

ANNUAL FINANCIAL REPORT
DECATUR COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2006

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

ANNUAL FINANCIAL REPORT
DECATUR COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2006

DEPARTMENT OF AUDIT
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Comptroller of the Treasury

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

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Audit Highlights

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

Scope

We have audited the basic financial statements of Decatur County as of and for the year ended June 30, 2006.

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF COUNTY MAYOR

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

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ Expenditures and encumbrances exceeded appropriations approved by the County Commission in one major category (the legal level of control) in the General Purpose School Fund.
-

OFFICE OF SHERIFF

- ◆ The sheriff did not file a letter of agreement or court decree to authorize deputy hires.
-

OTHER FINDINGS

- ◆ All financial activity of the Decatur County Library was not audited or subject to the budgetary control of the County Commission as required by state statutes.
- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately among officials and employees in the Offices of Trustee, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.

INTRODUCTORY SECTION

Decatur County Officials
June 30, 2006

Officials

Kenneth Broadway, County Mayor
David Keeton, Road Supervisor
Michael Price, Ed. D, Director of Schools
Janis Wright Boyd, Trustee
Randy Smith, Assessor of Property
Randy Pope, County Clerk
Danny Tanner, Circuit and General Sessions Courts Clerk
Elizabeth Carpenter, Clerk and Master
Don Davis, Register
Ronald Kenner, Sheriff

Board of County Commissioners

Kenneth Broadway, Chairman
James King, Chairman Pro Tem
Larry Bartholomew
Dan Brigance
David Boroughs
Mike Box
Randa Brasher
Carolyn Giles
Billy Wayne Goodman
Jerry Jones

Joe Keeton
Jean Kindle
Danny Lomax
Danny Pope
Mary Will Roberts
Douglas Sanders
Bobby Swindle
Mary Ella Teague
Carl White

Budget Committee

Jerry Jones, Chairman
Dan Brigance
Carolyn Giles
Billy Wayne Goodman
James King

Board of Education

Robert Bibbs, Chairman
Ralph Aaron
Bradley Dodd
Jimmy Gilbert
Paul Ivy

Dwight Lancaster
JoNell Montgomery
Rebecca Stanfill
Joey Tucsnak

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

December 8, 2006

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Decatur County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise Decatur County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Decatur County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented Decatur County General Hospital, which represent 35.9 percent and 49 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Also, we did not audit the financial statements of the discretely presented Decatur County Emergency Communications District, which represent 1.6 percent and .8 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. These financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Decatur County General Hospital and the Decatur County Emergency Communications District, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the

amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Decatur County, Tennessee, as of June 30, 2006, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 8, 2006, on our consideration of Decatur County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note V.B., Decatur County has adopted the provisions of Governmental Accounting Standards Board Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries.

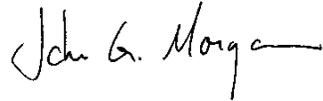
The management of Decatur County did not prepare a management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

The budgetary comparison information on pages 67 through 71 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 Decatur 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, combining and individual fund financial statements of the Decatur County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Decatur County

School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Decatur County, Tennessee
Statement of Net Assets
June 30, 2006

	Primary Government Governmental Activities	Component Units		
		Decatur County School Department	Decatur County General Hospital	Decatur County Emergency Communications District
<u>ASSETS</u>				
Cash	\$ 634	\$ 0	\$ 20,968	\$ 197,712
Equity in Pooled Cash and Investments	2,515,535	1,421,083	0	0
Inventories	0	0	236,506	0
Investments	0	0	1,091,574	0
Accounts Receivable	35,997	5,045	2,954,495	4,665
Due from Other Governments	509,104	356,166	0	0
Due from Primary Government	0	162	0	0
Due from Component Unit	232,801	0	0	0
Property Taxes Receivable	1,263,739	1,170,128	0	0
Allowance for Uncollectible Property Taxes	(39,887)	(36,933)	0	0
Cash Shortage	0	13,824	0	0
Prepaid Items	0	0	113,225	0
Other Current Assets	0	0	271,619	0
Restricted Assets:				
Utility Deposits	0	0	0	140
Deferred Charges - Debt Issuance Costs	21,506	0	6,039	0
Capital Assets:				
Assets Not Depreciated:				
Land	1,562,545	239,448	81,696	0
Construction in Progress	1,220,105	0	0	0
Assets Net of Accumulated Depreciation:				
Buildings and Improvements	1,240,511	8,733,516	1,476,316	0
Infrastructure	2,973,575	0	0	0
Other Capital Assets	1,534,142	1,101,696	1,210,891	120,625
Total Assets	<u>\$ 13,070,307</u>	<u>\$ 13,004,135</u>	<u>\$ 7,463,329</u>	<u>\$ 323,142</u>

(Continued)

Exhibit A

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

	Primary Governmental Activities	Component Units		
		Decatur County School Department	Decatur County General Hospital	Decatur County Emergency Communications District
<u>LIABILITIES</u>				
Accounts Payable	\$ 65,586	\$ 231	\$ 321,129	\$ 0
Other Accrued Expenses	0	0	37,415	0
Payroll Deductions Payable	10,585	152,121	0	0
Contracts Payable	14,522	0	0	0
Accrued Interest Payable	90,185	0	0	0
Due to Primary Government	0	72,296	137,033	0
Due to Component Unit	162	0	0	0
Due to Intermediaries	0	0	190,076	0
Matured Bonds Payable	4,000	0	0	0
Matured Interest Payable	687	0	0	0
Deferred Revenue - Current Property Taxes and Other	1,177,955	1,090,698	0	10,000
Noncurrent Liabilities:				
Due Within One Year	1,141,808	0	1,405,302	0
Due in More Than One Year (net of deferred amount on refunding)	12,609,619	0	2,477,624	0
Total Liabilities	<u>\$ 15,115,109</u>	<u>\$ 1,315,346</u>	<u>\$ 4,568,579</u>	<u>\$ 10,000</u>
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	\$ 4,056,960	\$ 0	\$ 1,274,623	\$ 0
Invested in Capital Assets	0	10,074,660	0	120,625
Restricted for:				
Solid Waste/Sanitation	237,211	0	0	0
Drug Control	57,355	0	0	0
Highway/Public Works	630,281	0	0	0
Capital Projects	41,576	0	0	0
Debt Service	1,353,096	0	0	0
Other Purposes	93,442	38,525	0	0
Unrestricted	(8,514,723)	1,575,604	1,620,127	192,517
Total Net Assets	<u>\$ (2,044,802)</u>	<u>\$ 11,688,789</u>	<u>\$ 2,894,750</u>	<u>\$ 313,142</u>

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

Exhibit B

Decatur County, Tennessee
Statement of Activities
For the Year Ended June 30, 2006

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets							
	Expenses	Program Revenues			Primary Government	Component Units		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Decatur County School Department	Decatur County General Hospital	Decatur County Emergency Communications District
Primary Government:								
Governmental Activities:								
General Government	\$ 671,163	\$ 93,937	\$ 16,380	\$ 0	\$ (560,846)	\$ 0	\$ 0	\$ 0
Finance	385,837	256,727	7,704	0	(121,406)	0	0	0
Administration of Justice	349,154	199,052	9,000	0	(141,102)	0	0	0
Public Safety	1,654,965	201,325	397,910	346,803	(708,927)	0	0	0
Public Health and Welfare	466,784	150,529	46,467	0	(269,788)	0	0	0
Social, Cultural, and Recreational Services	382,850	135,837	22,624	0	(224,389)	0	0	0
Agriculture & Natural Resources	42,826	0	0	0	(42,826)	0	0	0
Other Operations	525,972	0	34,650	103,540	(387,782)	0	0	0
Highways/Public Works	2,223,665	47,661	1,471,315	242,434	(462,255)	0	0	0
Interest on Long-term Debt	534,551	0	875,467	0	340,916	0	0	0
Other Debt Service	23,662	0	0	0	(23,662)	0	0	0
Total Primary Government	\$ 7,261,429	\$ 1,085,068	\$ 2,881,517	\$ 692,777	\$ (2,602,067)	\$ 0	\$ 0	\$ 0
Component Units:								
Decatur County School Department	\$ 11,665,354	\$ 99,941	\$ 1,719,254	\$ 0	\$ 0	\$ (9,846,159)	\$ 0	\$ 0
Decatur County General Hospital	10,715,439	10,789,778	0	0	0	0	74,339	0
Decatur County Emergency Communications District	147,174	67,368	98,434	0	0	0	0	18,628
Total Component Units	\$ 22,527,967	\$ 10,957,087	\$ 1,817,688	\$ 0	\$ 0	\$ (9,846,159)	\$ 74,339	\$ 18,628

(Continued)

Exhibit B

Decatur County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Assets						
		Program Revenues			Primary	Component Units		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Total Activities	Decatur County School Department	Decatur County General Hospital	Decatur County Emergency Communications District
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes					\$ 978,498	\$ 1,086,484	\$ 0	\$ 0
Property Taxes Levied for Debt Service					167,039	0	0	0
Local Option Sales Tax					270,917	1,006,112	0	0
Other Local Taxes					795,497	186,444	0	0
Grants and Contributions Not Restricted for Specific Programs					264,408	7,038,163	68,550	0
Unrestricted Investment Earnings					129,190	12,578	40,301	1,536
Miscellaneous					30,288	1,005	0	75
Total General Revenues					\$ 2,635,837	\$ 9,330,786	\$ 108,851	\$ 1,611
Change in Net Assets					\$ 33,770	\$ (515,373)	\$ 183,190	\$ 20,239
Net Assets, July 1, 2005					(2,078,572)	12,183,838	2,711,560	292,903
Prior Period Adjustment					0	20,324	0	0
Net Assets, June 30, 2006					\$ (2,044,802)	\$ 11,688,789	\$ 2,894,750	\$ 313,142

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

Exhibit C-1

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Governmental Funds	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 634	\$ 634
Equity in Pooled Cash and Investments	669,282	375,790	1,134,299	9,251	326,913	2,515,535
Accounts Receivable	10,680	69	0	0	25,248	35,997
Due from Other Governments	167,929	254,422	74,068	0	12,685	509,104
Due from Other Funds	634	0	0	0	0	634
Due from Component Units	0	0	232,801	0	0	232,801
Property Taxes Receivable	1,076,518	0	187,221	0	0	1,263,739
Allowance for Uncollectible Property Taxes	(33,978)	0	(5,909)	0	0	(39,887)
Total Assets	\$ 1,891,065	\$ 630,281	\$ 1,622,480	\$ 9,251	\$ 365,480	\$ 4,518,557
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 41,990	\$ 0	\$ 0	\$ 17,598	\$ 5,758	\$ 65,346
Payroll Deductions Payable	10,748	0	0	0	77	10,825
Contracts Payable	0	0	0	5,357	9,165	14,522
Due to Other Funds	0	0	0	0	634	634
Due to Component Units	162	0	0	0	0	162
Matured Bonds Payable	0	0	4,000	0	0	4,000
Matured Interest on Bonds	0	0	687	0	0	687
Deferred Revenue - Current Property Taxes	1,003,443	0	174,512	0	0	1,177,955
Deferred Revenue - Delinquent Property Taxes	35,316	0	6,142	0	0	41,458
Other Deferred Revenues	22,579	129,773	181,403	0	0	333,755
Total Liabilities	\$ 1,114,238	\$ 129,773	\$ 366,744	\$ 22,955	\$ 15,634	\$ 1,649,344
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 91,281	\$ 178,579	\$ 269,860
Reserved for Alcohol and Drug Treatment	18,538	0	0	0	0	18,538
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	65,854	0	0	0	0	65,854
Reserved for Drug Court	2,981	0	0	0	0	2,981
Reserved for Sexual Offender Registration	600	0	0	0	0	600

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>LIABILITIES AND FUND BALANCES (Cont.)</u>						
<u>Fund Balances (Cont.)</u>						
Reserved for Computer System - Register	\$ 4,895	\$ 0	\$ 0	\$ 0	\$ 0	4,895
Reserved for Automation Purposes - Chancery Court	574	0	0	0	0	574
Unreserved, Reported In:						
General Fund	683,385	0	0	0	0	683,385
Special Revenue Funds	0	500,508	0	0	294,566	795,074
Debt Service Fund	0	0	1,255,736	0	0	1,255,736
Capital Projects Funds (Deficit)	0	0	0	(104,985)	(123,299)	(228,284)
Total Fund Balances	\$ 776,827	\$ 500,508	\$ 1,255,736	\$ (13,704)	\$ 349,846	\$ 2,869,213
Total Liabilities and Fund Balances	\$ 1,891,065	\$ 630,281	\$ 1,622,480	\$ 9,251	\$ 365,480	\$ 4,518,557

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

Exhibit C-2

Decatur County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2006

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	2,869,213
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,562,545	
Add: construction in progress		1,220,105	
Add: buildings and improvements net of accumulated depreciation		1,240,511	
Add: infrastructure net of accumulated depreciation		2,973,575	
Add: other capital assets net of accumulated depreciation		<u>1,534,142</u>	8,530,878
(2) Long-term liabilities are not due in the current period and therefore are not reported in the governmental funds.			
Less: bonds payable	\$	(9,415,000)	
Less: notes payable		(245,500)	
Less: other loans payable		(4,025,644)	
Add: deferred charges - debt issuances costs		21,506	
Less: compensated absences payable		(65,282)	
Less: accrued interest on bonds		(83,512)	
Less: accrued interest on note		<u>(6,674)</u>	(13,820,106)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>375,213</u>
Net assets of governmental activities (Exhibit A)		\$	<u>(2,044,802)</u>

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

Exhibit C-3

Decatur 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	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds		Governmental Funds
<u>Revenues</u>							
Local Taxes	\$ 1,712,697	\$ 44,917	\$ 510,170	\$ 0	\$ 0	\$ 2,267,784	
Licenses and Permits	11,815	0	0	0	0	11,815	
Fines, Forfeitures, and Penalties	52,889	0	0	0	10,330	63,219	
Charges for Current Services	176,572	0	0	0	132,271	308,843	
Other Local Revenues	133,637	67,711	0	0	135,795	337,143	
Fees Received from County Officials	451,573	0	0	0	0	451,573	
State of Tennessee	824,882	1,697,766	30,471	0	39,055	2,592,174	
Federal Government	47,003	0	0	0	300,000	347,003	
Other Governments and Citizens Groups	85,135	0	777,457	0	4,773	867,365	
Total Revenues	\$ 3,496,203	\$ 1,810,394	\$ 1,318,098	\$ 0	\$ 622,224	\$ 7,246,919	
<u>Expenditures</u>							
Current:							
General Government	\$ 422,054	\$ 0	\$ 0	\$ 0	\$ 0	\$ 422,054	
Finance	323,322	0	0	0	0	323,322	
Administration of Justice	284,855	0	0	0	6,644	291,499	
Public Safety	1,467,497	0	0	0	4,983	1,472,480	
Public Health and Welfare	85,574	0	0	0	257,462	343,036	
Social, Cultural, and Recreational Services	329,289	0	0	0	0	329,289	
Agricultural and Natural Resources	41,051	0	0	0	0	41,051	
Other Operations	591,157	0	0	0	68,749	659,906	
Highways	0	2,821,003	0	0	0	2,821,003	
Debt Service:							
Principal on Debt	0	271,000	806,000	0	0	1,077,000	
Interest on Debt	0	67,644	441,403	0	0	509,047	
Other Debt Service	0	7,669	14,012	0	0	21,681	
Capital Projects	0	0	0	1,379,834	837,269	2,217,103	
Total Expenditures	\$ 3,544,799	\$ 3,167,316	\$ 1,261,415	\$ 1,379,834	\$ 1,175,107	\$ 10,528,471	
Excess (Deficiency) of Revenues	\$ (48,596)	\$ (1,356,922)	\$ 56,683	\$ (1,379,834)	\$ (552,883)	\$ (3,281,552)	
Over Expenditures							

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 245,500	\$ 0	\$ 245,500
Other Loans Issued	7,115	1,339,253	0	1,261,080	0	2,607,448
Insurance Recovery	19,177	8,180	0	0	0	27,357
Total Other Financing Sources (Uses)	\$ 26,292	\$ 1,347,433	\$ 0	\$ 1,506,580	\$ 0	\$ 2,880,305
Net Change in Fund Balances	\$ (22,304)	\$ (9,489)	\$ 56,683	\$ 126,746	\$ (552,883)	\$ (401,247)
Fund Balance, July 1, 2005	799,131	509,997	1,199,053	(140,450)	902,729	3,270,460
Fund Balance, June 30, 2006	\$ 776,827	\$ 500,508	\$ 1,255,736	\$ (13,704)	\$ 349,846	\$ 2,869,213

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

Exhibit C-4

Decatur County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2006

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ (401,247)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The difference between capital outlays and depreciation in the current period is itemized as follows:		
Add: capital assets purchased in the current period	\$ 2,670,054	
Less: current year depreciation expense	<u>(422,098)</u>	2,247,956
(2) The net effect of various miscellaneous transactions involving capital assets (donations and disposals) is itemized as follows:		
Less: loss on disposal of capital assets	\$ (22,708)	
Less: proceeds received from the disposal of assets	<u>(24,771)</u>	(47,479)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: for the year ended June 30, 2006	\$ 375,213	
Less: for the year ended June 30, 2005	<u>(291,933)</u>	83,280
(4) The issuance of long-term debt (e.g., bonds, notes, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Less: note proceeds	\$ (245,500)	
Less: other loans proceeds	(2,607,448)	
Add: deferred charges - debt issuance costs	(1,981)	
Add: principal payments on bonds	705,000	
Add: principal payments on other loans	<u>337,000</u>	(1,812,929)
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ (25,504)	
Change in compensated absences	<u>(10,307)</u>	(35,811)
Change in net assets of governmental activities (Exhibit B)		<u>\$ 33,770</u>

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

Exhibit D

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$468,380
Equity in Pooled Cash and Investments	204
Due from Other Governments	<u>132,828</u>
Total Assets	<u><u>\$601,412</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$132,828
Due to Litigants, Heirs, and Others	468,380
Other Current Liabilities	<u>204</u>
Total Liabilities	<u><u>\$601,412</u></u>

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

DECATUR COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

Decatur County is a public municipal corporation governed by an elected 18-member board. As required by GAAP, these financial statements present Decatur County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

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

The Decatur County School Department operates the public school system in the county, and the voters of Decatur 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 Decatur County General Hospital provides health care and emergency medical services to the citizens of Decatur County, and the Decatur County Commission appoints its governing body. Patient charges provide the majority of the revenues for the entity. Decatur County is obligated to retire any debt issued by the Decatur County General Hospital in the event of default by the hospital.

