>\$ 1,079,235</u>
<u>Nonoperating Expenses</u>	
Interest on Capital Lease	<u>\$ 3,546</u>
Total Expenses	<u><u>\$ 1,082,781</u></u>

Exhibit I-8

DeKalb County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2005

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 411,061
	<hr/>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 406,950
Trustee's Commission	4,111
Total Cash Disbursements	<hr/> \$ 411,061 <hr/>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2004	<hr/> 0
Cash Balance, June 30, 2005	<hr/> <hr/> \$ 0

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## STATISTICAL SECTION

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Table 1

DeKalb County, Tennessee  
Uncollected Taxes Filed in Chancery Court  
June 30, 2005

<u>Year</u>	<u>Amount</u>
1994	\$ 6,827
1995	11,210
1996	2,578
1997	3,735
1998	9,709
1999	7,524
2000	17,433
2001	16,210
2002	22,475
2003	<u>58,039</u>
Total	<u><u>\$ 155,740</u></u>

Table 2

DeKalb County, Tennessee  
Tax Rates and Assessments  
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 0.51	\$ 0.47	\$ 0.41	\$ 0.41	\$ 0.34	\$ 0.34	\$ 0.40	\$ 0.34	\$ 0.59	\$ 0.59
General Purpose School	1.16	1.05	1.05	1.05	0.90	0.90	0.90	0.76	0.79	0.79
General Debt Service	0.12	0.10	0.10	0.10	0.08	0.08	0.06	0.04	0.05	0.05
Solid Waste Disposal	0.23	0.21	0.21	0.21	0.18	0.18	0.14	0.13	0.20	0.20
Total Tax Rate	\$ 2.02	\$ 1.83	\$ 1.77	\$ 1.77	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.27	\$ 1.63	\$ 1.63
<u>Assessed Valuations</u>										
Real and Personal	\$ 141,262,996	\$ 160,429,374	\$ 165,805,313	\$ 169,543,596	\$ 206,387,662	\$ 219,452,145	\$ 228,797,657	\$ 279,971,107	\$ 291,429,136	\$ 301,831,984
Public Utilities	12,070,365	12,423,212	12,860,090	10,251,486	14,831,269	15,981,990	13,753,668	17,676,591	18,164,532	16,286,455
Total Assessed Valuation	\$ 153,333,361	\$ 172,852,586	\$ 178,665,403	\$ 179,795,082	\$ 221,218,931	\$ 235,434,135	\$ 242,551,325	\$ 297,647,698	\$ 309,593,668	\$ 318,118,439

**ANNUAL FINANCIAL REPORT**  
**DEKALB COUNTY SCHOOL DEPARTMENT**  
**A COMPONENT UNIT OF DEKALB COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2005**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

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

*ARTHUR L. ALEXANDER*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

*MICHAEL FORD, CPA, CGFM*  
*Auditor 4*

*AMY HEWITT*  
*MELODIE WHEELER*  
*TIM BRASHEARS*  
*KELLEY J. McNEAL, CPA, CGFM*  
*State Auditors*

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

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**DEKALB COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF DEKALB COUNTY, TENNESSEE  
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# ***Audit Highlights***

Annual Financial Report  
DeKalb County School Department  
For the Year Ended June 30, 2005

## ***Scope***

We have audited the financial statements of each major fund and the aggregate remaining fund information of the DeKalb County School Department as of and for the year ended June 30, 2005.

## ***Results***

Our report on the DeKalb County School Department's financial statements expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34.

Our audit resulted in four findings and recommendations, which we have reviewed with DeKalb County School Department's management. Detailed findings, recommendations, and management's response are included in the Single Audit Report.

## ***Findings***

The following are summaries of the audit findings:

### **DEKALB COUNTY SCHOOL DEPARTMENT**

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ The General Purpose School Fund had a fund deficit of \$207,564 at June 30, 2005, resulting from the recognition of an accounts payable. This fund deficit was liquidated subsequent to June 30, 2005, when a capital outlay note was issued.

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### **OTHER FINDINGS**

- ◆ County officials had not adopted a central system of accounting and budgeting.
- ◆ Duties were not segregated adequately in the Office of Director of Schools.

*State of Tennessee*  
*Comptroller of the Treasury*  
*Department of Audit*  
*Division of County Audit*

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# INTRODUCTORY SECTION

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DeKalb County School Officials  
June 30, 2005

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Officials:

Jim McCormick, Director of Schools

Board of Education:

Charles Robinson, Chairman

W. J. Evins, III

John D. Foutch

Linda Fuston

Keith Garrett

Johnny Lattimore

Kenny Rhody

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## FINANCIAL SECTION

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**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841**

**INDEPENDENT AUDITOR'S REPORT**

August 31, 2005

DeKalb County Director of Schools and  
Board of Education  
DeKalb County, Tennessee

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the DeKalb County School Department, a component unit of DeKalb County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 21, which collectively comprise a portion of the DeKalb County School Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the DeKalb County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported

in government-wide financial statements for the School Department's governmental activities are not reasonably determinable.

As described in Note I, the DeKalb County School Department has prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. These standards require county school departments that do not present government-wide financial statements to present fund financial statements in conformity with all the accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements. These standards also require some additional disclosures to be included in the notes to the financial statements, as described in Note I.

In our opinion, because of the effects of the matter discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the DeKalb County School Department as of June 30, 2005, or the changes in its financial position for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the DeKalb County School Department as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

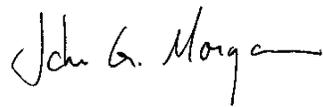
In accordance with Government Auditing Standards, we have also issued our report dated August 31, 2005, on our consideration of the DeKalb County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note IV.B., the DeKalb County School Department has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures which modifies the county's disclosures for custodial credit risk and adds disclosures about other types of risk.

The budgetary comparison information on pages 25 through 27 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the DeKalb County School Department's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

A handwritten signature in cursive script that reads "John G. Morgan". The signature is written in black ink and includes a long horizontal flourish at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/sb

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

DeKalb County, Tennessee  
Balance Sheet - Governmental Funds  
 DeKalb County School Department  
 June 30, 2005

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,037,506	\$ 419,729	\$ 1,457,235
Accounts Receivable	2,022	266	2,288
Due from Other Governments	215,022	137,560	352,582
Property Taxes Receivable	2,374,371	0	2,374,371
Allowance for Uncollectible Property Taxes	(82,460)	0	(82,460)
Total Assets	<u>\$ 3,546,461</u>	<u>\$ 557,555</u>	<u>\$ 4,104,016</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 436,290	\$ 0	\$ 436,290
Payroll Deductions Payable	229,203	2,559	231,762
Deferred Revenue - Current Property Taxes	2,182,740	0	2,182,740
Deferred Revenue - Delinquent Property Taxes	109,171	0	109,171
Other Deferred Revenues	29,036	0	29,036
Total Liabilities	<u>\$ 2,986,440</u>	<u>\$ 2,559</u>	<u>\$ 2,988,999</u>
<u>Fund Balances</u>			
Reserved for Career Ladder - Extended Contract	\$ 3,220	\$ 0	\$ 3,220
Reserved for Career Ladder Program	3,497	0	3,497
Reserved for Technology	30,768	0	30,768
Reserved for Basic Education Program	730,100	0	730,100
Reserved for Title I Grants to Local Education Agencies	0	121,482	121,482
Reserved for Innovative Education Program Strategies	0	13,629	13,629
Reserved for Special Education - Grants to States	0	31,712	31,712
Other Federal Reserves	0	39,436	39,436
Unreserved, Reported In:			
General Fund (Deficit)	(207,564)	0	(207,564)
Special Revenue Funds	0	348,737	348,737
Total Fund Balances	<u>\$ 560,021</u>	<u>\$ 554,996</u>	<u>\$ 1,115,017</u>
Total Liabilities and Fund Balances	<u>\$ 3,546,461</u>	<u>\$ 557,555</u>	<u>\$ 4,104,016</u>

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

Exhibit B

DeKalb County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
DeKalb County School Department  
For the Year Ended June 30, 2005

