

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

SINGLE AUDIT REPORT



FOR THE YEAR ENDED JUNE 30, 2006

**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, 2006

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This financial report is available at www.comptroller.state.tn.us

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Audit Highlights

Annual Financial Report
DeKalb County, Tennessee
For the Year Ended June 30, 2006

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, 2006.

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 14 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.

OFFICE OF COUNTY MAYOR

- ◆ Expenditures exceeded appropriations approved by the County Commission at the major category level of control (the legal level of control) of the General Fund and the General Debt Service Fund.
 - ◆ In several 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 ROAD SUPERVISOR

- ◆ Highway/Public Works Fund expenditures exceeded appropriations approved by the County Commission by \$366,965.
 - ◆ The office did not maintain inventory records of consumable assets such as fuel, tires, repair parts, and tile.
 - ◆ In some instances, the office issued purchase orders that did not include descriptions and dollar amounts of purchases. Also, some invoices were paid without documentation of the receipt of the goods or services.
-

OFFICE OF REGISTER

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

OFFICE OF SHERIFF

- ◆ The sheriff's office had numerous accounting deficiencies.
 - ◆ Several forms and reports required by the Comptroller of the Treasury in the administration of confidential drug funds were not completed or maintained.
 - ◆ Inventory records were not maintained for seized property.
-

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, Road Supervisor, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.

INTRODUCTORY SECTION

DeKalb County Officials
June 30, 2006

Officials

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

Board of County Commissioners

Mike Foster, Chairman	
Shelie Askew	Bobby Joines
Jesse Baker	Roy 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 Baker
Kenny Edge
John Green
Bobby Joines
Jim McCormick

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

September 12, 2006

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, 2006, as shown on pages 15 through 41, 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 matters 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, 2006, 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, 2006, 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.

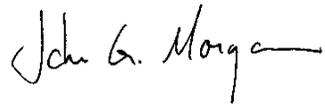
In accordance with Government Auditing Standards, we have also issued our report dated September 12, 2006, on our consideration of DeKalb County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and 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 to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 45 through 49 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, and miscellaneous schedules are presented for purposes of additional analysis and are not a

required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, 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 black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal flourish at the end.

John G. Morgan
Comptroller of the Treasury

JGM/rc

BASIC FINANCIAL STATEMENTS

Exhibit A

DeKalb County, Tennessee
 Balance Sheet
 Governmental Funds
 June 30, 2006

	Major Funds				Nonmajor Funds	Total Govern- mental Funds
	General	Local Purpose Tax	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 75,766	\$ 75,766
Equity in Pooled Cash and Investments	1,469,502	1,513,478	120,928	693,125	268,628	4,065,661
Accounts Receivable	500	0	0	0	68	568
Due from Other Governments	145,594	172,234	463,117	0	0	780,945
Due from Other Funds	21,118	100,502	0	43,941	68,028	233,589
Due from Component Units	0	0	0	3,000	1,000	4,000
Property Taxes Receivable	2,324,482	0	0	381,062	0	2,705,544
Allowance for Uncollectible Property Taxes	(76,206)	0	0	(12,493)	0	(88,699)
Total Assets	\$ 3,884,990	\$ 1,786,214	\$ 584,045	\$ 1,108,635	\$ 413,490	\$ 7,777,374
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Due to Other Funds	\$ 53,381	\$ 0	\$ 0	\$ 100,502	\$ 21,118	\$ 175,001
Due to Component Units	0	945,991	0	0	0	945,991
Deferred Revenue - Current Property Taxes	2,149,618	0	0	352,396	0	2,502,014
Deferred Revenue - Delinquent Property Taxes	91,836	0	0	15,055	0	106,891
Other Deferred Revenues	52,078	84,521	131,380	0	0	267,979
Total Liabilities	\$ 2,346,913	\$ 1,030,512	\$ 131,380	\$ 467,953	\$ 21,118	\$ 3,997,876
<u>Fund Balances</u>						
Reserved for Alcohol and Drug Treatment	\$ 31,591	\$ 0	\$ 0	\$ 0	\$ 0	\$ 31,591
Reserved for Drug Court	10,255	0	0	0	0	10,255
Reserved for Computer System - Register	10,386	0	0	0	0	10,386
Reserved for Automation Purposes - Circuit Court	5,720	0	0	0	0	5,720
Reserved for Automation Purposes - General Sessions Court	17,995	0	0	0	0	17,995
Reserved for Automation Purposes - Juvenile Court	548	0	0	0	0	548
Reserved for Automation Purposes - Chancery Court	1,336	0	0	0	0	1,336
Reserved for Automation Purposes - Sheriff	3,127	0	0	0	0	3,127
Unreserved, Reported In:						
General Fund	1,457,119	0	0	0	0	1,457,119

(Continued)

Exhibit A

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

	Major Funds				Nonmajor Funds	Total Govern- mental Funds
	General	Local Purpose Tax	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>LIABILITIES AND FUND BALANCES (Cont.)</u>						
<u>Fund Balances (Cont.)</u>						
<u>Unreserved, Reported In (Cont.):</u>						
Special Revenue Funds	\$ 0	\$ 755,702	\$ 452,665	\$ 0	\$ 219,331	\$ 1,427,698
Debt Service Funds	0	0	0	640,682	0	640,682
Capital Projects Funds	0	0	0	0	173,041	173,041
Total Fund Balances	<u>\$ 1,538,077</u>	<u>\$ 755,702</u>	<u>\$ 452,665</u>	<u>\$ 640,682</u>	<u>\$ 392,372</u>	<u>\$ 3,779,498</u>
Total Liabilities and Fund Balances	<u>\$ 3,884,990</u>	<u>\$ 1,786,214</u>	<u>\$ 584,045</u>	<u>\$ 1,108,635</u>	<u>\$ 413,490</u>	<u>\$ 7,777,374</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
For the Year Ended June 30, 2006

	Major Funds				Nonmajor	Total	
	General	Local Purpose Tax	Highway / Public Works	General Debt Service	Other Governmental Funds		Governmental Funds
<u>Revenues</u>							
Local Taxes	\$ 2,715,740	\$ 1,014,257	\$ 30,799	\$ 350,404	\$ 67,713	\$ 4,178,913	
Licenses and Permits	17,833	0	0	0	0	17,833	
Fines, Forfeitures, and Penalties	135,944	0	0	0	56,280	192,224	
Charges for Current Services	15,262	0	0	0	150,976	166,238	
Other Local Revenues	110,239	0	65,902	86,953	87,034	350,128	
Fees Received from County Officials	585,873	0	0	0	0	585,873	
State of Tennessee	685,490	0	1,799,100	181,765	60,588	2,726,943	
Federal Government	89,869	0	0	0	0	89,869	
Other Governments and Citizens Groups	330,785	0	0	0	0	330,785	
Total Revenues	\$ 4,687,035	\$ 1,014,257	\$ 1,895,801	\$ 619,122	\$ 422,591	\$ 8,638,806	
<u>Expenditures</u>							
Current:							
General Government	\$ 601,541	\$ 0	\$ 0	\$ 0	\$ 133,554	\$ 735,095	
Finance	249,322	0	0	0	69,916	319,238	
Administration of Justice	355,184	0	0	0	0	355,184	
Public Safety	1,905,282	0	0	0	23,025	1,928,307	
Public Health and Welfare	227,602	0	0	0	0	227,602	
Social, Cultural, and Recreational Services	123,037	0	0	0	0	123,037	
Agricultural and Natural Resources	72,697	0	0	0	0	72,697	
Other Operations	641,749	1,125,072	0	0	1,199	1,768,020	
Highways	0	0	2,034,607	0	0	2,034,607	
Support Services	0	0	0	0	3,114	3,114	
Debt Service:							
Principal on Debt	0	0	0	777,939	0	777,939	
Interest on Debt	0	0	0	323,623	0	323,623	
Other Debt Service	0	0	0	25,934	0	25,934	
Capital Projects	0	0	0	0	610,000	610,000	
Total Expenditures	\$ 4,176,414	\$ 1,125,072	\$ 2,034,607	\$ 1,127,496	\$ 840,808	\$ 9,304,397	
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 510,621	\$ (110,815)	\$ (138,806)	\$ (508,374)	\$ (418,217)	\$ (665,591)	

(Continued)

Exhibit B

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

	Major Funds				Nonmajor	Total
	General	Local Purpose Tax	Highway / Public Works	General Debt Service	Funds Other Governmental Funds	
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 270,250	\$ 610,000	\$ 880,250
Transfers In	0	0	0	670,949	0	670,949
Transfers Out	0	(670,949)	0	(270,000)	0	(940,949)
Total Other Financing Sources (Uses)	\$ 0	\$ (670,949)	\$ 0	\$ 671,199	\$ 610,000	\$ 610,250
Net Change in Fund Balances	\$ 510,621	\$ (781,764)	\$ (138,806)	\$ 162,825	\$ 191,783	\$ (55,341)
Fund Balance, July 1, 2005	1,027,456	1,537,466	591,471	477,857	200,589	3,834,839
Fund Balance, June 30, 2006	\$ 1,538,077	\$ 755,702	\$ 452,665	\$ 640,682	\$ 392,372	\$ 3,779,498

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

DeKalb County, Tennessee
Statement of Net Assets
Proprietary Fund
June 30, 2006

	Business-type Activities
	<u>Major Fund</u>
	Solid Waste <u>Disposal Fund</u>
<u>ASSETS</u>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 1,032,243
Accounts Receivable	18,926
Due from Other Governments	16,217
Due from Other Funds	3,623
Property Taxes Receivable	685,913
Allowance for Uncollectible Property Taxes	<u>(22,487)</u>
Total Current Assets	<u>\$ 1,734,435</u>
Noncurrent Assets:	
Capital Assets (Net of Accumulated Depreciation):	
Land	\$ 361,271
Landfill Facilities and Development	510,109
Buildings and Improvements	11,375
Machinery and Equipment	251,864
Construction in Progress	<u>166,558</u>
Total Noncurrent Assets	<u>\$ 1,301,177</u>
Total Assets	<u>\$ 3,035,612</u>
<u>LIABILITIES</u>	
Noncurrent Liabilities:	
Accrued Liability for Landfill Closure/Postclosure Care Costs	\$ 1,227,508
Capitalized Lease Obligations	<u>39,037</u>
Total Noncurrent Liabilities	<u>\$ 1,266,545</u>
Total Liabilities	<u>\$ 1,266,545</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 1,262,140
Unrestricted	<u>506,927</u>
Total Net Assets	<u>\$ 1,769,067</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, 2006

	Business-type Activities
	<u>Major Fund</u>
	<u>Solid Waste</u>
	<u>Disposal Fund</u>
<u>Operating Revenues</u>	
Charges for Current Services	\$ 216,481
Other Local Revenues	4,881
Total Operating Revenues	<u>\$ 221,362</u>
<u>Operating Expenses</u>	
Waste Pickup	\$ 37,627
Convenience Centers	179,997
Landfill Operation and Maintenance	601,713
Depreciation	152,908
Other Waste Disposal	50,057
Total Operating Expenses	<u>\$ 1,022,302</u>
Operating Income (Loss)	<u>\$ (800,940)</u>
<u>Nonoperating Revenues (Expenses)</u>	
Local Taxes	\$ 651,206
Grants	13,973
Interest on Capital Lease	(1,550)
Total Nonoperating Revenues (Expenses)	<u>\$ 663,629</u>
Income (Loss) Before Transfers and Gain on Disposal of Asset	\$ (137,311)
Transfers In	270,000
Gain on Disposal of Asset	<u>16,748</u>
Change in Net Assets	\$ 149,437
Net Assets, July 1, 2005	<u>1,619,630</u>
Net Assets, June 30, 2006	<u>\$ 1,769,067</u>

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

Exhibit C-3

DeKalb County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2006

	Business-type Activities
	<u>Major Fund</u>
	<u>Solid Waste Disposal Fund</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 226,313
Payments to Suppliers	(354,797)
Payments to Employees	(388,542)
Other Payments	(16,211)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (533,237)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Local Taxes	\$ 648,534
Grants Received	12,809
Transfers From Other Funds	270,000
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ 931,343</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of Capital Assets	\$ (166,558)
Insurance Proceeds From Disposal of Capital Assets	70,855
Principal Paid on Capitalized Lease	(19,100)
Interest Paid on Capitalized Lease	(1,550)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (116,353)</u>
Net Increase (Decrease) in Cash	\$ 281,753
Cash, July 1, 2005	<u>750,490</u>
Cash, June 30, 2006	<u>\$ 1,032,243</u>
<u>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</u>	
Operating Income (Loss)	\$ (800,940)
Adjustment to Reconcile Net Operating Loss	
To Net Cash Provided By (Used In) Operating Activities:	
Depreciation	152,908
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	17,528
(Increase) Decrease in Due From Other Governments	(9,858)
(Increase) Decrease in Due From Other Funds	(2,719)
Increase (Decrease) in Accounts Payable	(30,000)
Increase (Decrease) in Landfill Closure/Postclosure Care Costs	139,844
Net Cash Provided By (Used In) Operating Activities	<u>\$ (533,237)</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, 2006

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 607,509
Due from Other Governments	69,841
Notes Receivable - Long-term	<u>37,929</u>
Total Assets	<u>\$ 715,279</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 69,841
Due to Litigants, Heirs, and Others	<u>645,438</u>
Total Liabilities	<u>\$ 715,279</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, 2006

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 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. DeKalb County only reports one proprietary fund, an enterprise fund. An emphasis is placed on major funds within the governmental and proprietary categories.

Separate financial statements are provided for governmental funds, the proprietary fund, and fiduciary funds. Major individual governmental funds

and the major individual enterprise fund 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 grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

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

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

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 Debt Service Fund and the General Capital Projects Fund. 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

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

Property taxes receivable is shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.64 percent of total taxes levied.

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

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for

uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

3. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. 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 not to 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. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

B. Expenditures Exceeded Appropriations

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

<u>Fund</u>	<u>Major Category</u>	<u>Overspent</u>
General	Drug Court	\$ 2,300
General	Special Patrols	893
General	Landfill Operation and Maintenance	5,376
General	Other Charges	1,530
General Debt Service	Interest on Debt - Highway and Streets	1,306

Expenditures exceeded total appropriations in the Highway/Public Works Fund by \$366,965.

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues and 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, 2006.

B. Notes Receivable

Several years ago, the county sold its hospital to a private corporation. On May 10, 1971, the Chancellor ordered that a portion of the proceeds of this sale be used to provide loans to "...deserving young men and women, who are preparing themselves for the practice of medicine, or the practice of nursing..." These proceeds were deposited with the clerk and master and were earmarked for loans to students in medical-related fields. Notes receivable of \$37,929 in the Constitutional Officers – Agency Fund represent the amount of these student loans outstanding at June 30, 2006. These loans are repayable to the county over a ten-year period after the student leaves school with an interest rate two percent below the prime interest rate as published in the *Wall Street Journal*.