The Decatur County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Decatur County, and the Decatur 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 Decatur County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the Decatur County School Department are included in this report as listed in the table of contents. Complete financial statements of the Decatur County General Hospital and the Decatur County Emergency Communications District can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Decatur County General Hospital
1200 Tennessee Avenue
Parsons, TN 38363

Decatur County Emergency Communications District
P. O. Box 628
Decaturville, TN 38329

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other

items not properly included among program revenues are reported instead as general revenues.

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

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Decatur County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of

accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

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

Fiduciary fund financial statements are reported using the economic resources measurement focus (except for agency funds which have no measurement focus) and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Decatur County reports the following major governmental funds:

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

Highway/Public Works Fund – This fund accounts for transactions of the county’s 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.

General Capital Projects Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Additionally, Decatur County reports the following fund type:

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

The discretely presented Decatur County School Department reports the following major governmental fund:

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

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

Special Revenue Fund – The School Federal Projects Fund accounts for restricted federal revenues which must be expended on specific education programs.

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

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

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.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; 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 funds and the discretely presented Decatur County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General and General Purpose School Funds. Decatur County and the Decatur 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 and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

All property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.69 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 Circuit Court between the following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.

3. Capital Assets

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

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	25 - 40
Other Capital Assets	5 - 30
Infrastructure:	
Roads	10 - 20
Bridges	15 - 30

4. Compensated Absences

It is the county's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid

accumulated sick leave since Decatur County does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide statements for the county and its discretely presented component units. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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

6. Net Assets and Fund Equity

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

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

As of June 30, 2006, Decatur County had \$9,190,720 outstanding debt for capital purposes for the discretely presented Decatur County School Department. This debt is a liability of Decatur County, but the capital assets acquired are reported in the financial statements of the Decatur County School Department. Therefore, Decatur County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

Primary Government

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

Discretely Presented Decatur County School Department

Exhibit I-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

Primary Government

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

Discretely Presented Decatur County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the Decatur 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, Beer Board, Other Boards and Committees, etc.). Management may make revisions within major categories, but only the Decatur 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 the GAAP basis is presented on the face of each budgetary schedule.

B. Fund Deficits

The General Capital Projects Fund had a fund deficit of \$104,985 at June 30, 2006. This deficit primarily resulted from the unperformed portions of construction contracts of \$91,281 being reserved as encumbrances. Funding for these expenditures is expected to be received from the issuance of debt.

The Other Capital Projects Fund had a fund deficit of \$178,583 at June 30, 2006. This deficit primarily resulted from the unperformed portions

of construction contracts of \$178,579 being reserved as encumbrances and the recognition of current contract liabilities. Funding for these expenditures is expected to be received from the grant proceeds.

C. Cash Shortage – Prior Years

The discretely presented General Purpose School Fund had a cash shortage of \$13,824 at June 30, 2006. This cash shortage resulted from a theft at the Parsons Elementary School Cafeteria during the period July 1, 2002, through February 29, 2004. Additional detailed information about this theft can be accessed at the following website:

<http://www.comptroller1.state.tn.us/repository/MA/parsonselem.pdf>.

D. Expenditures and Encumbrances Exceeded Appropriations

Expenditures and encumbrances exceeded appropriations approved by the County Commission in the Other Debt Service – Education major appropriation category (legal level of control) of the discretely presented General Purpose School Fund by \$37,568. Such overexpenditure is a violation of state statutes. This overexpenditure was funded by available fund balance.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; 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.

Investment Balances. As of June 30, 2006, Decatur County had the following investments carried at cost. All investments are in the county trustee’s investment pool. Separate disclosures concerning pooled investments cannot be made for Decatur County and the discretely presented Decatur County School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
State Treasurer's Investment Pool	Daily	<u>\$ 120,242</u>

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Decatur County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Decatur County has no

investment policy that would further limit its investment choices. As of June 30, 2006, Decatur County's investment in the State Treasurer's Investment Pool was unrated.

B. Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 1,037,812	\$ 524,733	\$ 0	\$ 1,562,545
Construction in Progress	393,737	826,368	0	1,220,105
Total Capital Assets Not Depreciated	\$ 1,431,549	\$ 1,351,101	\$ 0	\$ 2,782,650
Capital Assets Depreciated:				
Buildings and Improvements	\$ 2,144,043	\$ 22,846	\$ 0	\$ 2,166,889
Roads and Bridges	2,499,099	778,851	0	3,277,950
Other Capital Assets	2,368,349	517,256	(124,413)	2,761,192
Total Capital Assets Depreciated	\$ 7,011,491	\$ 1,318,953	\$ (124,413)	\$ 8,206,031
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 876,087	\$ 50,291	\$ 0	\$ 926,378
Roads and Bridges	127,483	176,892	0	304,375
Other Capital Assets	1,109,069	194,915	(76,934)	1,227,050
Total Accumulated Depreciation	\$ 2,112,639	\$ 422,098	\$ (76,934)	\$ 2,457,803
Total Capital Assets Depreciated, Net	\$ 4,898,852	\$ 896,855	\$ (47,479)	\$ 5,748,228
Governmental Activities Capital Assets, Net	\$ 6,330,401	\$ 2,247,956	\$ (47,479)	\$ 8,530,878

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

Governmental Activities:

General Administration	\$ 1,144
Finance	2,145
Administration of Justice	3,998
Public Safety	61,789
Public Health and Welfare	41,144
Social, Cultural, and Recreational Services	38,754
Agriculture and Natural Resources	984
Other Operations	157
Highways/Public Works	<u>271,983</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 422,098</u></u>

Discretely Presented Decatur County School Department

Governmental Activities:

	Balance 7-1-05	Increases	Balance 6-30-06
Capital Assets Not Depreciated:			
Land	\$ 239,448	\$ 0	\$ 239,448
Total Capital Assets Not Depreciated	<u>\$ 239,448</u>	<u>\$ 0</u>	<u>\$ 239,448</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 13,613,195	\$ 316,327	\$ 13,929,522
Other Capital Assets	1,684,901	262,830	1,947,731
Total Capital Assets Depreciated	<u>\$ 15,298,096</u>	<u>\$ 579,157</u>	<u>\$ 15,877,253</u>
Less Accumulated Depreciated For:			
Buildings and Improvements	\$ 4,721,865	\$ 474,141	\$ 5,196,006
Other Capital Assets	729,740	116,295	846,035
Total Accumulated Depreciation	<u>\$ 5,451,605</u>	<u>\$ 590,436</u>	<u>\$ 6,042,041</u>
Total Capital Assets Depreciated, Net	<u>\$ 9,846,491</u>	<u>\$ (11,279)</u>	<u>\$ 9,835,212</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 10,085,939</u></u>	<u><u>\$ (11,279)</u></u>	<u><u>\$ 10,074,660</u></u>

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

Governmental Activities:

Instruction	\$ 416,117
Support Services	118,576
Operation of Non-Instructional Services	<u>55,743</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 590,436</u>

C. Construction Commitments

At June 30, 2006, the county had uncompleted construction contracts of approximately \$69,632 for an addition to the Decatur County Courthouse. Funding for these future expenditures is expected to be received from other loan proceeds.

At June 30, 2006, the Other Capital Projects Fund had uncompleted construction contracts of \$176,579 for an industrial improvement project. Funding for these future expenditures is expected to be received from grant proceeds.

D. 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	Nonmajor governmental	\$ 634

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>
Primary Government: General Debt Service	Component Unit: Discretely Presented Decatur County School Department	\$ 72,296
General Debt Service	Decatur County General Hospital	<u>160,505</u>
Total Exhibit A		<u>\$ 232,801</u>
Component Unit: Discretely Presented Decatur County School Department	Primary Government: General	<u>\$ 162</u>

E. Long-term Debt

Primary Government

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 15 years for bonds, up to 7 years for notes, and up to 22 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2006, will be retired from the Highway/Public Works and General Debt Service Funds.

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

<u>Type</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-06</u>
General Obligation Bonds - Refunding	1.45 to 3.2%	\$ 720,000	\$ 420,000
School Bonds - Refunding	1.45 to 4.25	10,720,000	8,995,000
Note Payable	4.05	245,500	245,500
Other Loans	Variable	4,625,644	4,025,644

During the 2004-05 year, Decatur County entered into two loan agreements with the Montgomery County Public Building Authority. These loan agreements provided for the authority to make available for loan to Decatur County on as needed basis \$3,000,000 for highway public works projects and \$2,000,000 for various county capital projects. As of June 30, 2006, Decatur County has borrowed \$3,000,000 and \$1,625,644 from respective loans. These loans are repayable at tax-exempt variable interest rates determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with these loans. At June 30, 2006, the variable interest rate on these loan agreements was 3.55 percent and other fees amounted to approximately .5 percent of the outstanding loan principals.

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

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 730,000	\$ 324,183	\$ 20,458	\$ 9,943
2008	755,000	301,777	20,458	9,114
2009	770,000	277,458	20,458	8,286
2010	795,000	251,943	20,458	7,457
2011	710,000	225,014	20,458	6,628
2012-2016	3,925,000	738,310	102,290	20,714
2017-2018	1,730,000	93,268	40,920	2,486
Total	<u>\$ 9,415,000</u>	<u>\$ 2,211,953</u>	<u>\$ 245,500</u>	<u>\$ 64,628</u>

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2007	\$ 345,000	\$ 142,910	\$ 14,583	\$ 502,493
2008	357,000	130,663	13,376	501,039
2009	367,000	117,989	12,126	497,115
2010	377,000	104,961	10,842	492,803
2011	388,000	91,577	9,522	489,099
2012-2016	1,406,000	255,537	27,132	1,688,669
2017-2021	481,000	106,295	11,624	598,919
2022-2024	304,644	21,156	2,773	328,573
Total	<u>\$ 4,025,644</u>	<u>\$ 971,088</u>	<u>\$ 101,978</u>	<u>\$ 5,098,710</u>

There is \$1,255,736 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$803, based on the 2000 federal census. Debt per capita, including bonds, notes, and other loans, totaled \$1,167, 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
Balance, July 1, 2005	\$ 10,120,000	\$ 0
Additions	0	245,500
Deductions	(705,000)	0
Balance, June 30, 2006	<u>\$ 9,415,000</u>	<u>\$ 245,500</u>
Balance Due Within One Year	<u>\$ 730,000</u>	<u>\$ 20,458</u>
	Other Loans	Compensated Absences
Balance, July 1, 2005	\$ 1,755,196	\$ 54,976
Additions	2,607,449	32,326
Deductions	(337,000)	(22,020)
Balance, June 30, 2006	<u>\$ 4,025,645</u>	<u>\$ 65,282</u>
Balance Due Within One Year	<u>\$ 345,000</u>	<u>\$ 46,350</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2006	\$ 13,751,427
Less: Balance Due Within One Year	<u>(1,141,808)</u>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u>\$ 12,609,619</u>

F. Prior-period Adjustment

A cash shortage at July 1, 2005, of \$20,324 has been reflected as a prior-period adjustment in the discretely presented Decatur County School Department's General Purpose School Fund. This cash shortage resulted from a theft at the Parsons Elementary School Cafeteria in prior years. Additional detailed information about this theft can be obtained from an investigative report by the Division of Municipal Audit dated January 18, 2005.

V. **OTHER INFORMATION**

A. **Risk Management**

Primary Government

Liability, Property, and Casualty

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

The county continues to carry commercial insurance for all other risks of loss, including employee health and accident. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Workers' Compensation Insurance

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

Discretely Presented Decatur County School Department

Liability, Property, Casualty, and Workers' Compensation Insurance

The School Department participates in 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 an annual premium to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums. The TSB-RMT reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

Employee Health Insurance

The discretely presented Decatur County School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-302, Tennessee Code Annotated (TCA), all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, TCA, provides for the LEGIF to be self-sustaining through member premiums.

B. Accounting Changes

For the year ended June 30, 2006, Decatur County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries. 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.

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 Decatur 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 Decatur 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. Decatur County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Decatur 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. Decatur County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Decatur County will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

C. Subsequent Events

Kenneth Broadway left the Office of County Mayor on August 31, 2006, and was succeeded by Jason Scott.

Ronald Kenner left the Office of Sheriff on August 31, 2006, and was succeeded by Roy Wyatt.

On October 23, 2006, the Decatur County Commission adopted Public Acts of 2005, Chapter No. 212, entitled the Tennessee River Resort District Act.

D. Contingent Liabilities

Decatur County is contingently liable for certain Hospital Revenue and Tax Refunding Bonds, Series 1999, of the Decatur County General Hospital. Decatur County would become liable for these bonds and the interest thereon in the event of default by the hospital. The principal of these revenue bonds is reflected on the financial statements of the Decatur County Hospital. As of June 30, 2006, future principal and interest requirements were \$1,270,000 and \$514,600, respectively.

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

E. Joint Ventures

The Benton-Decatur Special Sewer District was created through a joint agreement between Benton and Decatur Counties. The agreement established the Benton-Decatur Special Sewer District Management Board, which is to plan, construct, and manage a public sewer system for residents of Benton and Decatur Counties. The management board comprises six members, three of whom are appointed by the Benton County Mayor and three are appointed by the Decatur County Mayor. Two of the three members of the management board from each governmental entity shall be members of the respective county's Board of County Commissioners. Benton County and Decatur County share equally in providing the annual operating budget of the Special Sewer District. Decatur County has control over budgeting and financing the joint venture only to the extent of representation by the three board members appointed.

The Beech River Regional Airport was established through a joint operations agreement between Decatur County, Henderson County, the City of Parsons, and the City of Lexington. The agreement created the Beech River Regional Airport Board to plan, develop, and maintain a regional airport that will economically benefit all residents of the two-county area. The board comprises nine members, two from each governmental unit and one appointed by the governmental entities on a one-year rotation basis. Each participant retains a 25 percent ownership in the airport. During the year ended June 30, 2006, the county appropriated an operating subsidy of \$37,850 to the airport and capital outlay note proceeds of \$245,500.

The Twenty-Fourth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twenty-Fourth Judicial District, Henry, Benton, Carroll, Hardin, and Decatur Counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district.

Decatur County does not have an equity interest in any of the above-noted joint ventures. Complete financial statements for the Benton-Decatur Special Sewer District, the Beech River Regional Airport, and the Twenty-Fourth Judicial District Drug Task Force can be obtained from their respective administrative offices at the following addresses:

Administrative Offices:

Benton-Decatur Special Sewer District
P.O. Box 370
Parsons, Tennessee 38363

Beech River Regional Airport
790 Hidden Hill Circle
Lexington, Tennessee 38351

Twenty-Fourth Judicial District Drug Task Force
P.O. Box 301
McKenzie, Tennessee 38201

F. Retirement Commitments

Plan Description

Employees of Decatur 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 Decatur 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

Decatur 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 3.9 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Decatur County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2006, Decatur County's annual pension cost of \$99,864 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. Decatur 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, 2005, was 13 years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$99,864	100%	\$0
6-30-05	91,590	100	0
6-30-04	68,329	100	0

Schedule of Funding Progress

(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)	
6-30-05	\$1,887	\$1,988	\$101	94.92%	\$2,341	4.31%
6-30-03	1,416	1,526	110	92.79	2,077	5.30
6-30-01	1,030	1,159	129	88.87	1,876	6.88

SCHOOL TEACHERS

Plan Description

The Decatur 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 Decatur 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 Decatur 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 \$328,043, \$323,975, and \$176,618, respectively, equal to the required contributions for each year.

G. Purchasing Laws

Office of County Mayor

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

Office of Road Supervisor

Purchasing procedures for the Highway Department are governed by the Uniform Road Law, Section 54-7-113, Tennessee Code Annotated. This statute requires that competitive bids be solicited through public advertisement on all purchases exceeding \$10,000.

Office of Director of Schools

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

VI. OTHER NOTES – DISCRETELY PRESENTED DECATUR COUNTY GENERAL HOSPITAL

A. General

Decatur County General Hospital is a 40-bed community hospital located in Parsons, Tennessee, and serves patients primarily in the Decatur County, Tennessee, area.

B. Summary of Significant Accounting Policies

1. Reporting Entity

The hospital is a component unit of Decatur County, Tennessee. The Board of County Commissioners is responsible for appointing each member of the hospital's board of trustees. In addition, hospital revenues are the source of repayment for revenue bonds discussed later. In the event that the hospital should be unable to retire the bonds, the county would then be responsible. The financial statements include the Decatur County Emergency Medical Service, which is considered a department of the hospital.

2. GASB Conformity

The financial statements included herein are prepared in conformity with generally accepted accounting principles (GAAP) as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB). The hospital applies Financial Accounting Standards Board (FASB) pronouncements, Accounting Principles Board (APB) Opinions, and Accounting and Research Bulletins (ARB) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

3. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The hospital uses the accrual basis of accounting. Its revenues are recognized when they are earned, and expenses are recognized when incurred.

4. Cash and Cash Equivalents

The hospital considers all highly liquid investments which are demand in nature or with a maturity of three months or less when purchased to be cash equivalents.

5. Supplies

Supplies are carried at cost using the first-in, first-out method.

6. Operating and Nonoperating Income

Operating income includes net patient service revenue and other miscellaneous receipts that support operations.

7. Compensated Absences

Hospital employees earn vacation and sick leave. Accumulated vacation and sick pay is paid upon termination. At June 30, 2006, the hospital had accrued vacation and sick leave totaling \$1,103,225.