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 2,519,890	\$ 0	\$ 2,519,890
Licenses and Permits	1,250	0	1,250
Charges for Current Services	22,702	440,079	462,781
Other Local Revenues	68,239	5,010	73,249
State of Tennessee	10,317,056	0	10,317,056
Federal Government	226,714	1,949,330	2,176,044
Other Governments and Citizens Groups	600,000	0	600,000
Total Revenues	<u>\$ 13,755,851</u>	<u>\$ 2,394,419</u>	<u>\$ 16,150,270</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 8,709,640	\$ 1,116,849	\$ 9,826,489
Support Services	4,954,733	443,802	5,398,535
Operation of Non-Instructional Services	190,409	977,213	1,167,622
Capital Outlay	847,559	0	847,559
Total Expenditures	<u>\$ 14,702,341</u>	<u>\$ 2,537,864</u>	<u>\$ 17,240,205</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (946,490)</u>	<u>\$ (143,445)</u>	<u>\$ (1,089,935)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 24,111	\$ 0	\$ 24,111
Transfers Out	0	(24,111)	(24,111)
Total Other Financing Sources (Uses)	<u>\$ 24,111</u>	<u>\$ (24,111)</u>	<u>\$ 0</u>
Net Change in Fund Balances	<u>\$ (922,379)</u>	<u>\$ (167,556)</u>	<u>\$ (1,089,935)</u>
Fund Balance, July 1, 2004	1,482,400	722,552	2,204,952
Fund Balance, June 30, 2005	<u>\$ 560,021</u>	<u>\$ 554,996</u>	<u>\$ 1,115,017</u>

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

**DEKALB COUNTY SCHOOL DEPARTMENT**  
**A COMPONENT UNIT OF DEKALB COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2005**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

DeKalb County School Department's financial statements are not 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 School Department has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement 34 and accounting principles generally accepted in the United States of America. The School Department has elected instead only to implement the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused the School Department's auditor to issue an adverse opinion on the School Department's financial statements.

Although the School Department's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

The following are the more significant accounting policies of the School Department:

**A. Reporting Entity**

The School Department operates the public school system in the county, and the voters of DeKalb County elect its seven-member board. The School Department is a component unit of DeKalb County, the primary government. 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.

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

Fund financial statements of the School Department 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. The School Department has no proprietary or fiduciary funds to report.

Separate financial statements are provided for governmental 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.

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 School Department 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. The School Department considers grant 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.

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. Property taxes collected within 30 days after year-end are considered to be immaterial for reporting purposes. 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 School Department receives cash.

The School Department reports the following major governmental fund:

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

Additionally, the School Department reports the following fund type:

**Special Revenue Funds** – These funds, the School Federal Projects Fund and the Central Cafeteria Fund, are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

**C. Assets, Liabilities, and Equity**

**1. Deposits and Investments**

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

The county trustee maintains a cash and internal investment pool that is used by all School Department funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the primary government's General Fund and Debt Service Fund. DeKalb 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 are reported at cost. 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**

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 shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.74 percent of total taxes levied.

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 not material for financial reporting purposes and are thus not 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. The School Department does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, the School Department does not present government-wide statements.

**4. Compensated Absences**

The general policy of the School Department allows for the accumulation of unused vacation and sick leave days beyond year-end. The payment of unused vacation leave to these employees is guaranteed; however, such amounts are not considered material to the School Department's financial statements. The School Department's general policy allows the unlimited accumulation of unused sick leave days by department employees including professional personnel (teachers). The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

**5. Fund Equity**

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### Fund Deficit

The General Purpose School Fund had a fund deficit of \$207,564 at June 30, 2005. Contributing to this fund deficit was the recognition of a liability of \$433,290 for roof repairs at a school on June 30, 2005. County officials issued a capital outlay note in the amount of \$610,000 on July 18, 2005, to liquidate this deficit.

## III. DETAILED NOTES ON ALL FUNDS

### A. Deposits and Investments

DeKalb County and the 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, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments.

#### 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; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county’s own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer’s Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase.

The county had no pooled and nonpooled investments as of June 30, 2005.

**B. Interfund Transfers**

Interfund transfers for the year ended June 30, 2005, consisted of the following amounts:

	<u>Transfers In</u>
Transfers Out	General Purpose School Fund
Nonmajor governmental fund	\$ 24,111
Total	<u>\$ 24,111</u>

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.

**IV. OTHER INFORMATION**

**A. Risk Management**

The School Department is exposed to various risks related to general liability, property, casualty, and workers’ compensation losses. The School Department decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, property, casualty, and workers’ compensation coverage. The School Department joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by an association of member school boards. The School Department pays annual premiums to the

TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of TSB-RMT provides for it to be self-sustaining through member premiums.

The School Department provides health insurance coverage to its employees through 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, Tennessee Code Annotated, 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 the fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

**B. Accounting Change**

During the year, DeKalb County adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the county's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

**C. Subsequent Event**

On July 18, 2005, DeKalb County issued a capital outlay note totaling \$610,000 for roof repairs at a school.

**D. Contingent Liabilities**

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

**E. Retirement Commitments**

**Plan Description**

Employees of DeKalb County, including the School Department, 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 DeKalb County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Since the DeKalb County School Department participates in DeKalb County's plan, retirement information for the DeKalb County School Department is not available separately from the retirement information provided for the county. Complete disclosure for the county's participation in the TCRS is described in footnote IV. F. of the Annual Financial Report of DeKalb County, Tennessee.

## SCHOOL TEACHERS

### **Plan Description**

The DeKalb County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service

who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://www.treasury.state.tn.us). Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/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 DeKalb County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2005, was 5.5 percent of annual covered payroll. The employer contribution requirement for the DeKalb County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2005, 2004, and 2003, were \$463,746, \$274,768, and \$248,151, respectively, equal to the required contributions for each year.

### **F. Purchasing Laws**

Purchasing procedures for the School Department are governed by provisions of Chapter 63, Private Acts of 1979, as amended. Purchasing procedures for the School Department are also governed by Section 49-2-203, Tennessee Code Annotated. Chapter 63, Private Acts of 1979, as amended, provides for the establishment of a Purchasing Committee and designates the county mayor as purchasing agent for purchases approved by the committee. All purchases of materials, supplies, equipment, or services estimated to exceed \$5,000 are required to be made by the Purchasing Committee on the basis of competitive bids solicited through newspaper advertisement. Other purchases may be made by the department heads. Requisitions and purchase orders are required for all purchases.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit C

DeKalb County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
DeKalb County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 2,519,890	\$ 0	\$ 2,519,890	\$ 3,108,950	\$ 2,508,950	\$ 10,940
Licenses and Permits	1,250	0	1,250	1,500	1,500	(250)
Charges for Current Services	22,702	0	22,702	17,000	17,000	5,702
Other Local Revenues	68,239	0	68,239	62,600	62,600	5,639
State of Tennessee	10,317,056	0	10,317,056	10,081,700	10,215,143	101,913
Federal Government	226,714	0	226,714	185,000	185,000	41,714
Other Governments and Citizens Groups	600,000	0	600,000	0	600,000	0
<b>Total Revenues</b>	<b>\$ 13,755,851</b>	<b>\$ 0</b>	<b>\$ 13,755,851</b>	<b>\$ 13,456,750</b>	<b>\$ 13,590,193</b>	<b>\$ 165,658</b>
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 6,869,716	\$ 0	\$ 6,869,716	\$ 6,882,140	\$ 6,919,491	\$ 49,775
Alternative Instruction Program	74,329	0	74,329	84,390	85,088	10,759
Special Education Program	1,267,453	0	1,267,453	1,273,720	1,284,539	17,086
Vocational Education Program	477,784	0	477,784	471,240	478,214	430
Adult Education Program	20,358	0	20,358	0	20,365	7
<u>Support Services</u>						
Attendance	85,634	0	85,634	88,660	89,158	3,524
Health Services	92,527	0	92,527	95,360	95,300	2,773
Other Student Support	360,603	0	360,603	332,250	373,374	12,771
Regular Instruction Program	568,121	0	568,121	606,390	608,398	40,277
Special Education Program	126,234	(2,394)	123,840	116,580	124,250	410
Vocational Education Program	8,386	0	8,386	8,390	8,390	4
Adult Programs	2,692	0	2,692	0	2,857	165
Board of Education	238,432	0	238,432	275,500	274,220	35,788
Director of Schools	120,406	0	120,406	128,590	128,360	7,954

(Continued)