C. Capital Assets

Capital assets activity of the Solid Waste Disposal Fund for the year ended June 30, 2006, was as follows:

Business-type Activities:

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 361,271	\$ 0	\$ 0	\$ 361,271
Construction in Progress	0	166,558	0	166,558
Total Capital Assets Not Depreciated	<u>\$ 361,271</u>	<u>\$ 166,558</u>	<u>\$ 0</u>	<u>\$ 527,829</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 35,000	\$ 0	\$ 0	\$ 35,000
Machinery and Equipment	708,315	0	(59,750)	648,565
Landfill Facilities and Development	1,206,115	0	0	1,206,115
Total Capital Assets Depreciated	<u>\$ 1,949,430</u>	<u>\$ 0</u>	<u>\$ (59,750)</u>	<u>\$ 1,889,680</u>

Business-type Activities (cont.):

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 21,875	\$ 1,750	\$ 0	\$ 23,625
Machinery and Equipment	340,889	61,455	(5,643)	396,701
Landfill Facilities and Development	606,303	89,703	0	696,006
Total Accumulated Depreciation	<u>\$ 969,067</u>	<u>\$ 152,908</u>	<u>\$ (5,643)</u>	<u>\$ 1,116,332</u>
Total Capital Assets Depreciated, Net	<u>\$ 980,363</u>	<u>\$ (152,908)</u>	<u>\$ (54,107)</u>	<u>\$ 773,348</u>
Business-type Activities Capital Assets, Net	<u>\$ 1,341,634</u>	<u>\$ 13,650</u>	<u>\$ (54,107)</u>	<u>\$ 1,301,177</u>

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2006, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 1,371
General	Nonmajor governmental	19,747
Local Purpose Tax	General Debt Service	100,502
General Debt Service	General	43,941
Solid Waste Disposal	General	3,623
Nonmajor governmental	General	53,381
Nonmajor governmental	General	14,647

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 Debt Service Fund (\$43,941) was in transit from the General Fund at June 30, 2006. The receivable in the Solid Waste Disposal Fund (\$3,623) was in transit from the General Fund at June 30, 2006. The receivable in the Nonmajor governmental fund (\$14,647) was in transit from the General Fund at June 30, 2006.

Due to/from primary government and component units:

Receivable Fund	Payable Fund	Amount
Component unit: General Purpose School	Primary government: Local Purpose Tax	\$ 945,991
Primary government: General Debt Service	Component unit: General Purpose School	3,000
Nonmajor governmental	"	1,000

Interfund Transfers:

Interfund transfers for the year ended June 30, 2006, consisted of the following amounts:

Transfers Out	Transfers In	
	General Debt Service Fund	Solid Waste Disposal Fund
Local Purpose Tax Fund	\$ 670,949	\$ 0
General Debt Service Fund	0	270,000
Total	<u>\$ 670,949</u>	<u>\$ 270,000</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 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.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

Year Ending June 30	Enterprise Fund
2007	\$ 20,650
2008	20,650
Total Minimum Lease Payments	<u>\$ 41,300</u>
Amounts Representing Interest	<u>(2,263)</u>
Present Value of Minimum Lease Payments	<u>\$ 39,037</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. Capital leases are reported as a liability in the fund financial statements of enterprise funds.

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, 2006, will be retired from the General Debt Service Fund. Capital outlay notes included in long-term debt as of June 30, 2006, will be retired from the General Debt Service Fund and the Highway/Public Works Fund.

General obligation bonds and capital outlay notes outstanding as of June 30, 2006, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
General Obligation Bonds	4 to 5.5%	\$ 1,550,000	\$ 170,000
General Obligation Bonds - Refunding	.1 to 5.5	7,930,000	6,680,000
Capital Outlay Notes - Refunding	2 to 3	670,000	335,000
Capital Outlay Notes	3.1 to 3.99	1,440,250	1,595,614

The annual requirements to amortize all general obligation bonds and notes as of June 30, 2006, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 620,000	\$ 258,175	\$ 355,849	\$ 64,968
2008	475,000	228,750	368,062	53,400
2009	505,000	202,625	355,484	39,595
2010	525,000	174,850	263,271	28,750
2011	545,000	145,975	182,616	20,711
2012-2016	2,830,000	315,300	405,331	22,528
2017-2019	1,350,000	2,700	0	0
Total	<u>\$ 6,850,000</u>	<u>\$ 1,328,375</u>	<u>\$ 1,930,614</u>	<u>\$ 229,953</u>

There is \$640,682 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita amounted to \$393, based on the 2000 federal census. Total debt per capita, including bonds and notes amounted to \$504, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2005	\$ 7,440,000	\$ 1,353,303	\$ 13,144
Additions	0	880,250	0
Deductions	(590,000)	(302,939)	(13,144)
Balance, June 30, 2006	<u>\$ 6,850,000</u>	<u>\$ 1,930,614</u>	<u>\$ 0</u>
Balance Due Within One Year	<u>\$ 620,000</u>	<u>\$ 355,849</u>	<u>\$ 0</u>

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, 2006, was as follows:

Business-type Activities:

	Closure/ Postclosure Care Costs	Capital Leases
Balance, July 1, 2005	\$ 1,087,664	\$ 58,137
Additions	153,209	0
Deductions	(13,365)	(19,100)
	<hr/>	<hr/>
Balance, June 30, 2006	\$ 1,227,508	\$ 39,037
	<hr/>	<hr/>
Balance Due Within One Year	\$ 13,365	\$ 19,886
	<hr/>	<hr/>

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 Changes

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries became effective for the year ended June 30, 2006. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for

the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries. GASB Statement No. 42 had no effect on the financial statements for the year ended June 30, 2006, since no capital asset impairment and insurance recoveries occurred. However, it is reasonably expected that capital asset impairment and insurance recoveries may occur in subsequent years that will be subject to the provisions of Statement No. 42.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since DeKalb County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that DeKalb County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. DeKalb County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that DeKalb County will be required to disclose net assets restricted by enabling legislation in subsequent years.

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits

they offer in accrual basis financial statements. DeKalb County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that DeKalb County will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

C. 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.

D. Subsequent Events

On August 31, 2006, Bobbie Young left the Office of Trustee and was succeeded by Sean Driver, and Lloyd Emmons left the Office of Sheriff and was succeeded by Patrick Ray.

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 \$1,227,508 reported as landfill closure and postclosure care liability at June 30, 2006, represents the total postclosure care costs for the Midway Landfill, which closed in 1992 (\$134,043); the Felts Landfill Cell B, which was closed during the 2000-01 year (\$327,420); and a portion of the Felts Cell D, which was opened during the 2001-02 year (\$766,045). The Solid Waste Disposal Fund will recognize the remaining estimated cost of closure and postclosure care of \$766,045 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 2006. 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. 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, 2006, 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, 2006, Dekalb County's annual pension cost of \$153,177 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
6-30-06	\$153,177	100%	\$0
6-30-05	138,747	100	0
6-30-04	88,776	100	0

Required Supplementary Information
Schedule of Funding Progress for Dekalb County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
6-30-03	\$4,861	\$4,861	\$0	100%	\$3,425	0%
6-30-01	4,350	4,350	0	100	3,061	0
6-30-99	3,642	3,642	0	100	2,803	0

G. Purchasing Laws

Purchasing procedures for the funds administered by the county mayor and road supervisor 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.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

DeKalb County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,715,740	\$ 2,652,198	\$ 2,652,198	\$ 63,542
Licenses and Permits	17,833	13,275	13,275	4,558
Fines, Forfeitures, and Penalties	135,944	82,370	82,370	53,574
Charges for Current Services	15,262	14,925	14,925	337
Other Local Revenues	110,239	41,510	102,617	7,622
Fees Received from County Officials	585,873	585,335	585,335	538
State of Tennessee	685,490	539,937	552,737	132,753
Federal Government	89,869	20,000	40,864	49,005
Other Governments and Citizens Groups	330,785	246,450	386,405	(55,620)
Total Revenues	\$ 4,687,035	\$ 4,196,000	\$ 4,430,726	\$ 256,309
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 27,781	\$ 44,250	\$ 44,250	\$ 16,469
Board of Equalization	2,839	3,000	3,000	161
Beer Board	1,550	2,500	2,500	950
County Mayor/Executive	109,123	112,904	114,304	5,181
County Attorney	13,039	14,000	14,000	961
Election Commission	104,552	117,743	118,443	13,891
Register of Deeds	20,077	108,548	109,948	89,871
Planning	11,780	12,600	12,600	820
County Buildings	109,137	137,000	138,400	29,263
Other General Administration	201,663	192,955	201,866	203
<u>Finance</u>				
Property Assessor's Office	116,344	123,603	125,003	8,659
County Trustee's Office	16,881	113,798	114,498	97,617
County Clerk's Office	116,097	117,392	119,229	3,132
<u>Administration of Justice</u>				
Circuit Court	133,980	146,869	148,794	14,814
General Sessions Court	74,053	74,447	74,797	744
Drug Court	14,300	12,000	12,000	(2,300)
Chancery Court	80,729	82,685	83,385	2,656
Juvenile Court	30,044	32,199	32,899	2,855
Judicial Commissioners	22,078	21,600	22,300	222
<u>Public Safety</u>				
Sheriff's Department	704,883	731,227	741,421	36,538
Special Patrols	31,693	30,100	30,800	(893)
Traffic Control	1,980	2,000	2,000	20
Correctional Incentive Program Improvements	660,963	650,050	661,570	607
Fire Prevention and Control	216,108	112,603	253,558	37,450
Civil Defense	17,497	2,000	28,971	11,474
Other Emergency Management	252,310	340,385	346,510	94,200
County Coroner/Medical Examiner	19,848	14,000	19,848	0

(Continued)

Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Safety (Cont.)</u>				
Other Public Safety	\$ 0	\$ 72,000	\$ 0	\$ 0
<u>Public Health and Welfare</u>				
Local Health Center	40,566	39,118	41,968	1,402
Rabies and Animal Control	2,100	7,000	7,000	4,900
Ambulance/Emergency Medical Services	163,500	163,500	163,500	0
Regional Mental Health Center	7,180	7,180	7,180	0
General Welfare Assistance	586	2,750	2,750	2,164
Waste Pickup	1,575	0	1,575	0
Convenience Centers	5,685	0	5,685	0
Landfill Operation and Maintenance	6,410	0	1,034	(5,376)
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	10,248	13,500	14,200	3,952
Libraries	112,789	110,200	114,967	2,178
<u>Agriculture & Natural Resources</u>				
Agriculture Extension Service	52,497	50,736	54,033	1,536
Soil Conservation	20,200	19,500	20,200	0
<u>Other Operations</u>				
Industrial Development	773	4,000	3,703	2,930
Other Economic and Community Development	10,170	16,000	16,000	5,830
Veterans' Services	4,692	4,400	4,750	58
Other Charges	59,248	57,718	57,718	(1,530)
Contributions to Other Agencies	37,914	25,534	38,011	97
Employee Benefits	322,827	340,000	340,000	17,173
Miscellaneous	206,125	138,786	211,994	5,869
Total Expenditures	\$ 4,176,414	\$ 4,424,380	\$ 4,683,162	\$ 506,748
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 510,621	\$ (228,380)	\$ (252,436)	\$ 763,057
Net Change in Fund Balance				
Fund Balance, July 1, 2005	\$ 1,027,456	\$ 796,806	\$ 796,806	\$ 230,650
Fund Balance, June 30, 2006				
	\$ 1,538,077	\$ 568,426	\$ 544,370	\$ 993,707

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,014,257	\$ 1,097,548	\$ 1,097,548	\$ (83,291)
Total Revenues	\$ 1,014,257	\$ 1,097,548	\$ 1,097,548	\$ (83,291)
<u>Expenditures</u>				
<u>Other Operations</u>				
Other Charges	\$ 10,136	\$ 0	\$ 11,000	\$ 864
Contributions to Other Agencies	1,114,936	0	1,114,936	0
<u>Capital Projects</u>				
Other General Government Projects	0	956,991	0	0
Total Expenditures	\$ 1,125,072	\$ 956,991	\$ 1,125,936	\$ 864
Excess (Deficiency) of Revenues Over Expenditures	\$ (110,815)	\$ 140,557	\$ (28,388)	\$ (82,427)
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (670,949)	\$ (940,396)	\$ (771,451)	\$ 100,502
Total Other Financing Sources (Uses)	\$ (670,949)	\$ (940,396)	\$ (771,451)	\$ 100,502
Net Change in Fund Balance	\$ (781,764)	\$ (799,839)	\$ (799,839)	\$ 18,075
Fund Balance, July 1, 2005	1,537,466	1,599,839	1,599,839	(62,373)
Fund Balance, June 30, 2006	\$ 755,702	\$ 800,000	\$ 800,000	\$ (44,298)

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 30,799	\$ 51,382	\$ 51,382	\$ (20,583)
Other Local Revenues	65,902	8,000	54,825	11,077
State of Tennessee	1,799,100	1,564,000	1,564,000	235,100
Total Revenues	<u>\$ 1,895,801</u>	<u>\$ 1,623,382</u>	<u>\$ 1,670,207</u>	<u>\$ 225,594</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 127,134	\$ 130,349	\$ 126,849	\$ (285)
Highway and Bridge Maintenance	602,144	692,700	474,900	(127,244)
Operation and Maintenance of Equipment	233,932	224,500	206,700	(27,232)
Quarry Operations	202,854	133,650	142,450	(60,404)
Other Charges	100,069	92,000	99,628	(441)
Employee Benefits	184,971	164,000	178,600	(6,371)
Capital Outlay	583,503	183,618	438,515	(144,988)
Total Expenditures	<u>\$ 2,034,607</u>	<u>\$ 1,620,817</u>	<u>\$ 1,667,642</u>	<u>\$ (366,965)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (138,806)</u>	<u>\$ 2,565</u>	<u>\$ 2,565</u>	<u>\$ (141,371)</u>
Net Change in Fund Balance	\$ (138,806)	\$ 2,565	\$ 2,565	\$ (141,371)
Fund Balance, July 1, 2005	591,471	400,414	400,414	191,057
Fund Balance, June 30, 2006	<u>\$ 452,665</u>	<u>\$ 402,979</u>	<u>\$ 402,979</u>	<u>\$ 49,686</u>

DEKALB COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2006

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/Executive, County Attorney, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The county's budgetary basis of accounting is consistent with 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) in the General Fund:

Fund	Major Category	Amount Overspent
General	Drug Court	\$ 2,300
General	Special Patrols	893
General	Landfill Operation and Maintenance	5,376
General	Other Charges	1,530

Also, expenditures exceeded total appropriations in the Highway/Public Works Fund by \$366,965.

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues and/or available fund balance.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Courthouse and Jail Maintenance Fund – The Courthouse and Jail Maintenance Fund is used to account for a special tax levied by private act on litigation. 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

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

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

Education Capital Projects Fund – The Education Capital Projects Fund accounts for debt issued by DeKalb County that is subsequently contributed to the discretely presented DeKalb County School Department for building construction and renovations.