8. Property, Plant, and Equipment

Property, plant, and equipment acquired before June 30, 1970, is valued at appraised value less the provision for depreciation. All subsequent additions are valued at cost less accumulated depreciation. Interest cost of \$65,953 incurred during construction in a prior year was capitalized. Depreciation is computed on the straight-line method using the estimated useful lives of the respective assets and includes amortization of assets acquired with capital leases. Fully depreciated items at June 30, 2006, totaled \$2,667,024. The estimated useful lives by general classification are as follows:

<u>Assets</u>	<u>Years</u>
Land improvements	5 to 15
Buildings	15 to 42
Capital equipment	5 to 38
Major movable equipment	3 to 20

C. Net Patient Service Revenue

The hospital has agreements with third-party payers that provide for payments to the hospital at amounts different from its established rates. Net patient service revenue is net of contractual adjustments and policy discounts of \$8,538,454. The hospital is subject to the general economic conditions of the region in which it is located as well as the economic stability of the third party providers of patient insurance. A summary of the payment arrangements with major third-party payers follows:

1. Medicare – Hospital

Inpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Effective August 1, 2001, outpatient services began to be paid for based on a methodology similar to inpatient services. The hospital's Medicare cost reports have been audited through June 30, 2005.

2. Blue Cross

Inpatient services rendered to Blue Cross subscribers are reimbursed on a per diem basis. Outpatient services are reimbursed prospectively for some charges, while others are based on a fee schedule or a percent of the hospital's normal charges.

3. TennCare

Inpatient services rendered to TennCare beneficiaries are paid primarily based on a per diem rate while outpatient services are paid under a variety of methodologies.

4. Other

The hospital has also entered into payment agreements with other commercial insurance carriers. The basis for payment to the hospital under these agreements is essentially the same as the methodology for Blue Cross subscribers.

D. Charity Care

The hospital has adopted a formal charity write-off policy so that accounts are written off after specific criteria are met. Accordingly, \$7,476 was written off under those provisions.

E. Pension Plan

The hospital established a defined contribution, noncontributory employee retirement plan effective January 1, 1988. The plan is maintained on a calendar year basis. All contributions to the plan are made by the hospital to a trust fund. Employees are eligible to participate if they are at least 21 years of age and have one year of credited service. The plan document requires that the hospital contribute from two to six percent of an employee's eligible wages annually depending on the years of credited service. The hospital's contributions for each employee are fully vested after ten years of continuous service. Pension expense for the fiscal year 2006 was \$87,840, which was 2.14 percent of the covered payroll of \$4,112,890 for that period. Benefits of \$269,589, established when the plan was adopted, are being amortized over 43 years, based on the expected future service periods of the original eligible employees.

F. Deposits and Investments

The hospital maintains checking accounts and certificates of deposit with local banks. The hospital's investment policies are governed by state statute. Included in permissible investments are direct obligations of the U.S. Government and agency securities, certificates of deposit, and savings accounts. Collateral is required for demand deposits and certificates of deposit at 105 percent of all amounts not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of Tennessee and its subdivisions. At June 30, 2006, investments consisted entirely of a certificate of deposit earning interest at 4.7 percent issued by First Bank. The certificate of deposit is carried as cost which approximated fair value.

For deposits, custodial credit risk is the risk that, in the event of a bank failure, the hospital's deposits may not be returned to it. The hospital does not have a policy regarding custodial credit risk for deposits. Collateral is required for demand deposits and certificates of deposit at 105 percent of all amounts not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of Tennessee and its subdivisions. As of June 30, 2006, \$196,082 of the hospital's bank balances of \$1,387,655 was exposed to custodial credit risk because it was collateralized with securities held by the pledging bank's agent but not in the hospital's name.

G. Donated Property

In 1994, a building valued at \$25,100 was donated to the hospital.

H. Operating Leases

The hospital incurred \$13,538 in expense for equipment rental.

I. Related Party Transactions

In 2003, Decatur County issued general obligation refunding bonds, a portion of which was used to refinance Series 1995 bonds. The hospital portion of these bonds is included in the accompanying statement of net assets and is being retired over an eight-year period. The county pays a portion of the annual principal and interest with the hospital funding the remainder. Payments made by the county during the year ended June 30, 2006, totaled \$35,000. The hospital is also required to remit funds to the county sufficient to retire the 1999 bonds.

J. Risk Management

The hospital is subject to the normal areas of exposure of a hospital, such as general and professional liability; workers' compensation; errors and omissions; theft, damage to, and destruction of assets; and natural disasters. Significant losses are covered by commercial insurance for all major programs and there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The hospital purchases general and professional liability insurance from a commercial insurance carrier for per occurrence losses with policy limits of \$250,000 per occurrence and \$650,000 in the aggregate, on a claims-made basis.

K. Due From/To Intermediaries

The hospital participates in both the Medicare and TennCare programs as well as providing health care services to patients whose coverage is paid for by other commercial insurance carriers. Reimbursements for certain services under the Medicare and TennCare programs are made on the basis of audited cost reports filed on a fiscal year basis. Periodically, the commercial

insurance carriers may conduct their own audits of hospital records. The amounts presented herein for the current year are subject to final audit by the intermediaries. The amounts due to intermediaries represent amounts determined to be payable as a result of reviews of hospital records.

Due from Medicare 6-30-06	\$ 94,108
Due from Medicare 6-30-05	<u>1,615</u>
Net Liability	<u><u>\$ 95,723</u></u>

L. Compliance With Finance-Related Legal and Contractual Provisions

Decatur County had an understanding with the hospital that the county would pay the first \$35,000 each year to service the 2003 bonds and the hospital would pay the balance required to service the debt. In addition, the hospital was to pay all amounts required to service the 1999 bonds. At June 30, the hospital lacked \$137,033 in being current with its required payments. Hospital management has conferred with the county mayor regarding the past due balance and expects to remedy it as soon as financially feasible.

M. Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows:

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets				
Not Depreciated:				
Land	\$ 81,696	\$ 0	\$ 0	\$ 81,696
Capital Assets Depreciated:				
Land Improvements	\$ 153,221	\$ 0	\$ 0	\$ 153,221
Buildings	2,714,284	0	0	2,714,284
Capital Equipment	1,364,563	0	0	1,364,563
Major Moveable				
Equipment	<u>3,463,402</u>	<u>78,923</u>	<u>53,949</u>	<u>3,488,376</u>
Total Capital Assets				
Depreciated	<u>\$ 7,695,470</u>	<u>\$ 78,923</u>	<u>\$ 53,949</u>	<u>\$ 7,720,444</u>

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Less Accumulated				
Depreciation For:				
Land Improvements	\$ 139,445	\$ 5,746	\$ 0	\$ 145,191
Buildings	1,144,601	93,367	0	1,237,968
Capital Equipment	938,977	64,854	0	1,003,831
Major Moveable				
Equipment	2,439,516	260,529	53,798	2,646,247
Total Accumulated				
Depreciation	\$ 4,662,539	\$ 424,496	\$ 53,798	\$ 5,033,237
Total Capital Assets				
Depreciated, Net	\$ 3,032,931	\$ (345,573)	\$ 151	\$ 2,687,207
Total Capital Assets, Net	\$ 3,114,627	\$ (345,573)	\$ 151	\$ 2,768,903

Depreciation expense of \$424,496 was recorded by the hospital.

N. Economic Dependency

Approximately 56 percent of all charges for the year were for those made to the Medicare program and 15 percent were to the TennCare program. In addition, of the net accounts receivable balance as of June 30, 2006, 36 percent was due from the Medicare program and 9 percent was due from TennCare.

O. Long-term Debt

Long-term debt at June 30, 2006, consisted of the following:

Hospital Revenue and Tax Refunding and Improvement Bonds Series 1999, dated April 1, 1999, were issued for the purpose of (a) advance refunding of Series 1994 bonds, and (b) financing the construction of additions to and equipping of the hospital. They are due in annual principal installments and semiannual installments of interest from 4.4 to 5.4 percent. Hospital revenues are the source of payment. The hospital remits funds to the county in amounts that are sufficient to cover the scheduled debt service payments.

General Obligation Refunding Bonds, Series 2003, dated January 24, 2003, were issued for the purpose of advance refunding Series 1995 bonds. They are due in annual principal installments and semiannual installments of interest from 1.45 to 3.2 percent. Ad valorem taxes are the source of repayment. The county pays the first \$35,000 annually. The hospital remits funds to the county for the requirements above that amount.

Borrowings from local banks consisted of two notes, each bearing interest at 8.25 percent. Each of the notes is secured by certificates of deposit and the proceeds were used for operations. The entire amounts are all due in the next fiscal year.

The annual requirements to amortize all long-term debt follow:

Year Ending June 30	Principal		Interest	Total
	Bonds	Notes		
2007	\$ 91,070	\$ 1,314,232	\$ 65,905	\$ 1,471,207
2008	96,070	0	63,041	159,111
2009	96,070	0	59,871	155,941
2010	101,070	0	59,924	160,994
2011	105,000	0	52,585	157,585
2012-2016	580,000	0	189,350	769,350
2017-2019	425,000	0	44,360	469,360
Total	\$ 1,494,280	\$ 1,314,232	\$ 535,036	\$ 3,343,548

The changes in long-term debt are as follows:

Governmental Activities:

	Bonds	Notes
Balance, July 1, 2005	\$ 1,580,010	\$ 1,157,801
Additions	0	1,547,902
Deductions	(85,730)	(1,391,471)
Balance, June 30, 2006	\$ 1,494,280	\$ 1,314,232
Balance Due Within One Year	\$ 91,070	\$ 1,314,232

VII. OTHER NOTES – DISCRETELY PRESENTED DECATUR COUNTY EMERGENCY COMMUNICATIONS DISTRICT

A. General Information

1. GASB Conformity

The financial statements included herein are prepared in conformity with generally accepted accounting principles as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing

governmental accounting and financial reporting principles. GASB Statement 20 - "Election of a Reporting Method" - required the Decatur County Emergency Communication District to elect either (1) all provisions of the Financial Accounting Standards Board (FASB) issued prior to 1989 for proprietary type funds, or (2) all of the provisions of FASB regardless of the issue date for proprietary type funds. The district elected to adopt only the provisions of FASB prior to 1989.

2. Component Unit

The district provides 911 emergency assistance to persons living in Decatur County. The district is a component unit of Decatur County. Accordingly, this financial data is incorporated into the county's financial statements. The district is governed by nine members who serve staggered four-year terms. Board members are appointed by the county mayor and ratified by the Decatur County Commission. The Decatur County Commission pays for dispatcher salaries and benefits and furnishes the district's operating headquarters. The district pays the Decatur County Commission \$1.52/hour per district employee and pays all of the salary of one employee, which is shown as contracts with governmental agencies expense.

B. Summary of Significant Accounting Policies

1. Basis of Accounting

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

Revenues and expenses are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Capital Assets

All capital assets of the district are recorded at original cost, except for donated equipment which is recorded at fair market value. Expenses which materially increase values or capacities, or extend useful lives of these assets are capitalized while expenses for maintenance and repairs are charged to operations as incurred.

Gains and losses from the sale of capital assets are reflected in operations, and the asset accounts and related allowances for depreciation are reduced. Also, depreciation expense on all depreciable items is systematically charged against operations using

the straight-line method over their estimated useful lives. Any related interest cost is also added to the cost of the asset as appropriate.

3. Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues that are not generated from daily operations are defined as nonoperating.

4. Fund Accounting

The accounts of the district are organized on the basis of funds. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses, as appropriate. The accounts in the financial statements in this report fall under one broad fund category as follows:

Proprietary Funds

Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Revenues

Revenues are derived from telephone customers in the area served by the district. The telephone company collects the fees on the monthly telephone bills (\$.65 per residence line and \$2 per business line) and remits them to the district.

D. Risk Management

All of the district's capital assets are located in or on facilities owned by Decatur County. The district owns all office and communications equipment. The district is exposed to loss of personal property by fire, accident or an act of God, as well as tort liabilities and errors and omissions. The district insures against these risks through commercial insurance coverage taken by

the Decatur County Mayor. It is also named as a component unit of Decatur County for basic general liability coverage of up to \$1,000,000 per liability. The district has had no insurance settlements in excess of insurance coverage during the past three years.

E. Cash and Cash Equivalents

Cash and cash equivalents include demand deposit accounts and certificates of deposit with original maturities of three months or less when purchased in accordance with GASB Statement No. 9.

F. Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows:

	Balance 7-1-05	Increases	Ending 6-30-06
Capital Assets Depreciated:			
Land Improvements	\$ 7,829	\$ 0	\$ 7,829
Capital Equipment	344,742	0	344,742
Office Furniture & Equipment	28,382	0	28,382
Total Capital Assets Depreciated	<u>\$ 380,953</u>	<u>\$ 0</u>	<u>\$ 380,953</u>
Less Accumulated Depreciation For:			
Land Improvements	\$ 5,088	\$ 492	\$ 5,580
Capital Equipment	204,813	24,529	229,342
Office Furniture & Equipment	23,684	1,722	25,406
Total Accumulated Depreciation	<u>\$ 233,585</u>	<u>\$ 26,743</u>	<u>\$ 260,328</u>
Total Capital Assets, Net	<u>\$ 147,368</u>	<u>\$ (26,743)</u>	<u>\$ 120,625</u>

G. Stewardship, Compliance, and Accountability

By its nature as a local government unit, the district is subject to various federal, state, and local laws and contractual regulations. An analysis of the district's compliance with significant laws and regulations and demonstration of its stewardship over the district resources follows:

1. Deposits and Investments

The district's investment policies are governed by state statute. Included in permissible investments are direct obligations of the U.S. government and agency securities, certificates of deposit, and savings accounts. The district has no policy that further limits allowable investments. At June 30, 2006, investments consisted entirely of a certificate of deposit with a local depository. Investments are carried at cost which approximates fair value.

For deposits and investments, custodial credit risk is the risk that, in the event of a bank failure, the district's deposits may not be returned to it. The district does not have a policy regarding custodial credit risk for deposits. Collateral is required for demand deposits and certificates of deposit at 105 percent of all amounts not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of Tennessee and its subdivisions. As of June 30, 2006, \$73,912 of the district's bank balances of \$170,392 was exposed to custodial credit risk because it was collateralized with securities held by the pledging bank's agent but not in the district's name.

2. Budget Appropriations

In accordance with state law, the board of the district must adopt and operate under an annual budget. Criteria for the information required in the annual adopted budget are detailed in Section 7-86-120, Tennessee Code Annotated. However, for financial reporting purposes it is only necessary to present budgetary revenues and expenses compared to actual. All purchases must be made within the limits of the approved budget. Expenses must be presented at the legal level of control, which is defined to be at the line-item level.

The district's expenses exceeded appropriations at the line-item level.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Decatur 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	\$ 1,712,697	\$ 1,825,714	\$ 1,825,714	\$ (113,017)
Licenses and Permits	11,815	14,400	14,400	(2,585)
Fines, Forfeitures, and Penalties	52,889	48,600	54,130	(1,241)
Charges for Current Services	176,572	226,450	226,450	(49,878)
Other Local Revenues	133,637	88,850	91,575	42,062
Fees Received from County Officials	451,573	427,300	427,300	24,273
State of Tennessee	824,882	779,137	997,173	(172,291)
Federal Government	47,003	0	0	47,003
Other Governments and Citizens Groups	85,135	0	0	85,135
Total Revenues	\$ 3,496,203	\$ 3,410,451	\$ 3,636,742	\$ (140,539)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 36,162	\$ 42,000	\$ 42,000	\$ 5,838
Board of Equalization	404	1,000	1,000	596
Beer Board	2,000	2,000	2,000	0
Other Boards and Committees	3,800	6,500	6,500	2,700
County Mayor/Executive	104,048	108,934	108,934	4,886
Personnel Office	7,035	7,150	7,150	115
County Attorney	8,829	15,000	15,000	6,171
Election Commission	80,444	89,160	232,461	152,017
Register of Deeds	77,304	77,578	77,578	274
Codes Compliance	3,140	3,700	3,700	560
County Buildings	98,888	103,390	103,390	4,502
<u>Finance</u>				
Property Assessor's Office	100,537	105,835	107,595	7,058
Reappraisal Program	16,191	17,363	17,363	1,172
County Trustee's Office	103,289	104,386	104,386	1,097
County Clerk's Office	103,305	99,756	105,286	1,981
<u>Administration of Justice</u>				
Circuit Court Clerk	108,740	112,008	112,008	3,268
General Sessions Judge	79,224	79,390	79,390	166
Chancery Court	65,146	67,287	67,287	2,141
Juvenile Court	31,745	32,000	32,000	255
<u>Public Safety</u>				
Sheriff's Department	589,754	588,120	602,088	12,334
Jail	105,120	110,219	110,219	5,099
Juvenile Services	80,783	80,785	80,785	2
Work Release Program	312,872	297,578	372,358	59,486
Fire Prevention and Control	98,523	122,750	127,872	29,349
Civil Defense	54,882	65,910	65,910	11,028
Rescue Squad	10,000	10,000	10,000	0
Other Emergency Management	196,310	215,821	215,821	19,511

(Continued)

Exhibit E-1

Decatur 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>				
County Coroner/Medical Examiner	\$ 17,129	\$ 20,000	\$ 20,000	\$ 2,871
Other Public Safety	2,124	2,243	2,243	119
<u>Public Health and Welfare</u>				
Local Health Center	35,987	39,400	39,400	3,413
Crippled Children Services	796	796	796	0
General Welfare Assistance	5,000	5,000	5,000	0
Aid to Dependent Children	1,587	2,500	2,500	913
Sanitation Education/Information	31,609	33,127	33,127	1,518
Other Waste Disposal	7,115	0	7,115	0
Other Public Health and Welfare	3,480	7,703	7,703	4,223
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	66,091	63,659	67,039	948
Libraries	53,827	54,669	54,669	842
Parks and Fair Boards	209,371	207,670	209,511	140
<u>Agriculture & Natural Resources</u>				
Agriculture Extension Service	35,751	41,388	41,388	5,637
Forest Service	2,000	2,000	2,000	0
Soil Conservation	3,300	3,300	3,300	0
<u>Other Operations</u>				
Tourism	28,623	29,200	29,200	577
Industrial Development	42,600	42,600	42,600	0
Airport	37,850	37,850	37,850	0
Veterans' Services	9,243	9,397	9,397	154
Other Charges	143,037	159,700	159,700	16,663
Employee Benefits	307,381	346,545	349,014	41,633
Miscellaneous	22,423	24,000	24,000	1,577
Total Expenditures	<u>\$ 3,544,799</u>	<u>\$ 3,698,367</u>	<u>\$ 3,957,633</u>	<u>\$ 412,834</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (48,596)</u>	<u>\$ (287,916)</u>	<u>\$ (320,891)</u>	<u>\$ 272,295</u>
<u>Other Financing Sources (Uses)</u>				
Other Loans Issued	\$ 7,115	\$ 0	\$ 7,115	\$ 0
Insurance Recovery	19,177	5,000	24,090	(4,913)
Transfers In	0	85,813	86,327	(86,327)
Total Other Financing Sources (Uses)	<u>\$ 26,292</u>	<u>\$ 90,813</u>	<u>\$ 117,532</u>	<u>\$ (91,240)</u>
Net Change in Fund Balance	\$ (22,304)	\$ (197,103)	\$ (203,359)	\$ 181,055
Fund Balance, July 1, 2005	<u>799,131</u>	<u>834,030</u>	<u>834,030</u>	<u>(34,899)</u>
Fund Balance, June 30, 2006	<u>\$ 776,827</u>	<u>\$ 636,927</u>	<u>\$ 630,671</u>	<u>\$ 146,156</u>

