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# ANNUAL FINANCIAL REPORT DECATUR COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2007



**ANNUAL FINANCIAL REPORT**  
**DECATUR COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2007**

***DEPARTMENT OF AUDIT***  
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***Comptroller of the Treasury***

***DIVISION OF COUNTY AUDIT***  
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***ELISHA CROWELL, CFE***  
***State Auditors***

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

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# ***Audit Highlights***

Annual Financial Report  
Decatur County, Tennessee  
For the Year Ended June 30, 2007

## ***Scope***

We have audited the basic financial statements of Decatur County as of and for the year ended June 30, 2007.

## ***Results***

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

Our audit resulted in eight findings and recommendations, which we have reviewed with Decatur County management. Detailed finding and recommendations 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 budget operations.
- ◆ The office had deficiencies in the administration of payroll records.
- ◆ Invoices on construction projects were not paid currently resulting in the assessment of late charges totaling \$33,872.
- ◆ Several expenditures were misclassified in the accounting records of the General Debt Service Fund.

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### **OFFICE OF TRUSTEE**

- ◆ The trustee did not require a depository to pledge adequate securities to protect county funds exceeding Federal Deposit Insurance Corporation coverage.

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### **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 County Mayor, Trustee, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.

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## INTRODUCTORY SECTION

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# Decatur County Officials

## June 30, 2007

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### **Officials**

Jason Scott, 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  
Roy Wyatt, Sheriff

### **Board of County Commissioners**

Jason Scott, Chairman	Wayne Odle
David Boroughs, Chairman Pro Tem	Mary Will Roberts
Mike Box	Carlton Sanders
Johnny Burns	Danny Sparks
Don Funderburk	Gale Swift
Dwight Hale	Bobby Swindle
Joe Keeton	Mary Ella Teague
Jimmy Kelly	Judy Tucsnak
Mickey Mays	Carl White
Rose Moore	

### **Budget Committee**

Dwight Hale, Chairman  
Jimmy Kelly  
Wayne Odle  
Carlton Sanders  
Gale Swift

### **Board of Education**

Robert Bibbs, Chairman	Paul Ivy
Ralph Aaron	Dwight Lancaster
Art Bawcum	Rebecca Stanfill
Bradley Dodd	Jimmy Tate
Tom Haggard	

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## FINANCIAL SECTION

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

**INDEPENDENT AUDITOR'S REPORT**

February 25, 2008

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, 2007, 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 31 percent and 44 percent, respectively, of the assets and revenues of the aggregate discretely presented component units) or the discretely presented Decatur County Emergency Communications District (which represent 2.4 percent and 1.4 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, 2007, 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 February 25, 2008, 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.

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 and pension information on pages 65 through 69 are not required parts of the basic financial statements but they do provide 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/rd

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Decatur County, Tennessee  
Statement of Net Assets  
June 30, 2007

	Primary Governmental Activities	Component Units		
		Decatur County School Department	Decatur County General Hospital	Decatur County Emergency Communications District
<b>ASSETS</b>				
Cash	\$ 1,004	\$ 0	\$ 98,075	\$ 287,549
Equity in Pooled Cash and Investments	7,529,079	1,702,706	0	0
Inventories	0	0	286,035	0
Accounts Receivable	74,420	18,926	2,583,804	5,135
Due from Other Governments	544,029	355,102	0	0
Due from Component Units	229,675	0	0	0
Property Taxes Receivable	1,239,042	1,147,262	0	0
Allowance for Uncollectible Property Taxes	(23,164)	(21,447)	0	0
Cash Shortage	0	6,748	0	0
Prepaid Items	0	0	92,426	0
Other Current Assets	0	0	210,133	0
Restricted Assets:				
Utility Deposits	0	0	0	140
Deferred Charges - Debt Issuance Costs	201,272	0	4,529	0
Capital Assets:				
Assets Not Depreciated:				
Land	1,562,545	239,448	81,696	0
Assets Net of Accumulated Depreciation:				
Land Improvements	0	0	2,771	1,799
Buildings and Improvements	2,499,050	8,307,801	1,393,365	0
Infrastructure	3,080,846	0	0	0
Other Capital Assets	1,430,060	1,369,118	1,362,333	183,608
Total Assets	<u>\$ 18,367,858</u>	<u>\$ 13,125,664</u>	<u>\$ 6,115,167</u>	<u>\$ 478,231</u>

(Continued)

Exhibit A

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

	Primary Government Governmental Activities	Component Units		
		Decatur County School Department	Decatur County General Hospital	Decatur County Emergency Communications District
<u>LIABILITIES</u>				
Accounts Payable	\$ 11,458	\$ 0	\$ 452,627	\$ 0
Other Accrued Expenses	0	0	296,599	0
Payroll Deductions Payable	1,312	160,095	0	0
Contracts Payable	6,737	0	0	0
Accrued Interest Payable	126,705	0	0	0
Due to Primary Government	0	65,841	163,834	0
Due to State of Tennessee	2,462	0	0	0
Other Current Liabilities	50	0	0	0
Due to Intermediaries	0	0	108,745	0
Deferred Revenue - Current Property Taxes and Other	1,159,790	1,079,202	0	0
Noncurrent Liabilities:				
Due Within One Year	1,159,356	0	395,724	0
Due in More Than One Year (net of deferred amount on refunding)	17,661,021	0	2,587,398	0
Total Liabilities	\$ 20,128,891	\$ 1,305,138	\$ 4,004,927	\$ 0
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	\$ 3,985,411	\$ 0	\$ 1,436,955	\$ 0
Invested in Capital Assets	0	9,916,367	0	185,407
Restricted for:				
Solid Waste/Sanitation	77,262	0	0	0
Drug Control	67,412	0	0	0
Highway/Public Works	433,957	0	0	0
Capital Projects	95,290	0	0	0
Debt Service	1,477,315	0	0	0
Resort District	20,546	0	0	0
Alcohol and Drug Treatment	15,102	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	91,434	0	0	0
Drug Court	7,513	0	0	0
Other Purposes	8,476	77,384	0	0
Unrestricted	(8,040,751)	1,826,775	673,285	292,824
Total Net Assets	\$ (1,761,033)	\$ 11,820,526	\$ 2,110,240	\$ 478,231

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, 2007

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	\$ 687,235	\$ 86,844	\$ 21,205	\$ 143,256	\$ (435,930)	\$ 0	\$ 0	\$ 0
Finance	445,249	262,161	7,777	0	(175,311)	0	0	0
Administration of Justice	463,162	319,703	9,000	0	(134,459)	0	0	0
Public Safety	2,254,814	184,970	453,534	50,603	(1,565,707)	0	0	0
Public Health and Welfare	434,460	145,202	38,105	0	(251,153)	0	0	0
Social, Cultural, and Recreational Services	417,805	141,301	23,746	2,990	(249,768)	0	0	0
Agriculture and Natural Resources	49,161	0	0	0	(49,161)	0	0	0
Other Operations	395,214	0	148,075	30,501	(216,638)	0	0	0
Highways/Public Works	1,424,621	0	1,456,373	6,737	38,489	0	0	0
Interest on Long-term Debt	583,597	0	814,822	0	231,225	0	0	0
Other Debt Service	29,359	0	0	0	(29,359)	0	0	0
<b>Total Primary Government</b>	<b>\$ 7,184,677</b>	<b>\$ 1,140,181</b>	<b>\$ 2,972,637</b>	<b>\$ 234,087</b>	<b>\$ (2,837,772)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
Component Units:								
Decatur County School Department	\$ 11,949,581	\$ 397,488	\$ 1,817,406	\$ 0	\$ 0	\$ (9,734,687)	\$ 0	\$ 0
Decatur County General Hospital	10,531,919	9,456,171	168,650	0	0	0	(907,098)	0
Decatur County Emergency Communications District	142,105	65,097	24,698	0	0	0	0	(52,310)
<b>Total Component Units</b>	<b>\$ 22,623,605</b>	<b>\$ 9,918,756</b>	<b>\$ 2,010,754</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (9,734,687)</b>	<b>\$ (907,098)</b>	<b>\$ (52,310)</b>

(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 Activities	Decatur County School Department	Decatur County General Hospital	Decatur County Emergency Communications District
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes					\$ 1,040,526	\$ 1,153,161	\$ 0	\$ 0
Property Taxes Levied for Debt Service					181,149	0	0	0
Local Option Sales Taxes					318,155	1,053,754	0	0
Other Local Taxes					752,485	168,276	0	0
Grants and Contributions Not Restricted to Specific Programs					447,871	7,437,706	67,500	215,241
Unrestricted Investment Earnings					162,523	21,669	55,088	2,158
Miscellaneous					64,832	31,858	0	0
<b>Total General Revenues</b>					<b>\$ 2,967,541</b>	<b>\$ 9,866,424</b>	<b>\$ 122,588</b>	<b>\$ 217,399</b>
Change in Net Assets								
Net Assets, July 1, 2006					(2,044,802)	11,688,789	2,894,750	313,142
Prior-Period Adjustment					154,000	0	0	0
<b>Net Assets, June 30, 2007</b>					<b>\$ (1,761,033)</b>	<b>\$ 11,820,526</b>	<b>\$ 2,110,240</b>	<b>\$ 478,231</b>

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, 2007

	Major Funds				Nonmajor	Total
	General	Highway/ Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,004	\$ 1,004
Equity in Pooled Cash and Investments	406,899	168,724	1,291,454	5,472,076	189,926	7,529,079
Accounts Receivable	17,928	0	0	45,085	11,407	74,420
Due from Other Governments	196,809	271,970	74,582	0	668	544,029
Due from Other Funds	2,072	0	0	0	0	2,072
Due from Component Units	0	0	229,675	0	0	229,675
Property Taxes Receivable	1,055,481	0	183,561	0	0	1,239,042
Allowance for Uncollectible Property Taxes	(19,732)	0	(3,432)	0	0	(23,164)
<b>Total Assets</b>	<b>\$ 1,659,457</b>	<b>\$ 440,694</b>	<b>\$ 1,775,840</b>	<b>\$ 5,517,161</b>	<b>\$ 203,005</b>	<b>\$ 9,596,157</b>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 11,458	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,458
Payroll Deductions Payable	914	0	0	0	398	1,312
Contracts Payable	0	6,737	0	0	0	6,737
Due to Other Funds	0	0	0	0	2,072	2,072
Due to State of Tennessee	1,935	0	0	0	527	2,462
Other Current Liabilities	0	0	0	0	50	50
Deferred Revenue - Current Property Taxes	987,970	0	171,820	0	0	1,159,790
Deferred Revenue - Delinquent Property Taxes	46,907	0	8,153	0	0	55,060
Other Deferred Revenues	45,551	136,621	144,693	0	0	326,865
<b>Total Liabilities</b>	<b>\$ 1,094,735</b>	<b>\$ 143,358</b>	<b>\$ 324,666</b>	<b>\$ 0</b>	<b>\$ 3,047</b>	<b>\$ 1,565,806</b>
<u>Fund Balances</u>						
Reserved for Resort District	\$ 20,546	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,546
Reserved for Alcohol and Drug Treatment	15,102	0	0	0	0	15,102
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	91,434	0	0	0	0	91,434
Reserved for Drug Court	7,513	0	0	0	0	7,513
Reserved for Sexual Offender Registration	600	0	0	0	0	600
Reserved for Computer System - Register	4,073	0	0	0	0	4,073

(Continued)

Exhibit C-1

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

	Major Funds			Nonmajor	Total
	General	Highway/ Public Works	General Debt Service	Other Govern- mental Funds	
<u>LIABILITIES AND FUND BALANCES (Cont.)</u>					
<u>Fund Balances (Cont.)</u>					
Reserved for Automation Purposes - General Sessions Court	\$ 2,677	\$ 0	\$ 0	\$ 0	\$ 2,677
Reserved for Automation Purposes - Chancery Court	1,126	0	0	0	1,126
Unreserved, Reported In:					
General Fund	421,651	0	0	0	421,651
Special Revenue Funds	0	297,336	0	144,674	442,010
Debt Service Funds	0	0	1,451,174	0	1,451,174
Capital Projects Funds	0	0	0	55,284	5,572,445
Total Fund Balances	<u>\$ 564,722</u>	<u>\$ 297,336</u>	<u>\$ 1,451,174</u>	<u>\$ 199,958</u>	<u>\$ 8,030,351</u>
Total Liabilities and Fund Balances	<u>\$ 1,659,457</u>	<u>\$ 440,694</u>	<u>\$ 1,775,840</u>	<u>\$ 203,005</u>	<u>\$ 9,596,157</u>

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, 2007

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)		\$	8,030,351
(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: buildings and improvements net of accumulated depreciation		2,499,050	
Add: infrastructure net of accumulated depreciation		3,080,846	
Add: other capital assets net of accumulated depreciation		<u>1,430,060</u>	8,572,501
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: bonds payable	\$	(14,685,000)	
Less: notes payable		(225,042)	
Less: other loans payable		(3,844,667)	
Add: deferred charges - debt issuances costs		201,272	
Less: other deferred revenue - premium on debt		(27,598)	
Less: compensated absences payable		(38,070)	
Less: accrued interest on bonds and notes		<u>(126,705)</u>	(18,745,810)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>381,925</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>(1,761,033)</u></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, 2007

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Highway/ Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 1,781,181	\$ 38,253	\$ 511,867	\$ 0	\$ 0	\$ 2,331,301
Licenses and Permits	6,616	0	0	0	0	6,616
Fines, Forfeitures, and Penalties	67,558	0	0	0	10,376	77,934
Charges for Current Services	181,532	0	0	0	183,421	364,953
Other Local Revenues	39,198	6,239	162,523	0	96,258	304,218
Fees Received from County Officials	491,986	0	0	0	0	491,986
State of Tennessee	1,116,788	1,475,762	35,910	0	155,755	2,784,215
Federal Government	51,893	0	0	0	0	51,893
Other Governments and Citizens Groups	70,333	0	878,693	0	0	949,026
Total Revenues	\$ 3,807,085	\$ 1,520,254	\$ 1,588,993	\$ 0	\$ 445,810	\$ 7,362,142
<u>Expenditures</u>						
Current:						
General Government	\$ 639,722	\$ 0	\$ 0	\$ 0	\$ 0	\$ 639,722
Finance	353,733	0	0	0	0	353,733
Administration of Justice	306,088	0	0	0	67,241	373,329
Public Safety	1,584,140	0	0	0	33,663	1,617,803
Public Health and Welfare	71,817	0	0	0	253,900	325,717
Social, Cultural, and Recreational Services	342,821	0	0	0	0	342,821
Agriculture and Natural Resources	47,070	0	0	0	0	47,070
Other Operations	680,053	0	19,191	0	62,322	761,566
Highways	0	1,349,073	0	0	0	1,349,073
Debt Service:						
Principal on Debt	0	278,000	852,458	0	0	1,130,458
Interest on Debt	0	93,857	453,221	0	0	547,078
Other Debt Service	0	8,063	18,685	0	0	26,748
Capital Projects	0	0	50,000	660,848	178,572	889,420
Total Expenditures	\$ 4,025,444	\$ 1,728,993	\$ 1,393,555	\$ 660,848	\$ 595,698	\$ 8,404,538
Excess (Deficiency) of Revenues Over Expenditures	\$ (218,359)	\$ (208,739)	\$ 195,438	\$ (660,848)	\$ (149,888)	\$ (1,042,396)