Exhibit F-1

DeKalb County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2006

	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	\$ 75,766	\$ 75,766	\$ 0	\$ 75,766
Equity in Pooled Cash and Investments	94,633	16,601	0	111,234	157,394	268,628
Accounts Receivable	0	0	68	68	0	68
Due from Other Funds	0	53,381	0	53,381	14,647	68,028
Due from Component Units	0	0	0	0	1,000	1,000
Total Assets	\$ 94,633	\$ 69,982	\$ 75,834	\$ 240,449	\$ 173,041	\$ 413,490
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Due to Other Funds	\$ 0	\$ 1,371	\$ 19,747	\$ 21,118	\$ 0	\$ 21,118
Total Liabilities	\$ 0	\$ 1,371	\$ 19,747	\$ 21,118	\$ 0	\$ 21,118
<u>Fund Balances</u>						
Unreserved	\$ 94,633	\$ 68,611	\$ 56,087	\$ 219,331	\$ 173,041	\$ 392,372
Total Fund Balances	\$ 94,633	\$ 68,611	\$ 56,087	\$ 219,331	\$ 173,041	\$ 392,372
Total Liabilities and Fund Balances	\$ 94,633	\$ 69,982	\$ 75,834	\$ 240,449	\$ 173,041	\$ 413,490

Exhibit F-2

DeKalb County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006

	Special Revenue Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Drug Control	Constitu - tional Officers - Fees	Total	General Capital Projects	Education Capital Projects	Total	
<u>Revenues</u>								
Local Taxes	\$ 67,713	\$ 0	\$ 0	\$ 67,713	\$ 0	\$ 0	\$ 0	\$ 67,713
Fines, Forfeitures, and Penalties	0	56,280	0	56,280	0	0	0	56,280
Charges for Current Services	0	0	150,976	150,976	0	0	0	150,976
Other Local Revenues	80	0	0	80	86,954	0	86,954	87,034
State of Tennessee	0	0	0	0	60,588	0	60,588	60,588
Total Revenues	\$ 67,793	\$ 56,280	\$ 150,976	\$ 275,049	\$ 147,542	\$ 0	\$ 147,542	\$ 422,591
<u>Expenditures</u>								
Current:								
General Government	\$ 39,445	\$ 0	\$ 94,109	\$ 133,554	\$ 0	\$ 0	\$ 0	\$ 133,554
Finance	0	0	69,916	69,916	0	0	0	69,916
Public Safety	0	23,025	0	23,025	0	0	0	23,025
Other Operations	0	29	0	29	1,170	0	1,170	1,199
Support Services	0	3,114	0	3,114	0	0	0	3,114
Capital Projects	0	0	0	0	0	610,000	610,000	610,000
Total Expenditures	\$ 39,445	\$ 26,168	\$ 164,025	\$ 229,638	\$ 1,170	\$ 610,000	\$ 611,170	\$ 840,808
Excess (Deficiency) of Revenues Over Expenditures	\$ 28,348	\$ 30,112	\$ (13,049)	\$ 45,411	\$ 146,372	\$ (610,000)	\$ (463,628)	\$ (418,217)
<u>Other Financing Sources (Uses)</u>								
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 610,000	\$ 610,000	\$ 610,000
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 610,000	\$ 610,000	\$ 610,000
Net Change in Fund Balances	\$ 28,348	\$ 30,112	\$ (13,049)	\$ 45,411	\$ 146,372	\$ 0	\$ 146,372	\$ 191,783
Fund Balance, July 1, 2005	66,285	38,499	69,136	173,920	26,669	0	26,669	200,589
Fund Balance, June 30, 2006	\$ 94,633	\$ 68,611	\$ 56,087	\$ 219,331	\$ 173,041	\$ 0	\$ 173,041	\$ 392,372

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 67,713	\$ 52,500	\$ 52,500	\$ 15,213
Other Local Revenues	80	0	0	80
Total Revenues	<u>\$ 67,793</u>	<u>\$ 52,500</u>	<u>\$ 52,500</u>	<u>\$ 15,293</u>
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 39,445	\$ 50,300	\$ 50,300	\$ 10,855
Total Expenditures	<u>\$ 39,445</u>	<u>\$ 50,300</u>	<u>\$ 50,300</u>	<u>\$ 10,855</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 28,348</u>	<u>\$ 2,200</u>	<u>\$ 2,200</u>	<u>\$ 26,148</u>
Net Change in Fund Balance	\$ 28,348	\$ 2,200	\$ 2,200	\$ 26,148
Fund Balance, July 1, 2005	66,285	45,289	45,289	20,996
Fund Balance, June 30, 2006	<u>\$ 94,633</u>	<u>\$ 47,489</u>	<u>\$ 47,489</u>	<u>\$ 47,144</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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 56,280	\$ 13,500	\$ 13,500	\$ 42,780
Other Local Revenues	0	800	800	(800)
Total Revenues	<u>\$ 56,280</u>	<u>\$ 14,300</u>	<u>\$ 14,300</u>	<u>\$ 41,980</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Sheriff's Department	\$ 1,605	\$ 14,000	\$ 14,000	\$ 12,395
Drug Enforcement	21,420	33,000	33,000	11,580
<u>Other Operations</u>				
Other Charges	29	230	230	201
<u>Support Services</u>				
Other Student Support	3,114	4,500	4,500	1,386
Total Expenditures	<u>\$ 26,168</u>	<u>\$ 51,730</u>	<u>\$ 51,730</u>	<u>\$ 25,562</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 30,112</u>	<u>\$ (37,430)</u>	<u>\$ (37,430)</u>	<u>\$ 67,542</u>
Net Change in Fund Balance	\$ 30,112	\$ (37,430)	\$ (37,430)	\$ 67,542
Fund Balance, July 1, 2005	<u>38,499</u>	<u>47,158</u>	<u>47,158</u>	<u>(8,659)</u>
Fund Balance, June 30, 2006	<u>\$ 68,611</u>	<u>\$ 9,728</u>	<u>\$ 9,728</u>	<u>\$ 58,883</u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit G

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 350,404	\$ 356,895	\$ 356,895	\$ (6,491)
Other Local Revenues	86,953	70,000	70,000	16,953
State of Tennessee	181,765	163,500	163,500	18,265
Total Revenues	<u>\$ 619,122</u>	<u>\$ 590,395</u>	<u>\$ 590,395</u>	<u>\$ 28,727</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 324,939	\$ 412,661	\$ 412,661	\$ 87,722
Highways and Streets	13,000	13,000	13,000	0
Education	440,000	517,208	517,208	77,208
<u>Interest on Debt</u>				
General Government	91,408	108,058	108,058	16,650
Highways and Streets	1,595	289	289	(1,306)
Education	230,620	253,043	253,043	22,423
<u>Other Debt Service</u>				
General Government	25,605	26,264	26,514	909
Education	329	1,200	1,200	871
Total Expenditures	<u>\$ 1,127,496</u>	<u>\$ 1,331,723</u>	<u>\$ 1,331,973</u>	<u>\$ 204,477</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (508,374)</u>	<u>\$ (741,328)</u>	<u>\$ (741,578)</u>	<u>\$ 233,204</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 270,250	\$ 0	\$ 270,250	\$ 0
Transfers In	670,949	771,451	771,451	(100,502)
Transfers Out	(270,000)	0	(270,000)	0
Total Other Financing Sources (Uses)	<u>\$ 671,199</u>	<u>\$ 771,451</u>	<u>\$ 771,701</u>	<u>\$ (100,502)</u>
Net Change in Fund Balance	\$ 162,825	\$ 30,123	\$ 30,123	\$ 132,702
Fund Balance, July 1, 2005	<u>477,857</u>	<u>595,998</u>	<u>595,998</u>	<u>(118,141)</u>
Fund Balance, June 30, 2006	<u>\$ 640,682</u>	<u>\$ 626,121</u>	<u>\$ 626,121</u>	<u>\$ 14,561</u>

Fiduciary Funds

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.

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.

Exhibit H-1

DeKalb County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2006

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 607,509	\$ 607,509
Due from Other Governments	69,841	0	69,841
Notes Receivable - Long-term	0	37,929	37,929
Total Assets	<u>\$ 69,841</u>	<u>\$ 645,438</u>	<u>\$ 715,279</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 69,841	\$ 0	\$ 69,841
Due to Litigants, Heirs, and Others	0	645,438	645,438
Total Liabilities	<u>\$ 69,841</u>	<u>\$ 645,438</u>	<u>\$ 715,279</u>

Exhibit H-2

DeKalb County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2006

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 412,880	\$ 412,880	\$ 0
Due From Other Governments	66,177	69,841	66,177	69,841
Total Assets	\$ 66,177	\$ 482,721	\$ 479,057	\$ 69,841
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 66,177	\$ 482,721	\$ 479,057	\$ 69,841
Total Liabilities	\$ 66,177	\$ 482,721	\$ 479,057	\$ 69,841
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,648,674	\$ 6,107,801	\$ 7,148,966	\$ 607,509
Notes Receivable - Long-term	47,329	0	9,400	37,929
Total Assets	\$ 1,696,003	\$ 6,107,801	\$ 7,158,366	\$ 645,438
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,696,003	\$ 6,107,801	\$ 7,158,366	\$ 645,438
Total Liabilities	\$ 1,696,003	\$ 6,107,801	\$ 7,158,366	\$ 645,438
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 412,880	\$ 412,880	\$ 0
Cash	1,648,674	6,107,801	7,148,966	607,509
Due From Other Governments	66,177	69,841	66,177	69,841
Notes Receivable - Long-term	47,329	0	9,400	37,929
Total Assets	\$ 1,762,180	\$ 6,590,522	\$ 7,637,423	\$ 715,279
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 66,177	\$ 482,721	\$ 479,057	\$ 69,841
Due to Litigants, Heirs, and Others	1,696,003	6,107,801	7,158,366	645,438
Total Liabilities	\$ 1,762,180	\$ 6,590,522	\$ 7,637,423	\$ 715,279

MISCELLANEOUS SCHEDULES

Exhibit I-1

DeKalb County, Tennessee
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds
For the Year Ended June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Road Grader	\$ 130,000	4.44 %	8-7-1995	8-7-05	\$ 13,000	\$ 0	\$ 13,000	\$ 0
Library Construction	230,000	2.8	6-30-03	12-30-05	61,822	0	61,822	0
Land and Equipment	520,000	3.1	8-18-03	8-15-13	428,481	0	0	428,481
Improvement and Equipment	400,000	3.47	8-25-04	9-1-09	400,000	0	74,546	325,454
School Roofs	610,000	3.87	7-18-05	7-18-12	0	610,000	0	610,000
Landfill Tract	270,250	3.99	1-18-06	6-18-12	0	270,250	38,571	231,679
Total Notes Payable through General Debt Service Fund					<u>\$ 903,303</u>	<u>\$ 880,250</u>	<u>\$ 187,939</u>	<u>\$ 1,595,614</u>
<u>Payable through Highway/Public Works Fund</u>								
Refunding	670,000	2 to 3	4-1-03	4-1-09	\$ 450,000	\$ 0	\$ 115,000	\$ 335,000
Total Notes Payable					<u>\$ 1,353,303</u>	<u>\$ 880,250</u>	<u>\$ 302,939</u>	<u>\$ 1,930,614</u>
<u>CAPITAL LEASE PAYABLE</u>								
<u>Payable through General Fund</u>								
Patrol Cars	105,096	9.79	11-15-02	10-31-05	\$ 13,144	\$ 0	\$ 13,144	\$ 0
<u>BONDS PAYABLE</u>								
<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	\$ 335,000	\$ 0	\$ 165,000	\$ 170,000
Refunding Bonds, Series 2003	7,930,000	.1 to 5.5	4-24-03	3-1-19	7,105,000	0	425,000	6,680,000
Total Bonds Payable					<u>\$ 7,440,000</u>	<u>\$ 0</u>	<u>\$ 590,000</u>	<u>\$ 6,850,000</u>

Exhibit I-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
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>\$ 6,850,000</u>	<u>\$ 1,328,375</u>	<u>\$ 8,178,375</u>

Exhibit I-3

DeKalb County, Tennessee
Schedule of Notes Receivable
For the Year Ended June 30, 2006

Description	Original Amount of Loan	Date of Issue	Date of Maturity	Interest Rate	Balance 6-30-06
<u>Constitutional Officers - Agency Fund</u>					
Sliger	\$ 5,265	1-4-1995	(1)	(2)	\$ 5,020
Webb	5,450	8-19-1996	(1)	(2)	2,450
Cole	1,800	8-16-02	(1)	(2)	1,800
Snow	9,000	7-13-04	(1)	(2)	9,000
T. Cantrell	5,000	8-5-04	(1)	(2)	5,000
C. Cantrell	5,239	12-27-04	(1)	(2)	5,239
Evans	5,060	3-10-05	(1)	(2)	5,060
N. Cantrell	4,360	1-10-06	(1)	(2)	<u>4,360</u>
Total Primary Government					<u>\$ 37,929</u>

(1) - Ten years after borrower graduates school.

(2) - Two percent below prime interest rate as published in the *Wall Street Journal*.

Exhibit I-4

DeKalb County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Local Purpose Tax	General Debt Service	Debt retirement	\$ 670,949
General Debt Service	Solid Waste Disposal	To transfer note proceeds	<u>270,000</u>
Total Transfers			<u><u>\$ 940,949</u></u>

Exhibit I-5

DeKalb County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2006

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	\$ 58,404 (1)	\$ 50,000	State Farm Fire and Casualty Company
Highway Supervisor	Section 8-24-102, <u>TCA</u> , and DeKalb County Commission	56,552 (2)	100,000	Western Surety Company
Trustee	Section 8-24-102, <u>TCA</u>	50,048	462,700	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	50,048	20,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	50,048	50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	50,048	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	51,923 (3)	75,000	"
Register	Section 8-24-102, <u>TCA</u>	50,048	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	55,527 (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 \$1,875.
- (4) Includes law enforcement training supplement of \$475.