Exhibit E-2

Decatur 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	\$ 44,917	\$ 70,506	\$ 70,506	\$ (25,589)
Other Local Revenues	67,711	59,500	74,500	(6,789)
State of Tennessee	1,697,766	1,825,900	1,825,900	(128,134)
Total Revenues	<u>\$ 1,810,394</u>	<u>\$ 1,955,906</u>	<u>\$ 1,970,906</u>	<u>\$ (160,512)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 142,871	\$ 126,906	\$ 144,544	\$ 1,673
Highway and Bridge Maintenance	552,245	617,200	599,562	47,317
Operation and Maintenance of Equipment	202,705	237,500	237,500	34,795
Other Charges	85,072	84,900	85,400	328
Employee Benefits	139,609	156,000	150,500	10,891
Capital Outlay	1,698,501	1,751,152	1,852,537	154,036
<u>Principal on Debt</u>				
Highways and Streets	271,000	271,000	271,000	0
<u>Interest on Debt</u>				
Highways and Streets	67,644	30,000	70,300	2,656
<u>Other Debt Service</u>				
Highways and Streets	7,669	0	10,000	2,331
Total Expenditures	<u>\$ 3,167,316</u>	<u>\$ 3,274,658</u>	<u>\$ 3,421,343</u>	<u>\$ 254,027</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,356,922)</u>	<u>\$ (1,318,752)</u>	<u>\$ (1,450,437)</u>	<u>\$ 93,515</u>
<u>Other Financing Sources (Uses)</u>				
Other Loans Issued	\$ 1,339,253	\$ 1,000,000	\$ 1,131,685	\$ 207,568
Insurance Recovery	8,180	0	0	8,180
Total Other Financing Sources (Uses)	<u>\$ 1,347,433</u>	<u>\$ 1,000,000</u>	<u>\$ 1,131,685</u>	<u>\$ 215,748</u>
Net Change in Fund Balance	\$ (9,489)	\$ (318,752)	\$ (318,752)	\$ 309,263
Fund Balance, July 1, 2005	<u>509,997</u>	<u>587,945</u>	<u>587,945</u>	<u>(77,948)</u>
Fund Balance, June 30, 2006	<u>\$ 500,508</u>	<u>\$ 269,193</u>	<u>\$ 269,193</u>	<u>\$ 231,315</u>

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

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 Decatur 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, Beer Board, Other Boards and Committees, etc.). Management may make revisions within major categories, but only the Decatur County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

**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.

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

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

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

Capital Projects Funds

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

Community Development/Industrial Park Fund – The Community Development/Industrial Park Fund is used to account for the purchase of land for an industrial park.

Other Capital Projects Fund – The Other Capital Projects Fund is used to account for a Community Development Block Grant to purchase fire protection equipment and also for a Fast-Track Infrastructure Development Program for Raney and Harrison industrial improvement project.

Exhibit F-1

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

	Special Revenue Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Total	Community Development/ Industrial Park	Other Capital Projects	Total	
<u>ASSETS</u>								
Cash	\$ 0	\$ 0	\$ 634	\$ 634	\$ 0	\$ 0	\$ 0	\$ 634
Equity in Pooled Cash and Investments	214,227	57,402	0	271,629	55,284	0	55,284	326,913
Accounts Receivable	25,248	0	0	25,248	0	0	0	25,248
Due from Other Governments	3,524	0	0	3,524	0	9,161	9,161	12,685
Total Assets	<u>\$ 242,999</u>	<u>\$ 57,402</u>	<u>\$ 634</u>	<u>\$ 301,035</u>	<u>\$ 55,284</u>	<u>\$ 9,161</u>	<u>\$ 64,445</u>	<u>\$ 365,480</u>
<u>LIABILITIES AND FUND BALANCES</u>								
<u>Liabilities</u>								
Accounts Payable	\$ 5,711	\$ 47	\$ 0	\$ 5,758	\$ 0	\$ 0	\$ 0	\$ 5,758
Payroll Deductions Payable	77	0	0	77	0	0	0	77
Contracts Payable	0	0	0	0	0	9,165	9,165	9,165
Due to Other Funds	0	0	634	634	0	0	0	634
Total Liabilities	<u>\$ 5,788</u>	<u>\$ 47</u>	<u>\$ 634</u>	<u>\$ 6,469</u>	<u>\$ 0</u>	<u>\$ 9,165</u>	<u>\$ 9,165</u>	<u>\$ 15,634</u>
<u>Fund Balances</u>								
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 178,579	\$ 178,579	\$ 178,579
Unreserved (Deficit)	237,211	57,355	0	294,566	55,284	(178,583)	(123,299)	171,267
Total Fund Balances	<u>\$ 237,211</u>	<u>\$ 57,355</u>	<u>\$ 0</u>	<u>\$ 294,566</u>	<u>\$ 55,284</u>	<u>\$ (4)</u>	<u>\$ 55,280</u>	<u>\$ 349,846</u>
Total Liabilities and Fund Balances	<u>\$ 242,999</u>	<u>\$ 57,402</u>	<u>\$ 634</u>	<u>\$ 301,035</u>	<u>\$ 55,284</u>	<u>\$ 9,161</u>	<u>\$ 64,445</u>	<u>\$ 365,480</u>

Exhibit F-2

Decatur 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
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Total	Community Development/ Industrial Park	Other Capital Projects	Total	
<u>Revenues</u>								
Fines, Forfeitures, and Penalties	\$ 0	\$ 10,330	\$ 0	\$ 10,330	\$ 0	\$ 0	\$ 0	\$ 10,330
Charges for Current Services	125,627	0	6,644	132,271	0	0	0	132,271
Other Local Revenues	23,627	600	0	24,227	111,568	0	111,568	135,795
State of Tennessee	4,405	0	0	4,405	0	34,650	34,650	39,055
Federal Government	0	0	0	0	0	300,000	300,000	300,000
Other Governments and Citizens Groups	0	4,773	0	4,773	0	0	0	4,773
Total Revenues	\$ 153,659	\$ 15,703	\$ 6,644	\$ 176,006	\$ 111,568	\$ 334,650	\$ 446,218	\$ 622,224
<u>Expenditures</u>								
Current:								
Administration of Justice	\$ 0	\$ 0	\$ 6,644	\$ 6,644	\$ 0	\$ 0	\$ 0	\$ 6,644
Public Safety	0	4,983	0	4,983	0	0	0	4,983
Public Health and Welfare	257,462	0	0	257,462	0	0	0	257,462
Other Operations	68,749	0	0	68,749	0	0	0	68,749
Capital Projects	0	0	0	0	502,615	334,654	837,269	837,269
Total Expenditures	\$ 326,211	\$ 4,983	\$ 6,644	\$ 337,838	\$ 502,615	\$ 334,654	\$ 837,269	\$ 1,175,107
Excess (Deficiency) of Revenues Over Expenditures	\$ (172,552)	\$ 10,720	\$ 0	\$ (161,832)	\$ (391,047)	\$ (4)	\$ (391,051)	\$ (552,883)
Net Change in Fund Balances	\$ (172,552)	\$ 10,720	\$ 0	\$ (161,832)	\$ (391,047)	\$ (4)	\$ (391,051)	\$ (552,883)
Fund Balance, July 1, 2005	409,763	46,635	0	456,398	446,331	0	446,331	902,729
Fund Balance, June 30, 2006	\$ 237,211	\$ 57,355	\$ 0	\$ 294,566	\$ 55,284	\$ (4)	\$ 55,280	\$ 349,846

Exhibit F-3

Decatur County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation 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	\$ 125,627	\$ 200,500	\$ 200,500	\$ (74,873)
Other Local Revenues	23,627	18,000	24,759	(1,132)
State of Tennessee	4,405	3,500	3,500	905
Total Revenues	<u>\$ 153,659</u>	<u>\$ 222,000</u>	<u>\$ 228,759</u>	<u>\$ (75,100)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 156,589	\$ 168,891	\$ 168,891	\$ 12,302
Convenience Centers	100,873	94,650	101,409	536
<u>Other Operations</u>				
Other Charges	32,141	35,200	35,200	3,059
Employee Benefits	36,608	41,900	41,900	5,292
Total Expenditures	<u>\$ 326,211</u>	<u>\$ 340,641</u>	<u>\$ 347,400</u>	<u>\$ 21,189</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (172,552)</u>	<u>\$ (118,641)</u>	<u>\$ (118,641)</u>	<u>\$ (53,911)</u>
Net Change in Fund Balance	\$ (172,552)	\$ (118,641)	\$ (118,641)	\$ (53,911)
Fund Balance, July 1, 2005	<u>409,763</u>	<u>381,022</u>	<u>381,022</u>	<u>28,741</u>
Fund Balance, June 30, 2006	<u>\$ 237,211</u>	<u>\$ 262,381</u>	<u>\$ 262,381</u>	<u>\$ (25,170)</u>

Exhibit F-4

Decatur 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	\$ 10,330	\$ 20,000	\$ 20,000	\$ (9,670)
Other Local Revenues	600	0	0	600
Other Governments and Citizens Groups	4,773	0	0	4,773
Total Revenues	<u>\$ 15,703</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ (4,297)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 4,983	\$ 24,644	\$ 24,644	\$ 19,661
Total Expenditures	<u>\$ 4,983</u>	<u>\$ 24,644</u>	<u>\$ 24,644</u>	<u>\$ 19,661</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 10,720</u>	<u>\$ (4,644)</u>	<u>\$ (4,644)</u>	<u>\$ 15,364</u>
Net Change in Fund Balance	\$ 10,720	\$ (4,644)	\$ (4,644)	\$ 15,364
Fund Balance, July 1, 2005	<u>46,635</u>	<u>49,104</u>	<u>49,104</u>	<u>(2,469)</u>
Fund Balance, June 30, 2006	<u>\$ 57,355</u>	<u>\$ 44,460</u>	<u>\$ 44,460</u>	<u>\$ 12,895</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

Decatur 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	\$ 510,170	\$ 562,380	\$ 562,380	\$ (52,210)
State of Tennessee	30,471	29,488	29,488	983
Other Governments and Citizens Groups	777,457	826,310	826,310	(48,853)
Total Revenues	<u>\$ 1,318,098</u>	<u>\$ 1,418,178</u>	<u>\$ 1,418,178</u>	<u>\$ (100,080)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 196,000	\$ 151,730	\$ 196,000	\$ 0
Education	610,000	654,270	610,000	0
<u>Interest on Debt</u>				
General Government	110,080	143,635	150,136	40,056
Education	331,323	338,079	331,323	0
<u>Other Debt Service</u>				
General Government	12,416	8,825	12,258	(158)
Education	1,596	6,000	2,822	1,226
Total Expenditures	<u>\$ 1,261,415</u>	<u>\$ 1,302,539</u>	<u>\$ 1,302,539</u>	<u>\$ 41,124</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 56,683</u>	<u>\$ 115,639</u>	<u>\$ 115,639</u>	<u>\$ (58,956)</u>
Net Change in Fund Balance	\$ 56,683	\$ 115,639	\$ 115,639	\$ (58,956)
Fund Balance, July 1, 2005	<u>1,199,053</u>	<u>1,268,089</u>	<u>1,268,089</u>	<u>(69,036)</u>
Fund Balance, June 30, 2006	<u>\$ 1,255,736</u>	<u>\$ 1,383,728</u>	<u>\$ 1,383,728</u>	<u>\$ (127,992)</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. Also, the cities have pledged their share of a one-cent local option sales tax increase to retire school bonds.

Community Development - Agency Fund – The Community Development - Agency Fund is used to account for a water line project for the Perryville Utility District and a water line extension for the Cities of Parsons and Kolpak.

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

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

	Agency Funds			Total
	Cities-Sales Tax	Community Development - Agency	Constitutional Officers - Agency	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 468,380	\$ 468,380
Equity in Pooled Cash and Investments	0	204	0	204
Due from Other Governments	132,828	0	0	132,828
Total Assets	<u>\$ 132,828</u>	<u>\$ 204</u>	<u>\$ 468,380</u>	<u>\$ 601,412</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 132,828	\$ 0	\$ 0	\$ 132,828
Due to Litigants, Heirs, and Others	0	0	468,380	468,380
Other Current Liabilities	0	204	0	204
Total Liabilities	<u>\$ 132,828</u>	<u>\$ 204</u>	<u>\$ 468,380</u>	<u>\$ 601,412</u>

Exhibit H-2

Decatur 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	\$ 730,399	\$ 730,399	\$ 0
Due From Other Governments	58,046	132,828	58,046	132,828
Total Assets	\$ 58,046	\$ 863,227	\$ 788,445	\$ 132,828
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 58,046	\$ 863,227	\$ 788,445	\$ 132,828
Total Liabilities	\$ 58,046	\$ 863,227	\$ 788,445	\$ 132,828
<u>Community Development - Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 32	\$ 216,955	\$ 216,783	\$ 204
Total Assets	\$ 32	\$ 216,955	\$ 216,783	\$ 204
<u>Liabilities</u>				
Other Current Liabilities	\$ 32	\$ 216,955	\$ 216,783	\$ 204
Total Liabilities	\$ 32	\$ 216,955	\$ 216,783	\$ 204
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 449,180	\$ 2,929,150	\$ 2,909,950	\$ 468,380
Total Assets	\$ 449,180	\$ 2,929,150	\$ 2,909,950	\$ 468,380
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 449,180	2,929,150	2,909,950	468,380
Total Liabilities	\$ 449,180	\$ 2,929,150	\$ 2,909,950	\$ 468,380
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 449,180	\$ 2,929,150	\$ 2,909,950	\$ 468,380
Equity in Pooled Cash and Investments	32	947,354	947,182	204
Due From Other Governments	58,046	132,828	58,046	132,828
Total Assets	\$ 507,258	\$ 4,009,332	\$ 3,915,178	\$ 601,412
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 58,046	\$ 863,227	\$ 788,445	\$ 132,828
Due to Litigants, Heirs, and Others	449,180	2,929,150	2,909,950	468,380
Other Current Liabilities	32	216,955	216,783	204
Total Liabilities	\$ 507,258	\$ 4,009,332	\$ 3,915,178	\$ 601,412

Decatur County School Department

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

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

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

Exhibit I-1

Decatur County, Tennessee
Statement of Activities
Discretely Presented Decatur County School Department
For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets Total Governmental Activities
Component Unit:				
Governmental Activities:				
Instruction	\$ 7,195,877	\$ 0	\$ 1,249,634	\$ (5,946,243)
Support Services	3,256,084	1,200	75,296	(3,179,588)
Operation of Noninstructional Services	775,825	98,741	394,324	(282,760)
Other Debt Service	437,568	0	0	(437,568)
Total Governmental Activities	<u>\$ 11,665,354</u>	<u>\$ 99,941</u>	<u>\$ 1,719,254</u>	<u>\$ (9,846,159)</u>
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 1,086,484
Local Option Sales Tax				1,006,112
Other Local Taxes				186,444
Grants and Contributions Not Restricted for Specific Programs				7,038,163
Investment Income				12,578
Miscellaneous				<u>1,005</u>
Total General Revenues				<u>\$ 9,330,786</u>
Change in Net Assets				\$ (515,373)
Net Assets, July 1, 2005				12,183,838
Prior-Period Adjustments				<u>20,324</u>
Net Assets, June 30, 2006				<u>\$ 11,688,789</u>

Exhibit I-2

Decatur County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Decatur County School Department
June 30, 2006

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Fund</u>	<u>Total</u>
	General Purpose School	School Federal Projects	Govern- mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,386,053	\$ 35,030	\$ 1,421,083
Accounts Receivable	5,045	0	5,045
Due from Other Governments	356,166	0	356,166
Due from Primary Government	162	0	162
Property Taxes Receivable	1,170,128	0	1,170,128
Allowance for Uncollectible Property Taxes	(36,933)	0	(36,933)
Cash Shortage	13,824	0	13,824
Total Assets	<u>\$ 2,894,445</u>	<u>\$ 35,030</u>	<u>\$ 2,929,475</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 231	\$ 0	\$ 231
Payroll Deductions Payable	144,765	7,356	152,121
Due to Primary Government	72,296	0	72,296
Deferred Revenue - Current Property Taxes	1,090,698	0	1,090,698
Deferred Revenue - Delinquent Property Taxes	38,388	0	38,388
Other Deferred Revenues	163,135	0	163,135
Total Liabilities	<u>\$ 1,509,513</u>	<u>\$ 7,356</u>	<u>\$ 1,516,869</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 76,229	\$ 6,750	\$ 82,979
Reserved for Career Ladder - Extended Contract	10,851	0	10,851
Reserved for Title I Grants to Local Education Agencies	0	6,581	6,581
Reserved for Special Education - Grants to States	0	9,471	9,471
Other Federal Reserves	0	4,872	4,872
Unreserved, Reported In:			
General Fund	1,297,852	0	1,297,852
Total Fund Balances	<u>\$ 1,384,932</u>	<u>\$ 27,674</u>	<u>\$ 1,412,606</u>
Total Liabilities and Fund Balances	<u>\$ 2,894,445</u>	<u>\$ 35,030</u>	<u>\$ 2,929,475</u>