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor	Total
	General	Highway/ Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>Other Financing Sources (Uses)</u>						
Bonds Issued	\$ 0	\$ 0	\$ 0	\$ 6,000,000	\$ 0	\$ 6,000,000
Premiums on Debt Issued	0	0	0	27,690	0	27,690
Other Loans Issued	0	0	0	164,023	0	164,023
Insurance Recovery	6,254	5,567	0	0	0	11,821
Total Other Financing Sources (Uses)	<u>\$ 6,254</u>	<u>\$ 5,567</u>	<u>\$ 0</u>	<u>\$ 6,191,713</u>	<u>\$ 0</u>	<u>\$ 6,203,534</u>
Net Change in Fund Balances	\$ (212,105)	\$ (203,172)	\$ 195,438	\$ 5,530,865	\$ (149,888)	\$ 5,161,138
Fund Balance, July 1, 2006	<u>776,827</u>	<u>500,508</u>	<u>1,255,736</u>	<u>(13,704)</u>	<u>349,846</u>	<u>2,869,213</u>
Fund Balance, June 30, 2007	<u>\$ 564,722</u>	<u>\$ 297,336</u>	<u>\$ 1,451,174</u>	<u>\$ 5,517,161</u>	<u>\$ 199,958</u>	<u>\$ 8,030,351</u>

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, 2007

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)		\$ 5,161,138
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 368,267	
Less: current year depreciation expense	<u>(456,930)</u>	(88,663)
(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	\$ (4,214)	
Less: proceeds received from the disposal of assets	<u>(19,500)</u>	(23,714)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2007	\$ 381,925	
Less: deferred delinquent property taxes and other deferred June 30, 2006	<u>(375,213)</u>	6,712
(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: bond proceeds	\$ (6,000,000)	
Less: other loans proceeds	(164,023)	
Less: deferred revenue - premium on debt	(27,598)	
Add: deferred charges - debt issuance costs	179,766	
Add: principal payments on notes	20,458	
Add: principal payments on bonds	730,000	
Add: principal payments on other loans	<u>345,000</u>	(4,916,397)
(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	\$ (36,519)	
Change in compensated absences	<u>27,212</u>	(9,307)
Change in net assets of governmental activities (Exhibit B)		<u>\$ 129,769</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, 2007

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 595,019
Due from Other Governments	<u>59,325</u>
Total Assets	<u>\$ 654,344</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 59,325
Due to Litigants, Heirs, and Others	<u>595,019</u>
Total Liabilities	<u>\$ 654,344</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, 2007**

**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 Debt Service Fund and the General Purpose School Fund. 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 .98 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 (buildings and improvements \$10,000, equipment \$10,000, and infrastructure \$10,000) 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 policy of Decatur County's General Fund 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.

The Decatur County Highway Department's personnel policy does not provide for employees to accumulate vacation or sick leave days beyond the end of the fiscal year. Therefore, accrual or recording is not required.

The general policy of the School Department permits the unlimited accumulation of unused sick leave days for professional personnel (teachers). There is no provision for accumulating vacation days. The granting of sick leave has no guaranteed payment attached, and therefore, requires no accrual or recording.

**5. Long-term Obligations**

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

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

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

**6. Net Assets and Fund Equity**

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

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

The government-wide statement of net assets reports \$2,294,307 of restricted net assets, of which \$20,546 is restricted by enabling legislation.

As of June 30, 2007, Decatur County had \$8,516,790 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.

**7. Prior-period Adjustments**

Capital assets were restated \$154,000 from the prior year because a bridge had been omitted.

**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 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 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. Cash Shortage – Prior Years**

The discretely presented General Purpose School Fund had a cash shortage of \$6,748 at June 30, 2007. This cash shortage resulted from a theft of \$21,574 at the Parsons Elementary School Cafeteria during the period July 1, 2002, through February 29, 2004. The defendant paid \$7,076 toward liquidating the cash shortage during the current audit period.

**C. Expenditures Exceeded Appropriations**

Expenditures exceeded total appropriations approved by the County Commission in the General (\$480), Solid Waste/Sanitation (\$8,713), and General Debt Service (\$58,987) funds. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balances.

**D. The County Had Deposits Exposed to Custodial Credit Risk**

The trustee did not require one depository holding county funds to pledge adequate securities to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2007, deposits at this depository exceeded FDIC coverage and collateral securities pledged by \$150,367. Section 5-8-201, Tennessee Code Annotated, provides for county officials to require any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of such county funds.

**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.

**Custodial Credit Risk.** Custodial credit risk is the risk that in the event of a bank failure, Decatur County's deposits may not be returned to it. Decatur County does not have a formal policy that limits custodial credit risk for deposits. Separate disclosures concerning bank balances of pooled deposits 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. As of June 30, 2007, bank balances of \$150,367 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 150,367</u>
Total	<u><u>\$ 150,367</u></u>

The \$150,367 exposed to custodial credit risk was in pooled bank balances. Uninsured and uncollateralized deposits are a violation of state statutes.

## 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, 2007, 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.

Investment	Maturities	Cost
State Treasurer's Investment Pool	Daily	\$ 5,590,112

**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, 2007, Decatur County's investment in the State Treasurer's Investment Pool was unrated.

**B. Capital Assets**

Capital assets activity for the year ended June 30, 2007, was as follows:

## Primary Government

### Governmental Activities:

	Balance 7-1-06	Prior Period Adjustment	Increases	Decreases	Balance 6-30-07
Capital Assets Not Depreciated:					
Land	\$ 1,562,545	\$ 0	\$ 0	\$ 0	\$ 1,562,545
Construction in Progress	1,220,105	0	0	1,220,105	0
Total Capital Assets Not Depreciated	\$ 2,782,650	\$ 0	\$ 0	\$ 1,220,105	\$ 1,562,545
Capital Assets Depreciated:					
Buildings and Improvements	\$ 2,166,889	\$ 0	\$ 1,311,993	\$ 0	\$ 3,478,882
Infrastructure	3,277,950	154,000	144,079	0	3,576,029
Other Capital Assets	2,761,192	0	132,300	29,038	2,864,454
Total Capital Assets Depreciated	\$ 8,206,031	\$ 154,000	\$ 1,588,372	\$ 29,038	\$ 9,919,365
Less Accumulated Depreciation For:					
Buildings and Improvements	\$ 926,378	\$ 0	\$ 53,454	\$ 0	\$ 979,832
Infrastructure	304,375	0	190,808	0	495,183
Other Capital Assets	1,227,050	0	212,668	5,324	1,434,394
Total Accumulated Depreciation	\$ 2,457,803	\$ 0	\$ 456,930	\$ 5,324	\$ 2,909,409
Total Capital Assets Depreciated, Net	\$ 5,748,228	\$ 154,000	\$ 1,131,442	\$ 23,714	\$ 7,009,956
Governmental Activities Capital Assets, Net	\$ 8,530,878	\$ 154,000	\$ 1,131,442	\$ 1,243,819	\$ 8,572,501

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

Governmental Activities:

General Administration	\$	3,878
Finance		2,146
Administration of Justice		3,997
Public Safety		71,931
Public Health and Welfare		41,143
Social, Cultural, and Recreational Services		40,010
Agriculture and Natural Resources		984
Other Operations		157
Highways/Public Works		<u>292,684</u>
Total Depreciation Expense - Governmental Activities	<u>\$</u>	<u>456,930</u>

**Discretely Presented Decatur County School Department**

Governmental Activities:

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
Capital Assets Not Depreciated:				
Land	\$ 239,448	\$ 0	\$ 0	\$ 239,448
Total Capital Assets Not Depreciated	<u>\$ 239,448</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 239,448</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 13,929,522	\$ 52,644	\$ 0	\$ 13,982,166
Other Capital Assets	1,947,731	400,204	(33,634)	2,314,301
Total Capital Assets Depreciated	<u>\$ 15,877,253</u>	<u>\$ 452,848</u>	<u>\$ (33,634)</u>	<u>\$ 16,296,467</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 5,196,006	\$ 478,359	\$ 0	\$ 5,674,365
Other Capital Assets	846,035	132,782	(33,634)	945,183
Total Accumulated Depreciation	<u>\$ 6,042,041</u>	<u>\$ 611,141</u>	<u>\$ (33,634)</u>	<u>\$ 6,619,548</u>
Total Capital Assets Depreciated, Net	<u>\$ 9,835,212</u>	<u>\$ (158,293)</u>	<u>\$ 0</u>	<u>\$ 9,676,919</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,074,660</u>	<u>\$ (158,293)</u>	<u>\$ 0</u>	<u>\$ 9,916,367</u>

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

Governmental Activities:

Instruction	\$ 420,324
Support Services	135,150
Operation of Non-Instructional Services	<u>55,667</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 611,141</u></u>

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

The composition of interfund balances as of June 30, 2007, is as follows:

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 2,072

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:	Component Unit:	
General Debt Service	School Department	\$ 65,841
General Debt Service	General Hospital	<u>163,834</u>
Total		<u><u>\$ 229,675</u></u>

**D. Long-term Debt**

**Primary Government**

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

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund other general obligation bonds. Capital outlay notes are also issued to fund capital facilities and other capital 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 30 years for bonds, up to 12 years for notes, and up to 21 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, 2007, 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, 2007, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
General Obligation Bonds - Refunding	1.45 to 3.2%	\$ 720,000	\$ 315,000
School Bonds - Refunding	1.45 to 4.25	10,720,000	8,370,000
General Obligation Improvement Bonds	4 to 4.25	6,000,000	6,000,000
Note Payable	4.05	245,500	225,042
Other Loans	Variable	4,789,667	3,844,667

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 an as needed basis \$3,000,000 for highway public works projects and \$2,000,000 for various county capital projects. As of June 30, 2007, Decatur County has borrowed \$3,000,000 and \$1,789,667 from the 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, 2007, the variable interest rate on these loan agreements was 3.95 percent and other fees amounted to approximately .35 percent of the outstanding loan principals.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2007, including interest payments and other loan fees, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2008	\$ 755,000	\$ 541,535	\$ 20,458	\$ 9,114
2009	885,000	522,664	20,458	8,286
2010	915,000	492,549	20,458	7,457
2011	835,000	460,820	20,458	6,628
2012	865,000	431,568	20,458	5,800

Year Ending June 30 (Cont.)	Bonds		Notes	
	Principal	Interest	Principal	Interest
2013-2017	\$ 4,785,000	\$ 1,648,429	\$ 102,294	\$ 16,571
2018-2022	1,725,000	924,505	20,458	829
2023-2027	1,050,000	729,232	0	0
2028-2032	1,285,000	498,764	0	0
2033-2037	1,585,000	207,464	0	0
<b>Total</b>	<b>\$ 14,685,000</b>	<b>\$ 6,457,530</b>	<b>\$ 225,042</b>	<b>\$ 54,685</b>

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2008	\$ 357,000	\$ 181,864	\$ 13,721	\$ 552,585
2009	367,000	137,763	12,471	517,234
2010	377,000	123,266	11,187	511,453
2011	388,000	108,375	9,867	506,242
2012	399,000	93,048	8,509	500,557
2013-2017	1,098,000	261,187	23,672	1,382,859
2018-2022	495,000	131,667	11,666	638,333
2023-2026	363,667	31,351	2,778	397,796
<b>Total</b>	<b>\$ 3,844,667</b>	<b>\$ 1,068,521</b>	<b>\$ 93,871</b>	<b>\$ 5,007,059</b>

There is \$1,451,174 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$1,252, based on the 2000 federal census. Debt per capita, including bonds, notes, and other loans, totaled \$1,599, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

##### Governmental Activities:

	Bonds	Notes
Balance, July 1, 2006	\$ 9,415,000	\$ 245,500
Additions	6,000,000	0
Deductions	(730,000)	(20,458)
<b>Balance, June 30, 2007</b>	<b>\$ 14,685,000</b>	<b>\$ 225,042</b>
<b>Balance Due Within One Year</b>	<b>\$ 755,000</b>	<b>\$ 20,458</b>

Governmental Activities (Cont.):

	Other Loans	Compensated Absences
Balance, July 1, 2006	\$ 4,025,644	\$ 65,282
Additions	164,023	29,666
Deductions	(345,000)	(56,878)
Balance, June 30, 2007	<u>\$ 3,844,667</u>	<u>\$ 38,070</u>
Balance Due Within One Year	<u>\$ 357,000</u>	<u>\$ 26,898</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2007	\$ 18,792,779
Less: Balance Due Within One Year	(1,159,356)
Add: Unamortized Premium on Debt	<u>27,598</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 17,661,021</u>

Compensated absences will be paid from the employing fund which is the General Fund.

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

#### 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. 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 General Hospital. As of June 30, 2007, future principal and interest requirements were \$1,235,000 and \$455,143, 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.

**C. Changes in Administration**

On August 31, 2006, Kenneth Broadway left the Office of County Mayor and was succeeded by Jason Scott, and Ronald Kenner left the Office of Sheriff and was succeeded by Roy Wyatt.

**D. 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, 2007, the county appropriated an operating subsidy of \$20,987 to the airport.

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

**E. Retirement Commitments**

**Employees**

**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 <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, 2007, was 4.78 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, 2007, Decatur County’s annual pension cost of \$135,362 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2005, 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
6-30-07	\$135,362	100%	\$0
6-30-06	99,864	100	0
6-30-05	91,590	100	0

**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 <http://www.treasury.state.tn.us>.

### **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, 2007, was 6.13 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, 2007, 2006, and 2005, were \$368,043, \$328,043, and \$323,975, respectively, equal to the required contributions for each year.

## **F. Purchasing Laws**

### **Office of County Mayor**

Purchasing procedures for the County Mayor's Office are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated (TCA). This act provides for all purchases exceeding \$5,000 (\$10,000 effective May 10, 2007) to be made based on competitive bids solicited through newspaper advertisement.

Office of Road Supervisor

Section 54-7-113, TCA (Uniform Road Law), governs purchasing procedures for the Highway Department. This statute requires all purchases exceeding \$10,000 to be made on the basis of publicly advertised competitive bids.

Office of Director of Schools

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

**VI. OTHER NOTES – DISCRETELY PRESENTED 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 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 leave is paid upon termination. At June 30, 2007, the hospital had accrued vacation and sick leave totaling \$1,006,084.

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, 2007, totaled \$4,535,355. The estimated useful lives by general classification are as follows:

<u>Assets</u>	<u>Years</u>
Land improvements	5 - 15
Buildings	15 - 42
Capital equipment	5 - 38
Major movable equipment	3 - 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 \$8,782,437. 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, 2006.

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 accounts are written-off after specific criteria are met. Accordingly, \$23,392 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 2007 was \$66,422, which was 1.41 percent of the covered payroll of \$4,719,531 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 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. The hospital has no policy that further limits allowable investments. At June 30, 2007, the hospital had no investments.

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, 2007, \$188,957 of the hospital's bank balances of \$288,957 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 \$12,476 in expenses 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's 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, 2007, 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, 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.