Exhibit I-6

DeKalb County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2006

	Special Revenue Funds							Debt	Capital	Total
	General	Courthouse and Jail Maintenance	Local Purpose Tax	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works	Service	Projects		
							Debt Service	Capital Projects		
<u>Local Taxes</u>										
<u>County Property Taxes</u>										
Current Property Tax	\$ 2,057,950	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 337,219	\$ 0	\$ 2,395,169	
Trustee's Collections - Prior Year	82,779	0	0	0	0	0	7,003	0	89,782	
Circuit/Clerk & Master Collections - Prior Years	20,388	0	0	0	0	0	4,432	0	24,820	
Interest and Penalty	13,731	0	0	0	0	0	1,323	0	15,054	
Pick-up Taxes	2,603	0	0	0	0	0	427	0	3,030	
Payments in-Lieu-of Taxes - T.V.A.	51,284	0	0	0	0	0	0	0	51,284	
Payments in-Lieu-of Taxes - Other	1,872	0	0	0	0	0	0	0	1,872	
<u>County Local Option Taxes</u>										
Local Option Sales Tax	187,308	0	1,014,257	0	0	0	0	0	1,201,565	
Hotel/Motel Tax	68,387	0	0	0	0	0	0	0	68,387	
Litigation Tax - General	45	63,615	0	0	0	0	0	0	63,660	
Litigation Tax - Special Purpose	15,469	4,098	0	0	0	0	0	0	19,567	
Business Tax	75,135	0	0	0	0	2,764	0	0	77,899	
Mineral Severance Tax	0	0	0	0	0	28,035	0	0	28,035	
<u>Statutory Local Taxes</u>										
Bank Excise Tax	59,018	0	0	0	0	0	0	0	59,018	
Wholesale Beer Tax	79,602	0	0	0	0	0	0	0	79,602	
Interstate Telecommunications Tax	169	0	0	0	0	0	0	0	169	
Total Local Taxes	\$ 2,715,740	\$ 67,713	\$ 1,014,257	\$ 0	\$ 0	\$ 30,799	\$ 350,404	\$ 0	\$ 4,178,913	
<u>Licenses and Permits</u>										
<u>Licenses</u>										
Cable TV Franchise	\$ 14,041	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,041	
<u>Permits</u>										
Beer Permits	3,792	0	0	0	0	0	0	0	3,792	
Total Licenses and Permits	\$ 17,833	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,833	
<u>Fines, Forfeitures, and Penalties</u>										
<u>Circuit Court</u>										
Fines	\$ 14,522	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,522	
Officers Costs	3,936	0	0	0	0	0	0	0	3,936	
Drug Control Fines	0	0	0	2,847	0	0	0	0	2,847	

(Continued)

Exhibit I-6

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>										
Drug Court Fees	\$ 2,308	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	2,308
Jail Fees	242	0	0	0	0	0	0	0	0	242
DUI Treatment Fines	1,187	0	0	0	0	0	0	0	0	1,187
Data Entry Fee - Circuit Court	464	0	0	0	0	0	0	0	0	464
<u>General Sessions Court</u>										
Fines	42,245	0	0	0	0	0	0	0	0	42,245
Officers Costs	26,988	0	0	0	0	0	0	0	0	26,988
Game and Fish Fines	670	0	0	0	0	0	0	0	0	670
Drug Control Fines	0	0	0	52	0	0	0	0	0	52
Drug Court Fees	12,417	0	0	0	0	0	0	0	0	12,417
DUI Treatment Fines	32	0	0	0	0	0	0	0	0	32
Data Entry Fee - General Sessions Court	5,584	0	0	0	0	0	0	0	0	5,584
<u>Juvenile Court</u>										
Fines	2,775	0	0	0	0	0	0	0	0	2,775
Officers Costs	6,984	0	0	0	0	0	0	0	0	6,984
Data Entry Fee - Juvenile Court	220	0	0	0	0	0	0	0	0	220
<u>Chancery Court</u>										
Officers Costs	1,756	0	0	0	0	0	0	0	0	1,756
Data Entry Fee - Chancery Court	428	0	0	0	0	0	0	0	0	428
<u>Other Courts - In-county</u>										
Fines	13,186	0	0	0	0	0	0	0	0	13,186
<u>Other Fines, Forfeitures, and Penalties</u>										
Proceeds from Confiscated Property	0	0	0	53,381	0	0	0	0	0	53,381
Total Fines, Forfeitures, and Penalties	\$ 135,944	\$ 0	\$ 0	\$ 56,280	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	192,224
<u>Charges for Current Services</u>										
<u>Fees</u>										
Telephone Commissions	\$ 4,655	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	4,655
Constitutional Officers' Fees and Commissions	0	0	0	0	150,976	0	0	0	0	150,976
Data Processing Fee - Register	10,386	0	0	0	0	0	0	0	0	10,386
Data Processing Fee - Sheriff	221	0	0	0	0	0	0	0	0	221
Total Charges for Current Services	\$ 15,262	\$ 0	\$ 0	\$ 0	\$ 150,976	\$ 0	\$ 0	\$ 0	\$ 0	166,238

(Continued)

Exhibit I-6

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 Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 86,953	\$ 86,954	\$ 173,907
Lease/Rentals	25,191	0	0	0	0	0	0	0	25,191
Sale of Materials and Supplies	0	0	0	0	0	257	0	0	257
Commissary Sales	9,531	0	0	0	0	0	0	0	9,531
Miscellaneous Refunds	13,857	80	0	0	0	8,057	0	0	21,994
<u>Nonrecurring Items</u>									
Insurance Recovery	6,107	0	0	0	0	2,588	0	0	8,695
Sale of Property	125	0	0	0	0	0	0	0	125
Contributions & Gifts	315	0	0	0	0	55,000	0	0	55,315
Performance Bond Forfeitures	55,000	0	0	0	0	0	0	0	55,000
<u>Other Local Revenues</u>									
Other Local Revenues	113	0	0	0	0	0	0	0	113
Total Other Local Revenues	\$ 110,239	\$ 80	\$ 0	\$ 0	\$ 0	\$ 65,902	\$ 86,953	\$ 86,954	\$ 350,128
<u>Fees Received from County Officials</u>									
<u>Excess Fees</u>									
Register	\$ 46,674	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 46,674
Trustee	130,040	0	0	0	0	0	0	0	130,040
<u>Fees-In-Lieu of Salary</u>									
County Clerk	133,254	0	0	0	0	0	0	0	133,254
Circuit Court Clerk	48,316	0	0	0	0	0	0	0	48,316
General Sessions Court Clerk	96,048	0	0	0	0	0	0	0	96,048
Clerk and Master	104,474	0	0	0	0	0	0	0	104,474
Juvenile Court Clerk	6,256	0	0	0	0	0	0	0	6,256
Sheriff	20,811	0	0	0	0	0	0	0	20,811
Total Fees Received from County Officials	\$ 585,873	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 585,873
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
Aging Programs	3,765	0	0	0	0	0	0	0	3,765
State Reappraisal Grant	10,317	0	0	0	0	0	0	0	10,317

(Continued)

Exhibit I-6

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 (Cont.)</u>									
<u>General Government Grants (Cont.)</u>									
Other General Government Grants	\$ 1,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,500
<u>Health and Welfare Grants</u>									
Health Department Programs	2,800	0	0	0	0	0	0	0	2,800
<u>Public Works Grants</u>									
Bridge Program	0	0	0	0	0	18,056	0	0	18,056
State Aid Program	0	0	0	0	0	312,432	0	0	312,432
Litter Program	24,783	0	0	0	0	0	0	0	24,783
<u>Other State Revenues</u>									
Flood Control	136,084	0	0	0	0	0	0	0	136,084
Income Tax	35,029	0	0	0	0	0	0	0	35,029
Beer Tax	17,212	0	0	0	0	0	0	0	17,212
Alcoholic Beverage Tax	25,298	0	0	0	0	0	0	0	25,298
Mixed Drink Tax	15	0	0	0	0	0	0	0	15
State Revenue Sharing - T.V.A.	0	0	0	0	0	0	181,765	60,588	242,353
Contracted Prisoner Boarding	389,157	0	0	0	0	0	0	0	389,157
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,454,596	0	0	1,454,596
Petroleum Special Tax	0	0	0	0	0	14,016	0	0	14,016
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	16,380
Other State Grants	10,000	0	0	0	0	0	0	0	10,000
Other State Revenues	4,150	0	0	0	0	0	0	0	4,150
Total State of Tennessee	\$ 685,490	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,799,100	\$ 181,765	\$ 60,588	\$ 2,726,943
<u>Federal Government</u>									
<u>Federal Through State</u>									
Homeland Security Grants	\$ 52,269	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	52,269
<u>Direct Federal Revenue</u>									
Police Service (Lake Area)	37,600	0	0	0	0	0	0	0	37,600
Total Federal Government	\$ 89,869	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	89,869
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Contributions	\$ 330,785	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	330,785
Total Other Governments and Citizens Groups	\$ 330,785	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	330,785
Total	\$ 4,687,035	\$ 67,793	\$ 1,014,257	\$ 56,280	\$ 150,976	\$ 1,895,801	\$ 619,122	\$ 147,542	\$ 8,638,806

Exhibit I-7

DeKalb County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2006

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	18,845	
Audit Services		4,080	
Legal Notices, Recording, and Court Costs		3,436	
Other Charges		1,420	
Total County Commission			\$ 27,781

Board of Equalization

Board and Committee Members Fees	\$	2,839	
Total Board of Equalization			2,839

Beer Board

Board and Committee Members Fees	\$	1,550	
Total Beer Board			1,550

County Mayor/Executive

County Official/Administrative Officer	\$	57,804	
Assistant(s)		38,025	
Part-time Personnel		730	
Other Salaries & Wages		1,400	
Data Processing Services		6,337	
Travel		512	
Office Supplies		4,315	
Total County Mayor/Executive			109,123

County Attorney

County Official/Administrative Officer	\$	12,000	
Legal Services		1,039	
Total County Attorney			13,039

Election Commission

County Official/Administrative Officer	\$	45,043	
Part-time Personnel		460	
Other Salaries & Wages		20,200	
Election Commission		3,200	
Election Workers		12,842	
Advertising		2,534	
Maintenance & Repair Services - Equipment		1,115	
Printing, Stationery, and Forms		8,088	
Office Supplies		1,770	
Other Charges		9,300	
Total Election Commission			104,552

(Continued)

Exhibit I-7

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds

Other Salaries & Wages	\$	1,400	
Other Contracted Services		2,400	
Office Supplies		2,407	
Other Supplies and Materials		2,342	
Data Processing Equipment		9,695	
Other Equipment		1,833	
Total Register of Deeds			\$ 20,077

Planning

Board and Committee Members Fees	\$	3,280	
Other Contracted Services		8,500	
Total Planning			11,780

County Buildings

Custodial Personnel	\$	30,094	
Other Salaries & Wages		1,954	
Maintenance & Repair Services - Buildings		17,756	
Utilities		55,757	
Building and Contents Insurance		3,576	
Total County Buildings			109,137

Other General Administration

Other Salaries & Wages	\$	4,550	
Communication		35,028	
Contributions		3,511	
Operating Lease Payments		11,362	
Postal Charges		21,650	
Office Supplies		2,729	
Periodicals		773	
Premiums on Corporate Surety Bonds		5,541	
Workers' Compensation Insurance		116,309	
Other Charges		210	
Total Other General Administration			201,663

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	50,048	
Secretary(ies)		19,500	
Other Salaries & Wages		26,455	
Data Processing Services		979	

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Travel	\$	2,646	
Other Contracted Services		16,242	
Office Supplies		474	
Total Property Assessor's Office			\$ 116,344

County Trustee's Office

Other Salaries & Wages	\$	700	
Data Processing Services		14,701	
Legal Notices, Recording, and Court Costs		391	
Office Supplies		1,089	
Total County Trustee's Office			16,881

County Clerk's Office

County Official/Administrative Officer	\$	50,048	
Deputy(ies)		58,875	
Other Salaries & Wages		1,837	
Office Supplies		2,110	
Other Charges		2,750	
Office Equipment		477	
Total County Clerk's Office			116,097

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	50,048	
Deputy(ies)		58,125	
Other Salaries & Wages		1,925	
Jury and Witness Fees		7,307	
Data Processing Services		9,321	
Office Supplies		7,003	
Other Charges		251	
Total Circuit Court			133,980

General Sessions Court

Judge(s)	\$	62,447	
Secretary(ies)		7,000	
Other Salaries & Wages		350	
Travel		991	
Office Supplies		1,499	
Other Charges		1,766	
Total General Sessions Court			74,053

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Drug Court

Other Charges	\$ 14,300	
Total Drug Court		\$ 14,300

Chancery Court

County Official/Administrative Officer	\$ 50,048	
Secretary(ies)	19,500	
Other Salaries & Wages	700	
Data Processing Services	4,537	
Office Supplies	1,162	
Other Charges	4,782	
Total Chancery Court		80,729

Juvenile Court

Youth Service Officer(s)	\$ 24,200	
Other Salaries & Wages	700	
Contracts with Other Public Agencies	4,050	
Other Charges	1,094	
Total Juvenile Court		30,044

Judicial Commissioners

County Official/Administrative Officer	\$ 21,100	
Other Salaries & Wages	700	
Office Supplies	278	
Total Judicial Commissioners		22,078

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 55,527
Assistant(s)	20,300
Deputy(ies)	298,352
Secretary(ies)	10,500
Part-time Personnel	31,423
Overtime Pay	4,944
Other Salaries & Wages	10,194
In-Service Training	7,500
Communication	21,916
Contributions	1,200
Maintenance & Repair Services - Vehicles	46,066
Travel	2,463
Gasoline	70,096

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Office Supplies	\$	12,055	
Tires and Tubes		5,046	
Uniforms		9,378	
Utilities		61,521	
Other Supplies and Materials		14,578	
Principal on Capital Leases		13,144	
Interest on Capital Leases		269	
Motor Vehicles		8,411	
Total Sheriff's Department			\$ 704,883

Special Patrols

Guards	\$	19,500	
Other Salaries & Wages		5,250	
Gasoline		2,639	
Instructional Supplies and Materials		4,245	
Other Charges		59	
Total Special Patrols			31,693

Traffic Control

Other Salaries & Wages	\$	1,980	
Total Traffic Control			1,980

Correctional Incentive Program Improvements

Cafeteria Personnel	\$	18,351	
Other Salaries & Wages		368,886	
Medical and Dental Services		124,507	
Food Supplies		141,664	
Other Supplies and Materials		7,555	
Total Correctional Incentive Program Improvements			660,963

Fire Prevention and Control

In-Service Training	\$	4,603	
Forest Resource Services		6,450	
Maintenance & Repair Services - Equipment		4,938	
Medical and Dental Services		700	
Equipment and Machinery Parts		9,915	
Gasoline		9,035	
Instructional Supplies and Materials		1,136	
Utilities		17,635	
Other Supplies and Materials		1,594	

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Liability Insurance	\$	2,762	
Other Charges		6,164	
Communication Equipment		1,500	
Other Equipment		148,152	
Other Construction		1,524	
Total Fire Prevention and Control			\$ 216,108

Civil Defense

Other Charges	\$	959	
Law Enforcement Equipment		16,538	
Total Civil Defense			17,497

Other Emergency Management

County Official/Administrative Officer	\$	30,011	
Dispatchers/Radio Operators		199,214	
Part-time Personnel		15,815	
Other Salaries & Wages		6,125	
Contributions		900	
Other Charges		245	
Total Other Emergency Management			252,310

County Coroner/Medical Examiner

Evaluation and Testing	\$	8,940	
Medical and Dental Services		10,500	
Other Contracted Services		408	
Total County Coroner/Medical Examiner			19,848

Public Health and Welfare

Local Health Center

Social Workers	\$	2,582	
Custodial Personnel		3,060	
Other Salaries & Wages		50	
Communication		3,595	
Contracts with Government Agencies		9,562	
Maintenance & Repair Services - Equipment		180	
Postal Charges		565	
Travel		50	
Other Contracted Services		1,208	
Custodial Supplies		2,111	
Drugs and Medical Supplies		550	

(Continued)