Exhibit C

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Office of the Principal	\$ 835,394	\$ 0	\$ 835,394	\$ 833,860	\$ 838,838	\$ 3,444
Fiscal Services	165,077	0	165,077	175,650	175,150	10,073
Operation of Plant	940,269	0	940,269	947,300	947,300	7,031
Maintenance of Plant	212,590	0	212,590	223,280	223,280	10,690
Transportation	1,198,368	(167,880)	1,030,488	1,059,180	1,059,180	28,692
<u>Operation of Non-Instructional Services</u>						
Food Service	61,076	0	61,076	61,800	61,970	894
Community Services	129,333	0	129,333	130,000	130,000	667
<u>Capital Outlay</u>						
Regular Capital Outlay	847,559	0	847,559	965,000	965,000	117,441
Total Expenditures	\$ 14,702,341	\$ (170,274)	\$ 14,532,067	\$ 14,759,280	\$ 14,892,722	\$ 360,655
Excess (Deficiency) of Revenues Over Expenditures	\$ (946,490)	\$ 170,274	\$ (776,216)	\$ (1,302,530)	\$ (1,302,529)	\$ 526,313
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 610,000	\$ 610,000	\$ (610,000)
Transfers In	24,111	0	24,111	8,000	8,000	16,111
Total Other Financing Sources (Uses)	\$ 24,111	\$ 0	\$ 24,111	\$ 618,000	\$ 618,000	\$ (593,889)
Net Change in Fund Balance	\$ (922,379)	\$ 170,274	\$ (752,105)	\$ (684,530)	\$ (684,529)	\$ (67,576)
Fund Balance, July 1, 2004	1,482,400	(170,274)	1,312,126	1,311,920	1,311,920	206
Fund Balance, June 30, 2005	\$ 560,021	\$ 0	\$ 560,021	\$ 627,390	\$ 627,391	\$ (67,370)

**DEKALB COUNTY SCHOOL DEPARTMENT, TENNESSEE**  
**A COMPONENT UNIT OF DEKALB COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2005**

**A. BUDGETARY INFORMATION**

The School Department 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 Dekalb County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Purpose School Fund major categories: Regular Instruction, Special Education Program, Vocational Education Program, Adult Education Program, etc.). Management may make revisions within major categories, but only the DeKalb County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The School Department'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 statement.

**B. FUND DEFICIT**

The General Purpose School Fund had a fund deficit of \$207,564 at June 30, 2005. Contributing to this fund deficit was the recognition of a liability of \$433,290 for roof repairs at a school on June 30, 2005. County officials issued a capital outlay note in the amount of \$610,000 on July 18, 2005, to liquidate this deficit.

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

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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.

Exhibit D-1

DeKalb County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
DeKalb County School Department  
June 30, 2005

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 70,974	\$ 348,755	\$ 419,729
Accounts Receivable	0	266	266
Due from Other Governments	135,372	2,188	137,560
Total Assets	<u>\$ 206,346</u>	<u>\$ 351,209</u>	<u>\$ 557,555</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Payroll Deductions Payable	\$ 87	\$ 2,472	\$ 2,559
Total Liabilities	<u>\$ 87</u>	<u>\$ 2,472</u>	<u>\$ 2,559</u>
<u>Fund Balances</u>			
Reserved for Title I Grants to Local Education Agencies	\$ 121,482	\$ 0	\$ 121,482
Reserved for Innovative Education Program Strategies	13,629	0	13,629
Reserved for Special Education - Grants to States	31,712	0	31,712
Other Federal Reserves	39,436	0	39,436
Unreserved	0	348,737	348,737
Total Fund Balances	<u>\$ 206,259</u>	<u>\$ 348,737</u>	<u>\$ 554,996</u>
Total Liabilities and Fund Balances	<u>\$ 206,346</u>	<u>\$ 351,209</u>	<u>\$ 557,555</u>

Exhibit D-2

DeKalb County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Nonmajor Governmental Funds  
DeKalb County School Department  
For the Year Ended June 30, 2005

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 440,079	\$ 440,079
Other Local Revenues	2,520	2,490	5,010
Federal Government	1,371,262	578,068	1,949,330
Total Revenues	<u>\$ 1,373,782</u>	<u>\$ 1,020,637</u>	<u>\$ 2,394,419</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,116,849	\$ 0	\$ 1,116,849
Support Services	443,802	0	443,802
Operation of Non-Instructional Services	0	977,213	977,213
Total Expenditures	<u>\$ 1,560,651</u>	<u>\$ 977,213</u>	<u>\$ 2,537,864</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (186,869)</u>	<u>\$ 43,424</u>	<u>\$ (143,445)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (24,111)	\$ 0	\$ (24,111)
Total Other Financing Sources (Uses)	<u>\$ (24,111)</u>	<u>\$ 0</u>	<u>\$ (24,111)</u>
Net Change in Fund Balances	\$ (210,980)	\$ 43,424	\$ (167,556)
Fund Balance, July 1, 2004	417,239	305,313	722,552
Fund Balance, June 30, 2005	<u>\$ 206,259</u>	<u>\$ 348,737</u>	<u>\$ 554,996</u>

Exhibit D-3

DeKalb County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
DeKalb County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 2,520	\$ 4	\$ 1	\$ 2,519
Federal Government	1,371,262	2,148,420	2,182,662	(811,400)
<b>Total Revenues</b>	<b>\$ 1,373,782</b>	<b>\$ 2,148,424</b>	<b>\$ 2,182,663</b>	<b>\$ (808,881)</b>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 657,586	\$ 984,980	\$ 993,855	\$ 336,269
Special Education Program	394,589	547,591	544,908	150,319
Vocational Education Program	64,674	61,583	64,674	0
<u>Support Services</u>				
Other Student Support	18,679	18,700	32,679	14,000
Regular Instruction Program	162,529	186,010	201,690	39,161
Special Education Program	260,007	303,222	305,905	45,898
Vocational Education Program	780	1,000	780	0
Transportation	1,807	9,427	9,427	7,620
<b>Total Expenditures</b>	<b>\$ 1,560,651</b>	<b>\$ 2,112,513</b>	<b>\$ 2,153,918</b>	<b>\$ 593,267</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (186,869)	\$ 35,911	\$ 28,745	\$ (215,614)
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 78,512	\$ 78,512	\$ (78,512)
Transfers Out	(24,111)	(105,574)	(107,257)	83,146
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (24,111)</b>	<b>\$ (27,062)</b>	<b>\$ (28,745)</b>	<b>\$ 4,634</b>
Net Change in Fund Balance	\$ (210,980)	\$ 8,849	\$ 0	\$ (210,980)
Fund Balance, July 1, 2004	417,239	0	0	417,239
<b>Fund Balance, June 30, 2005</b>	<b>\$ 206,259</b>	<b>\$ 8,849</b>	<b>\$ 0</b>	<b>\$ 206,259</b>

Exhibit D-4

DeKalb County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
DeKalb County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 440,079	\$ 471,000	\$ 471,000	\$ (30,921)
Other Local Revenues	2,490	1,320	1,320	1,170
Federal Government	578,068	502,560	502,560	75,508
Total Revenues	<u>\$ 1,020,637</u>	<u>\$ 974,880</u>	<u>\$ 974,880</u>	<u>\$ 45,757</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 977,213	\$ 1,027,560	\$ 1,027,560	\$ 50,347
Total Expenditures	<u>\$ 977,213</u>	<u>\$ 1,027,560</u>	<u>\$ 1,027,560</u>	<u>\$ 50,347</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 43,424</u>	<u>\$ (52,680)</u>	<u>\$ (52,680)</u>	<u>\$ 96,104</u>
Net Change in Fund Balance	\$ 43,424	\$ (52,680)	\$ (52,680)	\$ 96,104
Fund Balance, July 1, 2004	<u>305,313</u>	<u>305,194</u>	<u>305,194</u>	<u>119</u>
Fund Balance, June 30, 2005	<u>\$ 348,737</u>	<u>\$ 252,514</u>	<u>\$ 252,514</u>	<u>\$ 96,223</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit E-1

DeKalb County, Tennessee  
Schedule of Transfers - All Funds  
DeKalb County School Department  
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 24,111</u>
Total Transfers			<u><u>\$ 24,111</u></u>

Exhibit E-2

DeKalb County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
DeKalb County School Department  
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and DeKalb County Board of Education	\$ 73,210 (1)	(2)	
<b>Other Bonds:</b>				
Public Employee Dishonesty			\$ 150,000	Tennessee School Boards Risk Management Trust

(1) Includes chief executive officer training supplement of \$1,000.  
(2) The director of schools is covered under the public employee dishonesty bond.