Due to Medicare 6-30-07 \$ 108,745

**L. Compliance with Finance-Related Legal and Contractual Provisions**

Decatur County has an understanding with the hospital to pay the first \$35,000 each year and the hospital will pay the balance required to service the 2003 bonds. In addition, the hospital is to pay all amounts required to service the 1999 bonds. At June 30, the hospital lacked \$163,834 in being current with its required payments. Accordingly, this amount was paid by the county. 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 assets activity for the year ended June 30, 2007, was as follows:

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
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	8,615	0	2,722,899
Capital Equipment	1,364,563	9,936	0	1,374,499
Major Moveable				
Equipment	3,488,376	468,919	114,385	3,842,910
Total Capital Assets				
Depreciated	\$ 7,720,444	\$ 487,470	\$ 114,385	\$ 8,093,529
Less Accumulated				
Depreciation For:				
Land Improvements	\$ 145,191	\$ 5,259	\$ 0	\$ 150,450
Buildings	1,237,968	91,566	0	1,329,534
Capital Equipment	1,003,831	47,642	0	1,051,473
Major Moveable				
Equipment	2,646,247	268,656	111,300	2,803,603
Total Accumulated				
Depreciation	\$ 5,033,237	\$ 413,123	\$ 111,300	\$ 5,335,060
Total Capital Assets				
Depreciated, Net	\$ 2,687,207	\$ 74,347	\$ 3,085	\$ 2,758,469
Total Capital Assets, Net	\$ 2,768,903	\$ 74,347	\$ 3,085	\$ 2,840,165

Depreciation expense of \$413,123 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 14 percent were to the TennCare program. In addition, of the net accounts receivable balance as of June 30, 2007, 24 percent was due from the Medicare program and 26 percent was due from TennCare.

**O. Long-term Debt**

Long-term debt at June 30, 2007, 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 ranging 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 ranging 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 prime. Each of the notes is secured by a CT Scanner and accounts receivable, and the proceeds of each were used for operations. Both of these notes have periodic interest only payments with the balance due at maturity.

The annual requirements to amortize all long-term debt are as follows:

Year Ending June 30	Principal		Interest	Total
	Bonds	Notes		
2008	\$ 96,070	\$ 299,654	\$ 98,577	\$ 494,301
2009	96,070	299,384	84,232	479,686
2010	101,070	0	63,443	164,513
2011	105,000	0	52,585	157,585
2012	110,000	0	47,965	157,965
2013-2017	605,000	0	162,755	767,755
2018-2019	290,000	0	22,990	312,990
<b>Total</b>	<b>\$ 1,403,210</b>	<b>\$ 599,038</b>	<b>\$ 532,547</b>	<b>\$ 2,534,795</b>

The changes in long-term debt are as follows:

Governmental Activities:

	<u>Bonds</u>	<u>Notes</u>
Balance, July 1, 2006	\$ 1,494,280	\$ 1,314,232
Additions	0	2,143,981
Deductions	<u>(91,070)</u>	<u>(2,859,175)</u>
Balance, June 30, 2007	<u>\$ 1,403,210</u>	<u>\$ 599,038</u>
Balance Due Within One Year	<u>\$ 96,070</u>	<u>\$ 299,654</u>

**P. Commitments and Contingencies**

The hospital is a defendant in various lawsuits brought against it. It cannot predict the outcome of these cases, and it is possible losses could be incurred. The amount of such possible losses cannot presently be determined.

**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 dispatchers 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 can 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.

#### **F. Capital Assets**

Capital assets activity for the year ended June 30, 2007, was as follows:

	Balance 7-1-06	Increases	Ending 6-30-07
Capital Assets Depreciated:			
Land Improvements	\$ 7,829	\$ 0	\$ 7,829
Capital Equipment	344,742	98,573	443,315
Office Furniture and Equipment	28,382	0	28,382
Total Capital Assets Depreciated	<u>\$ 380,953</u>	<u>\$ 98,573</u>	<u>\$ 479,526</u>
Less Accumulated Depreciation For:			
Land Improvements	\$ 5,580	\$ 450	\$ 6,030
Capital Equipment	229,342	31,842	261,184
Office Furniture and Equipment	25,406	1,499	26,905
Total Accumulated Depreciation	<u>\$ 260,328</u>	<u>\$ 33,791</u>	<u>\$ 294,119</u>
Total Capital Assets, Net	<u>\$ 120,625</u>	<u>\$ 64,782</u>	<u>\$ 185,407</u>

Depreciation expense of \$33,791 was recorded by the district.

#### **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, 2007, 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, 2007, the district's bank balances were not exposed to custodial credit risk because it was entirely covered by federal

depository insurance and collateralized with securities held by the financial institution's agent 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 were within appropriations at the line-item level.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,781,181	\$ 1,873,839	\$ 1,873,839	\$ (92,658)
Licenses and Permits	6,616	15,900	15,900	(9,284)
Fines, Forfeitures, and Penalties	67,558	51,200	51,200	16,358
Charges for Current Services	181,532	253,425	253,519	(71,987)
Other Local Revenues	39,198	18,850	6,911	32,287
Fees Received from County Officials	491,986	434,500	440,837	51,149
State of Tennessee	1,116,788	843,669	997,275	119,513
Federal Government	51,893	0	0	51,893
Other Governments and Citizens Groups	70,333	0	0	70,333
Total Revenues	\$ 3,807,085	\$ 3,491,383	\$ 3,639,481	\$ 167,604
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 33,522	\$ 42,000	\$ 42,000	\$ 8,478
Board of Equalization	295	1,000	1,000	705
Beer Board	950	2,000	2,000	1,050
Other Boards and Committees	500	6,500	6,500	6,000
County Mayor/Executive	111,066	111,296	111,346	280
Personnel Office	8,538	8,650	8,650	112
County Attorney	9,593	10,000	10,000	407
Election Commission	266,355	124,571	272,746	6,391
Register of Deeds	78,373	84,019	84,019	5,646
Codes Compliance	8,497	3,640	8,497	0
County Buildings	122,033	103,681	103,681	(18,352)
<u>Finance</u>				
Property Assessor's Office	108,827	112,356	112,356	3,529
Reappraisal Program	16,457	17,363	17,363	906
County Trustee's Office	120,814	119,928	120,817	3
County Clerk's Office	107,635	111,169	111,169	3,534
<u>Administration of Justice</u>				
Circuit Court Clerk	113,298	115,767	115,767	2,469
General Sessions Judge	89,952	82,289	82,289	(7,663)
Chancery Court	71,215	72,945	79,282	8,067
Juvenile Court	31,623	33,358	33,358	1,735
<u>Public Safety</u>				
Sheriff's Department	628,894	651,015	651,015	22,121
Drug Enforcement	32	0	0	(32)
Jail	129,438	111,088	111,088	(18,350)
Juvenile Services	73,761	82,785	82,285	8,524
Work Release Program	383,213	342,999	343,327	(39,886)
Fire Prevention and Control	79,216	84,030	84,030	4,814
Civil Defense	56,391	56,316	51,459	(4,932)
Rescue Squad	10,000	10,000	10,000	0

(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>				
Other Emergency Management	\$ 203,360	\$ 222,419	\$ 222,419	\$ 19,059
County Coroner/Medical Examiner	17,783	20,000	20,000	2,217
Other Public Safety	2,052	2,333	2,333	281
<u>Public Health and Welfare</u>				
Local Health Center	36,675	41,200	41,200	4,525
Crippled Children Services	796	796	796	0
General Welfare Assistance	5,000	5,000	5,000	0
Aid to Dependent Children	2,391	2,500	2,500	109
Sanitation Education/Information	25,998	29,237	29,238	3,240
Other Public Health and Welfare	957	7,703	7,703	6,746
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	61,824	64,464	64,465	2,641
Libraries	61,413	61,613	64,603	3,190
Parks and Fair Boards	219,584	232,190	230,690	11,106
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	41,770	41,488	41,789	19
Forest Service	2,000	2,000	2,000	0
Soil Conservation	3,300	3,300	3,300	0
<u>Other Operations</u>				
Tourism	27,369	29,200	31,168	3,799
Industrial Development	49,900	45,000	46,500	(3,400)
Airport	20,987	20,987	20,987	0
Veterans' Services	9,835	10,522	10,522	687
Other Charges	166,217	154,500	155,237	(10,980)
Employee Benefits	366,000	338,500	338,699	(27,301)
Miscellaneous	39,745	25,865	27,771	(11,974)
Total Expenditures	\$ 4,025,444	\$ 3,861,582	\$ 4,024,964	\$ (480)
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (218,359)	\$ (370,199)	\$ (385,483)	\$ 167,124
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 6,254	\$ 0	\$ 15,000	\$ (8,746)
Transfers In	0	85,813	85,813	(85,813)
Total Other Financing Sources (Uses)	\$ 6,254	\$ 85,813	\$ 100,813	\$ (94,559)
Net Change in Fund Balance				
Fund Balance, July 1, 2006	\$ (212,105)	\$ (284,386)	\$ (284,670)	\$ 72,565
	776,827	817,153	817,153	(40,326)
Fund Balance, June 30, 2007				
	\$ 564,722	\$ 532,767	\$ 532,483	\$ 32,239

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 38,253	\$ 70,506	\$ 70,506	\$ (32,253)
Other Local Revenues	6,239	20,900	20,900	(14,661)
State of Tennessee	1,475,762	1,810,293	1,810,293	(334,531)
Total Revenues	<u>\$ 1,520,254</u>	<u>\$ 1,901,699</u>	<u>\$ 1,901,699</u>	<u>\$ (381,445)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 130,047	\$ 133,591	\$ 133,591	\$ 3,544
Highway and Bridge Maintenance	442,870	622,400	482,400	39,530
Operation and Maintenance of Equipment	178,378	275,000	255,000	76,622
Other Charges	85,211	90,100	87,190	1,979
Employee Benefits	148,349	163,200	163,200	14,851
Capital Outlay	364,218	657,152	758,579	394,361
<u>Principal on Debt</u>				
Highways and Streets	278,000	278,000	278,000	0
<u>Interest on Debt</u>				
Highways and Streets	93,857	55,815	114,000	20,143
<u>Other Debt Service</u>				
Highways and Streets	8,063	12,000	9,300	1,237
Total Expenditures	<u>\$ 1,728,993</u>	<u>\$ 2,287,258</u>	<u>\$ 2,281,260</u>	<u>\$ 552,267</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (208,739)</u>	<u>\$ (385,559)</u>	<u>\$ (379,561)</u>	<u>\$ 170,822</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 5,567	\$ 0	\$ 0	\$ 5,567
Total Other Financing Sources (Uses)	<u>\$ 5,567</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,567</u>
Net Change in Fund Balance	\$ (203,172)	\$ (385,559)	\$ (379,561)	\$ 176,389
Fund Balance, July 1, 2006	<u>500,508</u>	<u>557,252</u>	<u>557,252</u>	<u>(56,744)</u>
Fund Balance, June 30, 2007	<u>\$ 297,336</u>	<u>\$ 171,693</u>	<u>\$ 177,691</u>	<u>\$ 119,645</u>

Exhibit E-3

Decatur County, Tennessee  
Schedule of Funding Progress – Pension Plan  
June 30, 2007

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-05	\$ 1,887	\$ 1,988	\$ 101	94.91 %	\$ 2,341	4.32 %
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

**DECATUR COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2007**

**A. BUDGETARY INFORMATION**

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

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

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

**B. EXPENDITURES EXCEEDED APPROPRIATIONS**

Expenditures exceeded total appropriations approved by the County Commission in the General Fund by \$480. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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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

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

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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 for a Fast-Track Infrastructure Development Program for the Raney and Harrison industrial improvement project. This fund was closed during the year.

Exhibit F-1

Decatur County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2007

	<u>Special Revenue Funds</u>				<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Solid Waste/ Sanitation</u>	<u>Drug Control</u>	<u>Constitu - tional Officers - Fees</u>	<u>Total</u>	<u>Community Development/ Industrial Park</u>	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 1,004	\$ 1,004	\$ 0	\$ 1,004
Equity in Pooled Cash and Investments	66,752	67,890	0	134,642	55,284	189,926
Accounts Receivable	11,366	0	41	11,407	0	11,407
Due from Other Governments	668	0	0	668	0	668
<b>Total Assets</b>	<b>\$ 78,786</b>	<b>\$ 67,890</b>	<b>\$ 1,045</b>	<b>\$ 147,721</b>	<b>\$ 55,284</b>	<b>\$ 203,005</b>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Payroll Deductions Payable	\$ 129	\$ 269	\$ 0	\$ 398	\$ 0	\$ 398
Due to Other Funds	1,027	0	1,045	2,072	0	2,072
Due to State of Tennessee	318	209	0	527	0	527
Other Current Liabilities	50	0	0	50	0	50
<b>Total Liabilities</b>	<b>\$ 1,524</b>	<b>\$ 478</b>	<b>\$ 1,045</b>	<b>\$ 3,047</b>	<b>\$ 0</b>	<b>\$ 3,047</b>
<u>Fund Balances</u>						
Unreserved	\$ 77,262	\$ 67,412	\$ 0	\$ 144,674	\$ 55,284	\$ 199,958
<b>Total Fund Balances</b>	<b>\$ 77,262</b>	<b>\$ 67,412</b>	<b>\$ 0</b>	<b>\$ 144,674</b>	<b>\$ 55,284</b>	<b>\$ 199,958</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 78,786</b>	<b>\$ 67,890</b>	<b>\$ 1,045</b>	<b>\$ 147,721</b>	<b>\$ 55,284</b>	<b>\$ 203,005</b>

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, 2007

	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	\$ 10,376	\$ 0	\$ 10,376	\$ 0	\$ 0	\$ 0	10,376
Charges for Current Services	116,180	0	67,241	183,421	0	0	0	183,421
Other Local Revenues	32,413	33,344	0	65,757	0	30,501	30,501	96,258
State of Tennessee	7,680	0	0	7,680	0	148,075	148,075	155,755
Total Revenues	\$ 156,273	\$ 43,720	\$ 67,241	\$ 267,234	\$ 0	\$ 178,576	\$ 178,576	\$ 445,810
<u>Expenditures</u>								
Current:								
Administration of Justice	\$ 0	\$ 0	\$ 67,241	\$ 67,241	\$ 0	\$ 0	\$ 0	67,241
Public Safety	0	33,663	0	33,663	0	0	0	33,663
Public Health and Welfare	253,900	0	0	253,900	0	0	0	253,900
Other Operations	62,322	0	0	62,322	0	0	0	62,322
Capital Projects	0	0	0	0	0	178,572	178,572	178,572
Total Expenditures	\$ 316,222	\$ 33,663	\$ 67,241	\$ 417,126	\$ 0	\$ 178,572	\$ 178,572	\$ 595,698
Excess (Deficiency) of Revenues Over Expenditures	\$ (159,949)	\$ 10,057	\$ 0	\$ (149,892)	\$ 0	\$ 4	\$ 4	(149,888)
Net Change in Fund Balances	\$ (159,949)	\$ 10,057	\$ 0	\$ (149,892)	\$ 0	\$ 4	\$ 4	(149,888)
Fund Balance, July 1, 2006	237,211	57,355	0	294,566	55,284	(4)	55,280	349,846
Fund Balance, June 30, 2007	\$ 77,262	\$ 67,412	\$ 0	\$ 144,674	\$ 55,284	\$ 0	\$ 55,284	\$ 199,958