Exhibit I-7

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

<u>General Fund (Cont.)</u>		
<u>Public Health and Welfare (Cont.)</u>		
<u>Local Health Center (Cont.)</u>		
Office Supplies	\$ 2,341	
Utilities	13,225	
Other Charges	<u>1,487</u>	
Total Local Health Center		\$ 40,566
 <u>Rabies and Animal Control</u>		
Contracts with Other Public Agencies	<u>\$ 2,100</u>	
Total Rabies and Animal Control		2,100
 <u>Ambulance/Emergency Medical Services</u>		
Other Contracted Services	<u>\$ 163,500</u>	
Total Ambulance/Emergency Medical Services		163,500
 <u>Regional Mental Health Center</u>		
Contributions	<u>\$ 7,180</u>	
Total Regional Mental Health Center		7,180
 <u>General Welfare Assistance</u>		
Contributions	<u>\$ 586</u>	
Total General Welfare Assistance		586
 <u>Waste Pickup</u>		
Other Salaries & Wages	<u>\$ 1,575</u>	
Total Waste Pickup		1,575
 <u>Convenience Centers</u>		
Other Salaries & Wages	<u>\$ 5,685</u>	
Total Convenience Centers		5,685
 <u>Landfill Operation and Maintenance</u>		
Other Salaries & Wages	<u>\$ 6,410</u>	
Total Landfill Operation and Maintenance		6,410
 <u>Social, Cultural, and Recreational Services</u>		
<u>Senior Citizens Assistance</u>		
Clerical Personnel	\$ 8,236	
Other Salaries & Wages	700	
Travel	268	
Other Supplies and Materials	<u>1,044</u>	
Total Senior Citizens Assistance		10,248

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries

Librarians	\$	21,501	
Clerical Personnel		28,000	
Part-time Personnel		22,984	
Other Salaries & Wages		3,267	
Communication		5,102	
Library Books/Media		7,915	
Periodicals		1,500	
Utilities		11,262	
Other Supplies and Materials		4,510	
Other Charges		5,286	
Other Equipment		1,462	
Total Libraries			\$ 112,789

Agriculture & Natural Resources

Agriculture Extension Service

Assistant(s)	\$	22,997	
Supervisor/Director		10,330	
Clerical Personnel		6,550	
Other Fringe Benefits		5,420	
Rentals		7,200	
Total Agriculture Extension Service			52,497

Soil Conservation

Secretary(ies)	\$	19,500	
Other Salaries & Wages		700	
Total Soil Conservation			20,200

Other Operations

Industrial Development

Other Charges	\$	773	
Total Industrial Development			773

Other Economic and Community Development

Contracts with Government Agencies	\$	4,095	
Contributions		5,000	
Travel		1,075	
Total Other Economic and Community Development			10,170

Veterans' Services

Supervisor/Director	\$	3,842	
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(Continued)

Exhibit I-7

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services (Cont.)

Other Salaries & Wages	\$	350	
Travel		500	
Total Veterans' Services			\$ 4,692

Other Charges

Trustee's Commission	\$	59,248	
Total Other Charges			59,248

Contributions to Other Agencies

Contributions	\$	32,977	
Dues and Memberships		4,937	
Total Contributions to Other Agencies			37,914

Employee Benefits

Social Security	\$	143,719	
State Retirement		62,852	
Employee and Dependent Insurance		103,360	
Unemployment Compensation		12,896	
Total Employee Benefits			322,827

Miscellaneous

Laborers	\$	6,064	
Other Salaries & Wages		270	
Pauper Burials		2,950	
Road Signs		16,057	
Liability Insurance		102,842	
Refunds		711	
Other Charges		77,231	
Total Miscellaneous			206,125

Total General Fund \$ 4,176,414

Courthouse & Jail Maintenance Fund

General Government

County Buildings

Maintenance & Repair Services - Buildings	\$	19,590	
Custodial Supplies		19,177	
Trustee's Commission		678	
Total County Buildings			\$ 39,445

Total Courthouse & Jail Maintenance Fund 39,445

(Continued)

Exhibit I-7

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

<u>Local Purpose Tax Fund</u>			
<u>Other Operations</u>			
<u>Other Charges</u>			
Trustee's Commission	\$	10,136	
Total Other Charges			\$ 10,136
<u>Contributions to Other Agencies</u>			
Contributions	\$	1,114,936	
Total Contributions to Other Agencies			<u>1,114,936</u>
Total Local Purpose Tax Fund			\$ 1,125,072
<u>Drug Control Fund</u>			
<u>Public Safety</u>			
<u>Sheriff's Department</u>			
Travel	\$	757	
Other Charges		<u>848</u>	
Total Sheriff's Department			\$ 1,605
<u>Drug Enforcement</u>			
Confidential Drug Enforcement Payments	\$	8,000	
Motor Vehicles		<u>13,420</u>	
Total Drug Enforcement			21,420
<u>Other Operations</u>			
<u>Other Charges</u>			
Trustee's Commission	\$	29	
Total Other Charges			29
<u>Support Services</u>			
<u>Other Student Support</u>			
Other Supplies and Materials	\$	1,743	
Other Charges		<u>1,371</u>	
Total Other Student Support			<u>3,114</u>
Total Drug Control Fund			26,168
<u>Constitutional Officers - Fees Fund</u>			
<u>General Government</u>			
<u>Register of Deeds</u>			
Constitutional Officers' Operating Expenses	\$	87,361	
Total Register of Deeds			\$ 87,361

(Continued)

Exhibit I-7

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

Constitutional Officers - Fees Fund (Cont.)

General Government (Cont.)

Other General Administration

Constitutional Officers' Operating Expenses	\$ 6,748	
Total Other General Administration		\$ 6,748

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$ 69,916	
Total County Trustee's Office		<u>69,916</u>

Total Constitutional Officers - Fees Fund \$ 164,025

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 56,552	
Accountants/Bookkeepers	21,300	
Secretary(ies)	19,834	
Board and Committee Members Fees	600	
Communication	6,041	
Data Processing Services	3,629	
Dues and Memberships	3,190	
Postal Charges	307	
Printing, Stationery, and Forms	281	
Rentals	831	
Travel	178	
Electricity	3,396	
Natural Gas	9,836	
Office Supplies	942	
Water and Sewer	135	
Data Processing Equipment	<u>82</u>	
Total Administration		\$ 127,134

Highway and Bridge Maintenance

Foremen	\$ 22,342
Equipment Operators	83,253
Truck Drivers	24,695
Laborers	73,919
Rentals	183
Other Contracted Services	35,481
Asphalt - Liquid	245,888
Concrete	4,284

(Continued)

Exhibit I-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Crushed Stone	\$	85,109	
General Construction Materials		712	
Pipe - Metal		16,483	
Structural Steel		4,859	
Wood Products		794	
Other Supplies and Materials		4,142	
Total Highway and Bridge Maintenance			\$ 602,144

Operation and Maintenance of Equipment

Mechanic(s)	\$	44,638	
Maintenance & Repair Services - Equipment		4,296	
Diesel Fuel		87,694	
Equipment and Machinery Parts		33,327	
Garage Supplies		8,394	
Gasoline		29,476	
Lubricants		3,557	
Small Tools		1,673	
Tires and Tubes		20,877	
Total Operation and Maintenance of Equipment			233,932

Quarry Operations

Foremen	\$	25,150	
Equipment Operators		83,904	
Explosive and Drilling Services		34,985	
Maintenance & Repair Services - Equipment		6,801	
Electricity		6,727	
Equipment and Machinery Parts		45,287	
Total Quarry Operations			202,854

Other Charges

Liability Insurance	\$	39,663	
Trustee's Commission		15,067	
Workers' Compensation Insurance		43,928	
Other Charges		1,411	
Total Other Charges			100,069

Employee Benefits

Social Security	\$	34,934	
State Retirement		15,092	
Employee and Dependent Insurance		130,307	

(Continued)

Exhibit I-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits (Cont.)

Unemployment Compensation	\$ 4,638	
Total Employee Benefits		\$ 184,971

Capital Outlay

Principal on Notes	\$ 115,000	
Interest on Notes	11,418	
Highway Equipment	9,800	
State Aid Projects	447,285	
Total Capital Outlay		<u>583,503</u>

Total Highway/Public Works Fund		\$ 2,034,607
---------------------------------	--	--------------

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 150,000	
Principal on Notes	174,939	
Total General Government		\$ 324,939

Highways and Streets

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

Education

Principal on Bonds	\$ 440,000	
Total Education		440,000

Interest on Debt

General Government

Interest on Bonds	\$ 60,143	
Interest on Notes	31,265	
Total General Government		91,408

Highways and Streets

Interest on Notes	\$ 1,595	
Total Highways and Streets		1,595

Education

Interest on Bonds	\$ 230,620	
Total Education		230,620

(Continued)

Exhibit I-7

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Other Debt Service</u>		
<u>General Government</u>		
Fiscal Agent Charges	\$ 15,000	
Trustee's Commission	9,355	
Other Debt Service	<u>1,250</u>	
Total General Government		\$ 25,605
<u>Education</u>		
Other Debt Service	<u>\$ 329</u>	
Total Education		<u>329</u>
Total General Debt Service Fund		\$ 1,127,496
<u>General Capital Projects Fund</u>		
<u>Other Operations</u>		
<u>Other Charges</u>		
Trustee's Commission	<u>\$ 1,170</u>	
Total Other Charges		<u>\$ 1,170</u>
Total General Capital Projects Fund		1,170
<u>Education Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Education Capital Projects</u>		
Contributions	<u>\$ 610,000</u>	
Total Education Capital Projects		<u>\$ 610,000</u>
Total Education Capital Projects Fund		<u>610,000</u>
Total Governmental Funds - Primary Government		<u><u>\$ 9,304,397</u></u>

Exhibit I-8

DeKalb County, Tennessee
Schedule of Detailed Revenues and Expenses
Proprietary Fund
For the Year Ended June 30, 2006

	Primary Government <u>Enterprise Fund</u> Solid Waste Disposal Fund
<hr/>	
<u>Revenues</u>	
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
Commercial and Industrial Waste Collection Charge	\$ 12,412
Residential Waste Collection Charge	3,418
Tipping Fees	195,893
Solid Waste Disposal Fees	4,758
Total Charges for Current Services	<u>\$ 216,481</u>
<u>Other Local Revenues</u>	
Sale of Materials and Supplies	\$ 506
Sale of Recycled Materials	4,360
Miscellaneous Refunds	15
Total Other Local Revenues	<u>\$ 4,881</u>
Total Operating Revenue	<u>\$ 221,362</u>
<u>Nonoperating Revenues</u>	
<u>Local Taxes</u>	
Current Property Taxes	\$ 605,799
Trustee Collections - Prior Year	29,521
Circuit/Clerk and Master Collections - Prior Years	10,637
Interest and Penalty	4,259
Pick-up Taxes	990
Grants	13,973
Total Nonoperating Revenues	<u>\$ 665,179</u>
Total Revenues	<u>\$ 886,541</u>
<u>Expenses</u>	
<u>Operating Expenses</u>	
<u>Waste Pickup</u>	
Laborers	\$ 37,627
Total Waste Pickup	<u>\$ 37,627</u>
<u>Convenience Centers</u>	
Laborers	\$ 170,398
Communication	3,216
Other Supplies and Materials	5,903
Other Construction	480
Total Convenience Centers	<u>\$ 179,997</u>

(Continued)

Exhibit I-8

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

	Primary Government <u>Enterprise Fund</u> Solid Waste Disposal Fund
<hr/>	
<u>Expenses (Cont.)</u>	
<u>Operating Expenses (Cont.)</u>	
<u>Landfill Operation and Maintenance</u>	
Laborers	\$ 144,996
Overtime Pay	1,675
Communication	486
Engineering Services	25,221
Laundry Service	14,152
Maintenance and Repair Services - Vehicles	50,306
Rentals	19,911
Other Contracted Services	29,313
Crushed Stone	5,224
Diesel Fuel	90,859
Utilities	9,294
Other Supplies and Materials	15,782
Depreciation	152,908
Landfill Closure/Postclosure Care Costs	139,844
Other Charges	54,650
Total Landfill Operation and Maintenance	<u>\$ 754,621</u>
<u>Other Waste Disposal</u>	
Social Security	\$ 26,067
State Retirement	3,856
Unemployment Compensation	3,923
Trustee's Commission	16,211
Total Other Waste Disposal	<u>\$ 50,057</u>
Total Operating Expenses	<u>\$ 1,022,302</u>
<u>Nonoperating Expenses</u>	
Interest on Capital Lease	\$ 1,550
Total Nonoperating Expenses	<u>\$ 1,550</u>
Total Expenses	<u>\$ 1,023,852</u>

Exhibit I-9

DeKalb County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2006

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 412,880
	<hr/>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 408,751
Trustee's Commission	4,129
Total Cash Disbursements	\$ 412,880
	<hr/>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2005	<hr/> 0
Cash Balance, June 30, 2006	<hr/> <hr/> \$ 0

ANNUAL FINANCIAL REPORT
DEKALB COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF DEKALB COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2006

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
KELLEY J. McNEAL, CPA, CGFM
State Auditors

This financial report is available at www.comptroller.state.tn.us

**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, 2006

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, 2006.

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 three findings and recommendations, which we have reviewed with DeKalb County School Department 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.

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.