Exhibit E-3

DeKalb County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
DeKalb County School Department  
For the Year Ended June 30, 2005

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 2,374,392	\$ 0	\$ 0	\$ 2,374,392
Trustee's Collections - Prior Year	79,740	0	0	79,740
Circuit/Clerk & Master Collections - Prior Years	37,985	0	0	37,985
Interest and Penalty	15,355	0	0	15,355
Pick-up Taxes	12,418	0	0	12,418
Total Local Taxes	\$ 2,519,890	\$ 0	\$ 0	\$ 2,519,890
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 1,250	\$ 0	\$ 0	\$ 1,250
Total Licenses and Permits	\$ 1,250	\$ 0	\$ 0	\$ 1,250
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 235,742	\$ 235,742
Lunch Payments - Adults	0	0	46,619	46,619
Income from Breakfast	0	0	39,424	39,424
A la carte Sales	0	0	118,294	118,294
Receipts from Individual Schools	22,702	0	0	22,702
Total Charges for Current Services	\$ 22,702	\$ 0	\$ 440,079	\$ 462,781
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 2,347	\$ 2,347
Lease/Rentals	500	0	0	500
Miscellaneous Refunds	19,965	2,520	143	22,628
<u>Nonrecurring Items</u>				
Insurance Recovery	41,764	0	0	41,764
Sale of Equipment	6,010	0	0	6,010
Total Other Local Revenues	\$ 68,239	\$ 2,520	\$ 2,490	\$ 73,249
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 9,751,630	\$ 0	\$ 0	\$ 9,751,630
Early Childhood Education	129,333	0	0	129,333
School Food Service	15,302	0	0	15,302
Driver Education	15,805	0	0	15,805
Other State Education Funds	129,839	0	0	129,839
Career Ladder Program	165,757	0	0	165,757
Career Ladder - Extended Contract	105,390	0	0	105,390
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	4,000	0	0	4,000
Total State of Tennessee	\$ 10,317,056	\$ 0	\$ 0	\$ 10,317,056
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 435,183	\$ 435,183
Breakfast	0	0	142,885	142,885

Exhibit E-3

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Federal Government (Cont.)</u>				
<u>Federal Through State (Cont.)</u>				
Vocational Education - Basic Grants to States	\$ 0	\$ 66,732	\$ 0	\$ 66,732
Other Vocational	52,448	0	0	52,448
Title I Grants to Local Education Agencies	0	519,002	0	519,002
Innovative Education Program Strategies	0	89,107	0	89,107
Special Education - Grants to States	0	514,187	0	514,187
Special Education Preschool Grants	0	16,553	0	16,553
Eisenhower Professional Development State Grants	0	132,086	0	132,086
Job Training Partnership Act	21,290	0	0	21,290
Other Federal through State	23,049	33,595	0	56,644
<u>Direct Federal Revenue</u>				
Public Law 874 - Maintenance and Operation	129,927	0	0	129,927
Total Federal Government	\$ 226,714	\$ 1,371,262	\$ 578,068	\$ 2,176,044
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 600,000	\$ 0	\$ 0	\$ 600,000
Total Other Governments and Citizens Groups	\$ 600,000	\$ 0	\$ 0	\$ 600,000
Total	\$ 13,755,851	\$ 1,373,782	\$ 1,020,637	\$ 16,150,270

Exhibit E-4

DeKalb County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
DeKalb County School Department  
For the Year Ended June 30, 2005

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	4,936,864	
Career Ladder Program		91,895	
Career Ladder Extended Contracts		41,000	
Educational Assistants		108,591	
Other Salaries & Wages		2,500	
Certified Substitute Teachers		64,996	
Social Security		336,285	
State Retirement		290,111	
Medical Insurance		589,998	
Dental Insurance		49,982	
Unemployment Compensation		4,998	
Employer Medicare		78,628	
Instructional Supplies and Materials		64,962	
Textbooks		143,778	
Other Supplies and Materials		27,791	
Other Charges		10,791	
Regular Instruction Equipment		26,546	
Total Regular Instruction Program			\$ 6,869,716

Alternative Instruction Program

Teachers	\$	51,791	
Career Ladder Program		3,000	
Career Ladder Extended Contracts		4,000	
Educational Assistants		1,850	
Social Security		3,517	
State Retirement		3,234	
Medical Insurance		5,597	
Dental Insurance		295	
Unemployment Compensation		42	
Employer Medicare		1,003	
Total Alternative Instruction Program			74,329

Special Education Program

Teachers	\$	776,755
Career Ladder Program		13,000
Homebound Teachers		39,629
Educational Assistants		148,999
Certified Substitute Teachers		15,000
Social Security		63,664

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

State Retirement	\$	52,090	
Medical Insurance		121,383	
Dental Insurance		7,506	
Unemployment Compensation		1,303	
Employer Medicare		13,514	
Other Contracted Services		5,999	
Instructional Supplies and Materials		3,000	
Other Supplies and Materials		1,612	
Special Education Equipment		3,999	
Total Special Education Program			\$ 1,267,453

Vocational Education Program

Teachers	\$	330,614	
Career Ladder Program		6,000	
Career Ladder Extended Contracts		4,000	
Other Salaries & Wages		34,476	
Certified Substitute Teachers		5,000	
Social Security		23,764	
State Retirement		20,976	
Medical Insurance		24,598	
Dental Insurance		3,915	
Unemployment Compensation		350	
Employer Medicare		5,674	
Other Contracted Services		1,975	
Instructional Supplies and Materials		11,988	
Textbooks		1,957	
Other Supplies and Materials		497	
Vocational Instruction Equipment		2,000	
Total Vocational Education Program			477,784

Adult Education Program

Teachers	\$	17,280	
Social Security		1,072	
State Retirement		951	
Unemployment Compensation		34	
Employer Medicare		251	
Instructional Supplies and Materials		770	
Total Adult Education Program			20,358

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services

Attendance

Supervisor/Director	\$	58,407	
Career Ladder Program		3,000	
Career Ladder Extended Contracts		4,000	
Social Security		3,755	
State Retirement		3,587	
Medical Insurance		7,209	
Dental Insurance		346	
Unemployment Compensation		34	
Employer Medicare		878	
Travel		1,764	
Other Supplies and Materials		636	
Attendance Equipment		2,018	
Total Attendance			\$ 85,634

Health Services

Medical Personnel	\$	63,606	
Social Security		3,385	
State Retirement		3,498	
Medical Insurance		13,546	
Dental Insurance		693	
Unemployment Compensation		67	
Employer Medicare		792	
Travel		1,440	
Other Contracted Services		4,437	
Drugs and Medical Supplies		1,063	
Total Health Services			92,527

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		224,037	
Career Ladder Extended Contracts		4,000	
Secretary(s)		19,094	
Other Salaries & Wages		27,128	
Social Security		16,509	
State Retirement		14,746	
Medical Insurance		14,566	
Dental Insurance		1,674	
Unemployment Compensation		249	
Employer Medicare		3,861	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Evaluation and Testing	\$	7,230	
Travel		1,015	
Other Contracted Services		2,020	
Other Supplies and Materials		1,066	
Other Charges		20,709	
Other Equipment		1,699	
Total Other Student Support			\$ 360,603

Regular Instruction Program

Supervisor/Director	\$	59,873	
Career Ladder Program		11,000	
Career Ladder Extended Contracts		12,000	
Librarians		200,968	
Materials Supervisor		58,407	
Instructional Computer Personnel		67,514	
Educational Assistants		26,111	
Social Security		26,069	
State Retirement		21,969	
Medical Insurance		22,196	
Dental Insurance		2,425	
Unemployment Compensation		393	
Employer Medicare		6,097	
Maintenance & Repair Services- Equipment		19,761	
Travel		8,348	
Library Books/Media		14,240	
Other Supplies and Materials		1,609	
In Service/Staff Development		9,003	
Other Charges		138	
Total Regular Instruction Program			568,121

Special Education Program

Supervisor/Director	\$	58,867	
Career Ladder Program		3,000	
Psychological Personnel		932	
Career Ladder Extended Contracts		4,000	
Other Salaries & Wages		37,771	
Social Security		6,382	
State Retirement		3,701	
Medical Insurance		3,175	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Dental Insurance	\$	446	
Unemployment Compensation		83	
Employer Medicare		1,493	
Travel		3,990	
Other Contracted Services		2,394	
Total Special Education Program			\$ 126,234

Vocational Education Program

Supervisor/Director	\$	7,410	
Social Security		460	
State Retirement		408	
Employer Medicare		108	
Total Vocational Education Program			8,386

Adult Programs

Other Salaries & Wages	\$	1,984	
Social Security		123	
State Retirement		65	
Employer Medicare		29	
Travel		491	
Total Adult Programs			2,692

Board of Education

Board and Committee Members Fees	\$	5,500	
Social Security		345	
Employer Medicare		81	
Audit Services		7,250	
Dues and Memberships		3,994	
Legal Services		9,713	
Travel		901	
Other Contracted Services		30	
Liability Insurance		35,000	
Trustee's Commission		80,309	
Workers' Compensation Insurance		89,966	
Criminal Investigation of Applicants - TBI		2,880	
Refund to Applicant for Criminal Investigation		2,352	
Other Charges		111	
Total Board of Education			238,432