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 116,180	\$ 211,000	\$ 211,000	\$ (94,820)
Other Local Revenues	32,413	28,000	33,984	(1,571)
State of Tennessee	7,680	25,000	25,000	(17,320)
Total Revenues	<u>\$ 156,273</u>	<u>\$ 264,000</u>	<u>\$ 269,984</u>	<u>\$ (113,711)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 155,068	\$ 133,450	\$ 140,990	\$ (14,078)
Convenience Centers	98,832	97,675	96,119	(2,713)
<u>Other Operations</u>				
Other Charges	27,669	32,700	32,700	5,031
Employee Benefits	34,653	37,700	37,700	3,047
Total Expenditures	<u>\$ 316,222</u>	<u>\$ 301,525</u>	<u>\$ 307,509</u>	<u>\$ (8,713)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (159,949)</u>	<u>\$ (37,525)</u>	<u>\$ (37,525)</u>	<u>\$ (122,424)</u>
Net Change in Fund Balance	\$ (159,949)	\$ (37,525)	\$ (37,525)	\$ (122,424)
Fund Balance, July 1, 2006	<u>237,211</u>	<u>278,631</u>	<u>278,631</u>	<u>(41,420)</u>
Fund Balance, June 30, 2007	<u>\$ 77,262</u>	<u>\$ 241,106</u>	<u>\$ 241,106</u>	<u>\$ (163,844)</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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 10,376	\$ 11,574	\$ 11,574	\$ (1,198)
Other Local Revenues	33,344	6,600	6,600	26,744
State of Tennessee	0	15,000	15,000	(15,000)
Total Revenues	<u>\$ 43,720</u>	<u>\$ 33,174</u>	<u>\$ 33,174</u>	<u>\$ 10,546</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 33,663	\$ 42,000	\$ 42,000	\$ 8,337
Total Expenditures	<u>\$ 33,663</u>	<u>\$ 42,000</u>	<u>\$ 42,000</u>	<u>\$ 8,337</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 10,057</u>	<u>\$ (8,826)</u>	<u>\$ (8,826)</u>	<u>\$ 18,883</u>
Net Change in Fund Balance	\$ 10,057	\$ (8,826)	\$ (8,826)	\$ 18,883
Fund Balance, July 1, 2006	<u>57,355</u>	<u>71,955</u>	<u>71,955</u>	<u>(14,600)</u>
Fund Balance, June 30, 2007	<u><u>\$ 67,412</u></u>	<u><u>\$ 63,129</u></u>	<u><u>\$ 63,129</u></u>	<u><u>\$ 4,283</u></u>

# Major Governmental Fund

## General Debt Service Fund

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

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Exhibit G

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 511,867	\$ 561,195	\$ 561,195	\$ (49,328)
Other Local Revenues	162,523	120,000	120,000	42,523
State of Tennessee	35,910	30,472	30,472	5,438
Other Governments and Citizens Groups	878,693	750,000	750,000	128,693
Total Revenues	<u>\$ 1,588,993</u>	<u>\$ 1,461,667</u>	<u>\$ 1,461,667</u>	<u>\$ 127,326</u>
<u>Expenditures</u>				
<u>Other Operations</u>				
Miscellaneous	\$ 19,191	\$ 0	\$ 0	\$ (19,191)
<u>Principal on Debt</u>				
General Government	\$ 178,528	\$ 178,529	\$ 178,529	\$ 1
Education	673,930	673,930	673,930	0
<u>Interest on Debt</u>				
General Government	135,486	148,374	148,374	12,888
Education	317,735	317,735	317,735	0
<u>Other Debt Service</u>				
General Government	15,607	13,500	13,500	(2,107)
Education	3,078	2,500	2,500	(578)
<u>Capital Projects</u>				
General Administration Projects	50,000	0	0	(50,000)
Total Expenditures	<u>\$ 1,393,555</u>	<u>\$ 1,334,568</u>	<u>\$ 1,334,568</u>	<u>\$ (58,987)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 195,438</u>	<u>\$ 127,099</u>	<u>\$ 127,099</u>	<u>\$ 68,339</u>
Net Change in Fund Balance	\$ 195,438	\$ 127,099	\$ 127,099	\$ 68,339
Fund Balance, July 1, 2006	1,255,736	1,200,362	1,200,362	55,374
Fund Balance, June 30, 2007	<u>\$ 1,451,174</u>	<u>\$ 1,327,461</u>	<u>\$ 1,327,461</u>	<u>\$ 123,713</u>

# Fiduciary Funds

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

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

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, 2007

	<u>Agency Funds</u>		
	<u>Cities- Sales Tax</u>	<u>Constitu- tional Officers - Agency</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 0	\$ 595,019	\$ 595,019
Due from Other Governments	59,325	0	59,325
	<hr/>		
Total Assets	\$ 59,325	\$ 595,019	\$ 654,344
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 59,325	\$ 0	\$ 59,325
Due to Litigants, Heirs, and Others	0	595,019	595,019
	<hr/>		
Total Liabilities	\$ 59,325	\$ 595,019	\$ 654,344
	<hr/>		

Exhibit H-2

Decatur County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
For the Year Ended June 30, 2007

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 761,446	\$ 761,446	\$ 0
Due from Other Governments	132,828	59,325	132,828	59,325
Total Assets	\$ 132,828	\$ 820,771	\$ 894,274	\$ 59,325
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 132,828	\$ 820,771	\$ 894,274	\$ 59,325
Total Liabilities	\$ 132,828	\$ 820,771	\$ 894,274	\$ 59,325
<u>Community Development - Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 204	\$ 49,595	\$ 49,799	\$ 0
Total Assets	\$ 204	\$ 49,595	\$ 49,799	\$ 0
<u>Liabilities</u>				
Other Current Liabilities	\$ 204	\$ 49,595	\$ 49,799	\$ 0
Total Liabilities	\$ 204	\$ 49,595	\$ 49,799	\$ 0
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 468,380	\$ 4,982,921	\$ 4,856,282	\$ 595,019
Total Assets	\$ 468,380	\$ 4,982,921	\$ 4,856,282	\$ 595,019
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 468,380	4,982,921	4,856,282	595,019
Total Liabilities	\$ 468,380	\$ 4,982,921	\$ 4,856,282	\$ 595,019
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 468,380	\$ 4,982,921	\$ 4,856,282	\$ 595,019
Equity in Pooled Cash and Investments	204	811,041	811,245	0
Due from Other Governments	132,828	59,325	132,828	59,325
Total Assets	\$ 601,412	\$ 5,853,287	\$ 5,800,355	\$ 654,344
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 132,828	\$ 820,771	\$ 894,274	\$ 59,325
Due to Litigants, Heirs, and Others	468,380	4,982,921	4,856,282	595,019
Other Current Liabilities	204	49,595	49,799	0
Total Liabilities	\$ 601,412	\$ 5,853,287	\$ 5,800,355	\$ 654,344

# Decatur County School Department

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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.

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

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

Exhibit I-1

Decatur County, Tennessee  
Statement of Activities  
Discretely Presented Decatur County School Department  
For the Year Ended June 30, 2007

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	\$ 7,487,282	\$ 800	\$ 1,118,552	\$ (6,367,930)
Support Services	3,245,426	287,943	220,109	(2,737,374)
Operation of Non-Instructional Services	800,887	108,745	478,745	(213,397)
Other Debt Service	415,986	0	0	(415,986)
Total Governmental Activities	<u>\$ 11,949,581</u>	<u>\$ 397,488</u>	<u>\$ 1,817,406</u>	<u>\$ (9,734,687)</u>
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 1,153,161
Local Option Sales Taxes				1,053,754
Other Local Taxes				168,276
Grants and Contributions Not Restricted to Specific Programs				7,437,706
Investment Income				21,669
Miscellaneous				31,858
Total General Revenues				<u>\$ 9,866,424</u>
Change in Net Assets				\$ 131,737
Net Assets, July 1, 2006				<u>11,688,789</u>
Net Assets, June 30, 2007				<u>\$ 11,820,526</u>

Exhibit I-2

Decatur County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Decatur County School Department  
June 30, 2007

	Major Fund	Nonmajor Fund	Total
	General Purpose School	School Federal Projects	Govern- mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,677,614	\$ 25,092	\$ 1,702,706
Accounts Receivable	18,926	0	18,926
Due from Other Governments	349,139	5,963	355,102
Property Taxes Receivable	1,147,262	0	1,147,262
Allowance for Uncollectible Property Taxes	(21,447)	0	(21,447)
Cash Shortage	6,748	0	6,748
<b>Total Assets</b>	<b>\$ 3,178,242</b>	<b>\$ 31,055</b>	<b>\$ 3,209,297</b>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Payroll Deductions Payable	\$ 154,983	\$ 5,112	\$ 160,095
Due to Primary Government	65,841	0	65,841
Deferred Revenue - Current Property Taxes	1,073,881	0	1,073,881
Deferred Revenue - Delinquent Property Taxes	50,933	0	50,933
Other Deferred Revenues	118,686	0	118,686
Health Insurance Payments	5,187	0	5,187
Cafeteria Salaries and Benefits	134	0	134
<b>Total Liabilities</b>	<b>\$ 1,469,645</b>	<b>\$ 5,112</b>	<b>\$ 1,474,757</b>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 76,071	\$ 2,441	\$ 78,512
Reserved for Career Ladder Program	10,260	0	10,260
Reserved for Basic Education Program	41,181	0	41,181
Reserved for Title I Grants to Local Education Agencies	0	597	597
Reserved for Special Education - Grants to States	0	17,881	17,881
Other Federal Reserves	0	5,024	5,024
Unreserved, Reported In:			
General Fund	1,581,085	0	1,581,085
<b>Total Fund Balances</b>	<b>\$ 1,708,597</b>	<b>\$ 25,943</b>	<b>\$ 1,734,540</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,178,242</b>	<b>\$ 31,055</b>	<b>\$ 3,209,297</b>

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, 2007

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)		\$ 1,734,540
(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	8,307,801	
Add: other capital assets net of accumulated depreciation	<u>1,369,118</u>	9,916,367
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>169,619</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 11,820,526</u>

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, 2007

	Major Fund	Nonmajor Fund	Total
	General Purpose School	School Federal Projects	Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 2,399,435	\$ 0	\$ 2,399,435
Licenses and Permits	959	0	959
Charges for Current Services	410,508	0	410,508
Other Local Revenues	52,864	0	52,864
State of Tennessee	7,541,160	0	7,541,160
Federal Government	701,155	969,104	1,670,259
Total Revenues	<u>\$ 11,106,081</u>	<u>\$ 969,104</u>	<u>\$ 12,075,185</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 6,033,212	\$ 864,935	\$ 6,898,147
Support Services	3,467,621	105,900	3,573,521
Operation of Non-Instructional Services	705,502	0	705,502
Capital Outlay	176,636	0	176,636
Debt Service:			
Other Debt Service	415,986	0	415,986
Total Expenditures	<u>\$ 10,798,957</u>	<u>\$ 970,835</u>	<u>\$ 11,769,792</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 307,124</u>	<u>\$ (1,731)</u>	<u>\$ 305,393</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 16,541	\$ 0	\$ 16,541
Total Other Financing Sources (Uses)	<u>\$ 16,541</u>	<u>\$ 0</u>	<u>\$ 16,541</u>
Net Change in Fund Balances	\$ 323,665	\$ (1,731)	\$ 321,934
Fund Balance, July 1, 2006	1,384,932	27,674	1,412,606
Fund Balance, June 30, 2007	<u>\$ 1,708,597</u>	<u>\$ 25,943</u>	<u>\$ 1,734,540</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, 2007

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)		\$ 321,934
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 452,848	
Less: current year depreciation expense	<u>(611,141)</u>	(158,293)
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2007	\$ 169,619	
Less: deferred delinquent property taxes and other deferred June 30, 2006	<u>(201,523)</u>	<u>(31,904)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 131,737</u>

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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<b>Revenues</b>							
Local Taxes	\$ 2,399,435	\$ 0	\$ 0	\$ 2,399,435	\$ 2,452,035	\$ 2,457,035	\$ (57,600)
Licenses and Permits	959	0	0	959	1,500	1,500	(541)
Charges for Current Services	410,508	0	0	410,508	311,446	339,156	71,352
Other Local Revenues	52,864	0	0	52,864	42,000	64,674	(11,810)
State of Tennessee	7,541,160	0	0	7,541,160	7,296,302	7,556,413	(15,253)
Federal Government	701,155	0	0	701,155	496,291	536,091	165,064
<b>Total Revenues</b>	<b>\$ 11,106,081</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 11,106,081</b>	<b>\$ 10,599,574</b>	<b>\$ 10,954,869</b>	<b>\$ 151,212</b>
<b>Expenditures</b>							
<b>Instruction</b>							
Regular Instruction Program	\$ 4,673,686	\$ (15,752)	\$ 15,328	\$ 4,673,262	\$ 4,632,950	\$ 4,862,525	\$ 189,263
Alternative Instruction Program	44,000	0	0	44,000	46,883	46,883	2,883
Special Education Program	733,559	0	806	734,365	771,450	771,450	37,085
Vocational Education Program	534,507	0	0	534,507	633,810	633,810	99,303
Adult Education Program	47,460	(495)	702	47,667	76,083	76,083	28,416
<b>Support Services</b>							
Attendance	12,201	0	0	12,201	15,120	15,120	2,919
Health Services	12,000	0	0	12,000	12,000	12,000	0
Other Student Support	377,389	0	0	377,389	365,400	393,110	15,721
Regular Instruction Program	486,121	0	2,572	488,693	489,900	506,187	17,494
Special Education Program	80,117	0	0	80,117	81,950	81,950	1,833
Vocational Education Program	34,112	0	0	34,112	35,992	35,992	1,880
Adult Programs	101,544	0	0	101,544	108,300	108,300	6,756
Board of Education	254,415	(4,199)	61	250,277	285,200	285,200	34,923
Director of Schools	123,633	(663)	0	122,970	129,430	129,430	6,460
Office of the Principal	271,401	0	0	271,401	277,750	277,750	6,349

(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 7/1/2006	Add: Encumbrances 6/30/2007	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	\$ 56,072	\$ (2,000)	\$ 0	\$ 54,072	\$ 51,710	\$ 55,756	\$ 1,684
Operation of Plant	686,490	(1,378)	27,000	712,112	747,350	747,350	35,238
Maintenance of Plant	152,671	(13,163)	3,525	143,033	157,668	157,668	14,635
Transportation	819,455	0	0	819,455	857,100	869,100	49,645
<u>Operation of Non-Instructional Services</u>							
Food Service	421,537	0	0	421,537	415,450	440,250	18,713
Community Services	283,965	(2,133)	4,577	286,409	330,150	330,150	43,741
<u>Capital Outlay</u>							
Regular Capital Outlay	176,636	(36,446)	21,500	161,690	100,000	162,520	830
<u>Other Debt Service</u>							
Education	415,986	0	0	415,986	400,000	420,000	4,014
Total Expenditures	\$ 10,798,957	\$ (76,229)	\$ 76,071	\$ 10,798,799	\$ 11,021,646	\$ 11,418,584	\$ 619,785
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 307,124	\$ 76,229	\$ (76,071)	\$ 307,282	\$ (422,072)	\$ (463,715)	\$ 770,997
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 16,541	\$ 0	\$ 0	\$ 16,541	\$ 0	\$ 0	\$ 16,541
Total Other Financing Sources (Uses)	\$ 16,541	\$ 0	\$ 0	\$ 16,541	\$ 0	\$ 0	\$ 16,541
Net Change in Fund Balance							
Fund Balance, July 1, 2006	\$ 1,384,932	(76,229)	0	1,308,703	1,494,686	1,494,686	(185,983)
Fund Balance, June 30, 2007	\$ 1,708,597	\$ 0	\$ (76,071)	\$ 1,632,526	\$ 1,072,614	\$ 1,030,971	\$ 601,555