Exhibit I-3

Decatur County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
Discretely Presented Decatur County School Department
June 30, 2006

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 1,412,606
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 239,448	
Add: buildings and improvements net of accumulated depreciation	8,733,516	
Add: other capital assets net of accumulated depreciation	<u>1,101,696</u>	10,074,660
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>201,523</u>
Net assets of governmental activities (Exhibit A)		<u><u>\$ 11,688,789</u></u>

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

Exhibit I-4

Decatur County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Decatur County School Department
For the Year Ended June 30, 2006

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Fund</u>	<u>Total</u>
	General Purpose School	School Federal Projects	Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 2,306,578	\$ 0	\$ 2,306,578
Licenses and Permits	1,078	0	1,078
Charges for Current Services	287,006	0	287,006
Other Local Revenues	13,484	0	13,484
State of Tennessee	6,867,394	0	6,867,394
Federal Government	653,024	925,846	1,578,870
Total Revenues	<u>\$ 10,128,564</u>	<u>\$ 925,846</u>	<u>\$ 11,054,410</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 5,886,360	\$ 861,229	\$ 6,747,589
Support Services	3,274,493	92,798	3,367,291
Operation of Non-Instructional Services	685,399	0	685,399
Capital Outlay	387,049	0	387,049
Debt Service:			
Other Debt Service	437,568	0	437,568
Total Expenditures	<u>\$ 10,670,869</u>	<u>\$ 954,027</u>	<u>\$ 11,624,896</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (542,305)</u>	<u>\$ (28,181)</u>	<u>\$ (570,486)</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 6,453	\$ 0	\$ 6,453
Total Other Financing Sources (Uses)	<u>\$ 6,453</u>	<u>\$ 0</u>	<u>\$ 6,453</u>
Net Change in Fund Balances	\$ (535,852)	\$ (28,181)	\$ (564,033)
Fund Balance, July 1, 2005	1,900,460	55,855	1,956,315
Prior Period Adjustment	20,324	0	20,324
Fund Balance, June 30, 2006	<u>\$ 1,384,932</u>	<u>\$ 27,674</u>	<u>\$ 1,412,606</u>

Exhibit I-5

Decatur County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Decatur County School Department
For the Year Ended June 30, 2006

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

Net change in fund balances - total governmental funds (Exhibit I-4)			\$ (564,033)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The difference between capital outlays and depreciation in the current period is itemized as follows:			
Add: capital assets purchased in the current period	\$	579,157	
Less: current year depreciation expense		<u>(590,436)</u>	(11,279)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: for the year ended June 30, 2006	\$	201,523	
Less: for the year ended June 30, 2005		<u>(141,584)</u>	<u>59,939</u>
Change in net assets of governmental activities (Exhibit B)			<u><u>\$ (515,373)</u></u>

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

Exhibit I-6

Decatur County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Decatur County School Department
General Purpose School Fund
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	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	\$ 2,306,578	\$ 0	\$ 0	\$ 2,306,578	\$ 2,395,030	\$ 2,395,030	\$ (88,452)
Licenses and Permits	1,078	0	0	1,078	1,000	1,000	78
Charges for Current Services	287,006	0	0	287,006	311,446	311,446	(24,440)
Other Local Revenues	13,484	0	0	13,484	31,000	31,000	(17,516)
State of Tennessee	6,867,394	0	0	6,867,394	6,808,485	6,854,139	13,255
Federal Government	653,024	0	0	653,024	496,291	687,400	(34,376)
Total Revenues	\$ 10,128,564	\$ 0	\$ 0	\$ 10,128,564	\$ 10,043,252	\$ 10,280,015	\$ (151,451)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 4,497,151	\$ (17,407)	\$ 15,752	\$ 4,495,496	\$ 4,810,854	\$ 4,810,854	\$ 315,358
Alternative Instruction Program	36,693	0	0	36,693	43,619	43,819	7,126
Special Education Program	709,193	0	0	709,193	759,200	763,700	54,507
Vocational Education Program	591,641	(1,082)	0	590,559	602,381	614,667	24,108
Adult Education Program	51,682	(3,724)	495	48,453	69,250	81,200	32,747
<u>Support Services</u>							
Attendance	15,181	(2,000)	0	13,181	15,100	15,099	1,918
Health Services	10,018	0	0	10,018	11,000	11,000	982
Other Student Support	343,999	0	0	343,999	349,200	354,370	10,371
Regular Instruction Program	461,046	(34)	0	461,012	469,175	471,175	10,163
Special Education Program	79,706	0	0	79,706	80,850	81,350	1,644
Vocational Education Program	33,523	(185)	0	33,338	32,190	35,692	2,354
Adult Programs	100,318	(348)	0	99,970	105,550	108,300	8,330
Board of Education	234,084	0	4,199	238,283	284,200	266,200	27,917
Director of Schools	150,897	(61)	663	151,499	156,605	156,605	5,106
Office of the Principal	265,620	0	0	265,620	265,850	269,020	3,400

(Continued)

Exhibit I-6

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	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>							
Fiscal Services	\$ 43,098	\$ (1,425)	\$ 2,000	\$ 43,673	\$ 47,025	\$ 47,025	\$ 3,352
Operation of Plant	675,522	0	1,378	676,900	676,800	703,000	26,100
Maintenance of Plant	159,387	(1,310)	13,163	171,240	165,648	176,347	5,107
Transportation	702,094	(69,440)	0	632,654	616,775	665,553	32,899
<u>Operation of Non-Instructional Services</u>							
Food Service	381,280	0	0	381,280	401,800	413,860	32,580
Community Services	304,119	(15,258)	2,133	290,994	162,250	331,001	40,007
<u>Capital Outlay</u>							
Regular Capital Outlay	387,049	(71,779)	36,446	351,716	410,000	404,600	52,884
<u>Other Debt Service</u>							
Education	437,568	0	0	437,568	400,000	400,000	(37,568)
Total Expenditures	\$ 10,670,869	\$ (184,053)	\$ 76,229	\$ 10,563,045	\$ 10,935,322	\$ 11,224,437	\$ 661,392
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ (542,305)	\$ 184,053	\$ (76,229)	\$ (434,481)	\$ (892,070)	\$ (944,422)	\$ 509,941
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 6,453	\$ 0	\$ 0	\$ 6,453	\$ 0	\$ 5,153	\$ 1,300
Total Other Financing Sources (Uses)	\$ 6,453	\$ 0	\$ 0	\$ 6,453	\$ 0	\$ 5,153	\$ 1,300
Net Change in Fund Balance	\$ (535,852)	\$ 184,053	\$ (76,229)	\$ (428,028)	\$ (892,070)	\$ (939,269)	\$ 511,241
Fund Balance, July 1, 2005	1,900,460	(184,053)	0	1,716,407	1,652,241	1,652,241	64,166
Prior Period Adjustment	20,324	0	0	20,324	0	0	20,324
Fund Balance, June 30, 2006	\$ 1,384,932	\$ 0	\$ (76,229)	\$ 1,308,703	\$ 760,171	\$ 712,972	\$ 595,731

Exhibit I-7

Decatur County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Decatur County School Department
School Federal Projects Fund
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 925,846	\$ 0	\$ 0	\$ 925,846	\$ 1,019,404	\$ 1,019,404	\$ (93,558)
Total Revenues	\$ 925,846	\$ 0	\$ 0	\$ 925,846	\$ 1,019,404	\$ 1,019,404	\$ (93,558)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 439,599	\$ (897)	\$ 0	\$ 438,702	\$ 462,897	\$ 491,829	\$ 53,127
Special Education Program	421,630	(1,497)	6,750	426,883	475,758	475,862	48,979
<u>Support Services</u>							
Other Student Support	32,165	(806)	0	31,359	36,105	36,102	4,743
Regular Instruction Program	42,067	(99)	0	41,968	76,840	47,925	5,957
Transportation	18,566	0	0	18,566	20,384	20,384	1,818
Total Expenditures	\$ 954,027	\$ (3,299)	\$ 6,750	\$ 957,478	\$ 1,071,984	\$ 1,072,102	\$ 114,624
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ (28,181)	\$ 3,299	\$ (6,750)	\$ (31,632)	\$ (52,580)	\$ (52,698)	\$ 21,066
<u>Net Change in Fund Balance</u>							
Fund Balance, July 1, 2005	\$ 55,855	(3,299)	0	52,556	52,580	52,698	(142)
Fund Balance, June 30, 2006	\$ 27,674	\$ 0	\$ (6,750)	\$ 20,924	\$ 0	\$ 0	\$ 20,924

MISCELLANEOUS SCHEDULES

Exhibit J-1

Decatur County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, 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>								
Beech River Airport	\$ 245,500	4.05	% 10-28-05	10-28-17	\$ 0	\$ 245,500	\$ 0	\$ 245,500
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through Highway/Public Works Fund</u>								
Public Works Projects	3,000,000	Variable	7-29-04	5-25-14	\$ 1,397,747	\$ 1,339,253	\$ 271,000	\$ 2,466,000
<u>Payable through General Debt Service Fund</u>								
Various Capital Projects	(1)	Variable	3-10-05	5-27-27	357,449	1,268,195	66,000	1,559,644
Total Other Loans Payable					\$ 1,755,196	\$ 2,607,448	\$ 337,000	\$ 4,025,644
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
School Refunding Bonds, Series 2003	2,210,000	1.45 to 4.25	1-1-03	6-1-18	\$ 2,040,000	\$ 0	\$ 135,000	\$ 1,905,000
General Obligation Refunding Bonds	720,000	1.45 to 3.2	1-1-03	6-1-10	515,000	0	95,000	420,000
School Refunding Bonds, Series 2003	8,510,000	3.42	3-1-03	3-1-18	7,565,000	0	475,000	7,090,000
Total Bonds Payable					\$ 10,120,000	\$ 0	\$ 705,000	\$ 9,415,000

(1) Total amount available under a loan agreement with the Montgomery County Public Building Authority is \$2,000,000 of which \$1,625,644 has been received as of June 30, 2006.

Exhibit J-2

Decatur County, Tennessee
Schedule of Bond and Interest Requirements By Year

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2007	\$ 730,000	\$ 324,183	\$ 1,054,183
2008	755,000	301,777	1,056,777
2009	770,000	277,458	1,047,458
2010	795,000	251,943	1,046,943
2011	710,000	225,014	935,014
2012	735,000	200,762	935,762
2013	760,000	175,191	935,191
2014	780,000	148,751	928,751
2015	810,000	121,147	931,147
2016	840,000	92,459	932,459
2017	870,000	62,279	932,279
2018	860,000	30,989	890,989
Total	<u>\$ 9,415,000</u>	<u>\$ 2,211,953</u>	<u>\$ 11,626,953</u>

Exhibit J-3

Decatur County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Decatur County School Department
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>	\$ 51,452	\$ 25,000	The Ohio Casualty Insurance Company
Road Supervisor	Section 8-24-102, <u>TCA</u>	49,002	100,000	"
Director of Schools	State Board of Education and County Board of Education	83,400	50,000	"
Trustee	Section 8-24-102, <u>TCA</u>	44,548	390,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	44,548	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	44,548	25,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	44,548	30,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	51,192 (1)	35,000	United States Fidelity and Guaranty Company
Register	Section 8-24-102, <u>TCA</u>	44,548	15,000	The Ohio Casualty Insurance Company
Sheriff	Section 8-24-102, <u>TCA</u>	49,521 (2)	25,000	"
Employee Blanket Bonds:				
Office:				
	County Mayor - All Employees		150,000	The Local Government Property and Casualty Fund
	Road Supervisor - All Employees		150,000	"
	Director of Schools - All Employees		150,000	Tennessee School Boards Risk Management Trust

(1) Includes special commissioner fees of \$6,644.

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

Exhibit J-4

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	Other Capital Projects	
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 936,657	\$ 0	\$ 0	\$ 0	\$ 0	\$ 158,534	\$ 0	\$ 0	1,095,191
Trustee's Collections - Prior Year	33,265	0	0	0	0	6,875	0	0	40,140
Circuit/Clerk & Master Collections - Prior Years	13,771	0	0	0	0	2,395	0	0	16,166
Interest and Penalty	6,764	0	0	0	0	1,315	0	0	8,079
Payments in-Lieu-of Taxes - T.V.A.	4,138	0	0	0	0	720	0	0	4,858
Payments in-Lieu-of Taxes - Local Utilities	7,925	0	0	0	0	1,378	0	0	9,303
Payments in-Lieu-of Taxes - Other	2,384	0	0	0	0	414	0	0	2,798
<u>County Local Option Taxes</u>									
Local Option Sales Tax	169,476	0	0	0	0	112,984	0	0	282,460
Hotel/Motel Tax	40,333	0	0	0	0	0	0	0	40,333
Wheel Tax	0	0	0	0	0	223,854	0	0	223,854
Litigation Tax - General	60,404	0	0	0	0	0	0	0	60,404
Litigation Tax - Jail, Workhouse, or Courthouse	11,612	0	0	0	0	0	0	0	11,612
Business Tax	74,927	0	0	0	0	0	0	0	74,927
Mineral Severance Tax	122,365	0	0	0	44,917	0	0	0	167,282
<u>Statutory Local Taxes</u>									
Bank Excise Tax	11,866	0	0	0	0	1,424	0	0	13,290
Wholesale Beer Tax	216,395	0	0	0	0	0	0	0	216,395
Interstate Telecommunications Tax	415	0	0	0	0	277	0	0	692
Total Local Taxes	\$ 1,712,697	\$ 0	\$ 0	\$ 0	\$ 44,917	\$ 510,170	\$ 0	\$ 0	\$ 2,267,784
<u>Licenses and Permits</u>									
<u>Licenses</u>									
Cable TV Franchise	\$ 2,612	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	2,612
<u>Permits</u>									
Beer Permits	2,500	0	0	0	0	0	0	0	2,500
Building Permits	5,883	0	0	0	0	0	0	0	5,883
Other Permits	820	0	0	0	0	0	0	0	820
Total Licenses and Permits	\$ 11,815	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,815

(Continued)

Exhibit J-4

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	Other Capital Projects	
<u>Fines, Forfeitures, and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 3,797	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,797
Officers Costs	1,287	0	0	0	0	0	0	0	1,287
Drug Control Fines	0	0	2,723	0	0	0	0	0	2,723
Drug Court Fees	188	0	0	0	0	0	0	0	188
DUI Treatment Fines	95	0	0	0	0	0	0	0	95
Data Entry Fee - Circuit Court	101	0	0	0	0	0	0	0	101
<u>General Sessions Court</u>									
Fines	15,482	0	0	0	0	0	0	0	15,482
Officers Costs	7,931	0	0	0	0	0	0	0	7,931
Game and Fish Fines	521	0	0	0	0	0	0	0	521
Drug Control Fines	0	0	4,404	0	0	0	0	0	4,404
Drug Court Fees	2,793	0	0	0	0	0	0	0	2,793
Jail Fees	1,827	0	0	0	0	0	0	0	1,827
DUI Treatment Fines	2,118	0	0	0	0	0	0	0	2,118
Data Entry Fee - General Sessions Court	2,721	0	0	0	0	0	0	0	2,721
<u>Juvenile Court</u>									
Fines	2,189	0	0	0	0	0	0	0	2,189
Data Entry Fee - Juvenile Court	190	0	0	0	0	0	0	0	190
<u>Chancery Court</u>									
Officers Costs	1,520	0	0	0	0	0	0	0	1,520
Data Entry Fee - Chancery Court	244	0	0	0	0	0	0	0	244
<u>Judicial District Drug Program</u>									
Fines	0	0	953	0	0	0	0	0	953
Data Entry Fee - Other Courts	9,885	0	0	0	0	0	0	0	9,885
<u>Other Fines, Forfeitures, and Penalties</u>									
Proceeds from Confiscated Property	0	0	2,250	0	0	0	0	0	2,250
Total Fines, Forfeitures, and Penalties	\$ 52,889	\$ 0	\$ 10,330	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 63,219
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Surcharge - Host Agency	\$ 0	\$ 125,196	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 125,196
Solid Waste Disposal Fees	0	431	0	0	0	0	0	0	431

(Continued)

Exhibit J-4

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	Other Capital Projects	
<u>Charges for Current Services (Cont.)</u>									
<u>Fees</u>									
Recreation Fees	\$ 118,583	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 118,583
Copy Fees	179	0	0	0	0	0	0	0	179
Telephone Commissions	5,318	0	0	0	0	0	0	0	5,318
Vending Machine Collections	1,054	0	0	0	0	0	0	0	1,054
Special Commissioner Fees/Special Master Fees	0	0	0	6,644	0	0	0	0	6,644
Data Processing Fee - Register	6,380	0	0	0	0	0	0	0	6,380
Probation Fees	3,500	0	0	0	0	0	0	0	3,500
Data Processing Fee - Sheriff	2,050	0	0	0	0	0	0	0	2,050
Sexual Offender Registration Fees - Sheriff	600	0	0	0	0	0	0	0	600
<u>Education Charges</u>									
Community Service Fees - Adults	17,254	0	0	0	0	0	0	0	17,254
TBI Criminal Background Fees	154	0	0	0	0	0	0	0	154
<u>Other Charges for Services</u>									
Other Charges for Services	21,500	0	0	0	0	0	0	0	21,500
Total Charges for Current Services	\$ 176,572	\$ 125,627	\$ 0	\$ 6,644	\$ 0	\$ 0	\$ 0	\$ 0	\$ 308,843
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 129,190	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 129,190
Sale of Materials and Supplies	0	0	0	0	42,898	0	0	0	42,898
Commissary Sales	67	0	0	0	0	0	0	0	67
Sale of Gasoline	0	0	0	0	4,763	0	0	0	4,763
Sale of Recycled Materials	0	23,627	0	0	1,275	0	0	0	24,902
Miscellaneous Refunds	3,485	0	0	0	100	0	27	0	3,612
<u>Nonrecurring Items</u>									
Sale of Equipment	0	0	0	0	18,675	0	0	0	18,675
Sale of Property	0	0	0	0	0	0	8,001	0	8,001
Damages Recovered from Individuals	895	0	0	0	0	0	0	0	895
Contributions & Gifts	0	0	600	0	0	0	103,540	0	104,140
Total Other Local Revenues	\$ 133,637	\$ 23,627	\$ 600	\$ 0	\$ 67,711	\$ 0	\$ 111,568	\$ 0	\$ 337,143