INTRODUCTORY SECTION

DeKalb County School Officials
June 30, 2006

Official

Jim McCormick, Director of Schools

Board of Education

Johnny Lattimore, Chairman

W. J. Evins, III

John Foutch

Linda Fuston

Keith Garrett

Kenny Rhody

Charles Robinson

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

September 12, 2006

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 the 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, 2006, as shown on pages 15 through 27, 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 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 matters 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, 2006, 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 the major fund and the aggregate remaining fund information of the DeKalb County School Department as of June 30, 2006, 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 September 12, 2006, 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 to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 31 through 33 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, individual nonmajor fund financial statements, the budgetary comparison schedules of the 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 individual nonmajor fund financial statements, the budgetary comparison schedules of the 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 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/rc

BASIC FINANCIAL STATEMENTS

Exhibit A

DeKalb County, Tennessee
 Balance Sheet - Governmental Funds
 DeKalb County School Department
 June 30, 2006

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total Govern- mental Funds</u>
	General Purpose School	Other Govern- mental Funds	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 481,674	\$ 376,025	\$ 857,699
Accounts Receivable	4,571	478	5,049
Due from Other Governments	112,364	161,484	273,848
Due from Other Funds	222	0	222
Due from Primary Government	945,991	0	945,991
Property Taxes Receivable	2,362,589	0	2,362,589
Allowance for Uncollectible Property Taxes	(77,455)	0	(77,455)
Total Assets	<u>\$ 3,829,956</u>	<u>\$ 537,987</u>	<u>\$ 4,367,943</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Payroll Deductions Payable	\$ 0	\$ 10,012	\$ 10,012
Due to Other Funds	0	222	222
Due to Primary Government	4,000	0	4,000
Due to State of Tennessee	0	198	198
Deferred Revenue - Current Property Taxes	2,184,858	0	2,184,858
Deferred Revenue - Delinquent Property Taxes	93,342	0	93,342
Other Deferred Revenues	33,768	0	33,768
Total Liabilities	<u>\$ 2,315,968</u>	<u>\$ 10,432</u>	<u>\$ 2,326,400</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 15,920	\$ 0	\$ 15,920
Reserved for Career Ladder Program	14,428	0	14,428
Reserved for Technology	24,709	0	24,709
Reserved for Basic Education Program	1,254,167	0	1,254,167
Reserved for Title I Grants to Local Education Agencies	0	61,030	61,030
Reserved for Special Education - Grants to States	0	63,165	63,165
Other Federal Reserves	0	515	515
Unreserved, Reported In:			
General Fund	204,764	0	204,764
Special Revenue Funds	0	398,900	398,900
Capital Projects Funds	0	3,945	3,945
Total Fund Balances	<u>\$ 1,513,988</u>	<u>\$ 527,555</u>	<u>\$ 2,041,543</u>
Total Liabilities and Fund Balances	<u>\$ 3,829,956</u>	<u>\$ 537,987</u>	<u>\$ 4,367,943</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, 2006

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 2,275,992	\$ 0	\$ 2,275,992
Licenses and Permits	1,257	0	1,257
Charges for Current Services	23,764	444,687	468,451
Other Local Revenues	59,176	4,826	64,002
State of Tennessee	10,908,124	0	10,908,124
Federal Government	281,053	2,181,887	2,462,940
Other Governments and Citizens Groups	1,555,991	168,945	1,724,936
Total Revenues	<u>\$ 15,105,357</u>	<u>\$ 2,800,345</u>	<u>\$ 17,905,702</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 8,749,604	\$ 1,167,826	\$ 9,917,430
Support Services	5,033,132	457,204	5,490,336
Operation of Non-Instructional Services	302,902	1,036,076	1,338,978
Capital Outlay	67,432	0	67,432
Capital Projects	0	165,000	165,000
Total Expenditures	<u>\$ 14,153,070</u>	<u>\$ 2,826,106</u>	<u>\$ 16,979,176</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 952,287</u>	<u>\$ (25,761)</u>	<u>\$ 926,526</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 1,680	\$ 0	\$ 1,680
Transfers Out	0	(1,680)	(1,680)
Total Other Financing Sources (Uses)	<u>\$ 1,680</u>	<u>\$ (1,680)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 953,967	\$ (27,441)	\$ 926,526
Fund Balance, July 1, 2005	<u>560,021</u>	<u>554,996</u>	<u>1,115,017</u>
Fund Balance, June 30, 2006	<u>\$ 1,513,988</u>	<u>\$ 527,555</u>	<u>\$ 2,041,543</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, 2006

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 DeKalb 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. The School Department has no proprietary or fiduciary funds to report. An emphasis is placed on major funds within the governmental category.

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 grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

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

Special Revenue Funds – These 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.

Capital Projects Fund – The Education Capital Projects Fund is used to account for transactions related to the construction and renovation of school buildings in DeKalb County.

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 DeKalb County and DeKalb County 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 Debt Service Fund and the General Capital Projects Fund. 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**

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

Property taxes receivable is shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.64 percent of total taxes levied.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also

defer revenue recognition in connection with resources that have been received, but not yet earned.

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

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

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

3. Capital Assets

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

It is the School Department's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since the School Department does not have a policy to pay any amounts when employees separate from service with the school system. A liability for vacation pay is reported in governmental funds only if amounts have

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

5. 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

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except capital projects funds, which adopt project length budgets. All annual appropriations lapse at fiscal year end.

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 Program, 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 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.

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. DeKalb County, the School Department's primary government, is 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, 2006.

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2006, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Purpose School	Nonmajor governmental	\$ 222

This balance 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.

Due to/from primary government and component units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Component unit: General Purpose School	Primary government: Local Purpose Tax	\$ 945,991
Primary government: General Debt Service	Component unit: General Purpose School	3,000
Nonmajor governmental	"	1,000

Interfund Transfers:

Interfund transfers for the year ended June 30, 2006, consisted of the following amount:

<u>Transfers Out</u>	<u>Transfers In</u> General Purpose School Fund
Nonmajor governmental fund	\$ 1,680
Total	<u>\$ 1,680</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 is a member of the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. 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 Changes

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries became effective for the year ended June 30, 2006. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries. GASB Statement No. 42 had no effect on the financial statements for the year ended June 30, 2006, since no capital asset impairment and insurance recoveries occurred. However, it is reasonably expected that capital asset impairment and insurance recoveries may occur in subsequent years that will be subject to the provisions of Statement No. 42.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since DeKalb County is not

presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that DeKalb County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. The School Department had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that the School Department will be required to disclose net assets restricted by enabling legislation in subsequent years.

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements. The School Department was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that the School Department will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

C. Subsequent Event

Jim McCormick left the Office of Director of Schools on July 1, 2006, and was succeeded by Mark Willoughby.

D. Contingent Liabilities

There are several pending lawsuits in which the School Department is involved. The School Department's 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. 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. 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, 2006, 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, 2006, 2005, and 2004, were \$469,799, \$463,746, and \$274,768, 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 and 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 \$10,000 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.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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, 2006

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 2,275,992	\$ 0	\$ 2,275,992	\$ 2,177,558	\$ 2,177,558	\$ 98,434
Licenses and Permits	1,257	0	1,257	1,500	1,500	(243)
Charges for Current Services	23,764	0	23,764	18,000	18,000	5,764
Other Local Revenues	59,176	0	59,176	62,000	62,000	(2,824)
State of Tennessee	10,908,124	0	10,908,124	10,674,000	10,905,806	2,318
Federal Government	281,053	0	281,053	205,200	209,200	71,853
Other Governments and Citizens Groups	1,555,991	0	1,555,991	945,991	945,991	610,000
Total Revenues	\$ 15,105,357	\$ 0	\$ 15,105,357	\$ 14,084,249	\$ 14,320,055	\$ 785,302
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 6,899,330	\$ 0	\$ 6,899,330	\$ 7,183,340	\$ 7,105,340	\$ 206,010
Alternative Instruction Program	84,744	0	84,744	84,740	85,740	996
Special Education Program	1,244,150	0	1,244,150	1,267,350	1,297,350	53,200
Vocational Education Program	501,034	0	501,034	498,290	518,290	17,256
Adult Education Program	20,346	0	20,346	20,360	21,980	1,634
<u>Support Services</u>						
Attendance	86,924	0	86,924	93,150	93,150	6,226
Health Services	97,340	0	97,340	98,320	99,320	1,980
Other Student Support	340,302	0	340,302	388,070	388,070	47,768
Regular Instruction Program	600,305	0	600,305	622,570	622,570	22,265
Special Education Program	117,263	0	117,263	120,070	121,970	4,707
Vocational Education Program	8,802	0	8,802	8,500	8,820	18
Adult Programs	0	0	0	2,860	2,860	2,860
Board of Education	332,242	0	332,242	302,950	376,950	44,708
Director of Schools	127,354	0	127,354	132,860	132,860	5,506

(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)	Add: Encumbrances 6/30/2006	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	\$ 836,651	\$ 0	\$ 836,651	\$ 873,980	\$ 873,980	\$ 37,329
Fiscal Services	166,368	0	166,368	175,080	175,080	8,712
Operation of Plant	1,043,206	0	1,043,206	1,017,400	1,051,400	8,194
Maintenance of Plant	221,512	0	221,512	230,710	235,210	13,698
Transportation	1,054,863	15,920	1,070,783	1,078,860	1,098,860	28,077
<u>Operation of Non-Instructional Services</u>						
Food Service	60,566	0	60,566	61,980	61,980	1,414
Community Services	39,444	0	39,444	130,000	39,500	56
Early Childhood Education	202,892	0	202,892	0	215,966	13,074
<u>Capital Outlay</u>						
Regular Capital Outlay	67,432	0	67,432	71,000	71,000	3,568
Total Expenditures	<u>\$ 14,153,070</u>	<u>\$ 15,920</u>	<u>\$ 14,168,990</u>	<u>\$ 14,462,440</u>	<u>\$ 14,698,246</u>	<u>\$ 529,256</u>
Excess (Deficiency) of Revenues						
Over Expenditures	\$ 952,287	\$ (15,920)	\$ 936,367	\$ (378,191)	\$ (378,191)	\$ 1,314,558
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 1,680	\$ 0	\$ 1,680	\$ 15,000	\$ 15,000	\$ (13,320)
Total Other Financing Sources (Uses)	<u>\$ 1,680</u>	<u>\$ 0</u>	<u>\$ 1,680</u>	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ (13,320)</u>
Net Change in Fund Balance						
Fund Balance, July 1, 2005	\$ 953,967	\$ (15,920)	\$ 938,047	\$ (363,191)	\$ (363,191)	\$ 1,301,238
	<u>560,021</u>	<u>0</u>	<u>560,021</u>	<u>797,870</u>	<u>797,870</u>	<u>(237,849)</u>
Fund Balance, June 30, 2006	<u>\$ 1,513,988</u>	<u>\$ (15,920)</u>	<u>\$ 1,498,068</u>	<u>\$ 434,679</u>	<u>\$ 434,679</u>	<u>\$ 1,063,389</u>

**DEKALB COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF DEKALB COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2006**

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 Program, 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.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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.

Capital Project Fund

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

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for transactions relating to the construction and renovation of school buildings in DeKalb County.

Exhibit D-1

DeKalb County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
DeKalb County School Department
June 30, 2006

	<u>Special Revenue Funds</u>			<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>School Federal Projects</u>	<u>Central Cafeteria</u>	<u>Total</u>	<u>Education Capital Projects</u>	
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 19,894	\$ 352,186	\$ 372,080	\$ 3,945	\$ 376,025
Accounts Receivable	0	478	478	0	478
Due from Other Governments	106,498	54,986	161,484	0	161,484
Total Assets	<u>\$ 126,392</u>	<u>\$ 407,650</u>	<u>\$ 534,042</u>	<u>\$ 3,945</u>	<u>\$ 537,987</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Payroll Deductions Payable	\$ 1,399	\$ 8,613	\$ 10,012	\$ 0	\$ 10,012
Due to Other Funds	222	0	222	0	222
Due to State of Tennessee	61	137	198	0	198
Total Liabilities	<u>\$ 1,682</u>	<u>\$ 8,750</u>	<u>\$ 10,432</u>	<u>\$ 0</u>	<u>\$ 10,432</u>
<u>Fund Balances</u>					
Reserved for Title I Grants to Local Education Agencies	\$ 61,030	\$ 0	\$ 61,030	\$ 0	\$ 61,030
Reserved for Special Education - Grants to States	63,165	0	63,165	0	63,165
Other Federal Reserves	515	0	515	0	515
Unreserved	0	398,900	398,900	3,945	402,845
Total Fund Balances	<u>\$ 124,710</u>	<u>\$ 398,900</u>	<u>\$ 523,610</u>	<u>\$ 3,945</u>	<u>\$ 527,555</u>
Total Liabilities and Fund Balances	<u>\$ 126,392</u>	<u>\$ 407,650</u>	<u>\$ 534,042</u>	<u>\$ 3,945</u>	<u>\$ 537,987</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, 2006

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Total	Education Capital Projects	
<u>Revenues</u>					
Charges for Current Services	\$ 0	\$ 444,687	\$ 444,687	\$ 0	\$ 444,687
Other Local Revenues	0	4,826	4,826	0	4,826
Federal Government	1,545,161	636,726	2,181,887	0	2,181,887
Other Governments and Citizens Groups	0	0	0	168,945	168,945
Total Revenues	\$ 1,545,161	\$ 1,086,239	\$ 2,631,400	\$ 168,945	\$ 2,800,345
<u>Expenditures</u>					
Current:					
Instruction	\$ 1,167,826	\$ 0	\$ 1,167,826	\$ 0	\$ 1,167,826
Support Services	457,204	0	457,204	0	457,204
Operation of Non-Instructional Services	0	1,036,076	1,036,076	0	1,036,076
Capital Projects	0	0	0	165,000	165,000
Total Expenditures	\$ 1,625,030	\$ 1,036,076	\$ 2,661,106	\$ 165,000	\$ 2,826,106
Excess (Deficiency) of Revenues Over Expenditures	\$ (79,869)	\$ 50,163	\$ (29,706)	\$ 3,945	\$ (25,761)
<u>Other Financing Sources (Uses)</u>					
Transfers Out	\$ (1,680)	\$ 0	\$ (1,680)	\$ 0	\$ (1,680)
Total Other Financing Sources (Uses)	\$ (1,680)	\$ 0	\$ (1,680)	\$ 0	\$ (1,680)
Net Change in Fund Balances	\$ (81,549)	\$ 50,163	\$ (31,386)	\$ 3,945	\$ (27,441)
Fund Balance, July 1, 2005	206,259	348,737	554,996	0	554,996
Fund Balance, June 30, 2006	\$ 124,710	\$ 398,900	\$ 523,610	\$ 3,945	\$ 527,555

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,545,161	\$ 2,318,883	\$ 2,141,364	\$ (596,203)
Total Revenues	\$ 1,545,161	\$ 2,318,883	\$ 2,141,364	\$ (596,203)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 680,723	\$ 1,008,367	\$ 965,033	\$ 284,310
Special Education Program	409,385	632,237	500,191	90,806
Vocational Education Program	77,718	146,642	77,718	0
<u>Support Services</u>				
Other Student Support	19,005	29,033	19,005	0
Regular Instruction Program	124,337	179,583	252,430	128,093
Special Education Program	310,164	322,431	331,610	21,446
Vocational Education Program	787	6,000	787	0
Transportation	2,911	5,258	5,258	2,347
Total Expenditures	\$ 1,625,030	\$ 2,329,551	\$ 2,152,032	\$ 527,002
Excess (Deficiency) of Revenues Over Expenditures	\$ (79,869)	\$ (10,668)	\$ (10,668)	\$ (69,201)
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 92,524	\$ 92,524	\$ (92,524)
Transfers Out	(1,680)	(81,856)	(81,856)	80,176
Total Other Financing Sources (Uses)	\$ (1,680)	\$ 10,668	\$ 10,668	\$ (12,348)
Net Change in Fund Balance	\$ (81,549)	\$ 0	\$ 0	\$ (81,549)
Fund Balance, July 1, 2005	206,259	0	0	206,259
Fund Balance, June 30, 2006	\$ 124,710	\$ 0	\$ 0	\$ 124,710

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 444,687	\$ 440,110	\$ 440,110	\$ 4,577
Other Local Revenues	4,826	2,350	2,350	2,476
Federal Government	636,726	578,800	578,800	57,926
Total Revenues	<u>\$ 1,086,239</u>	<u>\$ 1,021,260</u>	<u>\$ 1,021,260</u>	<u>\$ 64,979</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,036,076	\$ 1,037,750	\$ 1,037,751	\$ 1,675
Total Expenditures	<u>\$ 1,036,076</u>	<u>\$ 1,037,750</u>	<u>\$ 1,037,751</u>	<u>\$ 1,675</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 50,163</u>	<u>\$ (16,490)</u>	<u>\$ (16,491)</u>	<u>\$ 66,654</u>
Net Change in Fund Balance	\$ 50,163	\$ (16,490)	\$ (16,491)	\$ 66,654
Fund Balance, July 1, 2005	<u>348,737</u>	<u>252,633</u>	<u>252,633</u>	<u>96,104</u>
Fund Balance, June 30, 2006	<u>\$ 398,900</u>	<u>\$ 236,143</u>	<u>\$ 236,142</u>	<u>\$ 162,758</u>