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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 969,104	\$ 0	\$ 0	\$ 969,104	\$ 1,070,370	\$ 1,070,370	\$ (101,266)
Total Revenues	\$ 969,104	\$ 0	\$ 0	\$ 969,104	\$ 1,070,370	\$ 1,070,370	\$ (101,266)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 456,610	\$ 0	\$ 0	\$ 456,610	\$ 499,861	\$ 513,182	\$ 56,572
Special Education Program	408,325	(6,750)	2,441	404,016	456,236	456,236	52,220
<u>Support Services</u>							
Other Student Support	36,183	0	0	36,183	40,740	42,281	6,098
Regular Instruction Program	40,668	0	0	40,668	62,650	47,790	7,122
Special Education Program	9,512	0	0	9,512	9,543	9,543	31
Transportation	19,537	0	0	19,537	22,262	22,262	2,725
Total Expenditures	\$ 970,835	\$ (6,750)	\$ 2,441	\$ 966,526	\$ 1,091,292	\$ 1,091,294	\$ 124,768
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,731)	\$ 6,750	\$ (2,441)	\$ 2,578	\$ (20,922)	\$ (20,924)	\$ 23,502
Net Change in Fund Balance	\$ (1,731)	\$ 6,750	\$ (2,441)	\$ 2,578	\$ (20,922)	\$ (20,924)	\$ 23,502
Fund Balance, July 1, 2006	27,674	(6,750)	0	20,924	20,922	20,924	0
Fund Balance, June 30, 2007	\$ 25,943	\$ 0	\$ (2,441)	\$ 23,502	\$ 0	\$ 0	\$ 23,502

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## MISCELLANEOUS SCHEDULES

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Exhibit J-1

Decatur County, Tennessee  
Schedule of Changes in Long-term Notes, Other Loans, and Bonds  
For the Year Ended June 30, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-07
<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	\$ 245,500	\$ 0	\$ 20,458	\$ 225,042
<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	\$ 2,466,000	\$ 0	\$ 278,000	\$ 2,188,000
<u>Payable through General Debt Service Fund</u>								
Various Capital Projects	(1)	Variable	3-10-05	5-27-26	1,559,644	164,023	67,000	1,656,667
Total Other Loans Payable					\$ 4,025,644	\$ 164,023	\$ 345,000	\$ 3,844,667
<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	\$ 1,905,000	\$ 0	\$ 135,000	\$ 1,770,000
Refunding Bonds, Series 2003	720,000	1.45 to 3.2	1-1-03	6-1-10	420,000	0	105,000	315,000
School Refunding Bonds, Series 2003	8,510,000	3.42	3-1-03	3-1-18	7,090,000	0	490,000	6,600,000
Improvement Bonds, Series 2007	6,000,000	4 to 4.25	5-9-07	5-1-37	0	6,000,000	0	6,000,000
Total Bonds Payable					\$ 9,415,000	\$ 6,000,000	\$ 730,000	\$ 14,685,000

(1) Total amount approved was \$2,000,000, of which \$210,333 remains available for draws as of June 30, 2007.

Exhibit J-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2008	\$ 755,000	\$ 541,535	\$ 1,296,535
2009	885,000	522,664	1,407,664
2010	915,000	492,549	1,407,549
2011	835,000	460,820	1,295,820
2012	865,000	431,568	1,296,568
2013	895,000	400,797	1,295,797
2014	920,000	368,957	1,288,957
2015	955,000	335,753	1,290,753
2016	990,000	301,265	1,291,265
2017	1,025,000	241,657	1,266,657
2018	1,020,000	204,681	1,224,681
2019	165,000	190,206	355,206
2020	175,000	183,606	358,606
2021	180,000	176,606	356,606
2022	185,000	169,406	354,406
2023	195,000	162,006	357,006
2024	200,000	154,207	354,207
2025	210,000	146,206	356,206
2026	220,000	137,806	357,806
2027	225,000	129,007	354,007
2028	235,000	120,006	355,006
2029	245,000	110,313	355,313
2030	255,000	100,207	355,207
2031	270,000	89,688	359,688
2032	280,000	78,550	358,550
2033	290,000	67,000	357,000
2034	305,000	55,038	360,038
2035	315,000	42,075	357,075
2036	330,000	28,688	358,688
2037	345,000	14,663	359,663
Total	\$ 14,685,000	\$ 6,457,530	\$ 21,142,530

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, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor:				
Kenneth Broadway (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	\$ 8,965	\$ 25,000	The Ohio Casualty Insurance Company
Jason Scott (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	44,822	25,000	"
Road Supervisor	Section 8-24-102, <u>TCA</u>	51,226	100,000	"
Director of Schools	State Board of Education and County Board of Education	86,160 (1)	50,000	"
Trustee	Section 8-24-102, <u>TCA</u>	46,569	466,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	46,569	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	46,569	25,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	46,569	30,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> and Chancery Court Judge	113,810 (2)	35,000	"
Register	Section 8-24-102, <u>TCA</u>	46,569	15,000	"
Sheriff:				
Ronald Kenner (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	9,057 (3)	25,000	"
Roy Wyatt (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	42,688	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 Risk Management Trust

(1) Includes one time state bonus of \$260.

(2) Includes special commissioner fees of \$67,241.

(3) 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, 2007

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste/ Sanitation	Drug Control	Constitutional Officers - Fees	Highway/ Public Works	General Debt Service	Other Capital Projects	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 963,549	\$ 0	\$ 0	\$ 0	\$ 0	\$ 167,573	\$ 0	\$ 1,131,122
Trustee's Collections - Prior Year	46,264	0	0	0	0	8,041	0	54,305
Circuit/Clerk & Master Collections - Prior Years	10,437	0	0	0	0	2,056	0	12,493
Interest and Penalty	8,685	0	0	0	0	1,468	0	10,153
Payments in-Lieu-of Taxes - T.V.A.	4,961	0	0	0	0	356	0	5,317
Payments in-Lieu-of Taxes - Local Utilities	29,503	0	0	0	0	5,113	0	34,616
Payments in-Lieu-of Taxes - Other	2,295	0	0	0	0	399	0	2,694
<u>County Local Option Taxes</u>								
Local Option Sales Tax	178,015	0	0	0	0	115,378	0	293,393
Hotel/Motel Tax	36,151	0	0	0	0	0	0	36,151
Wheel Tax	0	0	0	0	0	205,969	0	205,969
Litigation Tax - General	47,976	0	0	0	0	0	0	47,976
Litigation Tax - Jail, Workhouse, or Courthouse	25,666	0	0	0	0	0	0	25,666
Business Tax	102,465	0	0	0	0	0	0	102,465
Mineral Severance Tax	83,437	0	0	0	36,925	0	0	120,362
<u>Statutory Local Taxes</u>								
Bank Excise Tax	31,495	0	0	0	1,328	5,249	0	38,072
Wholesale Beer Tax	209,884	0	0	0	0	0	0	209,884
Interstate Telecommunications Tax	398	0	0	0	0	265	0	663
Total Local Taxes	\$ 1,781,181	\$ 0	\$ 0	\$ 0	\$ 38,253	\$ 511,867	\$ 0	\$ 2,331,301
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Cable TV Franchise	\$ 2,484	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,484
<u>Permits</u>								
Beer Permits	2,000	0	0	0	0	0	0	2,000
Building Permits	1,232	0	0	0	0	0	0	1,232
Other Permits	900	0	0	0	0	0	0	900
Total Licenses and Permits	\$ 6,616	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,616

(Continued)

Exhibit J-4

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

	Special Revenue Funds					Debt	Capital	Total
	General	Solid Waste/ Sanitation	Drug Control	Constitu - tional Officers - Fees	Highway/ Public Works	Service Fund	Projects Fund	
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 7,667	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	7,667
Officers Costs	1,136	0	0	0	0	0	0	1,136
Drug Control Fines	0	0	6,245	0	0	0	0	6,245
Drug Court Fees	622	0	0	0	0	0	0	622
Data Entry Fee - Circuit Court	135	0	0	0	0	0	0	135
<u>General Sessions Court</u>								
Fines	13,982	0	0	0	0	0	0	13,982
Officers Costs	16,858	0	0	0	0	0	0	16,858
Game and Fish Fines	490	0	0	0	0	0	0	490
Drug Control Fines	0	0	4,131	0	0	0	0	4,131
Drug Court Fees	3,977	0	0	0	0	0	0	3,977
Jail Fees	2,007	0	0	0	0	0	0	2,007
DUI Treatment Fines	3,929	0	0	0	0	0	0	3,929
Data Entry Fee - General Sessions Court	2,677	0	0	0	0	0	0	2,677
Courtroom Security Fee	8	0	0	0	0	0	0	8
<u>Chancery Court</u>								
Officers Costs	2,964	0	0	0	0	0	0	2,964
Data Entry Fee - Chancery Court	668	0	0	0	0	0	0	668
Courtroom Security Fee	22	0	0	0	0	0	0	22
<u>Judicial District Drug Program</u>								
Data Entry Fee - Other Courts	10,416	0	0	0	0	0	0	10,416
Total Fines, Forfeitures, and Penalties	\$ 67,558	\$ 0	\$ 10,376	\$ 0	\$ 0	\$ 0	\$ 0	77,934
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Surcharge - Host Agency	\$ 0	\$ 116,011	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	116,011
Solid Waste Disposal Fees	0	58	0	0	0	0	0	58
<u>Fees</u>								
Recreation Fees	121,204	0	0	0	0	0	0	121,204
Copy Fees	145	0	0	0	0	0	0	145
Telephone Commissions	5,392	0	0	0	0	0	0	5,392
Vending Machine Collections	758	111	0	0	0	0	0	869

(Continued)

Exhibit J-4

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste/ Sanitation	Drug Control	Constitutional Officers - Fees	Highway/ Public Works	General Debt Service	Other Capital Projects	
<u>Charges for Current Services (Cont.)</u>								
<u>Fees (Cont.)</u>								
Special Commissioner Fees/Special Master Fees	\$ 0	\$ 0	\$ 0	\$ 67,241	\$ 0	\$ 0	\$ 0	\$ 67,241
Data Processing Fee - Register	6,272	0	0	0	0	0	0	6,272
Probation Fees	6,000	0	0	0	0	0	0	6,000
Data Processing Fee - Sheriff	1,985	0	0	0	0	0	0	1,985
Sexual Offender Registration Fees - Sheriff	700	0	0	0	0	0	0	700
<u>Education Charges</u>								
Community Service Fees - Adults	20,097	0	0	0	0	0	0	20,097
TBI Criminal Background Fees	379	0	0	0	0	0	0	379
<u>Other Charges for Services</u>								
Other Charges for Services	18,600	0	0	0	0	0	0	18,600
Total Charges for Current Services	\$ 181,532	\$ 116,180	\$ 0	\$ 67,241	\$ 0	\$ 0	\$ 0	\$ 364,953
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 162,523	\$ 0	\$ 162,523
Sale of Recycled Materials	2,704	26,429	0	0	0	0	0	29,133
Miscellaneous Refunds	23,317	0	750	0	1,539	0	0	25,606
<u>Nonrecurring Items</u>								
Sale of Equipment	13,177	5,984	14,075	0	4,700	0	0	37,936
Contributions and Gifts	0	0	18,519	0	0	0	30,501	49,020
Total Other Local Revenues	\$ 39,198	\$ 32,413	\$ 33,344	\$ 0	\$ 6,239	\$ 162,523	\$ 30,501	\$ 304,218
<u>Fees Received from County Officials</u>								
<u>Fees-In-Lieu of Salary</u>								
County Clerk	\$ 113,455	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 113,455
Circuit Court Clerk	33,418	0	0	0	0	0	0	33,418
General Sessions Court Clerk	79,894	0	0	0	0	0	0	79,894
Clerk and Master	46,769	0	0	0	0	0	0	46,769
Register	73,746	0	0	0	0	0	0	73,746
Sheriff	6,614	0	0	0	0	0	0	6,614
Trustee	138,090	0	0	0	0	0	0	138,090
Total Fees Received from County Officials	\$ 491,986	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 491,986

(Continued)

Exhibit J-4

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

	Special Revenue Funds					Debt	Capital	Total
	General	Solid Waste/ Sanitation	Drug Control	Constitu - tional Officers - Fees	Highway/ Public Works	Service Fund	Projects Fund	
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 81,784	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 81,784
Aging Programs	23,746	0	0	0	0	0	0	23,746
State Reappraisal Grant	7,777	0	0	0	0	0	0	7,777
Solid Waste Grants	0	7,680	0	0	0	0	0	7,680
<u>Public Safety Grants</u>								
Law Enforcement Training Programs	6,600	0	0	0	0	0	0	6,600
<u>Health and Welfare Grants</u>								
Other Health and Welfare Grants	3,166	0	0	0	0	0	0	3,166
<u>Public Works Grants</u>								
State Aid Program	0	0	0	0	6,737	0	0	6,737
Litter Program	32,027	0	0	0	0	0	0	32,027
Other Public Works Grants	3,236	0	0	0	0	0	148,075	151,311
<u>Other State Revenues</u>								
Resort District Sales Tax	97,815	0	0	0	0	0	0	97,815
Beer Tax	18,753	0	0	0	0	0	0	18,753
Alcoholic Beverage Tax	23,899	0	0	0	0	0	0	23,899
Mixed Drink Tax	1,354	0	0	0	0	0	0	1,354
State Revenue Sharing - T.V.A.	198,604	0	0	0	0	35,910	0	234,514
Contracted Prisoner Boarding	79,662	0	0	0	0	0	0	79,662
Gasoline and Motor Fuel Tax	0	0	0	0	1,459,588	0	0	1,459,588
Petroleum Special Tax	0	0	0	0	9,437	0	0	9,437
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	16,380
Other State Grants	7,815	0	0	0	0	0	0	7,815
Other State Revenues	514,170	0	0	0	0	0	0	514,170
Total State of Tennessee	\$ 1,116,788	\$ 7,680	\$ 0	\$ 0	\$ 1,475,762	\$ 35,910	\$ 148,075	\$ 2,784,215
<u>Federal Government</u>								
<u>Federal Through State</u>								
Homeland Security Grants	\$ 50,603	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50,603
<u>Direct Federal Revenue</u>								
Other Direct Federal Revenue	1,290	0	0	0	0	0	0	1,290
Total Federal Government	\$ 51,893	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 51,893

(Continued)

Exhibit J-4

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

	Special Revenue Funds					Debt	Capital	Total
	General	Solid Waste/ Sanitation	Drug Control	Constitu - tional Officers - Fees	Highway/ Public Works	Service Fund	Projects Fund	
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Contributions	\$ 70,333	\$ 0	\$ 0	\$ 0	\$ 0	\$ 878,693	\$ 0	\$ 949,026
Total Other Governments and Citizens Groups	\$ 70,333	\$ 0	\$ 0	\$ 0	\$ 0	\$ 878,693	\$ 0	\$ 949,026
 Total	 \$ 3,807,085	 \$ 156,273	 \$ 43,720	 \$ 67,241	 \$ 1,520,254	 \$ 1,588,993	 \$ 178,576	 \$ 7,362,142