(Continued)

Exhibit J-4

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	Other Capital Projects	
<u>Fees Received from County Officials</u>									
<u>Fees-In-Lieu of Salary</u>									
County Clerk	\$ 116,329	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 116,329
Circuit Court Clerk	32,738	0	0	0	0	0	0	0	32,738
General Sessions Court Clerk	65,369	0	0	0	0	0	0	0	65,369
Clerk and Master	26,297	0	0	0	0	0	0	0	26,297
Register	75,563	0	0	0	0	0	0	0	75,563
Sheriff	4,764	0	0	0	0	0	0	0	4,764
Trustee	130,513	0	0	0	0	0	0	0	130,513
Total Fees Received from County Officials	\$ 451,573	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 451,573
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 82,089	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 82,089
Aging Programs	19,698	0	0	0	0	0	0	0	19,698
State Reappraisal Grant	7,704	0	0	0	0	0	0	0	7,704
Solid Waste Grants	0	4,405	0	0	0	0	0	0	4,405
<u>Public Safety Grants</u>									
Law Enforcement Training Programs	4,150	0	0	0	0	0	0	0	4,150
<u>Health and Welfare Grants</u>									
Other Health and Welfare Grants	6,440	0	0	0	0	0	0	0	6,440
<u>Public Works Grants</u>									
Bridge Program	0	0	0	0	124,319	0	0	0	124,319
State Aid Program	0	0	0	0	118,115	0	0	0	118,115
Litter Program	33,780	0	0	0	0	0	0	0	33,780
Other Public Works Grants	0	0	0	0	0	0	0	34,650	34,650
<u>Other State Revenues</u>									
Income Tax	22,692	0	0	0	0	0	0	0	22,692
Beer Tax	17,212	0	0	0	0	0	0	0	17,212
Alcoholic Beverage Tax	21,790	0	0	0	0	0	0	0	21,790
Mixed Drink Tax	1,680	0	0	0	0	0	0	0	1,680
State Revenue Sharing - T.V.A.	175,211	0	0	0	0	30,471	0	0	205,682
Contracted Prisoner Boarding	90,358	0	0	0	0	0	0	0	90,358
Gasoline and Motor Fuel Tax	0	0	0	0	1,445,895	0	0	0	1,445,895

(Continued)

Exhibit J-4

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	Other Capital Projects	
<u>State of Tennessee (Cont.)</u>									
<u>Other State Revenues (Cont.)</u>									
Petroleum Special Tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,437	\$ 0	\$ 0	\$ 0	\$ 9,437
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	315,698	0	0	0	0	0	0	0	315,698
Total State of Tennessee	\$ 824,882	\$ 4,405	\$ 0	\$ 0	\$ 1,697,766	\$ 30,471	\$ 0	\$ 34,650	\$ 2,592,174
<u>Federal Government</u>									
<u>Federal Through State</u>									
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 300,000	\$ 300,000
Homeland Security Grants	46,803	0	0	0	0	0	0	0	46,803
Other Federal through State	200	0	0	0	0	0	0	0	200
Total Federal Government	\$ 47,003	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 300,000	\$ 347,003
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Contributions	\$ 85,135	\$ 0	\$ 4,773	\$ 0	\$ 0	\$ 777,457	\$ 0	\$ 0	\$ 867,365
Total Other Governments and Citizens Groups	\$ 85,135	\$ 0	\$ 4,773	\$ 0	\$ 0	\$ 777,457	\$ 0	\$ 0	\$ 867,365
Total	\$ 3,496,203	\$ 153,659	\$ 15,703	\$ 6,644	\$ 1,810,394	\$ 1,318,098	\$ 111,568	\$ 334,650	\$ 7,246,919

Exhibit J-5

Decatur County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Decatur County School Department
For the Year Ended June 30, 2006

	General Purpose School	School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 1,017,957	\$ 0	\$ 1,017,957
Trustee's Collections - Prior Year	49,245	0	49,245
Circuit/Clerk & Master Collections - Prior Years	14,608	0	14,608
Interest and Penalty	9,056	0	9,056
Payments in-Lieu-of Taxes - T.V.A.	4,497	0	4,497
Payments in-Lieu-of Taxes - Local Utilities	8,614	0	8,614
Payments in-Lieu-of Taxes - Other	2,591	0	2,591
<u>County Local Option Taxes</u>			
Local Option Sales Tax	1,001,720	0	1,001,720
Wheel Tax	123,961	0	123,961
Mineral Severance Tax	59,734	0	59,734
<u>Statutory Local Taxes</u>			
Bank Excise Tax	11,866	0	11,866
Interstate Telecommunications Tax	2,729	0	2,729
Total Local Taxes	\$ 2,306,578	\$ 0	\$ 2,306,578
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 1,078	\$ 0	\$ 1,078
Total Licenses and Permits	\$ 1,078	\$ 0	\$ 1,078
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
Receipts from Individual Schools	\$ 10,423	\$ 0	\$ 10,423
Community Service Fees - Children	87,575	0	87,575
TBI Criminal Background Fees	1,200	0	1,200
<u>Other Charges for Services</u>			
Other Charges for Services	187,808	0	187,808
Total Charges for Current Services	\$ 287,006	\$ 0	\$ 287,006
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Investment Income	\$ 12,578	\$ 0	\$ 12,578
Miscellaneous Refunds	580	0	580
<u>Nonrecurring Items</u>			
Damages Recovered from Individuals	175	0	175
Contributions & Gifts	151	0	151
Total Other Local Revenues	\$ 13,484	\$ 0	\$ 13,484
<u>State of Tennessee</u>			
<u>State Education Funds</u>			
Basic Education Program	\$ 6,391,056	\$ 0	\$ 6,391,056
School Food Service	9,328	0	9,328
Driver Education	2,932	0	2,932
Other State Education Funds	34,336	0	34,336
Career Ladder Program	135,583	0	135,583
Career Ladder - Extended Contract	71,289	0	71,289

(Continued)

Exhibit J-5

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

	General Purpose School	School Federal Projects	Total
<u>State of Tennessee (Cont.)</u>			
<u>Other State Revenues</u>			
Mixed Drink Tax	\$ 1,580	\$ 0	\$ 1,580
State Revenue Sharing - T.V.A.	190,446	0	190,446
Other State Grants	30,844	0	30,844
Total State of Tennessee	<u>\$ 6,867,394</u>	<u>\$ 0</u>	<u>\$ 6,867,394</u>
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 252,842	\$ 0	\$ 252,842
Breakfast	79,914	0	79,914
USDA - Other	16,608	0	16,608
Adult Education State Grant Program	90,828	0	90,828
Vocational Education - Basic Grants to States	49,458	0	49,458
Title I Grants to Local Education Agencies	0	361,587	361,587
Innovative Education Program Strategies	0	5,038	5,038
Special Education - Grants to States	0	399,834	399,834
Special Education Preschool Grants	0	36,600	36,600
Eisenhower Professional Development State Grants	0	94,133	94,133
Other Federal through State	163,374	28,654	192,028
Total Federal Government	<u>\$ 653,024</u>	<u>\$ 925,846</u>	<u>\$ 1,578,870</u>
Total	<u>\$ 10,128,564</u>	<u>\$ 925,846</u>	<u>\$ 11,054,410</u>

Exhibit J-6

Decatur 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	\$	20,550	
Audit Services		2,735	
Legal Notices, Recording, and Court Costs		1,635	
Postal Charges		269	
Travel		1,028	
Other Contracted Services		7,000	
Other Charges		2,945	
Total County Commission			\$ 36,162

Board of Equalization

Board and Committee Members Fees	\$	404	
Total Board of Equalization			404

Beer Board

Board and Committee Members Fees	\$	2,000	
Total Beer Board			2,000

Other Boards and Committees

Board and Committee Members Fees	\$	3,800	
Total Other Boards and Committees			3,800

County Mayor/Executive

County Official/Administrative Officer	\$	51,452	
Accountants/Bookkeepers		45,805	
Dues and Memberships		1,250	
Maintenance & Repair Services - Office Equipment		181	
Postal Charges		1,263	
Travel		287	
Office Supplies		2,691	
Data Processing Equipment		1,119	
Total County Mayor/Executive			104,048

Personnel Office

Maintenance Agreements	\$	5,601	
Travel		251	
Office Supplies		987	
Other Supplies and Materials		196	
Total Personnel Office			7,035

(Continued)

Exhibit J-6

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

General Fund (Cont.)

General Government (Cont.)

County Attorney

Legal Services	\$ 8,829	
Total County Attorney		\$ 8,829

Election Commission

County Official/Administrative Officer	\$ 37,866	
Part-time Personnel	150	
Other Salaries & Wages	21,364	
Election Commission	1,500	
Communication	1,599	
Dues and Memberships	175	
Legal Notices, Recording, and Court Costs	151	
Maintenance & Repair Services - Equipment	1,380	
Maintenance & Repair Services - Office Equipment	1,620	
Postal Charges	1,173	
Printing, Stationery, and Forms	47	
Rentals	7,200	
Travel	1,330	
Electricity	574	
Natural Gas	774	
Office Supplies	1,471	
Water and Sewer	218	
Other Supplies and Materials	87	
Office Equipment	1,765	
Total Election Commission		80,444

Register of Deeds

County Official/Administrative Officer	\$ 44,548	
Secretary(ies)	21,730	
Dues and Memberships	373	
Postal Charges	384	
Office Supplies	943	
Data Processing Equipment	8,058	
Office Equipment	1,268	
Total Register of Deeds		77,304

Codes Compliance

County Official/Administrative Officer	\$ 3,068	
Office Supplies	72	
Total Codes Compliance		3,140

(Continued)

Exhibit J-6

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

General Fund (Cont.)

General Government (Cont.)

County Buildings

Supervisor/Director	\$	16,031	
Custodial Personnel		5,812	
Communication		20,056	
Maintenance & Repair Services - Buildings		8,496	
Maintenance & Repair Services - Equipment		2,411	
Custodial Supplies		4,775	
Electricity		30,206	
Natural Gas		4,884	
Water and Sewer		2,217	
Other Supplies and Materials		158	
Other Charges		1,075	
Heating and Air Conditioning Equipment		2,767	
Total County Buildings			\$ 98,888

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	44,548	
Deputy(ies)		21,730	
Other Salaries & Wages		21,730	
In-Service Training		526	
Data Processing Services		3,199	
Dues and Memberships		867	
Maintenance & Repair Services - Office Equipment		1,777	
Maintenance & Repair Services - Vehicles		200	
Postal Charges		400	
Other Contracted Services		4,600	
Data Processing Supplies		160	
Office Supplies		800	
Total Property Assessor's Office			100,537

Reappraisal Program

Other Salaries & Wages	\$	12,407	
Data Processing Services		2,984	
Other Supplies and Materials		800	
Total Reappraisal Program			16,191

County Trustee's Office

County Official/Administrative Officer	\$	44,548	
Deputy(ies)		43,460	
Communication		80	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Data Processing Services	\$	3,199	
Dues and Memberships		478	
Legal Notices, Recording, and Court Costs		57	
Maintenance & Repair Services - Office Equipment		197	
Postal Charges		2,289	
Travel		1,000	
Other Contracted Services		5,192	
Office Supplies		2,789	
Total County Trustee's Office			\$ 103,289

County Clerk's Office

County Official/Administrative Officer	\$	44,548	
Deputy(ies)		43,460	
Dues and Memberships		378	
Maintenance & Repair Services - Office Equipment		1,645	
Postal Charges		2,835	
Travel		718	
Office Supplies		1,713	
Data Processing Equipment		8,008	
Total County Clerk's Office			103,305

Administration of Justice

Circuit Court Clerk

County Official/Administrative Officer	\$	44,548	
Deputy(ies)		43,460	
Other Salaries & Wages		510	
Jury and Witness Fees		2,274	
Dues and Memberships		343	
Legal Notices, Recording, and Court Costs		1,014	
Postal Charges		1,435	
Travel		724	
Office Supplies		3,272	
Data Processing Equipment		9,643	
Office Equipment		1,517	
Total Circuit Court Clerk			108,740

General Sessions Judge

Judge(s)	\$	62,626	
Probation Officer(s)		15,414	
Dues and Memberships		235	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Judge (Cont.)

Postal Charges	\$	39	
Travel		175	
Office Supplies		735	
Total General Sessions Judge			\$ 79,224

Chancery Court

County Official/Administrative Officer	\$	44,548	
Part-time Personnel		15,637	
Other Salaries & Wages		230	
Dues and Memberships		343	
Postal Charges		452	
Duplicating Supplies		1,517	
Office Supplies		2,419	
Total Chancery Court			65,146

Juvenile Court

County Official/Administrative Officer	\$	27,160	
Communication		992	
Dues and Memberships		130	
Postal Charges		152	
Travel		1,770	
Other Contracted Services		356	
Office Supplies		375	
Other Charges		490	
Office Equipment		320	
Total Juvenile Court			31,745

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	49,002	
Deputy(ies)		179,138	
Investigator(s)		26,986	
Salary Supplements		4,149	
Dispatchers/Radio Operators		76,167	
Part-time Personnel		50,767	
Overtime Pay		26,005	
Other Salaries & Wages		28,674	
In-Service Training		5,045	
Communication		7,886	
Dues and Memberships		1,250	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Maintenance & Repair Services - Equipment	\$	2,641	
Maintenance & Repair Services - Vehicles		20,729	
Postal Charges		2,056	
Travel		3,429	
Diesel Fuel		107	
Gasoline		40,600	
Office Supplies		1,746	
Uniforms		3,236	
Other Charges		1,728	
Law Enforcement Equipment		10,230	
Motor Vehicles		40,500	
Office Equipment		1,646	
Other Equipment		6,037	
Total Sheriff's Department			\$ 589,754

Jail

Deputy(ies)	\$	21,686	
Maintenance & Repair Services - Buildings		5,489	
Medical and Dental Services		4,577	
Other Contracted Services		975	
Custodial Supplies		4,704	
Drugs and Medical Supplies		2,556	
Electricity		8,729	
Food Supplies		45,300	
Law Enforcement Supplies		1,277	
Natural Gas		3,252	
Water and Sewer		5,505	
Other Supplies and Materials		717	
Law Enforcement Equipment		353	
Total Jail			105,120

Juvenile Services

Assistant(s)	\$	13,608	
Supervisor/Director		30,226	
Youth Service Officer(s)		11,971	
Medical Personnel		12,978	
Social Security		3,954	
Medical Insurance		772	
Unemployment Compensation		476	
Employer Medicare		689	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Safety (Cont.)

Juvenile Services (Cont.)

Communication	\$	1,692	
Postal Charges		156	
Travel		1,324	
Other Contracted Services		356	
Electricity		835	
Natural Gas		694	
Office Supplies		137	
Water and Sewer		84	
Workers' Compensation Insurance		331	
Other Charges		500	
Total Juvenile Services			\$ 80,783

Work Release Program

Supervisor/Director	\$	37,059	
Probation Officer(s)		91,768	
Accountants/Bookkeepers		10,985	
Secretary(ies)		10,368	
Part-time Personnel		14,024	
Other Salaries & Wages		6,700	
Other Fringe Benefits		54,694	
Communication		12,431	
Maintenance & Repair Services - Equipment		1,923	
Maintenance & Repair Services - Vehicles		970	
Postal Charges		1,077	
Printing, Stationery, and Forms		1,010	
Rentals		8,400	
Travel		2,352	
Other Contracted Services		6,501	
Electricity		2,684	
Natural Gas		615	
Office Supplies		12,563	
Water and Sewer		360	
Building and Contents Insurance		9,410	
Other Charges		4,038	
Motor Vehicles		14,943	
Other Equipment		7,997	
Total Work Release Program			312,872

Fire Prevention and Control

Supervisor/Director	\$	18,406	
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(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Contributions	\$	2,500	
Maintenance & Repair Services - Equipment		4,044	
Maintenance & Repair Services - Vehicles		13,774	
Office Supplies		141	
Other Supplies and Materials		284	
Liability Insurance		38,230	
Other Equipment		21,144	
Total Fire Prevention and Control			\$ 98,523

Civil Defense

Supervisor/Director	\$	10,150	
Communication		239	
Postal Charges		21	
Other Contracted Services		747	
Office Supplies		19	
Other Equipment		43,706	
Total Civil Defense			54,882

Rescue Squad

Contributions	\$	10,000	
Total Rescue Squad			10,000

Other Emergency Management

Supervisor/Director	\$	31,772	
Dispatchers/Radio Operators		105,893	
Part-time Personnel		58,645	
Total Other Emergency Management			196,310

County Coroner/Medical Examiner

Contracts with Government Agencies	\$	15,591	
Data Processing Equipment		1,538	
Total County Coroner/Medical Examiner			17,129

Other Public Safety

Supervisor/Director	\$	2,124	
Total Other Public Safety			2,124

Public Health and Welfare

Local Health Center

Salary Supplements	\$	12,000	
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(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Custodial Personnel	\$	4,675	
Communication		4,109	
Maintenance & Repair Services - Buildings		648	
Postal Charges		3,454	
Other Contracted Services		1,235	
Custodial Supplies		1,051	
Drugs and Medical Supplies		1,280	
Electricity		3,962	
Natural Gas		1,157	
Office Supplies		1,447	
Water and Sewer		969	
Total Local Health Center			\$ 35,987

Crippled Children Services

Contributions	\$	796	
Total Crippled Children Services			796

General Welfare Assistance

Contracts with Other Public Agencies	\$	5,000	
Total General Welfare Assistance			5,000

Aid to Dependent Children

Contributions	\$	1,587	
Total Aid to Dependent Children			1,587

Sanitation Education/Information

Supervisor/Director	\$	14,885	
Accountants/Bookkeepers		1,875	
Laborers		9,287	
Instructional Supplies and Materials		4,213	
Other Supplies and Materials		1,349	
Total Sanitation Education/Information			31,609

Other Waste Disposal

Contributions	\$	7,115	
Total Other Waste Disposal			7,115

Other Public Health and Welfare

Supervisor/Director	\$	3,050	
Other Fringe Benefits		285	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Public Health and Welfare (Cont.)