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools

County Official/Administrative Officer	\$	72,210	
Career Ladder Program		1,000	
Social Security		4,407	
State Retirement		4,026	
Medical Insurance		2,888	
Dental Insurance		346	
Unemployment Compensation		34	
Employer Medicare		1,031	
Communication		30,661	
Dues and Memberships		30	
Postal Charges		1,948	
Travel		1,440	
Administration Equipment		385	
Total Director of Schools			\$ 120,406

Office of the Principal

Principals	\$	279,787	
Career Ladder Program		11,000	
Career Ladder Extended Contracts		25,000	
Assistant Principals		148,750	
Secretary(s)		190,847	
Clerical Personnel		10,469	
Social Security		41,324	
State Retirement		31,860	
Medical Insurance		59,999	
Dental Insurance		2,772	
Unemployment Compensation		642	
Employer Medicare		9,076	
Communication		15,000	
Dues and Memberships		640	
Travel		2,400	
Other Contracted Services		3,997	
Other Charges		1,000	
Administration Equipment		831	
Total Office of the Principal			835,394

Fiscal Services

Accountants/Bookkeepers	\$	66,380
Secretary(s)		30,799

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Clerical Personnel	\$	14,992	
Social Security		7,095	
State Retirement		3,794	
Medical Insurance		12,596	
Unemployment Compensation		141	
Employer Medicare		1,575	
Data Processing Services		10,870	
Travel		1,803	
Other Contracted Services		4,993	
Data Processing Supplies		3,988	
Office Supplies		5,545	
Other Charges		107	
Administration Equipment		399	
Total Fiscal Services			\$ 165,077

Operation of Plant

Custodial Personnel	\$	257,742	
Social Security		15,905	
State Retirement		8,485	
Medical Insurance		11,998	
Unemployment Compensation		597	
Employer Medicare		3,345	
Maintenance & Repair Services- Equipment		4,498	
Electricity		328,690	
Natural Gas		139,799	
Water and Sewer		32,065	
Other Supplies and Materials		69,999	
Boiler Insurance		4,500	
Building and Contents Insurance		54,998	
Other Charges		468	
Plant Operation Equipment		7,180	
Total Operation of Plant			940,269

Maintenance of Plant

Supervisor/Director	\$	33,299	
Maintenance Personnel		67,916	
Other Salaries & Wages		14,235	
Social Security		6,732	
State Retirement		3,506	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Medical Insurance	\$	9,223	
Unemployment Compensation		190	
Employer Medicare		1,574	
Maintenance & Repair Services- Buildings		9,000	
Maintenance & Repair Services- Equipment		368	
Other Contracted Services		160	
Other Supplies and Materials		66,387	
Total Maintenance of Plant			\$ 212,590

Transportation

Supervisor/Director	\$	34,992	
Mechanic(s)		24,991	
Bus Drivers		385,510	
Other Salaries & Wages		63,544	
Social Security		31,202	
State Retirement		16,454	
Medical Insurance		19,622	
Unemployment Compensation		1,240	
Employer Medicare		7,019	
Maintenance & Repair Services- Vehicles		996	
Travel		492	
Other Contracted Services		991	
Diesel Fuel		79,993	
Equipment and Machinery Parts		425	
Garage Supplies		2,387	
Gasoline		7,499	
Lubricants		2,095	
Tires and Tubes		11,995	
Vehicle Parts		49,995	
Other Supplies and Materials		96	
Vehicle and Equipment Insurance		40,000	
Other Charges		292	
Transportation Equipment		416,538	
Total Transportation			1,198,368

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	45,160	
Career Ladder Program		1,000	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Social Security	\$	2,861	
State Retirement		2,535	
Medical Insurance		6,841	
Dental Insurance		346	
Unemployment Compensation		24	
Employer Medicare		669	
Travel		1,418	
Other Supplies and Materials		222	
Total Food Service			\$ 61,076

Community Services

Supervisor/Director	\$	62,368	
Other Salaries & Wages		27,538	
Social Security		5,594	
State Retirement		4,214	
Medical Insurance		11,563	
Dental Insurance		693	
Unemployment Compensation		171	
Employer Medicare		1,191	
Other Contracted Services		6,924	
Food Supplies		5,083	
Other Supplies and Materials		3,994	
Total Community Services			129,333

Capital Outlay

Regular Capital Outlay

Architects	\$	21,450	
Building Construction		715,435	
Building Improvements		14,040	
Other Capital Outlay		96,634	
Total Regular Capital Outlay			847,559

Total General Purpose School Fund \$ 14,702,341

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	402,548	
Educational Assistants		44,520	

(Continued)

Exhibit E-4

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Other Salaries & Wages	\$	10,499	
Certified Substitute Teachers		19,810	
Social Security		30,267	
State Retirement		22,874	
Medical Insurance		47,907	
Dental Insurance		5,456	
Unemployment Compensation		610	
Employer Medicare		7,219	
Other Contracted Services		1,891	
Instructional Supplies and Materials		35,646	
Other Supplies and Materials		815	
Regular Instruction Equipment		80	
Other Equipment		27,444	
Total Regular Instruction Program			\$ 657,586

Special Education Program

Teachers	\$	40,662	
Educational Assistants		226,730	
Other Salaries & Wages		10,250	
Certified Substitute Teachers		16,634	
Social Security		16,214	
State Retirement		8,379	
Medical Insurance		20,957	
Dental Insurance		346	
Unemployment Compensation		735	
Employer Medicare		3,835	
Instructional Supplies and Materials		25,206	
Other Supplies and Materials		10,797	
Special Education Equipment		13,844	
Total Special Education Program			394,589

Vocational Education Program

Educational Assistants	\$	10,469	
Social Security		652	
Unemployment Compensation		19	
Employer Medicare		154	
Travel		1,860	
Instructional Supplies and Materials		8,389	
Vocational Instruction Equipment		43,131	
Total Vocational Education Program			64,674

(Continued)

Exhibit E-4

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

School Federal Projects Fund (Cont.)

Support Services

Other Student Support

Evaluation and Testing	\$	14,296	
In Service/Staff Development		983	
Other Equipment		3,400	
Total Other Student Support			\$ 18,679

Regular Instruction Program

Supervisor/Director	\$	51,009	
Social Security		3,065	
State Retirement		2,805	
Medical Insurance		2,675	
Dental Insurance		346	
Unemployment Compensation		34	
Employer Medicare		717	
Travel		6,336	
Other Contracted Services		10,000	
Instructional Supplies and Materials		3,000	
Other Supplies and Materials		1,829	
In Service/Staff Development		73,920	
Other Charges		6,793	
Total Regular Instruction Program			162,529

Special Education Program

Psychological Personnel	\$	77,322	
Assessment Personnel		8,709	
Secretary(s)		14,700	
Other Salaries & Wages		63,785	
Social Security		10,526	
State Retirement		5,658	
Medical Insurance		11,097	
Dental Insurance		928	
Unemployment Compensation		219	
Employer Medicare		2,484	
Consultants		3,777	
Travel		9,089	
Other Contracted Services		14,934	
Other Supplies and Materials		12,180	
In Service/Staff Development		24,599	
Total Special Education Program			260,007

(Continued)

Exhibit E-4

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Vocational Education Program

Travel	\$ 780	
Total Vocational Education Program		\$ 780

Transportation

Bus Drivers	\$ 601	
Contracts with Parents	1,206	
Total Transportation		<u>1,807</u>

Total School Federal Projects Fund		\$ 1,560,651
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Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 4,100	
Accountants/Bookkeepers	17,889	
Cafeteria Personnel	359,071	
Social Security	22,235	
State Retirement	10,504	
Medical Insurance	32,500	
Unemployment Compensation	1,000	
Employer Medicare	5,200	
Communication	2,634	
Maintenance & Repair Services- Equipment	8,141	
Travel	1,988	
Other Contracted Services	3,933	
Food Supplies	470,883	
Office Supplies	460	
Other Supplies and Materials	20,000	
In Service/Staff Development	1,500	
Other Charges	175	
Food Service Equipment	<u>15,000</u>	
Total Food Service		<u>\$ 977,213</u>

Total Central Cafeteria Fund		<u>977,213</u>
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Total Governmental Funds - DeKalb County School Department		<u>\$ 17,240,205</u>
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**SINGLE AUDIT REPORT**  
**DEKALB COUNTY, TENNESSEE**  
**AND**  
**DEKALB COUNTY SCHOOL DEPARTMENT**  
**FOR THE YEAR ENDED JUNE 30, 2005**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

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

*ARTHUR L. ALEXANDER*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

*MICHAEL FORD, CPA, CGFM*  
*Auditor 4*

*AMY HEWITT*  
*MELODIE WHEELER*  
*TIM BRASHEARS*  
*KELLEY J. McNEAL, CPA, CGFM*  
*State Auditors*

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

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
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

August 31, 2005

DeKalb County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education  
DeKalb County, Tennessee

To the County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education:

We have audited the financial statements of each major fund and the aggregate remaining fund information of DeKalb County, Tennessee, and the DeKalb County School Department as of and for the year ended June 30, 2005, which collectively comprise a portion of DeKalb County's and the DeKalb County School Department's basic financial statements and have issued our reports thereon dated August 31, 2005. Our reports on the financial statements of DeKalb County, Tennessee, and the DeKalb County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered DeKalb County's and the DeKalb County School Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting.