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, 2007

	General Purpose School	School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 1,047,389	\$ 0	\$ 1,047,389
Trustee's Collections - Prior Year	50,226	0	50,226
Circuit/Clerk & Master Collections - Prior Years	13,202	0	13,202
Interest and Penalty	9,452	0	9,452
Payments in-Lieu-of Taxes - T.V.A.	6,527	0	6,527
Payments in-Lieu-of Taxes - Local Utilities	20,347	0	20,347
Payments in-Lieu-of Taxes - Other	2,495	0	2,495
<u>County Local Option Taxes</u>			
Local Option Sales Tax	1,049,806	0	1,049,806
Wheel Tax	118,075	0	118,075
Mineral Severance Tax	47,815	0	47,815
<u>Statutory Local Taxes</u>			
Bank Excise Tax	31,495	0	31,495
Interstate Telecommunications Tax	2,606	0	2,606
Total Local Taxes	\$ 2,399,435	\$ 0	\$ 2,399,435
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 959	\$ 0	\$ 959
Total Licenses and Permits	\$ 959	\$ 0	\$ 959
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
Tuition - Regular Day Students	\$ 800	\$ 0	\$ 800
Receipts from Individual Schools	6,382	0	6,382
Community Service Fees - Children	102,144	0	102,144
TBI Criminal Background Fees	96	0	96
<u>Other Charges for Services</u>			
Other Charges for Services	301,086	0	301,086
Total Charges for Current Services	\$ 410,508	\$ 0	\$ 410,508
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Investment Income	\$ 21,669	\$ 0	\$ 21,669
Lease/Rentals	1,530	0	1,530
Refund of Telecommunication & Internet Fees (E-Rate)	16,264	0	16,264
Miscellaneous Refunds	327	0	327
<u>Nonrecurring Items</u>			
Sale of Equipment	4,336	0	4,336
Damages Recovered from Individuals	335	0	335
Contributions and Gifts	8,403	0	8,403
Total Other Local Revenues	\$ 52,864	\$ 0	\$ 52,864
<u>State of Tennessee</u>			
<u>State Education Funds</u>			
Basic Education Program	\$ 6,815,263	\$ 0	\$ 6,815,263
School Food Service	8,829	0	8,829
Driver Education	2,597	0	2,597

(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>State Education Funds (Cont.)</u>			
Other State Education Funds	\$ 49,514	\$ 0	\$ 49,514
Career Ladder Program	138,482	0	138,482
Career Ladder - Extended Contract	71,260	0	71,260
<u>Other State Revenues</u>			
Mixed Drink Tax	1,354	0	1,354
State Revenue Sharing - T.V.A.	224,436	0	224,436
Other State Grants	203,845	0	203,845
Other State Revenues	25,580	0	25,580
Total State of Tennessee	\$ 7,541,160	\$ 0	\$ 7,541,160
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 282,033	\$ 0	\$ 282,033
Breakfast	89,750	0	89,750
USDA - Other	16,321	0	16,321
Adult Education State Grant Program	126,280	0	126,280
Vocational Education - Basic Grants to States	31,994	0	31,994
Title I Grants to Local Education Agencies	0	349,025	349,025
Innovative Education Program Strategies	0	45,676	45,676
Special Education - Grants to States	0	398,904	398,904
Special Education Preschool Grants	0	42,570	42,570
Eisenhower Professional Development State Grants	0	99,423	99,423
Other Federal through State	154,777	33,506	188,283
Total Federal Government	\$ 701,155	\$ 969,104	\$ 1,670,259
Total	\$ 11,106,081	\$ 969,104	\$ 12,075,185

Exhibit J-6

Decatur County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2007

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	22,350	
Audit Services		2,735	
Legal Notices, Recording, and Court Costs		1,241	
Postal Charges		481	
Travel		34	
Other Contracted Services		6,188	
Other Charges		493	
Total County Commission			\$ 33,522

Board of Equalization

Board and Committee Members Fees	\$	295	
Total Board of Equalization			295

Beer Board

Board and Committee Members Fees	\$	950	
Total Beer Board			950

Other Boards and Committees

Board and Committee Members Fees	\$	500	
Total Other Boards and Committees			500

County Mayor/Executive

County Official/Administrative Officer	\$	53,787	
Accountants/Bookkeepers		48,730	
Dues and Memberships		1,156	
Maintenance and Repair Services - Office Equipment		497	
Postal Charges		1,480	
Travel		1,479	
Office Supplies		3,187	
Data Processing Equipment		750	
Total County Mayor/Executive			111,066

Personnel Office

Maintenance Agreements	\$	6,000	
Other Contracted Services		881	
Office Supplies		254	
Other Supplies and Materials		653	
Data Processing Equipment		750	
Total Personnel Office			8,538

(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	\$ 9,593	
Total County Attorney		\$ 9,593

Election Commission

County Official/Administrative Officer	\$ 41,912	
Part-time Personnel	2,654	
Other Salaries and Wages	22,599	
Election Commission	4,110	
Election Workers	13,150	
Communication	1,689	
Dues and Memberships	175	
Legal Notices, Recording, and Court Costs	1,304	
Maintenance and Repair Services - Buildings	65	
Maintenance and Repair Services - Office Equipment	164	
Postal Charges	1,437	
Printing, Stationery, and Forms	13,495	
Rentals	8,410	
Travel	1,241	
Electricity	637	
Natural Gas	852	
Office Supplies	1,130	
Water and Sewer	410	
Other Supplies and Materials	2,669	
Office Equipment	1,186	
Voting Machines	143,683	
Other Equipment	3,383	
Total Election Commission		266,355

Register of Deeds

County Official/Administrative Officer	\$ 46,569	
Secretary(ies)	20,716	
Dues and Memberships	499	
Postal Charges	303	
Maintenance and Repair Services - Records	265	
Office Supplies	1,180	
Data Processing Equipment	7,134	
Office Equipment	1,707	
Total Register of Deeds		78,373

(Continued)

Exhibit J-6

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

General Fund (Cont.)

General Government (Cont.)

Codes Compliance

County Official/Administrative Officer	\$ 8,497	
Total Codes Compliance		\$ 8,497

County Buildings

Supervisor/Director	\$ 25,082	
Custodial Personnel	12,603	
Communication	29,772	
Maintenance and Repair Services - Buildings	10,892	
Maintenance and Repair Services - Equipment	458	
Other Contracted Services	138	
Custodial Supplies	4,875	
Electricity	31,268	
Natural Gas	2,966	
Water and Sewer	1,642	
Other Charges	439	
Heating and Air Conditioning Equipment	1,898	
Total County Buildings		122,033

Finance

Property Assessor's Office

County Official/Administrative Officer	\$ 46,569	
Deputy(ies)	22,599	
Other Salaries and Wages	22,599	
In-Service Training	700	
Data Processing Services	3,576	
Dues and Memberships	1,167	
Maintenance and Repair Services - Office Equipment	1,672	
Maintenance and Repair Services - Vehicles	39	
Postal Charges	762	
Other Contracted Services	8,030	
Data Processing Supplies	136	
Gasoline	172	
Office Supplies	806	
Total Property Assessor's Office		108,827

Reappraisal Program

Other Salaries and Wages	\$ 12,999	
Data Processing Services	2,165	
Other Supplies and Materials	1,293	
Total Reappraisal Program		16,457

(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

County Official/Administrative Officer	\$	46,569	
Deputy(ies)		45,198	
Communication		957	
Data Processing Services		3,458	
Dues and Memberships		499	
Legal Notices, Recording, and Court Costs		103	
Postal Charges		2,965	
Travel		668	
Other Contracted Services		5,363	
Data Processing Supplies		858	
Office Supplies		1,498	
Data Processing Equipment		11,500	
Office Equipment		1,178	
Total County Trustee's Office			\$ 120,814

County Clerk's Office

County Official/Administrative Officer	\$	46,569	
Deputy(ies)		45,198	
Dues and Memberships		399	
Maintenance and Repair Services - Office Equipment		1,646	
Postal Charges		2,888	
Office Supplies		2,966	
Data Processing Equipment		7,969	
Total County Clerk's Office			107,635

Administration of Justice

Circuit Court Clerk

County Official/Administrative Officer	\$	46,569	
Deputy(ies)		45,198	
Other Salaries and Wages		600	
Jury and Witness Fees		4,537	
Dues and Memberships		364	
Legal Notices, Recording, and Court Costs		1,045	
Postal Charges		976	
Travel		850	
Office Supplies		3,807	
Data Processing Equipment		6,999	
Office Equipment		2,353	
Total Circuit Court Clerk			113,298

(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

Judge(s)	\$	73,088	
Probation Officer(s)		16,030	
Postal Charges		39	
Travel		724	
Office Supplies		71	
Total General Sessions Judge			\$ 89,952

Chancery Court

County Official/Administrative Officer	\$	46,569	
Part-time Personnel		18,902	
Other Salaries and Wages		250	
Dues and Memberships		664	
Postal Charges		368	
Duplicating Supplies		461	
Office Supplies		4,001	
Total Chancery Court			71,215

Juvenile Court

County Official/Administrative Officer	\$	28,246	
Communication		712	
Dues and Memberships		112	
Postal Charges		156	
Travel		1,552	
Other Contracted Services		689	
Office Supplies		156	
Total Juvenile Court			31,623

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	51,226	
Deputy(ies)		248,592	
Investigator(s)		28,693	
Salary Supplements		519	
Dispatchers/Radio Operators		73,420	
Part-time Personnel		30,741	
Overtime Pay		20,496	
Other Salaries and Wages		31,341	
In-Service Training		1,400	
Communication		10,735	
Dues and Memberships		2,235	

(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 and Repair Services - Equipment	\$	1,165	
Maintenance and Repair Services - Vehicles		18,641	
Postal Charges		868	
Travel		5,221	
Other Contracted Services		7,732	
Diesel Fuel		32	
Gasoline		39,728	
Office Supplies		3,886	
Uniforms		6,513	
Other Charges		1,401	
Law Enforcement Equipment		947	
Motor Vehicles		33,143	
Office Equipment		3,015	
Other Equipment		7,204	
Total Sheriff's Department			\$ 628,894

Drug Enforcement

Social Security	\$	21	
Unemployment Compensation		6	
Employer Medicare		5	
Total Drug Enforcement			32

Jail

Deputy(ies)	\$	22,620	
Maintenance and Repair Services - Buildings		2,254	
Medical and Dental Services		14,097	
Other Contracted Services		2,494	
Custodial Supplies		8,765	
Drugs and Medical Supplies		4,820	
Electricity		9,269	
Food Supplies		54,978	
Law Enforcement Supplies		273	
Natural Gas		2,648	
Water and Sewer		5,205	
Other Supplies and Materials		1,076	
Law Enforcement Equipment		939	
Total Jail			129,438

Juvenile Services

Assistant(s)	\$	13,700	
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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.)

Juvenile Services (Cont.)

Supervisor/Director	\$	30,226	
Youth Service Officer(s)		11,971	
Medical Personnel		12,978	
Medical Insurance		708	
Communication		1,962	
Dues and Memberships		30	
Postal Charges		273	
Travel		155	
Other Contracted Services		887	
Natural Gas		533	
Office Supplies		338	
Total Juvenile Services			\$ 73,761

Work Release Program

Supervisor/Director	\$	39,154	
Probation Officer(s)		117,642	
Accountants/Bookkeepers		10,986	
Secretary(ies)		19,912	
Part-time Personnel		16,498	
Other Salaries and Wages		3,300	
Other Fringe Benefits		57,415	
Communication		9,431	
Maintenance and Repair Services - Equipment		482	
Postal Charges		713	
Printing, Stationery, and Forms		1,447	
Rentals		12,200	
Travel		4,690	
Other Contracted Services		12,719	
Electricity		2,904	
Natural Gas		659	
Office Supplies		19,010	
Water and Sewer		309	
Building and Contents Insurance		9,410	
Other Charges		7,494	
Motor Vehicles		35,596	
Other Equipment		1,242	
Total Work Release Program			383,213

Fire Prevention and Control

Supervisor/Director	\$	19,947	
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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 and Repair Services - Vehicles		7,845	
Postal Charges		14	
Other Supplies and Materials		109	
Liability Insurance		40,930	
Other Equipment		<u>7,871</u>	
Total Fire Prevention and Control	\$		79,216

Civil Defense

Supervisor/Director	\$	1,759	
Communication		40	
Dues and Memberships		60	
Travel		577	
Office Supplies		60	
Other Equipment		<u>53,895</u>	
Total Civil Defense			56,391

Rescue Squad

Contributions	\$	<u>10,000</u>	
Total Rescue Squad			10,000

Other Emergency Management

Supervisor/Director	\$	32,823	
Dispatchers/Radio Operators		109,444	
Part-time Personnel		<u>61,093</u>	
Total Other Emergency Management			203,360

County Coroner/Medical Examiner

Contracts with Government Agencies	\$	<u>17,783</u>	
Total County Coroner/Medical Examiner			17,783

Other Public Safety

Supervisor/Director	\$	<u>2,052</u>	
Total Other Public Safety			2,052

Public Health and Welfare

Local Health Center

Salary Supplements	\$	12,000	
Custodial Personnel		5,100	
Communication		4,338	

(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.)

Maintenance and Repair Services - Buildings	\$	2,009	
Postal Charges		2,740	
Other Contracted Services		653	
Custodial Supplies		593	
Drugs and Medical Supplies		1,208	
Electricity		4,234	
Natural Gas		897	
Office Supplies		2,145	
Water and Sewer		758	
Total Local Health Center			\$ 36,675

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	\$	2,391	
Total Aid to Dependent Children			2,391

Sanitation Education/Information

Supervisor/Director	\$	8,570	
Laborers		10,410	
Instructional Supplies and Materials		6,042	
Other Supplies and Materials		976	
Total Sanitation Education/Information			25,998

Other Public Health and Welfare

Supervisor/Director	\$	903	
Travel		54	
Total Other Public Health and Welfare			957

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$	20,938	
Other Salaries and Wages		20,754	
Communication		1,002	

(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.)

Senior Citizens Assistance (Cont.)

Contributions	\$	2,500	
Maintenance and Repair Services - Buildings		100	
Transportation - Other than Students		7,233	
Travel		527	
Electricity		5,617	
Natural Gas		604	
Office Supplies		114	
Water and Sewer		494	
Other Supplies and Materials		1,921	
Other Charges		20	
Total Senior Citizens Assistance			\$ 61,824

Libraries

Supervisor/Director	\$	22,090	
Other Salaries and Wages		14,601	
Communication		1,806	
Dues and Memberships		268	
Maintenance and Repair Services - Buildings		2,434	
Maintenance and Repair Services - Office Equipment		330	
Postal Charges		282	
Travel		1,206	
Data Processing Supplies		3,977	
Library Books/Media		4,747	
Office Supplies		1,306	
Other Supplies and Materials		1,902	
Other Charges		3,217	
Data Processing Equipment		2,987	
Office Equipment		260	
Total Libraries			61,413

Parks and Fair Boards

Supervisor/Director	\$	34,794	
Laborers		16,575	
Part-time Personnel		8,657	
Advertising		134	
Communication		3,156	
Dues and Memberships		250	
Maintenance and Repair Services - Buildings		6,630	
Maintenance and Repair Services - Equipment		5,384	
Postal Charges		50	

(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 (Cont.)