Travel	\$	128	
Other Supplies and Materials		17	
Total Other Public Health and Welfare			\$ 3,480

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$	20,133	
Other Salaries & Wages		15,330	
Other Fringe Benefits		4,032	
Communication		998	
Contributions		2,500	
Maintenance & Repair Services - Buildings		230	
Maintenance & Repair Services - Equipment		441	
Maintenance & Repair Services - Vehicles		961	
Transportation - Other than Students		7,472	
Travel		126	
Electricity		4,742	
Natural Gas		294	
Office Supplies		126	
Water and Sewer		455	
Other Supplies and Materials		1,672	
Heating and Air Conditioning Equipment		3,200	
Motor Vehicles		3,379	
Total Senior Citizens Assistance			66,091

Libraries

Supervisor/Director	\$	21,240	
Other Salaries & Wages		12,090	
Communication		1,076	
Dues and Memberships		145	
Maintenance & Repair Services - Buildings		355	
Maintenance & Repair Services - Office Equipment		938	
Postal Charges		354	
Travel		1,767	
Data Processing Supplies		3,549	
Library Books/Media		4,214	
Office Supplies		2,232	
Other Supplies and Materials		3,135	
Other Charges		1,727	
Office Equipment		1,005	
Total Libraries			53,827

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Parks and Fair Boards

Supervisor/Director	\$	33,000	
Laborers		23,406	
Part-time Personnel		7,819	
Advertising		44	
Communication		3,355	
Contributions		1,500	
Dues and Memberships		253	
Maintenance & Repair Services - Buildings		6,997	
Maintenance & Repair Services - Equipment		3,261	
Maintenance & Repair Services - Vehicles		30	
Postal Charges		1	
Travel		847	
Other Contracted Services		18,353	
Custodial Supplies		5,503	
Electricity		32,592	
Fertilizer, Lime, and Seed		285	
Natural Gas		8,942	
Office Supplies		737	
Water and Sewer		13,080	
Other Supplies and Materials		6,608	
Other Charges		13,350	
Building Construction		22,846	
Other Equipment		6,525	
Other Construction		37	
Total Parks and Fair Boards			\$ 209,371

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	26,214	
Other Fringe Benefits		4,098	
Communication		1,331	
Electricity		2,274	
Natural Gas		708	
Water and Sewer		170	
Office Equipment		956	
Total Agriculture Extension Service			35,751

Forest Service

Forest Resource Services	\$	2,000	
Total Forest Service			2,000

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Soil Conservation

Contributions	\$ 3,300	
Total Soil Conservation		\$ 3,300

Other Operations

Tourism

Advertising	\$ 27,608	
Dues and Memberships	700	
Other Charges	315	
Total Tourism		28,623

Industrial Development

Contributions	\$ 42,600	
Total Industrial Development		42,600

Airport

Contributions	\$ 37,850	
Total Airport		37,850

Veterans' Services

Supervisor/Director	\$ 8,162	
Dues and Memberships	25	
Maintenance & Repair Services - Equipment	399	
Postal Charges	116	
Travel	511	
Office Supplies	30	
Total Veterans' Services		9,243

Other Charges

Other Contracted Services	\$ 1,422	
Road Signs	2,437	
Liability Insurance	42,799	
Trustee's Commission	37,947	
Vehicle and Equipment Insurance	5,565	
Workers' Compensation Insurance	49,900	
Other Charges	2,967	
Total Other Charges		143,037

Employee Benefits

Social Security	\$ 96,033
State Retirement	54,198

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits (Cont.)

Medical Insurance	\$	127,072	
Unemployment Compensation		7,234	
Employer Medicare		22,844	
Total Employee Benefits			\$ 307,381

Miscellaneous

Contributions	\$	14,865	
Dues and Memberships		7,498	
Other Charges		60	
Total Miscellaneous			22,423

Total General Fund \$ 3,544,799

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$	29,830	
Truck Drivers		22,690	
Laborers		18,338	
Communication		592	
Legal Notices, Recording, and Court Costs		937	
Maintenance & Repair Services - Buildings		146	
Maintenance & Repair Services - Equipment		3,988	
Maintenance & Repair Services - Vehicles		9,189	
Postal Charges		61	
Other Contracted Services		6,902	
Diesel Fuel		16,888	
Electricity		2,116	
Gasoline		13,512	
Lubricants		533	
Natural Gas		1,349	
Tires and Tubes		1,723	
Water and Sewer		343	
Other Supplies and Materials		127	
Other Charges		866	
Motor Vehicles		9,000	
Solid Waste Equipment		17,459	
Total Sanitation Management			\$ 156,589

(Continued)

Exhibit J-6

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Convenience Centers

Laborers	\$	89,759	
Communication		414	
Maintenance & Repair Services - Buildings		91	
Maintenance & Repair Services - Equipment		264	
Electricity		2,458	
Water and Sewer		1,438	
Gravel and Chert		567	
Other Supplies and Materials		189	
Other Charges		617	
Building Improvements		149	
Site Development		4	
Solid Waste Equipment		4,923	
Total Convenience Centers			\$ 100,873

Other Operations

Other Charges

Liability Insurance	\$	9,990	
Trustee's Commission		1,025	
Vehicle and Equipment Insurance		2,630	
Workers' Compensation Insurance		8,700	
Surcharge		9,796	
Total Other Charges			32,141

Employee Benefits

Social Security	\$	9,460	
State Retirement		4,067	
Medical Insurance		19,046	
Unemployment Compensation		1,823	
Employer Medicare		2,212	
Total Employee Benefits			36,608

Total Solid Waste/Sanitation Fund \$ 326,211

Drug Control Fund

Public Safety

Drug Enforcement

Salary Supplements	\$	3,000	
Social Security		186	
State Retirement		117	
Employer Medicare		44	

(Continued)

Exhibit J-6

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Animal Food and Supplies	\$	317	
Law Enforcement Supplies		1,005	
Trustee's Commission		236	
Other Charges		78	
Total Drug Enforcement			\$ 4,983

Total Drug Control Fund \$ 4,983

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	6,644	
Total Chancery Court			\$ 6,644

Total Constitutional Officers - Fees Fund 6,644

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	49,002	
Assistant(s)		25,527	
Accountants/Bookkeepers		42,965	
Advertising		386	
Communication		8,006	
Dues and Memberships		1,843	
Evaluation and Testing		300	
Freight Expenses		5	
Legal Services		150	
Postal Charges		531	
Printing, Stationery, and Forms		485	
Travel		2,229	
Other Contracted Services		4,923	
Electricity		3,664	
Natural Gas		577	
Office Supplies		1,504	
Water and Sewer		774	
Total Administration			\$ 142,871

Highway and Bridge Maintenance

Laborers	\$	311,217	
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(Continued)

Exhibit J-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Overtime Pay	\$	27,217	
Rentals		13,855	
Asphalt - Cold Mix		2,130	
Asphalt - Liquid		74,549	
Crushed Stone		110,650	
Custodial Supplies		349	
Pipe		11,715	
Road Signs		563	
Total Highway and Bridge Maintenance			\$ 552,245

Operation and Maintenance of Equipment

Mechanic(s)	\$	27,760	
Diesel Fuel		67,368	
Equipment and Machinery Parts		56,090	
Gasoline		35,118	
Lubricants		1,396	
Tires and Tubes		14,973	
Total Operation and Maintenance of Equipment			202,705

Other Charges

Liability Insurance	\$	33,605	
Trustee's Commission		15,004	
Workers' Compensation Insurance		36,430	
Other Charges		33	
Total Other Charges			85,072

Employee Benefits

Social Security	\$	36,813	
State Retirement		15,903	
Medical Insurance		86,381	
Unemployment Compensation		512	
Total Employee Benefits			139,609

Capital Outlay

Other Contracted Services	\$	204,600	
Bridge Construction		124,319	
Building Construction		5,410	
Highway Equipment		108,064	
Office Equipment		6,308	
State Aid Projects		118,115	

(Continued)

Exhibit J-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay (Cont.)

Other Capital Outlay	\$ 1,131,685	
Total Capital Outlay		\$ 1,698,501

Principal on Debt

Highways and Streets

Principal on Other Loans	\$ 271,000	
Total Highways and Streets		271,000

Interest on Debt

Highways and Streets

Interest on Other Loans	\$ 67,644	
Total Highways and Streets		67,644

Other Debt Service

Highways and Streets

Other Debt Service	\$ 7,669	
Total Highways and Streets		<u>7,669</u>

Total Highway/Public Works Fund		\$ 3,167,316
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General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 130,000	
Principal on Other Loans	<u>66,000</u>	
Total General Government		\$ 196,000

Education

Principal on Bonds	\$ 610,000	
Total Education		610,000

Interest on Debt

General Government

Interest on Bonds	\$ 75,390	
Interest on Other Loans	<u>34,690</u>	
Total General Government		110,080

Education

Interest on Bonds	\$ 331,323	
Total Education		331,323

(Continued)

Exhibit J-6

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

General Debt Service Fund (Cont.)

Other Debt Service

General Government

Fiscal Agent Charges	\$	5,429	
Trustee's Commission		<u>6,987</u>	
Total General Government			\$ 12,416

Education

Fiscal Agent Charges	\$	<u>1,596</u>	
Total Education			<u>1,596</u>

Total General Debt Service Fund \$ 1,261,415

General Capital Projects Fund

Capital Projects

General Administration Projects

Architects	\$	25,019	
Permits		25	
Building Improvements		976,754	
Furniture and Fixtures		8,774	
Heating and Air Conditioning Equipment		2,786	
Other Equipment		8,824	
Other Capital Outlay		<u>893</u>	
Total General Administration Projects			\$ 1,023,075

Administration of Justice Projects

Data Processing Equipment	\$	<u>2,800</u>	
Total Administration of Justice Projects			2,800

Public Safety Projects

Architects	\$	<u>60,836</u>	
Total Public Safety Projects			60,836

Other General Government Projects

Airport Improvement	\$	245,500	
Site Development		<u>42,683</u>	
Total Other General Government Projects			288,183

Highway & Street Capital Projects

Building Improvements	\$	<u>4,940</u>	
Total Highway & Street Capital Projects			<u>4,940</u>

Total General Capital Projects Fund 1,379,834

(Continued)

Exhibit J-6

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

<u>Community Development/Industrial Park Fund</u>			
<u>Capital Projects</u>			
<u>Other General Government Projects</u>			
Other Contracted Services	\$	6,115	
Land		<u>496,500</u>	
Total Other General Government Projects			\$ <u>502,615</u>
Total Community Development/Industrial Park Fund			\$ 502,615
 <u>Other Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Public Safety Projects</u>			
Financial Advisory Services	\$	12,500	
Motor Vehicles		282,249	
Other Equipment		<u>5,251</u>	
Total Public Safety Projects			\$ 300,000
 <u>Other General Government Projects</u>			
Architects	\$	31,654	
Financial Advisory Services		<u>3,000</u>	
Total Other General Government Projects			<u>34,654</u>
Total Other Capital Projects Fund			<u>334,654</u>
Total Governmental Funds - Primary Government			<u>\$ 10,528,471</u>

Exhibit J-7

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	3,235,280	
Career Ladder Program		79,036	
Career Ladder Extended Contracts		58,070	
Homebound Teachers		915	
Educational Assistants		43,879	
Non-certified Substitute Teachers		52,888	
Social Security		200,612	
State Retirement		183,685	
Medical Insurance		236,883	
Unemployment Compensation		3,067	
Employer Medicare		46,917	
Maintenance & Repair Services - Equipment		9,804	
Other Contracted Services		13,076	
Instructional Supplies and Materials		82,924	
Textbooks		99,412	
Other Supplies and Materials		21,434	
Other Charges		23,481	
Regular Instruction Equipment		105,788	
Total Regular Instruction Program			\$ 4,497,151

Alternative Instruction Program

Teachers	\$	28,970	
Career Ladder Program		1,000	
Social Security		1,853	
State Retirement		1,648	
Medical Insurance		2,529	
Unemployment Compensation		34	
Employer Medicare		433	
Other Supplies and Materials		226	
Total Alternative Instruction Program			36,693

Special Education Program

Teachers	\$	519,709
Career Ladder Program		10,999
Homebound Teachers		3,735
Non-certified Substitute Teachers		7,312
Social Security		31,914
State Retirement		29,540
Medical Insurance		33,760

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Unemployment Compensation	\$	432	
Employer Medicare		7,464	
Maintenance & Repair Services - Equipment		330	
Other Contracted Services		52,771	
Instructional Supplies and Materials		3,143	
Other Supplies and Materials		7,169	
Other Charges		157	
Special Education Equipment		758	
Total Special Education Program			\$ 709,193

Vocational Education Program

Teachers	\$	438,901	
Career Ladder Program		7,166	
Career Ladder Extended Contracts		1,320	
Social Security		26,421	
State Retirement		23,845	
Medical Insurance		26,094	
Unemployment Compensation		308	
Employer Medicare		6,176	
Travel		7,400	
Instructional Supplies and Materials		21,380	
Textbooks		2,942	
Vocational Instruction Equipment		29,688	
Total Vocational Education Program			591,641

Adult Education Program

Teachers	\$	28,092	
Career Ladder Program		250	
Social Security		1,748	
State Retirement		110	
Unemployment Compensation		48	
Employer Medicare		409	
Instructional Supplies and Materials		10,367	
Other Supplies and Materials		4,628	
Other Charges		690	
Other Equipment		5,340	
Total Adult Education Program			51,682

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Support Services

Attendance

Supervisor/Director	\$	2,050	
Clerical Personnel		214	
Social Security		126	
State Retirement		104	
Medical Insurance		18	
Employer Medicare		30	
Other Contracted Services		2,628	
Other Supplies and Materials		2,629	
Attendance Equipment		7,382	
Total Attendance			\$ 15,181

Health Services

Other Contracted Services	\$	4,950	
Drugs and Medical Supplies		5,068	
Total Health Services			10,018

Other Student Support

Career Ladder Program	\$	8,000	
Guidance Personnel		248,840	
Career Ladder Extended Contracts		5,480	
Secretary(ies)		27,000	
Social Security		17,288	
State Retirement		15,320	
Medical Insurance		8,890	
Unemployment Compensation		190	
Employer Medicare		4,043	
Evaluation and Testing		7,452	
Maintenance & Repair Services - Equipment		500	
Other Supplies and Materials		500	
Other Charges		496	
Total Other Student Support			343,999

Regular Instruction Program

Supervisor/Director	\$	101,653
Career Ladder Program		8,000
Career Ladder Extended Contracts		6,040
Librarians		169,400
Instructional Computer Personnel		24,353
Secretary(ies)		75,783

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Social Security	\$	22,787	
State Retirement		17,000	
Medical Insurance		10,000	
Unemployment Compensation		407	
Employer Medicare		5,330	
Maintenance & Repair Services - Equipment		996	
Travel		2,266	
Library Books/Media		15,157	
Other Supplies and Materials		924	
In Service/Staff Development		454	
Other Equipment		496	
Total Regular Instruction Program			\$ 461,046

Special Education Program

Supervisor/Director	\$	50,587	
Career Ladder Program		1,000	
Clerical Personnel		8,800	
Social Security		3,389	
State Retirement		3,189	
Medical Insurance		5,812	
Unemployment Compensation		50	
Employer Medicare		793	
Travel		6,086	
Total Special Education Program			79,706

Vocational Education Program

Supervisor/Director	\$	11,872	
Clerical Personnel		9,939	
Social Security		1,360	
State Retirement		973	
Unemployment Compensation		16	
Employer Medicare		320	
Travel		4,304	
Other Supplies and Materials		1,195	
In Service/Staff Development		3,544	
Total Vocational Education Program			33,523

Adult Programs

Supervisor/Director	\$	55,576	
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(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs (Cont.)