However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect DeKalb County's and the DeKalb County School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05.03, 05.04, 05.05, 05.07, 05.08, 05.10, 05.14 (F,G,H), 05.16, 05.17, and 05.18.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 05.10 to be a material weakness.

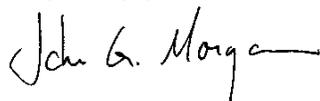
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether DeKalb County's and the DeKalb County School Department'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 05.01, 05.02, 05.06, 05.09, 05.11, 05.12, 05.13, 05.14 (A,B,C,D,E), and 05.15.

We have also noted certain matters that we reported to the management of DeKalb County and the DeKalb County School Department in separate communications.

This report is intended solely for the information and use of the Board of County Commissioners, Board of Education, management, and federal awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



John G. Morgan  
Comptroller of the Treasury

JGM/sb



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

August 31, 2005

DeKalb County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education  
DeKalb County, Tennessee

To the County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education:

Compliance

We have audited the compliance of DeKalb County and the DeKalb County School Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of their major federal programs for the year ended June 30, 2005. DeKalb County's and the DeKalb County School Department'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 their major federal programs is the responsibility of DeKalb County's and the DeKalb County School Department's management. Our responsibility is to express an opinion on DeKalb County's and the DeKalb County School Department'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 DeKalb County's and the DeKalb County School Department'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 on DeKalb County's and the DeKalb County School Department's compliance with those requirements.

In our opinion, DeKalb County and the DeKalb County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2005.

#### Internal Control Over Compliance

The management of DeKalb County and the DeKalb County School Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered DeKalb County's and the DeKalb County School Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

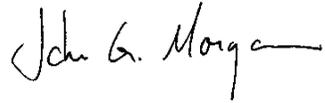
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

#### Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of DeKalb County, Tennessee, and the DeKalb County School Department as of and for the year ended June 30, 2005, and have issued our reports thereon dated August 31, 2005. Our reports on the financial statements of DeKalb County and the DeKalb County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, Board of Education, management, and federal awarding agencies and pass-through agencies 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 that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal stroke at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/sb

DeKalb County, Tennessee, and the DeKalb County School Department  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For Year Ended June 30, 2005

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass -through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 77,293
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	142,885
National School Lunch Program	10.555	N/A	435,183
Total U.S. Department of Agriculture			\$ 655,361
U.S. Department of Economic and Community Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	GG-03-10179-00	\$ 131,326
Total U.S. Department of Economic and Community Development			\$ 131,326
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
WIA Youth Activities	17.259	05-07-041-002-09-82	\$ 21,290
Total U.S. Department of Labor			\$ 21,290
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
State and Community Highway Safety	20.600	Z-04-016788-00	\$ 44,284
Total U.S. Department of Transportation			\$ 44,284
U.S. Department of Education:			
Direct Program:			
Impact Aid	84.041	N/A	\$ 129,927
Passed-through State Department of Education:			
Title I Grants to Local Education Agencies	84.010	N/A	526,826
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	642,026
Special Education - Preschool Grants	84.173	N/A	27,900
Vocational Education - Basic Grants to States	84.048	N/A	66,732
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	N/A	52,448
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	16,850
Innovative Education Program Strategies	84.298	N/A	11,937
Education Technology State Grants	84.318	N/A	24,284
Rural Education	84.358	N/A	84,087
English Language Acquisition Grants	84.365	N/A	20,442
Improving Teacher Quality State Grants	84.367	N/A	157,678
Total U.S. Department of Education			\$ 1,761,137

(Continued)

DeKalb County, Tennessee, and the DeKalb County School Department  
Schedule of Expenditures of Federal Awards and State Grants (1) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass -through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services:			
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families	93.558	Z-05-0223006-00	\$ 23,049
Passed-through State Department of Education:			
Cooperative Agreement to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	GG-05-11444-00	5,999
Total U.S. Department of Health and Human Services			<u>\$ 29,048</u>
U.S. Office of Homeland Security:			
Passed through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-03-014418-00	\$ 5,122 (3)
State Domestic Preparedness Equipment Support Program	97.004	Z-04-022435-00	24,464 (3)
State Domestic Preparedness Equipment Support Program	97.004	Z-03-017742-00	28,736 (3)
Public Assistance Grants	97.036	Z-03-017858-00	50,391
Assistance to Firefighters Grant	97.044	EMW-2004-FP-02476	14,760
Total U.S. Office of Homeland Security			<u>\$ 123,473</u>
Total Expenditures of Federal Awards			<u>\$ 2,765,919</u>
<u>State Grants</u>			
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 12,862
Local Health Services - State Department of Health	N/A	Z-05-020581-00	1,200
Litter Program - State Department of Transportation	N/A	Z-05-021490-00	65,760
Aging Programs - State Commission on Aging	N/A	(2)	4,078
Waste Tire Storage and Disposal - State Department of Environment and Conservation	N/A	Z-03-011321-01	11,268
Stream Cleanup - State Wildlife Agency	N/A	Z-03-014726	1,000
Optional Safety Program - State Department of Transportation	N/A	STP-H-2100 (16)	33,275
Optional Safety Program - State Department of Transportation	N/A	STP-H-2100 (18)	44,773
Safe Schools Act - State Department of Education	N/A	(2)	14,878
Early Childhood Development - State Department of Education	N/A	Z-04-18326-00	129,333
Total State Grants			<u>\$ 318,427</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 State Domestic Preparedness Equipment Support Program (CFDA #97.004) from the U.S. Department of Homeland Security was \$58,322.

DeKalb County, Tennessee, and the DeKalb County School Department  
Schedule of Audit Findings Not Corrected  
June 30, 2005

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 DeKalb County, Tennessee, and the Dekalb County School Department for the year ended June 30, 2004, which have not been corrected.

**DEKALB COUNTY AND DEKALB COUNTY SCHOOL DEPARTMENT**

Finding Number	Page Number	Subject
04.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

**OFFICE OF COUNTY MAYOR**

Finding Number	Page Number	Subject
04.04	14	Inventory records were not maintained

**OFFICE OF HIGHWAY SUPERINTENDENT**

Finding Number	Page Number	Subject
04.06	15	A vehicle was not numbered and labeled as property of the Highway Department
04.07	15	Controls over consumable assets were inadequate
04.08	16	Deficiencies were noted in purchasing procedures
04.09	17	A county road list was not submitted to the County Commission for approval

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

Finding Number	Page Number	Subject
04.12	18	Execution docket trial balances did not reconcile with cash journal accounts

**OFFICE OF REGISTER**

<b>Finding Number</b>	<b>Page Number</b>	<b>Subject</b>
04.13	19	Excess fees were not reported and paid to the county in compliance with state statute

**OTHER FINDINGS AND RECOMMENDATIONS**

<b>Finding Number</b>	<b>Page Number</b>	<b>Subject</b>
04.16	20	A central system of accounting and budgeting had not been adopted
04.17	130	Duties were not adequately segregated in the Offices of County Mayor, Highway Superintendent, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

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**DEKALB COUNTY, TENNESSEE, AND THE  
DEKALB COUNTY SCHOOL DEPARTMENT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2005**

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

1. Adverse opinions were issued on the financial statements of DeKalb County and the DeKalb County School Department.
2. The audit of the financial statements of DeKalb County and the DeKalb County School Department disclosed reportable conditions in internal control. One of these conditions was considered to be a material weakness of the DeKalb County School Department.
3. The audit disclosed four instances of noncompliance that are material to the financial statements of DeKalb County. The audit disclosed one instance of noncompliance that is material to the financial statements of the DeKalb County School Department.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit did not reveal any findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555); the Title I Grants to Local Educational Agencies (CFDA No. 84.010); and the Special Education Cluster: Special Education - Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. DeKalb County and the DeKalb County School Department did not qualify as low-risk auditees.