Other Contracted Services	\$	19,732	
Custodial Supplies		8,631	
Electricity		48,025	
Fertilizer, Lime, and Seed		464	
Natural Gas		9,801	
Office Supplies		87	
Water and Sewer		15,883	
Other Supplies and Materials		15,162	
Other Charges		6,604	
Building Construction		16,104	
Other Equipment		2,611	
Other Construction		850	
Total Parks and Fair Boards			\$ 219,584

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	29,461	
Other Fringe Benefits		4,774	
Communication		1,376	
Electricity		3,013	
Natural Gas		2,520	
Water and Sewer		378	
Office Equipment		248	
Total Agriculture Extension Service			41,770

Forest Service

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

Soil Conservation

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

Other Operations

Tourism

Supervisor/Director	\$	10,417	
Advertising		5,567	
Dues and Memberships		700	
Other Charges		10,685	
Total Tourism			27,369

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Other Operations (Cont.)

Industrial Development

Contributions	\$ 49,900	
Total Industrial Development		\$ 49,900

Airport

Contributions	\$ 20,987	
Total Airport		20,987

Veterans' Services

Supervisor/Director	\$ 8,488	
Dues and Memberships	25	
Maintenance and Repair Services - Equipment	400	
Postal Charges	129	
Travel	582	
Office Supplies	9	
Office Equipment	202	
Total Veterans' Services		9,835

Other Charges

Road Signs	\$ 500	
Liability Insurance	45,500	
Premiums on Corporate Surety Bonds	5,345	
Trustee's Commission	41,025	
Vehicle and Equipment Insurance	7,500	
Workers' Compensation Insurance	64,110	
Other Charges	2,237	
Total Other Charges		166,217

Employee Benefits

Social Security	\$ 123,690	
State Retirement	75,190	
Medical Insurance	130,201	
Unemployment Compensation	9,387	
Employer Medicare	27,532	
Total Employee Benefits		366,000

Miscellaneous

Contributions	\$ 30,000	
Dues and Memberships	8,844	
Other Charges	901	
Total Miscellaneous		39,745

Total General Fund		\$ 4,025,444
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(Continued)

Exhibit J-6

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

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$	28,962	
Truck Drivers		18,948	
Laborers		36,897	
Communication		564	
Legal Notices, Recording, and Court Costs		14	
Maintenance and Repair Services - Buildings		522	
Maintenance and Repair Services - Equipment		2,983	
Maintenance and Repair Services - Vehicles		12,964	
Postal Charges		3	
Other Contracted Services		9,772	
Diesel Fuel		16,884	
Electricity		1,826	
Gasoline		13,445	
Natural Gas		1,443	
Tires and Tubes		3,171	
Water and Sewer		373	
Other Charges		2,734	
Solid Waste Equipment		3,563	
Total Sanitation Management			\$ 155,068

Convenience Centers

Laborers	\$	91,515	
Communication		454	
Maintenance and Repair Services - Equipment		439	
Electricity		3,384	
Water and Sewer		1,030	
Gravel and Chert		486	
Other Supplies and Materials		233	
Other Charges		509	
Building Improvements		24	
Solid Waste Equipment		758	
Total Convenience Centers			98,832

Other Operations

Other Charges

Liability Insurance	\$	7,425	
Trustee's Commission		1,281	
Vehicle and Equipment Insurance		2,700	
Workers' Compensation Insurance		11,575	
Surcharge		4,688	
Total Other Charges			27,669

(Continued)

Exhibit J-6

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

Solid Waste/Sanitation Fund (Cont.)

Other Operations (Cont.)

Employee Benefits

Social Security	\$	10,438	
State Retirement		3,732	
Medical Insurance		16,393	
Unemployment Compensation		1,649	
Employer Medicare		2,441	
Total Employee Benefits			\$ 34,653

Total Solid Waste/Sanitation Fund \$ 316,222

Drug Control Fund

Public Safety

Drug Enforcement

Salary Supplements	\$	4,000	
Other Salaries and Wages		22,256	
Social Security		1,628	
State Retirement		1,255	
Unemployment Compensation		209	
Employer Medicare		380	
Communication		81	
Animal Food and Supplies		254	
Law Enforcement Supplies		165	
Trustee's Commission		101	
Law Enforcement Equipment		3,334	
Total Drug Enforcement			\$ 33,663

Total Drug Control Fund 33,663

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	67,241	
Total Chancery Court			\$ 67,241

Total Constitutional Officers - Fees Fund 67,241

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	51,226	
Assistant(s)		26,571	

(Continued)

Exhibit J-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Accountants/Bookkeepers	\$	26,571	
Advertising		195	
Communication		7,190	
Dues and Memberships		2,253	
Evaluation and Testing		320	
Freight Expenses		35	
Legal Services		69	
Postal Charges		603	
Printing, Stationery, and Forms		164	
Travel		626	
Other Contracted Services		5,669	
Electricity		4,272	
Natural Gas		665	
Office Supplies		2,828	
Water and Sewer		790	
Total Administration			\$ 130,047

Highway and Bridge Maintenance

Laborers	\$	325,307	
Overtime Pay		25,241	
Rentals		7,396	
Asphalt - Cold Mix		10,885	
Crushed Stone		56,505	
Custodial Supplies		208	
Pipe		16,342	
Road Signs		986	
Total Highway and Bridge Maintenance			442,870

Operation and Maintenance of Equipment

Mechanic(s)	\$	28,080	
Overtime Pay		2,356	
Diesel Fuel		50,813	
Equipment and Machinery Parts		56,738	
Gasoline		27,380	
Lubricants		895	
Tires and Tubes		12,116	
Total Operation and Maintenance of Equipment			178,378

Other Charges

Liability Insurance	\$	33,165	
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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.)

Other Charges (Cont.)

Trustee's Commission	\$	15,033	
Workers' Compensation Insurance		36,878	
Other Charges		<u>135</u>	
Total Other Charges	\$		85,211

Employee Benefits

Social Security	\$	36,959	
State Retirement		19,891	
Medical Insurance		87,507	
Unemployment Compensation		<u>3,992</u>	
Total Employee Benefits			148,349

Capital Outlay

Other Contracted Services	\$	296,578	
Building Construction		2,193	
Highway Equipment		55,704	
Office Equipment		3,006	
State Aid Projects		<u>6,737</u>	
Total Capital Outlay			364,218

Principal on Debt

Highways and Streets

Principal on Other Loans	\$	<u>278,000</u>	
Total Highways and Streets			278,000

Interest on Debt

Highways and Streets

Interest on Other Loans	\$	<u>93,857</u>	
Total Highways and Streets			93,857

Other Debt Service

Highways and Streets

Other Debt Service	\$	<u>8,063</u>	
Total Highways and Streets			<u>8,063</u>

Total Highway/Public Works Fund			\$	1,728,993
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(Continued)

Exhibit J-6

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

General Debt Service Fund

Other Operations

Miscellaneous

Contributions	\$ 19,191	
Total Miscellaneous		\$ 19,191

Principal on Debt

General Government

Principal on Bonds	\$ 91,070	
Principal on Notes	20,458	
Principal on Other Loans	67,000	
Total General Government		178,528

Education

Principal on Bonds	\$ 673,930	
Total Education		673,930

Interest on Debt

General Government

Interest on Bonds	\$ 61,219	
Interest on Notes	10,081	
Interest on Other Loans	64,186	
Total General Government		135,486

Education

Interest on Bonds	\$ 317,735	
Total Education		317,735

Other Debt Service

General Government

Trustee's Commission	\$ 8,663	
Other Debt Service	6,944	
Total General Government		15,607

Education

Other Debt Service	\$ 3,078	
Total Education		3,078

Capital Projects

General Administration Projects

Building Improvements	\$ 50,000	
Total General Administration Projects		50,000

Total General Debt Service Fund		\$ 1,393,555
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(Continued)

Exhibit J-6

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

<u>General Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>General Administration Projects</u>			
Architects	\$	27,323	
Penalties		1,639	
Building Improvements		388	
Furniture and Fixtures		19,024	
Total General Administration Projects			\$ 48,374
 <u>Public Safety Projects</u>			
Architects	\$	50,000	
Other Contracted Services		368,158	
Underwriter's Discount		46,787	
Other Debt Issuance Charges		135,590	
Site Development		11,939	
Total Public Safety Projects			<u>612,474</u>
Total General Capital Projects Fund			\$ 660,848
 <u>Other Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Other General Government Projects</u>			
Architects	\$	3,272	
Financial Advisory Services		2,000	
Other Construction		173,300	
Total Other General Government Projects			<u>\$ 178,572</u>
Total Other Capital Projects Fund			<u>178,572</u>
Total Governmental Funds - Primary Government			<u>\$ 8,404,538</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, 2007

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	3,350,776	
Career Ladder Program		67,795	
Career Ladder Extended Contracts		54,867	
Homebound Teachers		4,988	
Educational Assistants		53,654	
Other Salaries and Wages		17,746	
Non-certified Substitute Teachers		55,215	
Social Security		207,684	
State Retirement		208,066	
Medical Insurance		246,181	
Unemployment Compensation		3,065	
Employer Medicare		48,539	
Maintenance and Repair Services - Equipment		9,670	
Other Contracted Services		4,680	
Instructional Supplies and Materials		77,362	
Textbooks		100,043	
Other Supplies and Materials		90,654	
Other Charges		30,331	
Regular Instruction Equipment		42,370	
Total Regular Instruction Program	\$		4,673,686

Alternative Instruction Program

Teachers	\$	35,394	
Career Ladder Program		1,000	
Social Security		2,328	
State Retirement		2,469	
Medical Insurance		2,000	
Unemployment Compensation		30	
Employer Medicare		577	
Other Supplies and Materials		202	
Total Alternative Instruction Program			44,000

Special Education Program

Teachers	\$	441,155
Career Ladder Program		10,999
Homebound Teachers		200
Speech Pathologist		88,910
Non-certified Substitute Teachers		7,448
Social Security		31,894

(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.)

State Retirement	\$	33,128	
Medical Insurance		37,410	
Unemployment Compensation		365	
Employer Medicare		7,459	
Maintenance and Repair Services - Equipment		1,000	
Other Contracted Services		58,308	
Instructional Supplies and Materials		4,832	
Other Supplies and Materials		5,743	
Other Charges		3,995	
Special Education Equipment		713	
Total Special Education Program			\$ 733,559

Vocational Education Program

Teachers	\$	402,606	
Career Ladder Program		7,000	
Career Ladder Extended Contracts		1,320	
Social Security		24,227	
State Retirement		24,101	
Medical Insurance		21,498	
Unemployment Compensation		308	
Employer Medicare		5,686	
Travel		7,371	
Instructional Supplies and Materials		20,237	
Textbooks		4,123	
Vocational Instruction Equipment		16,030	
Total Vocational Education Program			534,507

Adult Education Program

Teachers	\$	25,870	
Clerical Personnel		800	
Social Security		1,604	
Unemployment Compensation		34	
Employer Medicare		375	
Instructional Supplies and Materials		10,600	
Other Supplies and Materials		1,231	
Other Charges		54	
Other Equipment		6,892	
Total Adult Education Program			47,460

(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	\$	1,544	
Social Security		87	
State Retirement		81	
Employer Medicare		20	
Other Supplies and Materials		2,170	
Attendance Equipment		8,299	
Total Attendance			\$ 12,201

Health Services

Other Contracted Services	\$	6,845	
Drugs and Medical Supplies		5,155	
Total Health Services			12,000

Other Student Support

Career Ladder Program	\$	8,000	
Guidance Personnel		255,840	
Career Ladder Extended Contracts		4,660	
Secretary(ies)		48,200	
Social Security		18,760	
State Retirement		18,763	
Medical Insurance		10,234	
Unemployment Compensation		200	
Employer Medicare		4,387	
Evaluation and Testing		7,458	
Travel		308	
Other Supplies and Materials		342	
Other Charges		237	
Total Other Student Support			377,389

Regular Instruction Program

Supervisor/Director	\$	103,749	
Career Ladder Program		8,900	
Career Ladder Extended Contracts		5,320	
Librarians		173,376	
Instructional Computer Personnel		24,192	
Secretary(ies)		82,904	
Social Security		23,627	
State Retirement		22,002	
Medical Insurance		11,574	

(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.)

Unemployment Compensation	\$	390	
Employer Medicare		5,494	
Maintenance and Repair Services - Equipment		920	
Travel		2,083	
Library Books/Media		15,473	
Other Supplies and Materials		1,511	
In Service/Staff Development		2,525	
Other Charges		2,081	
Total Regular Instruction Program			\$ 486,121

Special Education Program

Supervisor/Director	\$	51,527	
Career Ladder Program		1,000	
Clerical Personnel		8,000	
Social Security		3,391	
State Retirement		3,602	
Medical Insurance		5,861	
Unemployment Compensation		30	
Employer Medicare		793	
Travel		5,913	
Total Special Education Program			80,117

Vocational Education Program

Supervisor/Director	\$	11,872	
Clerical Personnel		10,000	
Social Security		1,380	
State Retirement		1,250	
Unemployment Compensation		15	
Employer Medicare		335	
Travel		5,112	
Other Supplies and Materials		701	
In Service/Staff Development		3,447	
Total Vocational Education Program			34,112

Adult Programs

Supervisor/Director	\$	56,663
Career Ladder Program		2,000
Career Ladder Extended Contracts		2,000
Other Salaries and Wages		17,500

(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.)

Social Security	\$	4,434	
State Retirement		4,593	
Medical Insurance		5,863	
Unemployment Compensation		58	
Employer Medicare		1,037	
Travel		1,802	
Other Supplies and Materials		4,399	
In Service/Staff Development		1,195	
Total Adult Programs			\$ 101,544

Board of Education

Board and Committee Members Fees	\$	12,000	
Social Security		744	
Unemployment Compensation		52	
Employer Medicare		174	
Audit Services		7,500	
Contracts with Other School Systems		81,182	
Dues and Memberships		7,500	
Legal Services		7,285	
Trustee's Commission		64,373	
Workers' Compensation Insurance		56,024	
Criminal Investigation of Applicants - TBI		155	
Refund to Applicant for Criminal Investigation		428	
Other Charges		16,998	
Total Board of Education			254,415

Director of Schools

County Official/Administrative Officer	\$	85,900	
Social Security		5,104	
State Retirement		5,266	
Medical Insurance		2,711	
Unemployment Compensation		30	
Employer Medicare		1,194	
Communication		13,058	
Dues and Memberships		503	
Postal Charges		1,764	
Travel		1,000	
Other Contracted Services		1,522	
Office Supplies		2,227	

(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.)