MISCELLANEOUS SCHEDULES

Exhibit E-1

DeKalb County, Tennessee
Schedule of Transfers
DeKalb County School Department
For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 1,680</u>
Total Transfers			<u><u>\$ 1,680</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, 2006

<u>Official</u>	<u>Authorization for Salary</u>	<u>Salary Paid During Period</u>	<u>Bond</u>	<u>Surety</u>
Director of Schools	State Board of Education and DeKalb County Board of Education	\$ 74,954 (1)	(2)	
Other Bonds:				
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, 2006

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 2,103,955	\$ 0	\$ 0	\$ 0	\$ 2,103,955
Trustee's Collections - Prior Year	110,437	0	0	0	110,437
Circuit/Clerk & Master Collections - Prior Years	41,223	0	0	0	41,223
Interest and Penalty	17,732	0	0	0	17,732
Pick-up Taxes	2,645	0	0	0	2,645
Total Local Taxes	\$ 2,275,992	\$ 0	\$ 0	\$ 0	\$ 2,275,992
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 1,257	\$ 0	\$ 0	\$ 0	\$ 1,257
Total Licenses and Permits	\$ 1,257	\$ 0	\$ 0	\$ 0	\$ 1,257
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Lunch Payments - Children	\$ 0	\$ 0	\$ 237,663	\$ 0	\$ 237,663
Lunch Payments - Adults	0	0	41,346	0	41,346
Income from Breakfast	0	0	39,257	0	39,257
A la carte Sales	0	0	126,421	0	126,421
Receipts from Individual Schools	23,764	0	0	0	23,764
Total Charges for Current Services	\$ 23,764	\$ 0	\$ 444,687	\$ 0	\$ 468,451
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 4,448	\$ 0	\$ 4,448
Lease/Rentals	350	0	0	0	350
Miscellaneous Refunds	47,924	0	378	0	48,302
<u>Nonrecurring Items</u>					
Insurance Recovery	10,902	0	0	0	10,902
Total Other Local Revenues	\$ 59,176	\$ 0	\$ 4,826	\$ 0	\$ 64,002
<u>State of Tennessee</u>					
<u>State Education Funds</u>					
Basic Education Program	\$ 10,355,499	\$ 0	\$ 0	\$ 0	\$ 10,355,499
Early Childhood Education	202,890	0	0	0	202,890
School Food Service	15,483	0	0	0	15,483
Driver Education	7,739	0	0	0	7,739
Other State Education Funds	59,025	0	0	0	59,025
Career Ladder Program	162,142	0	0	0	162,142
Career Ladder - Extended Contract	105,346	0	0	0	105,346
Total State of Tennessee	\$ 10,908,124	\$ 0	\$ 0	\$ 0	\$ 10,908,124
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 483,753	\$ 0	\$ 483,753
Breakfast	0	0	151,850	0	151,850
USDA - Other	0	0	1,123	0	1,123
Vocational Education - Basic Grants to States	0	80,321	0	0	80,321
Other Vocational	31,769	0	0	0	31,769

(Continued)

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	Education Capital Projects	Total
<u>Federal Government (Cont.)</u>					
<u>Federal Through State (Cont.)</u>					
Title I Grants to Local Education Agencies	\$ 0	\$ 500,000	\$ 0	\$ 0	\$ 500,000
Innovative Education Program Strategies	0	24,794	0	0	24,794
Special Education - Grants to States	626	728,092	0	0	728,718
Special Education Preschool Grants	0	26,800	0	0	26,800
Eisenhower Professional Development State Grants	0	140,576	0	0	140,576
Job Training Partnership Act	18,400	0	0	0	18,400
Other Federal through State	20,346	44,578	0	0	64,924
<u>Direct Federal Revenue</u>					
Public Law 874 - Maintenance and Operation	209,912	0	0	0	209,912
Total Federal Government	\$ 281,053	\$ 1,545,161	\$ 636,726	\$ 0	\$ 2,462,940
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 1,555,991	\$ 0	\$ 0	\$ 168,945	\$ 1,724,936
Total Other Governments and Citizens Groups	\$ 1,555,991	\$ 0	\$ 0	\$ 168,945	\$ 1,724,936
Total	\$ 15,105,357	\$ 1,545,161	\$ 1,086,239	\$ 168,945	\$ 17,905,702

Exhibit E-4

DeKalb County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
DeKalb County School Department
For the Year Ended June 30, 2006

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	4,959,397	
Career Ladder Program		82,532	
Career Ladder Extended Contracts		29,820	
Educational Assistants		114,752	
Other Salaries & Wages		11,992	
Certified Substitute Teachers		96,978	
Social Security		302,058	
State Retirement		282,630	
Medical Insurance		619,057	
Dental Insurance		44,257	
Unemployment Compensation		6,201	
Employer Medicare		70,643	
Instructional Supplies and Materials		58,229	
Textbooks		154,860	
Other Supplies and Materials		21,259	
Other Charges		19,465	
Regular Instruction Equipment		25,200	
Total Regular Instruction Program			\$ 6,899,330

Alternative Instruction Program

Teachers	\$	52,304	
Career Ladder Program		3,000	
Career Ladder Extended Contracts		5,600	
Educational Assistants		8,760	
Social Security		4,066	
State Retirement		3,633	
Medical Insurance		6,067	
Dental Insurance		298	
Unemployment Compensation		65	
Employer Medicare		951	
Total Alternative Instruction Program			84,744

Special Education Program

Teachers	\$	767,434
Career Ladder Program		11,000
Career Ladder Extended Contracts		2,240
Homebound Teachers		41,101
Educational Assistants		152,331
Certified Substitute Teachers		17,879

(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.)

Social Security	\$	57,418	
State Retirement		50,092	
Medical Insurance		110,872	
Dental Insurance		7,338	
Unemployment Compensation		1,552	
Employer Medicare		13,428	
Other Contracted Services		7,965	
Other Supplies and Materials		3,500	
Total Special Education Program			\$ 1,244,150

Vocational Education Program

Teachers	\$	339,363	
Career Ladder Program		6,000	
Career Ladder Extended Contracts		5,600	
Other Salaries & Wages		35,194	
Certified Substitute Teachers		4,937	
Social Security		22,635	
State Retirement		21,238	
Medical Insurance		46,726	
Dental Insurance		3,274	
Unemployment Compensation		402	
Employer Medicare		5,294	
Other Contracted Services		425	
Instructional Supplies and Materials		8,598	
Other Supplies and Materials		1,311	
Other Charges		37	
Total Vocational Education Program			501,034

Adult Education Program

Teachers	\$	17,175	
Social Security		1,065	
State Retirement		928	
Unemployment Compensation		40	
Employer Medicare		249	
Other Supplies and Materials		889	
Total Adult Education Program			20,346

(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	\$	59,051	
Career Ladder Program		3,000	
Career Ladder Extended Contracts		5,600	
Social Security		3,903	
State Retirement		3,721	
Medical Insurance		7,027	
Dental Insurance		346	
Unemployment Compensation		38	
Employer Medicare		913	
Travel		1,673	
Other Supplies and Materials		652	
Attendance Equipment		1,000	
Total Attendance			\$ 86,924

Health Services

Medical Personnel	\$	65,905	
Social Security		3,508	
State Retirement		3,625	
Medical Insurance		14,090	
Dental Insurance		693	
Unemployment Compensation		77	
Employer Medicare		820	
Travel		1,988	
Other Contracted Services		5,488	
Drugs and Medical Supplies		1,068	
Other Supplies and Materials		78	
Total Health Services			97,340

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		229,682	
Career Ladder Extended Contracts		4,480	
Secretary(ies)		19,440	
Other Salaries & Wages		3,321	
Social Security		15,339	
State Retirement		13,687	
Medical Insurance		16,794	
Dental Insurance		1,732	
Unemployment Compensation		324	

(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.)

Employer Medicare	\$	3,587	
Evaluation and Testing		2,666	
Travel		615	
Other Contracted Services		1,565	
Other Supplies and Materials		1,749	
Other Charges		22,990	
Other Equipment		1,331	
Total Other Student Support			\$ 340,302

Regular Instruction Program

Supervisor/Director	\$	60,051	
Career Ladder Program		10,970	
Career Ladder Extended Contracts		10,080	
Librarians		203,541	
Materials Supervisor		59,051	
Instructional Computer Personnel		68,257	
Educational Assistants		29,632	
Social Security		25,991	
State Retirement		22,143	
Medical Insurance		30,244	
Dental Insurance		2,425	
Unemployment Compensation		438	
Employer Medicare		6,078	
Consultants		1,000	
Maintenance & Repair Services - Equipment		26,145	
Travel		17,206	
Instructional Supplies and Materials		7,552	
Library Books/Media		13,527	
Other Supplies and Materials		1,145	
In Service/Staff Development		3,660	
Other Equipment		1,169	
Total Regular Instruction Program			600,305

Special Education Program

Supervisor/Director	\$	61,811
Career Ladder Program		1,365
Career Ladder Extended Contracts		2,800
Other Salaries & Wages		30,833
Social Security		5,887

(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.)

State Retirement	\$	3,629	
Medical Insurance		5,027	
Dental Insurance		375	
Unemployment Compensation		77	
Employer Medicare		1,377	
Travel		4,082	
Total Special Education Program			\$ 117,263

Vocational Education Program

Supervisor/Director	\$	7,802	
Social Security		470	
State Retirement		420	
Employer Medicare		110	
Total Vocational Education Program			8,802

Board of Education

Board and Committee Members Fees	\$	6,312	
Social Security		355	
Employer Medicare		83	
Audit Services		6,531	
Dues and Memberships		9,470	
Legal Services		49,908	
Travel		6,087	
Liability Insurance		37,000	
Trustee's Commission		78,662	
Workers' Compensation Insurance		127,661	
Criminal Investigation of Applicants - TBI		4,704	
Refund to Applicant for Criminal Investigation		4,224	
Other Charges		1,245	
Total Board of Education			332,242

Director of Schools

County Official/Administrative Officer	\$	73,954	
Career Ladder Program		1,000	
Social Security		4,509	
State Retirement		4,122	
Medical Insurance		2,815	
Dental Insurance		346	
Unemployment Compensation		38	

(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 (Cont.)

Employer Medicare	\$	1,055	
Communication		35,043	
Dues and Memberships		30	
Postal Charges		2,739	
Travel		1,580	
Other Charges		123	
Total Director of Schools			\$ 127,354

Office of the Principal

Principals	\$	292,246	
Career Ladder Program		11,000	
Career Ladder Extended Contracts		26,320	
Assistant Principals		138,239	
Secretary(ies)		190,818	
Clerical Personnel		17,374	
Social Security		39,300	
State Retirement		32,108	
Medical Insurance		55,516	
Dental Insurance		2,743	
Unemployment Compensation		689	
Employer Medicare		9,191	
Communication		13,700	
Travel		2,617	
Other Contracted Services		4,540	
Other Charges		250	
Total Office of the Principal			836,651

Fiscal Services

Accountants/Bookkeepers	\$	57,971	
Secretary(ies)		36,615	
Clerical Personnel		20,158	
Social Security		6,764	
State Retirement		4,192	
Medical Insurance		8,749	
Unemployment Compensation		163	
Employer Medicare		1,582	
Data Processing Services		11,214	
Travel		3,093	
Other Contracted Services		8,643	

(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.)

Data Processing Supplies	\$	1,480	
Office Supplies		4,760	
Other Charges		675	
Administration Equipment		309	
Total Fiscal Services			\$ 166,368

Operation of Plant

Custodial Personnel	\$	249,834	
Social Security		14,472	
State Retirement		5,513	
Medical Insurance		21,782	
Unemployment Compensation		748	
Employer Medicare		3,385	
Maintenance & Repair Services - Equipment		3,042	
Other Contracted Services		1,800	
Electricity		372,615	
Natural Gas		189,828	
Water and Sewer		31,979	
Other Supplies and Materials		79,978	
Boiler Insurance		4,900	
Building and Contents Insurance		62,000	
Other Charges		1,330	
Total Operation of Plant			1,043,206

Maintenance of Plant

Supervisor/Director	\$	41,523	
Maintenance Personnel		62,610	
Other Salaries & Wages		18,388	
Social Security		7,152	
State Retirement		3,489	
Medical Insurance		9,972	
Unemployment Compensation		254	
Employer Medicare		1,673	
Maintenance & Repair Services - Buildings		7,219	
Travel		967	
Other Contracted Services		1,555	
Other Supplies and Materials		66,710	
Total Maintenance of Plant			221,512

(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.)

Transportation

Supervisor/Director	\$	40,541	
Mechanic(s)		26,437	
Bus Drivers		377,852	
Other Salaries & Wages		81,817	
Social Security		31,541	
State Retirement		17,401	
Medical Insurance		29,298	
Dental Insurance		281	
Unemployment Compensation		1,455	
Employer Medicare		7,377	
Contracts with Other School Systems		3,000	
Maintenance & Repair Services - Vehicles		4,601	
Travel		1,188	
Other Contracted Services		3,634	
Diesel Fuel		109,518	
Equipment and Machinery Parts		432	
Garage Supplies		1,655	
Gasoline		10,538	
Lubricants		3,223	
Tires and Tubes		7,156	
Vehicle Parts		45,104	
Other Supplies and Materials		4,858	
Vehicle and Equipment Insurance		42,923	
Other Charges		756	
Transportation Equipment		202,277	
Total Transportation			\$ 1,054,863

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	45,965	
Career Ladder Program		1,000	
Social Security		2,672	
State Retirement		2,583	
Medical Insurance		6,440	
Dental Insurance		346	
Unemployment Compensation		38	
Employer Medicare		625	
Travel		897	
Total Food Service			60,566

(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.)

Community Services

Teachers	\$	20,256	
Educational Assistants		5,389	
Other Salaries & Wages		69	
Certified Substitute Teachers		100	
Social Security		1,553	
State Retirement		1,116	
Medical Insurance		1,136	
Dental Insurance		185	
Unemployment Compensation		30	
Employer Medicare		363	
Food Supplies		200	
Instructional Supplies and Materials		4,072	
Other Supplies and Materials		4,975	
Total Community Services			\$ 39,444

Early Childhood Education

Teachers	\$	95,477	
Educational Assistants		43,079	
Certified Substitute Teachers		1,421	
Social Security		8,338	
State Retirement		6,640	
Medical Insurance		16,994	
Dental Insurance		953	
Unemployment Compensation		245	
Employer Medicare		1,950	
Travel		2,009	
Other Contracted Services		6,363	
Food Supplies		614	
Instructional Supplies and Materials		8,647	
Other Supplies and Materials		9,032	
Other Charges		355	
Other Equipment		775	
Total Early Childhood Education			202,892

Capital Outlay

Regular Capital Outlay

Architects	\$	1,000	
Building Improvements		20,000	
Other Capital Outlay		46,432	
Total Regular Capital Outlay			67,432

Total General Purpose School Fund \$ 14,153,070

(Continued)

Exhibit E-4

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	413,068	
Educational Assistants		56,995	
Other Salaries & Wages		2,198	
Certified Substitute Teachers		16,700	
Social Security		28,785	
State Retirement		24,580	
Medical Insurance		47,121	
Dental Insurance		3,811	
Unemployment Compensation		643	
Employer Medicare		6,732	
Other Contracted Services		7,691	
Instructional Supplies and Materials		53,374	
Other Supplies and Materials		1,163	
In Service/Staff Development		11,689	
Other Equipment		6,173	
Total Regular Instruction Program			\$ 680,723

Special Education Program

Teachers	\$	43,882	
Educational Assistants		223,635	
Other Salaries & Wages		29,916	
Certified Substitute Teachers		11,476	
Social Security		18,137	
State Retirement		10,057	
Medical Insurance		29,924	
Dental Insurance		404	
Unemployment Compensation		935	
Employer Medicare		4,242	
Travel		248	
Instructional Supplies and Materials		22,903	
Other Supplies and Materials		12,151	
Special Education Equipment		1,475	
Total Special Education Program			409,385

Vocational Education Program

Educational Assistants	\$	5,235	
Social Security		325	
Unemployment Compensation		12	
Employer Medicare		76	

(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.)