## 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 director of school's written response is included in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

### DEKALB COUNTY AND DEKALB COUNTY SCHOOL DEPARTMENT

**FINDING 05.01      GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**  
(Material Noncompliance Under Government Auditing Standards)

DeKalb County and the DeKalb County School Department did not identify and determine the historical value of its capital assets and the related depreciation amounts of these assets. Therefore, DeKalb County and the DeKalb County School Department were unable to provide the information necessary to prepare government-wide financial statements for all of the government's activities, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. GASB is the standard-setting body for accounting principles that state and local governments are required to follow. As a result of this omission, DeKalb County's and the DeKalb County School Department's financial statements are not presented in accordance with generally accepted accounting principles; thus, we have issued an adverse opinion on their financial statements.

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement 34 to issue a financial report in compliance with Financial Reporting Standards for County Governments, Component Units of County Governments, and Special School Districts That Do Not Implement Governmental Accounting Standards Board Statement 34, established by the Comptroller of the Treasury. DeKalb County's and the DeKalb County School Department's financial statements are presented in compliance with these requirements.

### RECOMMENDATION

DeKalb County and the DeKalb County School Department should present government-wide financial statements in conformity with generally accepted accounting principles, and should compile and maintain records that properly account for their capital assets. These records should document the historical costs of their capital assets and the related depreciation amounts of these assets. This information is necessary to present the financial statements in accordance with generally accepted accounting principles.

**OFFICE OF COUNTY MAYOR**

**FINDING 05.02      **GENERAL DEBT SERVICE FUND EXPENDITURES EXCEEDED APPROPRIATIONS APPROVED BY THE COUNTY COMMISSION****

(Material Noncompliance Under Government Auditing Standards)

General Debt Service Fund expenditures exceeded appropriations approved by the County Commission by \$65,826. Section 5-9-401, Tennessee Code Annotated, states that “all funds ... including, but not limited to ... taxes, county aid funds, federal funds, and fines, which 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.”

**RECOMMENDATION**

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

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**FINDING 05.03      **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES****

(Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination of purchasing procedures revealed the following deficiencies:

- A. In several instances, the office issued purchase orders 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 for the purchase. Also, our examination of purchase orders disclosed that descriptions and dollar amounts of purchases were not listed on some purchase orders. The dollar amounts and descriptions of items on purchase orders are necessary to quantify purchasing commitments and to identify the items purchased.
  
- B. In several instances, invoices were not on file to support the purchase, and some invoices were paid without documentation that goods had been received or services had been rendered. These practices weaken controls over the purchasing process. We extended our audit procedures by obtaining copies of invoices and documentation of the receipts of goods or services to document these purchases.

## RECOMMENDATION

The office should improve purchasing procedures by issuing purchase orders before the purchases are made and including the dollar amounts and descriptions of items purchased.

Furthermore, original invoices and documentation that goods have been received or services rendered should be on file before invoices are paid.

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### FINDING 05.04      **INVENTORY RECORDS WERE NOT MAINTAINED** (Internal Control – Reportable Condition Under Government Auditing Standards)

Inventory records were not maintained for assets owned by the general county government. Generally accepted accounting principles require accountability for all county-owned assets, such as vehicles, furniture, and equipment.

## RECOMMENDATION

The office should maintain inventory records of all assets, as required by generally accepted accounting principles. Furthermore, personnel independent of maintaining the inventory should periodically verify the inventory records.

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### FINDING 05.05      **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES** (Internal Control – Reportable Condition Under Government Auditing Standards)

The following weaknesses regarding computer system backup procedures in the Dekalb County Mayor's Office were identified:

- A. System backups were not performed on a routine basis. Inadequate back-up procedures could result in the loss of data in the event of a hardware or software failure. Without current system backups, the cost of re-creating data could be substantial.
- B. System backups were not stored off site. In the event of a disaster, all back-up data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process.

## RECOMMENDATION

Management should implement daily system backup procedures. A backup labeled for each day of the week should be maintained. In addition to daily system backups, a weekly system backup should be performed, and two copies of this backup should be maintained. These backups should be rotated off site on a weekly basis. A complete systems backup

should also be performed at fiscal year-end. These year-end backups should be stored off site and retained indefinitely. Some possibilities for an off-site storage location would be another county office building with a fireproof vault or a safe deposit box at a local bank.

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## **OFFICE OF HIGHWAY SUPERINTENDENT**

### **FINDING 05.06      **THE OFFICE DID NOT LABEL AND NUMBER SOME CAPITAL ASSETS** (Noncompliance Under Government Auditing Standards)**

The highway superintendent's county-owned truck and other vehicles and equipment purchased during the year were not identified as property of the Highway Department. The County Uniform Road Law, Section 54-7-112, Tennessee Code Annotated, requires that all machinery, equipment, and tools be plainly marked as property of the department and that each item be numbered.

### **RECOMMENDATION**

All capital assets should be clearly identified as property of the Highway Department, as required by state statute.

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### **FINDING 05.07      **THE OFFICE DID NOT MAINTAIN ADEQUATE CONTROLS OVER CONSUMABLE ASSETS** (Internal Control – Reportable Condition Under Government Auditing Standards)**

The office did not maintain inventory records of consumable assets, such as fuel, tires, repair parts, and tile. The failure to maintain adequate records of consumable assets weakens controls over these assets and increases the risk of inventory loss.

### **RECOMMENDATION**

The office should maintain records of consumable assets, such as fuel, tires, repair parts, and tile. Furthermore, personnel independent of maintaining the inventory should periodically verify these records.

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**FINDING 05.08      THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination of purchasing procedures revealed the following deficiencies:

- A. In several instances, the office issued purchase orders 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 for the purchase. Also, our examination of purchase orders disclosed that descriptions and dollar amounts of purchases were not listed on some purchase orders. The dollar amounts and descriptions of items on purchase orders are necessary to quantify purchasing commitments and to identify the items purchased.
- B. In several instances, invoices were paid without documentation that goods had been received or services had been rendered. This practice weakens controls over the purchasing process. We extended our audit procedures and determined that these goods were received and services were rendered.

**RECOMMENDATION**

The office should improve purchasing procedures by issuing purchase orders before purchases are made, including the dollar amounts and descriptions of items purchased, and obtaining documentation that goods have been received or services rendered before invoices are paid.

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**FINDING 05.09      A COUNTY ROAD LIST WAS NOT SUBMITTED TO THE COUNTY COMMISSION FOR APPROVAL**  
(Material Noncompliance Under Government Auditing Standards)

The highway superintendent had compiled a list of county roads by name only for his own use. However, the highway superintendent did not submit a list of county roads to the County Commission for approval as required by Section 54-10-103, Tennessee Code Annotated. This statute requires the highway superintendent to submit a list of county roads to the County Commission for approval at the January session each year. This list must include the classification, width, distance of each county road maintained, and a summary of changes from the prior year that provides the road name, date the change was approved by the County Commission, and the reason for the change. Highway Department officials need a current, approved list of county roads to determine which roads the department is authorized to work.

RECOMMENDATION

The highway superintendent should submit to the County Commission a list of county roads that includes the classification, width, and distance of each road, and a summary of changes, as required by state statute.

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OFFICE OF DIRECTOR OF SCHOOLS

FINDING 05.10      **THE GENERAL PURPOSE SCHOOL FUND HAD A FUND DEFICIT AT JUNE 30, 2005**  
(Internal Control - Material Weakness Under Government Auditing Standards)

The General Purpose School Fund had a fund deficit of \$207,564 at June 30, 2005. This fund deficit resulted from the recognition of an accounts payable of \$433,290 for school roof repairs. This fund deficit was liquidated on July 18, 2005, when county officials issued a \$610,000 capital outlay note.

RECOMMENDATION

School officials should monitor the financial activity of their funds to ensure that adequate funding is timely provided to prevent the recurrence of a fund deficit.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

We concur. The DeKalb County Commission approved a note issue in the amount of \$610,000 on August 23, 2004, as part of the 2004-2005 General Purpose School Fund budget. The DeKalb County Board of Education proceeded to expend funds based on the revenues appropriated in the General Purpose School Fund budget, assuming the notes would be issued. The Board of Education has no authority to issue notes and can only operate in the budget that was approved. School officials were in contact with county officials concerning the issuing of the notes as late as June 30, 2005; however, the notes were not issued until July 18, 2005, resulting in a fund deficit.

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OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 05.11      **EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH CASH JOURNAL ACCOUNTS**  
(Material Noncompliance Under Government Auditing Standards)

At June 30, 2005, the circuit and general sessions courts clerk had prepared trial balances of execution docket cause balances, as required by Section 18-2-103, Tennessee Code Annotated (TCA). However, these trial balances did not reconcile with circuit and general sessions courts cash journal accounts by \$69,208 and \$5,087, respectively. Therefore, we were unable to determine if the clerk had complied with provisions of the Unclaimed

Property Act, Section 66-29-110, TCA. This statute provides that any funds held by the court for one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer's Office.