Other Charges	\$	1,802	
Administration Equipment		1,552	
Total Director of Schools			\$ 123,633

Office of the Principal

Principals	\$	211,655	
Career Ladder Program		6,000	
Career Ladder Extended Contracts		4,000	
Social Security		12,521	
State Retirement		13,587	
Medical Insurance		18,495	
Unemployment Compensation		119	
Employer Medicare		2,928	
Communication		2,096	
Total Office of the Principal			271,401

Fiscal Services

Accountants/Bookkeepers	\$	38,754	
Social Security		2,451	
State Retirement		1,855	
Unemployment Compensation		38	
Employer Medicare		573	
Travel		557	
Other Contracted Services		6,501	
Office Supplies		2,455	
Administration Equipment		2,888	
Total Fiscal Services			56,072

Operation of Plant

Custodial Personnel	\$	131,141	
Social Security		8,131	
State Retirement		2,887	
Unemployment Compensation		300	
Employer Medicare		1,902	
Custodial Supplies		29,078	
Electricity		245,001	
Natural Gas		94,891	
Water and Sewer		44,586	
Building and Contents Insurance		125,000	

(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.)

Other Charges	\$	656	
Plant Operation Equipment		<u>2,917</u>	
Total Operation of Plant			\$ 686,490

Maintenance of Plant

Maintenance Personnel	\$	60,942	
Social Security		3,772	
State Retirement		1,928	
Unemployment Compensation		160	
Employer Medicare		882	
Maintenance and Repair Services - Buildings		68,272	
Maintenance and Repair Services - Equipment		658	
Other Contracted Services		3,936	
Other Charges		10,105	
Maintenance Equipment		<u>2,016</u>	
Total Maintenance of Plant			152,671

Transportation

Supervisor/Director	\$	50,330	
Mechanic(s)		17,395	
Bus Drivers		197,641	
Social Security		17,090	
State Retirement		6,543	
Medical Insurance		1,835	
Unemployment Compensation		539	
Employer Medicare		3,997	
Communication		5,438	
Maintenance and Repair Services - Vehicles		21,005	
Travel		999	
Diesel Fuel		76,227	
Garage Supplies		491	
Gasoline		662	
Tires and Tubes		9,160	
Vehicle and Equipment Insurance		836	
Other Charges		2,053	
Transportation Equipment		<u>407,214</u>	
Total Transportation			819,455

(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	\$	23,317	
Clerical Personnel		6,200	
Social Security		1,890	
State Retirement		1,065	
Unemployment Compensation		39	
Employer Medicare		442	
Payments to Schools - Breakfast		89,750	
Payments to Schools - Lunch		282,033	
Payments to Schools - Other		16,321	
Travel		286	
In Service/Staff Development		194	
Total Food Service			\$ 421,537

Community Services

Supervisor/Director	\$	44,600	
Clerical Personnel		2,386	
Other Salaries and Wages		165,196	
Social Security		12,568	
State Retirement		8,620	
Medical Insurance		5,858	
Unemployment Compensation		311	
Employer Medicare		2,939	
Travel		4,517	
Food Supplies		4,020	
Other Supplies and Materials		17,339	
Other Charges		947	
Other Equipment		14,664	
Total Community Services			283,965

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	176,636	
Total Regular Capital Outlay			176,636

Other Debt Service

Education

Contributions	\$	415,986	
Total Education			415,986

Total General Purpose School Fund \$ 10,798,957

(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	\$	362,600	
Educational Assistants		11,250	
Other Salaries and Wages		800	
Social Security		23,228	
State Retirement		22,398	
Medical Insurance		14,876	
Unemployment Compensation		341	
Employer Medicare		5,432	
Instructional Supplies and Materials		13,803	
Other Supplies and Materials		1,882	
Total Regular Instruction Program			\$ 456,610

Special Education Program

Teachers	\$	42,000	
Homebound Teachers		4,725	
Educational Assistants		211,857	
Other Salaries and Wages		44,902	
Social Security		17,908	
State Retirement		13,281	
Medical Insurance		9,320	
Unemployment Compensation		606	
Employer Medicare		4,188	
Maintenance and Repair Services - Equipment		1,974	
Other Contracted Services		18,285	
Instructional Supplies and Materials		13,678	
Other Supplies and Materials		2,813	
Other Charges		511	
Special Education Equipment		22,277	
Total Special Education Program			408,325

Support Services

Other Student Support

Other Salaries and Wages	\$	3,700	
Social Security		229	
State Retirement		222	
Employer Medicare		54	
Contracts with Other School Systems		25,512	
Travel		271	
Other Supplies and Materials		5,505	

(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.)

In Service/Staff Development	\$	180	
Other Charges		<u>510</u>	
Total Other Student Support	\$		36,183

Regular Instruction Program

Supervisor/Director	\$	26,470	
Social Security		1,641	
State Retirement		1,456	
Unemployment Compensation		20	
Employer Medicare		384	
Travel		717	
Other Contracted Services		1,001	
Library Books/Media		2,480	
Other Supplies and Materials		883	
In Service/Staff Development		<u>5,616</u>	
Total Regular Instruction Program			40,668

Special Education Program

Clerical Personnel	\$	8,438	
Social Security		523	
State Retirement		398	
Unemployment Compensation		31	
Employer Medicare		<u>122</u>	
Total Special Education Program			9,512

Transportation

Bus Drivers	\$	17,357	
Social Security		1,075	
State Retirement		830	
Unemployment Compensation		24	
Employer Medicare		<u>251</u>	
Total Transportation			<u>19,537</u>

Total School Federal Projects Fund \$ 970,835

Total Governmental Funds - Decatur County School Department \$ 11,769,792

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, 2007

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 761,446
Total Cash Receipts	<u>\$ 761,446</u>
<u>Cash Disbursements</u>	
Remittance of Revenue Collected	\$ 452,299
Trustee's Commission	7,615
Contributions	301,532
Total Cash Disbursements	<u>\$ 761,446</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2006	<u>0</u>
Cash Balance, June 30, 2007	<u><u>\$ 0</u></u>

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## **SINGLE AUDIT SECTION**

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

February 25, 2008

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, 2007, which collectively comprise Decatur County's basic financial statements and have issued our report thereon dated February 25, 2008. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented Decatur County General Hospital and the discretely presented Decatur County Emergency Communications District as described in our report on Decatur County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Decatur County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing

an opinion on the effectiveness of Decatur County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Decatur County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 07.02, 07.03, 07.04, and 07.08.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Decatur County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

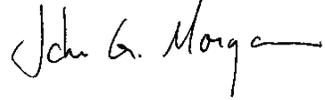
### Compliance and Other Matters

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 are described in the accompanying Schedule of Findings and Questioned Costs as items 07.01, 07.05, and 07.06.

We consider item 07.07 described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations. We also noted certain matters that we reported to management of Decatur County in separate communications.

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

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan" with a long horizontal flourish extending to the right.

John G. Morgan  
Comptroller of the Treasury

JGM/rd



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

February 25, 2008

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, 2007. 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 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 of 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, 2007.

#### Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

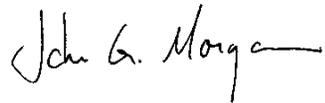
#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Decatur County as of and for the year ended June 30, 2007, and have issued our report thereon dated February 25, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Decatur County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 management, the county mayor, director of schools, road supervisor, County Commission, Board of Education, others within Decatur County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yours very truly,

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/rd

Decatur County, Tennessee  
Schedule of Expenditures and Federal Awards and State Grants(1)  
For the Year Ended June 30, 2007

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	\$ 38,037
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	89,750
National School Lunch Program	10.555	N/A	282,033
USDA Other	10.556	N/A	16,321
Total U.S. Department of Agriculture			\$ 426,141
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	(2)	\$ 3,236
Total U.S. Department of Housing and Urban Development			\$ 3,236
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Z-07-036522-00	\$ 9,000
Total U.S. Department of Justice			\$ 9,000
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	(2)	\$ 126,280
Passed-through the State Department of Education:			
Title I Grants to Local Educational Agencies	84.010A	N/A	354,697
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	521,628
Special Education - Preschool Grants	84.173	N/A	42,193
Vocational Education - Basic Grants to States	84.048	N/A	31,994
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	6,641
Twenty-First Century Community Learning Centers	84.287C	(2)	154,777
State Grants for Innovative Programs	84.298	N/A	45,675
Total U.S. Department of Education			\$ 1,283,885
U.S. Elections Assistance Commission			
Passed-through Tennessee Secretary of State's Office:			
Help America Vote Act Payments Program	90.401	(2)	\$ 143,256
Total U.S. Delta Regional Authority			\$ 143,256
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)	\$ 23,746
Total U.S. Department of Health and Human Services			\$ 23,746

(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 Homeland Security: Passed-through State Department of Military: Emergency Management Performance Grants	97.042	(3)	\$ 9,818
Homeland Security Grant Program	97.067	Z-05-025149-00	40,785
Total U.S. Department of Homeland Security			\$ 50,603
Total Expenditures of Federal Awards			\$ 1,939,867
<u>State Grants</u>		<u>Contract Number</u>	
Juvenile Justice and Delinquency Prevention - State Department of Children's Services	N/A	GG0712592	\$ 72,784
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	7,777
Waste Tire Options Grant - State Department of Environment and Conservation	N/A	(2)	7,680
Preventive Health and Human Services - State Department of Health	N/A	Z-06-025975-00	3,166
Litter Grant - State Department of Transportation	N/A	Z-07-033788-00	32,027
Gates Library Computer Grant - State Libraries and Archives	N/A	(2)	2,990
Election Commission Training - Tennessee Secretary of State	N/A	(2)	4,825
Pre-K Grant - State Department of Education	N/A	(2)	141,336
Biodiesel Grant - State Department of Economic and Community Development	N/A	(2)	12,000
IT Essentials Grant - Jackson State Community College	N/A	(2)	600
Touching Lives of Children Grant - State Department of Education	N/A	(2)	7,050
Family Resource Center - Operational Costs - State Department of Education	N/A	(2)	42,859
Alternative Punishment Program - State Department of Corrections	N/A	(2)	370,914
Total State Grants			\$ 706,008

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) Z-06-032833-00: \$2,393; Z-07-020596-00: \$7,425.

Decatur County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2007

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, 2006, which have not been corrected.

**OTHER FINDINGS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.04	160	Financial activity of the Decatur County Library was not audited, and the library was not subject to budgetary control of the County Commission
06.05	160	A central system of accounting, budgeting, and purchasing had not been adopted
06.06	161	Duties were not segregated adequately in the Offices of Trustee, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

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**DECATUR COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2007**

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**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 significant deficiencies in internal control. None of these conditions was considered to be a material weakness.
3. The audit disclosed two instances of noncompliance that are material to the financial statements of Decatur County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A \$300,000 threshold 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. 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 07.01      **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS** (A. and B. – Material Noncompliance Under Government Auditing Standards; C. and D. – Noncompliance Under Government Auditing Standards)

Our audit of the County Mayor’s Office revealed the following deficiencies in budget operations:

- A. Total expenditures of the General Debt Service Fund exceeded appropriations approved by the County Commission by \$58,987.
- B. Total expenditures of the General Fund exceeded appropriations approved by the County Commission by \$480. Expenditures exceeded appropriations in ten of 49 major appropriation categories (the legal level of control) by amounts ranging from \$32 to \$39,886.
- C. Total expenditures of the Solid Waste/Sanitation Fund exceeded appropriations approved by the County Commission by \$8,713.
- D. In numerous instances, salaries exceeded line-item appropriations in the General Fund by amounts ranging from \$32 to \$8,333. The budget resolution approved by the County Commission states that the salary, wages, or enumeration of each official, employee, or agent of the county will not exceed expenditures that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the County Commission.

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

### RECOMMENDATION

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

**FINDING 07.02      THE OFFICE HAD DEFICIENCIES IN THE  
ADMINISTRATION OF PAYROLL RECORDS**  
(Internal Control – Significant Deficiency Under Government  
Auditing Standards)

The office had deficiencies in the administration of payroll records. In some instances, management did not require time and attendance records to be submitted to the County Mayor's Office to support payroll disbursements and leave balances. Also, in several instances when time records were filed, supervisors did not sign the employees' time records as evidence of supervisory review and approval. The failure to submit time and attendance records and the lack of supervisory approval could result in improper payroll payments.

**RECOMMENDATION**

Time and attendance records should be maintained for all departments and offices of the general county government. Those records should be submitted to the County Mayor's Office to support payroll disbursements and leave balances. Supervisors should sign the employees' time and attendance records as evidence of review and approval.

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**FINDING 07.03      INVOICES ON CONSTRUCTION PROJECTS WERE NOT PAID  
CURRENTLY RESULTING IN THE ASSESSMENT OF LATE  
CHARGES TOTALING \$33,872**  
(Internal Control – Significant Deficiency Under Government  
Auditing Standards)

Our review of construction projects noted the following late charges were assessed because invoices for architectural services were not paid on a timely basis:

- A. On April 11, 2007, late charges of \$1,639 were paid from the General Capital Projects Fund for architectural services on the courthouse addition project.
- B. On June 18, 2007, late charges totaling \$32,233 were paid from the General Capital Projects Fund on an invoice dated August 16, 2006, for architectural services on the detention center construction project.

**RECOMMENDATION**

Invoices should be paid on a timely basis to avoid the assessment of late charges.

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**FINDING 07.04 EXPENDITURES WERE MISCLASSIFIED IN THE ACCOUNTING RECORDS OF THE GENERAL DEBT SERVICE FUND**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Several expenditures were coded to accounts that did not reflect the true nature of the transactions. For example, capital expenditures for courthouse renovation costs and water line projects had been posted to principal on notes and other debt service. We presented audit adjustments to management that they approved and posted to classify properly these expenditures in the financial statements of this report.

**RECOMMENDATION**

Expenditures should be coded to accounts that most appropriately reflect the true nature of the transactions.

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**OFFICE OF TRUSTEE**

**FINDING 07.05 THE TRUSTEE DID NOT REQUIRE A DEPOSITORY TO ADEQUATELY COLLATERALIZE FUNDS**  
(Noncompliance Under Government Auditing Standards)

The trustee did not require a depository holding county funds to pledge adequate securities to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2007, deposits at this depository exceeded FDIC coverage by \$150,367. Section 5-8-201, Tennessee Code Annotated, provides for county officials to require any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of such county funds. Subsequent to June 30, 2007, the trustee corrected this deficiency by requiring the depository to pledge additional securities to protect county funds.

**RECOMMENDATION**

The trustee should require all depositories to pledge adequate securities to protect county funds exceeding FDIC coverage as required by state statute.

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**OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 07.06 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 (\$61,413), 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 \$108,231 at June 30, 2007. The funds channeled through the checking accounts did not flow through the county's budgetary process, have not been audited, and are not included in 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.

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FINDING 07.07      **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**  
(Internal Control – Control Deficiency 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.

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FINDING 07.08

**DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY MAYOR, TRUSTEE, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**

(Internal Control – Significant Deficiency 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 segregate duties properly among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.

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

There were no findings and questioned costs for federal awards.

**DECATUR COUNTY, TENNESSEE**  
**AUDITEE REPORTING RESPONSIBILITIES**  
**For the Year Ended June 30, 2007**

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

**County Mayor – Summary Schedule of Prior Year's Findings**

**FINDINGS 06.01 AND 06.07**

The county mayor required that a weekly backup be taken to the Decatur County Library. The daily backups are being stored in the vault located in the courthouse. A current log of all backups including label descriptions, date of creation and contents, and storage is maintained.