Vocational Education Program (Cont.)

Travel	\$	2,981	
Instructional Supplies and Materials		13,537	
Vocational Instruction Equipment		55,552	
Total Vocational Education Program			\$ 77,718

Support Services

Other Student Support

Evaluation and Testing	\$	10,780	
Other Contracted Services		6,849	
In Service/Staff Development		1,376	
Total Other Student Support			19,005

Regular Instruction Program

Supervisor/Director	\$	56,392	
Social Security		3,402	
State Retirement		3,102	
Medical Insurance		2,811	
Dental Insurance		346	
Unemployment Compensation		38	
Employer Medicare		796	
Other Contracted Services		1,525	
Other Supplies and Materials		1,665	
In Service/Staff Development		45,033	
Other Charges		9,227	
Total Regular Instruction Program			124,337

Special Education Program

Supervisor/Director	\$	22,906	
Psychological Personnel		87,180	
Assessment Personnel		8,941	
Secretary(ies)		16,868	
Other Salaries & Wages		86,724	
Social Security		13,089	
State Retirement		9,991	
Medical Insurance		19,310	
Dental Insurance		1,184	
Unemployment Compensation		299	
Employer Medicare		3,061	
Consultants		1,965	

(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.)

Special Education Program (Cont.)

Travel	\$	2,007	
Other Contracted Services		4,278	
Other Supplies and Materials		7,902	
In Service/Staff Development		24,459	
Total Special Education Program			\$ 310,164

Vocational Education Program

Travel	\$	787	
Total Vocational Education Program			787

Transportation

Bus Drivers	\$	698	
Contracts with Parents		2,213	
Total Transportation			2,911

Total School Federal Projects Fund \$ 1,625,030

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	4,179	
Accountants/Bookkeepers		17,889	
Cafeteria Personnel		359,140	
Custodial Personnel		12	
Social Security		21,992	
State Retirement		10,357	
Medical Insurance		50,543	
Unemployment Compensation		1,302	
Employer Medicare		5,143	
Communication		2,459	
Maintenance & Repair Services - Equipment		9,927	
Travel		2,305	
Other Contracted Services		3,896	
Food Supplies		504,023	
Other Supplies and Materials		24,300	
In Service/Staff Development		1,287	
Other Charges		842	
Food Service Equipment		16,480	
Total Food Service			\$ 1,036,076

Total Central Cafeteria Fund 1,036,076

(Continued)

Exhibit E-4

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

<u>Education Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Education Capital Projects</u>			
Building Improvements	\$	<u>165,000</u>	
Total Education Capital Projects			\$ <u>165,000</u>
 Total Education Capital Projects Fund			 \$ <u>165,000</u>
 Total Governmental Funds - DeKalb County School Department			 \$ <u>16,979,176</u>

SINGLE AUDIT REPORT
DEKALB COUNTY, TENNESSEE
AND
DEKALB COUNTY SCHOOL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2006

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
KELLEY J. McNEAL, CPA, CGFM
State Auditors

This report is available at 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

September 12, 2006

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

To the County Mayor, 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, 2006, 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 September 12, 2006. 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 06.03, 06.04, 06.05, 06.07, 06.08, 06.10(G,H,I,J), 06.12, 06.13 and 06.14.

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, we believe none of the reportable conditions described above is 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 06.01, 06.02, 06.06, 06.09, 06.10(A,B,C,D,E,F), and 06.11.

We 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 entities 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/rc



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

September 12, 2006

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, 2006. 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, 2006.

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.

We noted certain matters involving the DeKalb County School Department's internal control over compliance 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 compliance that, in our judgment, could adversely affect the DeKalb County School Department's ability to administer major federal programs in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.14 and 06.15.

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 noncompliance with the applicable requirements of laws, regulations, contracts, and grants 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. Our consideration of the internal control over compliance 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, we believe none of the reportable conditions described above is a material weakness.

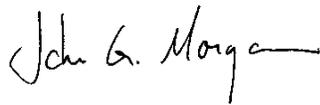
Schedule of Federal Awards

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, 2006, and have issued our reports thereon dated September 12, 2006. 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 entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/rc

DeKalb County, Tennessee, and the DeKalb County School Department
Schedule of Expenditures of Federal Awards and State Grants (1)
For Year Ended June 30, 2006

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	\$ 47,856
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	151,850
National School Lunch Program	10.555	N/A	484,876
Total U.S. Department of Agriculture			<u>\$ 684,582</u>
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
WIA Youth Activities	17.259	05-07-041-002-09-82	\$ 1,400
WIA Youth Activities	17.259	06-07-041-002-09-82	17,000
Total U.S. Department of Labor			<u>\$ 18,400</u>
U.S. Department of Education:			
Direct Program:			
Impact Aid	84.041	N/A	\$ 205,033
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	569,862
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	692,804
Special Education - Preschool Grants	84.173	N/A	31,163
Vocational Education - Basic Grants to States	84.048	N/A	80,321
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	N/A	31,769
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	25,307
State Grants for Innovative Programs	84.298	N/A	11,743
Education Technology State Grants	84.318	(2)	7,472
Rural Education	84.358	N/A	39,045
English Language Acquisition Grants	84.365	N/A	25,667
Improving Teacher Quality State Grants	84.367	N/A	143,952
Hurricane Education Recovery	84.938	N/A	4,879
Total U.S. Department of Education			<u>\$ 1,869,017</u>
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-06-027176-00	\$ 20,346
Total U.S. Department of Health and Human Services			<u>\$ 20,346</u>
U.S. Office of Homeland Security:			
Passed through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-04-020087-00	\$ 52,269
Total U.S. Office of Homeland Security			<u>\$ 52,269</u>
Total Expenditures of Federal Awards			<u>\$ 2,644,614</u>

(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	Contract Number	Expenditures
<u>State Grants</u>			
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 10,317
Juvenile Services Program - State Commission on Children and Youth	N/A	Z-06-002587-00	9,000
Litter Program - State Department of Transportation	N/A	(2)	24,783
Local Health Services - State Department of Health	N/A	Z-06-2952-01	2,800
Aging Programs - State Commission on Aging	N/A	(2)	3,765
3 Star Matching Grant - State Department of Economic and Community Development	N/A	(2)	1,500
Road Sign Grant - State Department of Transportation	N/A	Z-05-024223-01	10,000
Lottery for Education: Afterschool Programs - State Department of Education	N/A	019-06-1-002	39,445
Voluntary PreK for Tennessee - State Department of Education	N/A	(2)	76,916
Early Childhood Education - State Department of Education	N/A	(2)	125,974
Safe Schools Act - State Department of Education	N/A	(2)	19,580
Stream Cleanup - State Wildlife Agency	N/A	Z-03-014726-00	1,000
Waste Tire Storage and Disposal - State Department of Environment and Conservation	N/A	Z-03-011321-02	<u>12,973</u>
Total State Grants			<u>\$ 338,053</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.

DeKalb County, Tennessee, and the DeKalb County School Department
Schedule of Audit Findings Not Corrected
June 30, 2006

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, 2005, which have not been corrected.

DEKALB COUNTY AND DEKALB COUNTY SCHOOL DEPARTMENT

Finding Number	Page Number	Subject
05.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

OFFICE OF COUNTY MAYOR

Finding Number	Page Number	Subject
05.03	13	The office had deficiencies in purchasing procedures
05.04	14	Inventory records were not maintained
05.05	14	The office had deficiencies in computer system backup procedures

OFFICE OF ROAD SUPERVISOR

Finding Number	Page Number	Subject
05.07	15	Controls over consumable assets were inadequate
05.08	16	Deficiencies were noted in purchasing procedures

OFFICE OF REGISTER

Finding Number	Page Number	Subject
05.12	18	Excess fees were not reported and paid to the county in compliance with state statute

OFFICE OF SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.14(A-C, E-H)	19	The office had numerous accounting deficiencies
05.15(C)	21	Several forms and reports required for confidential drug funds were not completed or prepared
05.16	21	Inventory records were not maintained for seized property

OTHER FINDINGS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.17	21	A central system of accounting and budgeting had not been adopted
05.18	21	Duties were not adequately segregated in the Offices of County Mayor, Road Supervisor, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2006

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. None of these conditions were considered to be a material weakness.
3. The audit disclosed two instances of noncompliance that are material to the financial statements of DeKalb County, and one instance of noncompliance that is material to the financial statements of the DeKalb County School Department.
4. One reportable condition in internal control over major programs was disclosed by the audit.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit disclosed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program 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 quoted 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 06.01 **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 their 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 their 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 06.02 **EXPENDITURES EXCEEDED APPROPRIATIONS
(Noncompliance Under Government Auditing Standards)**

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

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
General Fund:	
Drug Court	\$ 2,300
Special Patrols	893
Landfill Operation and Maintenance	5,376
Other Charges	1,530
General Debt Service Fund:	
Interest on Debt - Highways and Streets	1,306

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

RECOMMENDATION

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

FINDING 06.03 **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 purchases, 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 receipt of goods or services to document these purchases.

RECOMMENDATION

The office should improve purchasing procedures by issuing purchase orders before 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 have been rendered should be on file before invoices are paid.

FINDING 06.04 **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.

FINDING 06.05 **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 were identified:

- A. System backups were not performed on a routine basis. Inadequate backup 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 backup 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.

OFFICE OF ROAD SUPERVISOR

FINDING 06.06 **EXPENDITURES EXCEEDED APPROPRIATIONS**
(Material Noncompliance Under Government Auditing Standards)

Highway/Public Works Fund expenditures exceeded appropriations approved by the County Commission by \$366,965. Section 5-9-401, Tennessee Code Annotated, states that “All funds from whatever source derived, including, but not limited to taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

RECOMMENDATION

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

FINDING 06.07 **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.

FINDING 06.08 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 that did not include descriptions and dollar amounts of purchases. 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 that include the dollar amounts and descriptions of items purchased and by obtaining documentation that goods have been received or services have been rendered before invoices are paid.

OFFICE OF REGISTER

FINDING 06.09 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 \$50,000 were reported and paid to the county. However, excess fees retained exceeded statutory limits by amounts ranging from \$12,511 to \$45,636 at the end of the four reporting periods.

RECOMMENDATION

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

OFFICE OF SHERIFF

FINDING 06.10 **THE OFFICE HAD NUMEROUS ACCOUNTING DEFICIENCIES**

(A. Through F. – Noncompliance Under Government Auditing Standards; G. Through J. – Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination of records revealed the following accounting deficiencies:

- A. Seized cash (\$8,200) properly awarded to the office by the state Department of Safety was 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. Official prenumbered receipts were not issued for some collections. Section 9-2-103, TCA, requires official prenumbered receipts to be issued when collections are received.
- E. Funds were not deposited to the office bank accounts within three days of collection, as required by Section 5-8-207, TCA. This statute requires county officials to deposit all funds within three days of collection.
- F. The sheriff paid \$328 for a safe from his commissary checking account in-lieu-of purchasing these items through the county's budgetary process. Section 5-9-401, TCA, requires all funds to be appropriated by the County Commission.
- G. The official cash journal was not properly maintained and did not accurately reflect the operations of the office. The following discrepancies were noted:
 - 1. Beginning September 2005 and continuing through June 30, 2006:
 - a) Debit entries to the cash account were not offset by corresponding credit entries to other accounts; therefore, the cash account would not balance.
 - b) Banks deposits were not posted to the cash journal.

- c) Checks issued were not posted to the cash journal.
- 2. Drug control, commissary, and confiscated property transactions were not posted to the cash journal for the entire audit period.

It should be noted that cash receipts and disbursements for this office were determined by substantive testing and alternative auditing procedures.

- H. The Sheriff's Department maintained four bank accounts. Bank statements for these accounts had not been reconciled for the entire audit period. The bank balances for June 30, 2006, were determined by confirmations and alternative auditing procedures.
- I. Individual checks were not itemized on bank deposit slips.
- J. Cash and money orders held overnight by the Sheriff's Department were not adequately safeguarded. 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

Seized cash awarded to the office by the state Department of Safety, fees, commissions, and commissary profits should be remitted to the county trustee 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 for all collections, and all collections should be deposited within three days as required by state statute. Expenditures of the Sheriff's Department should be appropriated by the County Commission. The cash journal should be properly maintained and all transactions should be properly recorded. Bank statements should be reconciled with the cash journal 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.

FINDING 06.11 **THE OFFICE DID NOT DOCUMENT CONFIDENTIAL DRUG FUND EXPENDITURES**
(Noncompliance Under Government Auditing Standards)

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

The sheriff should ensure that all required forms and reports in the administration of confidential funds are prepared.

FINDING 06.12 **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.

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

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

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.

FINDING 06.14

DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY MAYOR, ROAD SUPERVISOR, 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 and OMB Circular A-133)

Duties were not segregated adequately among officials and employees in the Offices of County Mayor, Road Supervisor, 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.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS (DIRECT QUOTE)

Due to limited resources and personnel, management is not able to properly segregate duties among employees.

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

Federal Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Agriculture: Passed-through State Department of Education:					
Child Nutrition Cluster:					
School Breakfast Program	06.15	10.553	Circular A-133, Section 500 (c)(3)	Reportable Condition in Internal Control See Finding 06.14 – Duties were not adequately segregated in the Office of Director of Schools	\$ 0
School Lunch Program		10.555			
U.S. Department of Education: Passed-through State Department of Education:					
Title I Grants to Local Educational Agencies					
		84.010			
Special Education Cluster:					
Special Education – Grants to States		84.027			
Special Education – Preschool Grants		84.173			

**DEKALB COUNTY, TENNESSEE, AND THE
DEKALB COUNTY SCHOOL DEPARTMENT
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2006**

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

Director of Schools – Corrective Action Plan for Current Audit Findings

FINDINGS 06.14 and 06.15

Contact Person: Mark Willoughby

Corrective action planned: Due to limited resources and personnel, management is not able to properly segregate duties among employees.

Anticipated completion date: None