### RECOMMENDATION

The execution docket trial balances should be reconciled with cash journal accounts. Any funds held by the court for one year and unclaimed by the owner are considered abandoned and should be reported and paid to the state Treasurer's Office in compliance with state statute.

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### OFFICE OF REGISTER

FINDING 05.12      **EXCESS FEES WERE NOT REPORTED AND PAID TO THE COUNTY IN COMPLIANCE WITH STATE STATUTE**  
(Noncompliance Under Government Auditing Standards)

The register did not report and pay excess fees to the county in compliance with Section 8-22-104, Tennessee Code Annotated. This statute requires excess fees to be reported and paid to the county quarterly and requires the register to retain sufficient fees to operate the office for three months. During the year, excess fees totaling \$62,974 were reported and paid to the county. However, excess fees retained exceeded statutory limits by amounts ranging from \$2,635 to \$39,562 at the end of three of four reporting periods.

### RECOMMENDATION

The register should report and pay excess fees to the county in compliance with state statute.

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### OFFICE OF SHERIFF

FINDING 05.13      **SEIZED PROPERTY WAS RETURNED WITHOUT PROPER AUTHORIZATION**  
(Noncompliance Under Government Auditing Standards)

The Sheriff's Department received donations totaling \$9,900 for drug investigations and the D.A.R.E Program from nine individuals. Records indicated that two of the individuals made donations to help fight the county's drug problem, while the other individuals made donations in exchange for the return of their seized property. The return of the seized property was not supported with an Order of Compromise and Settlement from the state Department of Safety. Section 53-11-201, Tennessee Code Annotated, requires that all seized property be reported to the state Department of Safety for disposition.

## RECOMMENDATION

All seized property should be reported to the state Department of Safety and should be held until a disposition is received from the state, as required by statute.

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### FINDING 05.14      **THE OFFICE HAD NUMEROUS ACCOUNTING DEFICIENCIES**

(A. Through E. Noncompliance Under Government Auditing Standards; F. Through H. Internal Control - Reportable Condition Under Government Auditing Standards)

Our examination of records revealed the following accounting deficiencies:

- A. The donations noted in the previous finding and seized cash (\$5,037) properly awarded to the office by the state Department of Safety were not remitted to the county trustee and deposited to the county's Drug Control Fund, as provided by procedures established by the Comptroller of the Treasury. Instead, these donations were maintained in the sheriff's bank accounts under his control.
- B. Fees, vending and telephone commissions, and commissary profits were not remitted to the county monthly. Section 8-24-103, Tennessee Code Annotated (TCA), provides that all funds earned by the Sheriff's Department be reported and paid to the county monthly.
- C. The sheriff did not require his banks to provide a photo image of the reverse side of his cancelled checks. The Comptroller of the Treasury requires public officials to obtain a photo image of both the front and the reverse side of cancelled checks and deposit slips to provide all pertinent information such as the payees' signature, the endorsement, and any bank notations.
- D. An unofficial generic receipt book was used at the front desk to issue receipts for cash and money orders received for commissary operations and donations to the drug and D.A.R.E. programs. Copies of the receipts were placed in envelopes along with the cash or money orders, and then placed into an unsecured box outside the bookkeeper's office. The bookkeeper, who works on Monday, Wednesday, and Friday, collected these envelopes and issued official prenumbered receipts. Section 9-2-103, TCA, requires official prenumbered receipts to be issued when collections are received.
- E. The sheriff paid \$4,701 for various expenditures from his general checking account in lieu of purchasing these items through the county's budgetary process. These expenditures included vehicle parts, travel expenses, shipping, D.A.R.E. supplies, uniforms, promotional key chains, and a range scope. Also, adequate documentation was not provided to support purchases of \$1,396 of these items. Section 5-9-401, TCA, requires all funds to be appropriated by the County Commission.

- F. The Sheriff's Department maintained four bank accounts. Bank statements for these accounts had not been reconciled with the cash journal for seven months during the audit period. The bookkeeper reconciled these bank statements subsequent to June 30, 2005, at the request of auditors.
- G. Individual checks were not itemized on bank deposit slips.
- H. Cash and money orders held by the Sheriff's Department overnight were not adequately safeguarded. As noted in item E. above, cash and money orders were placed in an unsecured box outside the bookkeeper's office overnight. Also, cash and money orders maintained in the bookkeeper's office prior to deposit were not adequately safeguarded.

**RECOMMENDATION**

Donations, seized cash awarded to the office by the state Department of Safety, fees, commissions, and commissary profits should be remitted to the county trustee monthly as required by procedures established by the Comptroller of the Treasury and by state statute. The sheriff should require his depositories to photo image both sides of cancelled checks and deposit slips. Official prenumbered receipts should be issued at the time collections are received. Operating expenses of the sheriff's office should be appropriated by the County Commission and paid from the county's General Fund through the budgetary process. Bank statements should be reconciled with cash journal accounts monthly. Individual checks should be itemized on bank deposit slips. Cash and money orders maintained at the Sheriff's Department should be adequately safeguarded at all times.

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**FINDING 05.15      THE OFFICE HAD DEFICIENCIES IN THE ADMINISTRATION OF DRUG CONTROL FUNDS  
(Noncompliance Under Government Auditing Standards)**

Our examination of the administration of drug control funds revealed the following deficiencies:

- A. The Sheriff's Office used confidential funds to pay \$1,842 of nonconfidential expenditures. These expenditures included payments for travel, office supplies, fax machine, photo copier, tow bills, and various other items. Section 39-17-420(a)(1), Tennessee Code Annotated, states, "Cash transactions related to undercover investigative operations ... shall be administered in compliance with procedures established by the comptroller of the treasury." These procedures provide that payments from local drug funds for all nonconfidential expenses should be made by the county's Drug Control Fund through the budgetary process.

- B. Forms documenting payments of \$1,420 to confidential informants did not have the required signatures of two officers. The signature of the first officer is necessary to document that he made the payment, and the signature of the second officer is necessary to document that he witnessed the payment. Also, files to document pertinent information on informants were not maintained.
- C. Several forms and reports required by the Comptroller of the Treasury in the administration of confidential drug funds were not completed or prepared. These forms and reports are necessary to document the administration of confidential funds and to account for cash transactions related to undercover investigative operations.

**RECOMMENDATION**

Nonconfidential expenditures should be paid by warrants drawn on the county's Drug Control Fund (special revenue fund) through the budgetary process. Payments to informants should be witnessed by a second officer, and informant files should be maintained. Furthermore, the sheriff should ensure that the office completes all forms and reports required by the Comptroller of the Treasury.

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**FINDING 05.16**      **INVENTORY RECORDS WERE NOT MAINTAINED FOR SEIZED PROPERTY**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Inventory records were not maintained for seized property held by the Sheriff's Department. Therefore, we were unable to determine if all seized property was properly accounted for.

**RECOMMENDATION**

A perpetual log should be maintained for all seized property. At a minimum, the log should include the following: date received, defendant, case number, description, location, signature areas for signing in and out, and disposition.

## **OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 05.17      A CENTRAL SYSTEM OF ACCOUNTING AND BUDGETING  
HAD NOT BEEN ADOPTED**  
(Internal Control – Reportable Condition Under Government Auditing  
Standards)

DeKalb County officials had not adopted a central system of accounting and budgeting. Establishing a central system would significantly improve internal controls over the accounting and budgeting processes.

### **RECOMMENDATION**

DeKalb County officials should consider adopting the County Financial Management System of 1981 or a private act that would provide for a central system of accounting and budgeting covering all county departments.

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**FINDING 05.18      DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE  
OFFICES OF COUNTY MAYOR, HIGHWAY  
SUPERINTENDENT, DIRECTOR OF SCHOOLS, TRUSTEE,  
COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS  
COURTS CLERK, CLERK AND MASTER, REGISTER, AND  
SHERIFF**  
(Internal Control – Reportable Condition Under Government Auditing  
Standards)

Duties were not segregated adequately among officials and employees in the Offices of County Mayor, Highway Superintendent, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. Officials and employees responsible for maintaining the accounting records in these offices were also involved in receipting, depositing, and/or disbursing funds. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.

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

There were no findings and questioned costs for federal awards.

**DEKALB COUNTY, TENNESSEE, AND THE  
DEKALB COUNTY SCHOOL DEPARTMENT  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2005**

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