Career Ladder Program	\$	2,000	
Career Ladder Extended Contracts		2,000	
Other Salaries & Wages		17,000	
Social Security		4,309	
State Retirement		3,884	
Medical Insurance		5,632	
Unemployment Compensation		64	
Employer Medicare		1,008	
Travel		1,923	
Other Supplies and Materials		2,779	
In Service/Staff Development		1,113	
Other Equipment		3,030	
Total Adult Programs			\$ 100,318

Board of Education

Board and Committee Members Fees	\$	12,000	
Social Security		744	
Unemployment Compensation		54	
Employer Medicare		174	
Audit Services		7,500	
Dues and Memberships		8,846	
Legal Services		100	
Trustee's Commission		62,050	
Workers' Compensation Insurance		42,637	
Criminal Investigation of Applicants - TBI		1,296	
Refund to Applicant for Criminal Investigation		240	
Other Charges		98,443	
Total Board of Education			234,084

Director of Schools

County Official/Administrative Officer	\$	83,400	
Secretary(ies)		25,000	
Social Security		6,472	
State Retirement		4,925	
Medical Insurance		2,616	
Unemployment Compensation		78	
Employer Medicare		1,514	
Communication		17,562	
Maintenance & Repair Services - Equipment		467	

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Postal Charges	\$	2,225	
Travel		1,059	
Other Contracted Services		2,178	
Office Supplies		1,938	
Other Charges		1,463	
Total Director of Schools			\$ 150,897

Office of the Principal

Principals	\$	207,589	
Career Ladder Program		6,000	
Career Ladder Extended Contracts		4,000	
Social Security		12,334	
State Retirement		11,962	
Medical Insurance		17,120	
Unemployment Compensation		133	
Employer Medicare		2,882	
Communication		3,600	
Total Office of the Principal			265,620

Fiscal Services

Accountants/Bookkeepers	\$	29,946	
Social Security		1,690	
State Retirement		1,025	
Unemployment Compensation		7	
Employer Medicare		395	
Travel		485	
Other Contracted Services		6,465	
Office Supplies		1,660	
Administration Equipment		1,425	
Total Fiscal Services			43,098

Operation of Plant

Custodial Personnel	\$	122,997	
Social Security		7,626	
State Retirement		2,025	
Unemployment Compensation		300	
Employer Medicare		1,783	
Custodial Supplies		28,308	
Electricity		227,122	

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Natural Gas	\$	98,423	
Water and Sewer		48,255	
Building and Contents Insurance		120,483	
Plant Operation Equipment		18,200	
Total Operation of Plant			\$ 675,522

Maintenance of Plant

Maintenance Personnel	\$	64,010	
Social Security		3,963	
State Retirement		1,698	
Unemployment Compensation		148	
Employer Medicare		927	
Maintenance & Repair Services - Buildings		42,409	
Maintenance & Repair Services - Equipment		2,060	
Other Contracted Services		16,537	
Other Charges		6,117	
Maintenance Equipment		21,518	
Total Maintenance of Plant			159,387

Transportation

Supervisor/Director	\$	50,172	
Mechanic(s)		26,500	
Bus Drivers		182,395	
Social Security		15,874	
State Retirement		6,199	
Medical Insurance		1,600	
Unemployment Compensation		507	
Employer Medicare		3,713	
Communication		4,985	
Contracts with Vehicle Owners		20,608	
Maintenance & Repair Services - Vehicles		22,524	
Travel		492	
Diesel Fuel		80,611	
Garage Supplies		302	
Gasoline		4,318	
Tires and Tubes		15,932	
Other Charges		832	
Transportation Equipment		264,530	
Total Transportation			702,094

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	23,058	
Clerical Personnel		6,200	
Social Security		1,820	
State Retirement		248	
Unemployment Compensation		42	
Employer Medicare		426	
Payments to Schools - Breakfast		77,652	
Payments to Schools - Lunch		252,842	
Payments to Schools - Other		18,870	
Travel		122	
Total Food Service			\$ 381,280

Community Services

Supervisor/Director	\$	46,090	
Clerical Personnel		1,600	
Other Salaries & Wages		174,281	
Social Security		13,315	
State Retirement		8,667	
Medical Insurance		5,632	
Unemployment Compensation		301	
Employer Medicare		3,114	
Travel		4,010	
Food Supplies		3,456	
Other Supplies and Materials		21,849	
Other Charges		4,436	
Other Equipment		17,368	
Total Community Services			304,119

Capital Outlay

Regular Capital Outlay

Architects	\$	1,437	
Building Improvements		385,612	
Total Regular Capital Outlay			387,049

Other Debt Service

Education

Contributions	\$	437,568	
Total Education			437,568

Total General Purpose School Fund \$ 10,670,869

(Continued)

Exhibit J-7

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	352,243	
Educational Assistants		10,695	
Social Security		22,502	
State Retirement		19,790	
Medical Insurance		14,825	
Unemployment Compensation		345	
Employer Medicare		5,263	
Instructional Supplies and Materials		6,836	
Other Supplies and Materials		3,203	
Regular Instruction Equipment		3,897	
Total Regular Instruction Program			\$ 439,599

Special Education Program

Teachers	\$	41,013	
Homebound Teachers		2,835	
Educational Assistants		204,050	
Other Salaries & Wages		42,252	
Non-certified Substitute Teachers		225	
Social Security		17,419	
State Retirement		10,710	
Medical Insurance		10,105	
Unemployment Compensation		578	
Employer Medicare		4,074	
Maintenance & Repair Services - Equipment		3,335	
Other Contracted Services		36,034	
Instructional Supplies and Materials		15,255	
Other Supplies and Materials		15,055	
Other Charges		3,752	
Special Education Equipment		14,938	
Total Special Education Program			421,630

Support Services

Other Student Support

Other Salaries & Wages	\$	3,620	
Social Security		224	
State Retirement		192	
Unemployment Compensation		1	
Employer Medicare		52	
Contracts with Other School Systems		16,317	

(Continued)

Exhibit J-7

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Travel	\$	547	
Other Supplies and Materials		11,142	
In Service/Staff Development		70	
Total Other Student Support			\$ 32,165

Regular Instruction Program

Supervisor/Director	\$	25,000	
Clerical Personnel		2,000	
Social Security		1,550	
State Retirement		1,378	
Unemployment Compensation		68	
Employer Medicare		366	
Travel		1,239	
Library Books/Media		5,000	
Other Supplies and Materials		300	
In Service/Staff Development		5,166	
Total Regular Instruction Program			42,067

Transportation

Bus Drivers	\$	16,637	
Social Security		1,030	
State Retirement		633	
Unemployment Compensation		25	
Employer Medicare		241	
Total Transportation			18,566

Total School Federal Projects Fund \$ 954,027

Total Governmental Funds - Decatur County School Department \$ 11,624,896

Exhibit J-8

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

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 730,339
Total Cash Receipts	<u>\$ 730,339</u>
<u>Cash Disbursements</u>	
Remittance of Revenue Collected	\$ 432,093
Trustee's Commission	7,274
Contributions	<u>290,972</u>
Total Cash Disbursements	<u>\$ 730,339</u>
 Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2005	<u>0</u>
 Cash Balance, June 30, 2006	<u><u>\$ 0</u></u>

SINGLE AUDIT 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

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

December 8, 2006

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Decatur County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise Decatur County's basic financial statements and have issued our report thereon dated December 8, 2006. 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 Decatur County'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 Decatur County'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 06.01, 06.05, and 06.06.

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 of 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 that none of the reportable conditions described above is a material weakness.

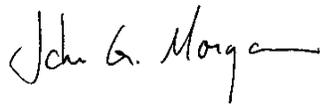
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Decatur County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 06.02, 06.03, and 06.04.

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

This report is intended solely for the information and use of the Board of County Commissioners, 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/sb



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

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

December 8, 2006

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Decatur County 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 its major federal programs for the year ended June 30, 2006. Decatur County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Decatur County's management. Our responsibility is to express an opinion on Decatur County's compliance based on our audit.

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

believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Decatur County's compliance with those requirements.

In our opinion, Decatur County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Decatur County 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 Decatur County'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 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 Decatur County'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 06.01 and 06.07.

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 the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Decatur County, Tennessee, as of and for the year ended June 30, 2006, and have issued our report thereon dated December 8, 2006. 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, 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" with a long horizontal flourish extending to the right.

John G. Morgan
Comptroller of the Treasury

JGM/sb

OTHER AUDITOR'S 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

For the Decatur County General Hospital

Administrator and Board of Trustees
Decatur County General Hospital
Parsons, Tennessee

We have audited the financial statements of the Decatur County General Hospital, as of and for the year ended June 30, 2006, and have issued our report thereon. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Decatur County General Hospital's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion 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 Decatur County General Hospital's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are as follows.

2006-01 BANK RECONCILIATION

The bank reconciliation did not agree with the general ledger for one bank account at June 30. We recommend that all bank reconciliations be reviewed for propriety each month.

Management's Response

We will make the appropriate entries on a monthly basis to reconcile with the bank.

2006-02 GENERAL LEDGER ACCOUNTS

The general ledger was not adjusted for several accounts including prepaid expenses, supplies inventory, due from physicians, accrued expenses, and debt. We recommend that all general ledger accounts be adjusted to properly reflect the appropriate balances.

Management's Response

We will make every attempt to make these entries on a timely basis to properly reflect the account balances.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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 consider items 2006-01 and 2006-02 to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Decatur County General Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 the following instance of noncompliance that is required to be reported under Government Auditing Standards.

2002-1 BOND PAYMENTS

The bonded indebtedness is actually in the name of Decatur County, Tennessee. The hospital is to remit to the county amounts sufficient to make the payments. However, at June 30, 2006, the hospital was behind in its remittances to the county.

Management's Response

Hospital management has spoken with the county mayor regarding the past due balance. The county mayor is aware of the financial status of the hospital and requests the hospital pay the past due amounts when financially feasible.

This report is intended solely for information and the use of the board of trustees, management, the Comptroller of the Treasury, 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.

Disposition of Prior Year Findings

2004-1 MINUTES – corrected.

2005-1 SURGEON INCOME – included in finding 2006-02 above.

OTHER AUDITOR'S 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

For the Decatur County Emergency Communications District

Board of Directors
Decatur County Emergency Communications District
Decaturville, Tennessee

We have audited the financial statements of the Decatur County Emergency Communications District as of and for the year ended June 30, 2006, and have issued our report thereon. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Decatur County Emergency Communications District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 Decatur County Emergency Communications District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described below.

99-01 INADEQUATE SEGREGATION OF DUTIES

Due to the lack of personnel there is not sufficient segregation of duties to accomplish an adequate internal control structure.

RECOMMENDATION

Management should try to compensate for this by requiring preparation of monthly reports in key areas. These reports should be reviewed and maintained by management.

MANAGEMENT'S RESPONSE

We have management review key reports monthly. We also keep management informed of any changes or corrections made to key reports.

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 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 reportable condition 99-01 is a material weakness.

Compliance

As part of obtaining reasonable assurance about whether Decatur County Emergency Communications District's financial statements are free of material misstatements, 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 two instances of noncompliance that are required to be reported under Government Auditing Standards which are described below.

2006-01 CUSTODIAL CREDIT RISK

The district does not have a Public Funds Depositor Collateral Security Agreement for its pledged collateral with its bank and the trustee.

RECOMMENDATION

We recommend that the district obtain a Public Funds Depositor Collateral Security Agreement.

MANAGEMENT'S RESPONSE

We agree and will correct this finding.

2006-02 EXPENDITURES EXCEEDED APPROPRIATIONS

The district had expenditures which exceeded appropriations at the line-item level.

RECOMMENDATION

We recommend that expenditures be monitored and budget amendments be made when necessary.

MANAGEMENT'S RESPONSE

We agree and will monitor more closely in the future.

Decatur County, Tennessee
Schedule of Expenditures and Federal Awards and State Grants(1)
For the 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 Distribution (Noncash Assistance)	10.550	N/A	\$ 35,632
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	79,914
National School Lunch Program	10.555	N/A	269,450
Total U.S. Department of Agriculture			<u>\$ 384,996</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	(3)	\$ 432,374
Total U.S. Department of Housing and Urban Development			<u>\$ 432,374</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Z-06-002586-00	\$ 9,000
Total U.S. Department of Justice			<u>\$ 9,000</u>
U.S. Department of Labor:			
Passed-through State Department of Education:			
Incentive Grants - WIA Section 503	17.267	Z-06-030901-00	\$ 2,297
Total U.S. Department of Labor			<u>\$ 2,297</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	(4)	\$ 88,531
Passed-through the State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	378,304
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	490,342
Special Education - Preschool Grants	84.173	N/A	38,802
Vocational Education - Basic Grants to States	84.048	N/A	49,458
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	9,847
Twenty-First Century Community Learning Centers	84.287C	(2)	163,374
State Grants for Innovative Programs	84.298	N/A	5,038
English Language Acquisition Grants	84.365A	N/A	20,337
Improving Teacher Quality State Grants	84.367A	N/A	11,357
Total U.S. Department of Education			<u>\$ 1,255,390</u>
U.S. Delta Regional Authority:			
Passed-through State Department of Economic and Community Development:			
Delta Regional Development	90.200	TN-2226	\$ 5,255
Total U.S. Delta Regional Authority			<u>\$ 5,255</u>

(Continued)

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

Federal/Pass Through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services: Passed-through Southwest Tennessee Development District: Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	(2)	\$ 19,698
Passed-through State Department of Education: Temporary Assistance for Needy Families	93.558	Z-06-027175-00	24,837
Total U.S. Department of Health and Human Services			\$ 44,535
U.S. Department of Homeland Security: Passed-through State Department of Military: State Domestic Preparedness Equipment Support Program	97.004	Z-04-022434-00	\$ 43,556
Emergency Management Performance Grants	97.042	(5)	3,247
Total U.S. Department of Homeland Security			\$ 46,803
Total Expenditures of Federal Awards			\$ 2,180,650
<u>State Grants</u>		<u>Contract Number</u>	
Juvenile Justice and Delinquency Prevention - State Department of Children's Services	N/A	GG0611957	\$ 73,089
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	7,704
Waste Tire Options Grant - State Department of Environment and Conservation	N/A	Z-03-011316-00	4,405
Preventive Health and Human Services - State Department of Health	N/A	Z-06-025975-00	1,590
Litter Grant - State Department of Transportation	N/A	(6)	33,781
Fastrack Infrastructure Development Program - State Department of Economic and Community Development	N/A	(7)	99,675
Safe Schools Act of 2003 - State Department of Education	N/A	(2)	9,499
School Traffic Signal - State Department of Transportation	N/A	(2)	10,000
EL Civic Grant - University of Tennessee	N/A	(2)	7,103
Family Resource Center - Operational Costs - State Department of Education	N/A	(2)	23,741
Alternative Punishment Program - State Department of Corrections	N/A	(2)	315,698
Total State Grants			\$ 586,285

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
(2) Information not available.
(3) GG-05-11529-00: \$300,000; GG-05-11666-00: \$132,374
(4) Z-05-022212-00: \$8,400; Z-06-027766-00: \$80,131
(5) Z-05-025406-00: \$640; Z-06-032833-00: \$2,607
(6) Z-05-021489-00: \$9,132; Z-06-027950-00: \$24,649
(7) GG-06-12095-00: \$34,650; GG-04-11315-00: \$65,025

Decatur County, Tennessee
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 Decatur County, Tennessee, for the year ended June 30, 2005, which have not been corrected.

FINDINGS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.01	162	Financial activity of the Decatur County Library was not audited, and the library was not subject to budgetary control of the County Commission
05.02	163	A central system of accounting, budgeting, and purchasing had not been adopted
05.03	163	Duties were not segregated adequately in the Offices of Trustee, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

DECATUR COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2006

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Decatur County is unqualified.
2. The audit of the financial statements of Decatur County disclosed reportable conditions in internal control. None of these conditions were considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Decatur County.
4. The audit disclosed one reportable condition in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Community Development Block Grant (CFDA No. 14.228) and Title I Grants to Local Educational Agencies (CFDA No. 84.010) 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. Decatur County did qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written response of the county mayor has been 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.

OFFICE OF COUNTY MAYOR

FINDING 06.01 **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES**
(Internal Control – Reportable Condition Under Government Auditing Standards and OMB Circular A-133)

The following weaknesses regarding computer system backup procedures were identified:

- A. 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.
- B. A backup log was not maintained. If system backups are not labeled and inventoried systematically, discrepancies may occur and affect the integrity of system backups in the event of a hardware or software failure.

RECOMMENDATION

Weekly backups should be rotated off-site. 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. Furthermore, a current log of all backups that includes label descriptions, date of creation, contents, and storage location should be maintained.

MANAGEMENT'S RESPONSE – COUNTY MAYOR (DIRECT QUOTE)

Effective immediately a weekly backup will be taken to the Decatur County Library. The daily backups will be stored in the vault located in the courthouse. A current log of all backups including label descriptions, date of creation and contents, and storage will be maintained.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 06.02 **GENERAL PURPOSE SCHOOL FUND EXPENDITURES AND ENCUMBRANCES EXCEEDED APPROPRIATIONS
(Noncompliance Under Government Auditing Standards)**

General Purpose School Fund expenditures and encumbrances exceeded appropriations approved by the County Commission in the Other Debt Service – Education major appropriation category (the legal level of control) by \$37,568.

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 and encumbrances should be held within appropriations approved by the County Commission.

OFFICE OF SHERIFF

FINDING 06.03 **THE SHERIFF DID NOT FILE A LETTER OF AGREEMENT OR COURT DECREE TO AUTHORIZE DEPUTY HIRES
(Noncompliance Under Government Auditing Standards)**

The sheriff did not obtain a letter of agreement or file suit in Circuit Court to authorize the number and salaries of his deputies. Section 8-20-101, Tennessee Code Annotated, permits the sheriff to enter into a letter of agreement with the county mayor concerning the number and the salaries of deputies or to file suit in Circuit Court.

RECOMMENDATION

The sheriff should obtain a letter of agreement with the county mayor or petition Circuit Court for the number and salaries of deputies as required by state statute.

OTHER FINDINGS AND RECOMMENDATIONS

**FINDING 06.04 FINANCIAL ACTIVITY OF THE DECATUR COUNTY LIBRARY WAS NOT AUDITED, AND THE LIBRARY WAS NOT SUBJECT TO BUDGETARY CONTROL OF THE COUNTY COMMISSION
(Material Noncompliance Under Government Auditing Standards)**

The Decatur County Library operates as a department within the county's General Fund. A significant portion of the library's expenditures for the year was paid through the county's General Fund (\$53,827), which is included in the financial statements of this report. However, the Library Board maintained two checking accounts and one certificate of deposit outside of the county's control to deposit fines and donations and to pay certain operating expenses. The balance of these three accounts totaled \$103,941 at June 30, 2006. The funds channeled through the checking account did not flow through the county's budgetary process, have not been audited, and are not included in the financial statements of this report. We do not consider the exclusion of these amounts to be material to the financial statements of this report.

Section 5-9-401, Tennessee Code Annotated (TCA), 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." Also, Section 10-3-106, TCA, states that "All library accounts of every character shall be audited annually by or under the county legislative body and/or city governing body."

RECOMMENDATION

The Decatur County Library should remit all collections to the county's General Fund or contract for an audit of their accounts. All revenues and expenditures related to the library's operation should be audited and subject to budgetary control of the County Commission as required by state statutes.

**FINDING 06.05 A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED
(Internal Control – Reportable Condition Under Government Auditing Standards)**

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

RECOMMENDATION

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

FINDING 06.06 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among officials and employees in the Offices of Trustee, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. Officials and employees responsible for maintaining accounting records were also involved in receipting and depositing funds, issuing checks, posting the cash journal, and/or reconciling bank statements. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.

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

Federal/Pass-through Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Agriculture: Passed-through State Department of Economic and Community Development: Community Development Block Grants/State's Program	06.07	14.228	Circular A-133 Section 500 (c) (3)	Reportable Condition in Internal Control - See Finding No. 06.01. The County Mayor's Office had weaknesses in the computer backup procedures.	\$ 0

DECATUR COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2006

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

County Mayor – Corrective Action Plan for Current Year Finding

Findings 06.01 and 06.07

Contact Person: Jason Scott, County Mayor

Corrective action planned: Effective immediately a weekly backup will be taken to the Decatur County Library. The daily backups will be stored in the vault located in the courthouse. A current log of all backups including label descriptions, date of creation and contents, and storage will be maintained.

Anticipated completion date: 2006-07