

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

SINGLE AUDIT REPORT



FOR THE YEAR ENDED JUNE 30, 2007



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

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Comptroller of the Treasury

DIVISION OF COUNTY AUDIT
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State Auditors

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

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Audit Highlights

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

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of DeKalb County as of and for the year ended June 30, 2007.

Results

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

Our audit resulted in 12 findings and recommendations, which we have reviewed with DeKalb County management. Detailed findings and recommendations are included in the Single Audit Report.

Findings

The following are summaries of the audit findings:

DEKALB COUNTY

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ The county had not completed the steps set forth in the implementation plan for GASB Statement No. 34 filed with the Comptroller of the Treasury.

OFFICE OF COUNTY MAYOR

- ◆ Inventory records were not maintained for assets owned by the general county government.
 - ◆ Expenditures exceeded appropriations approved by the County Commission at the major appropriation category level of control (the legal level of control) in the General, General Debt Service, and Drug Control Funds.
 - ◆ The office had deficiencies in computer system backup procedures.
-

OFFICE OF ROAD SUPERVISOR

- ◆ The office did not maintain inventory records of consumable assets such as fuel, tires, repair parts, and tire.
-

OFFICE OF TRUSTEE

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

OFFICE OF CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK

- ◆ Execution docket trial balances were not prepared for Circuit, General Sessions, and Juvenile Courts as required by state statute.
-

OFFICE OF REGISTER

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

OFFICE OF SHERIFF

- ◆ The sheriff's office had numerous accounting deficiencies.
-

OTHER FINDINGS

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

INTRODUCTORY SECTION

DeKalb County Officials
June 30, 2007

Officials

Mike Foster, County Mayor
Kenny Edge, Road Supervisor
Sean Driver, Trustee
Timothy Banks, Assessor of Property
Mike Clayborn, County Clerk
Katherine Pack, Circuit, General Sessions, and Juvenile Courts Clerk
Debra Malone, Clerk and Master
Jeff McMillen, Register
Patrick Ray, Sheriff

Board of County Commissioners

Mike Foster, Chairman	
Jeff Barnes	Marshall Ferrell
Jeff Barrett	John Green
Jack Barton	Bobby Joines
Wayne Cantrell	Jerry Scott
Randy Caplinger	Chris Smithson
Mason Carter	Larry Summers
Elmer Ellis	Willie Thomas

Purchasing Committee

Mike Foster, Chairman
Kenny Edge
John Green
Bobby Joines
Larry Summers
Mark Willoughby

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

November 28, 2007

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of DeKalb County, Tennessee, as of and for the year ended June 30, 2007, as shown on pages 15 through 40, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of DeKalb County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

government-wide financial statements. The amounts that would be reported in government-wide financial statements for the county's governmental activities, business-type activities, and discretely presented component units are not reasonably determinable.

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

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of DeKalb County, Tennessee, as of June 30, 2007, or the changes in its financial position or its cash flows, where applicable, thereof for the year then ended.

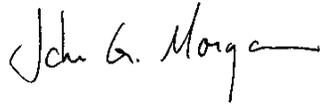
However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of DeKalb County, Tennessee, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated November 28, 2007, on our consideration of DeKalb County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison and pension information on pages 43 through 49 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 DeKalb County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

DeKalb County, Tennessee
 Balance Sheet
 Governmental Funds
 June 30, 2007

	Major Funds			Nonmajor	Total	
	General	Local Purpose Tax	Highway / Public Works	General Debt Service		Other Governmental Funds
ASSETS						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	111,530	\$ 111,530
Equity in Pooled Cash and Investments	1,800,270	851,310	369,564	767,405	401,909	4,190,458
Accounts Receivable	2,402	0	0	0	0	2,402
Due from Other Governments	53,935	230,798	338,282	0	0	623,015
Due from Other Funds	8,372	0	0	0	0	8,372
Due from Component Units	0	0	0	3,000	1,000	4,000
Property Taxes Receivable	2,447,353	0	118,028	1,140,942	0	3,706,323
Allowance for Uncollectible Property Taxes	(85,063)	0	(3,956)	(38,242)	0	(127,261)
Total Assets	\$ 4,227,269	\$ 1,082,108	\$ 821,918	\$ 1,873,105	\$ 514,439	\$ 8,518,839
LIABILITIES AND FUND BALANCES						
Liabilities						
Accrued Payroll	\$ 259	\$ 0	\$ 0	\$ 0	\$ 0	\$ 259
Due to Other Funds	8,336	0	0	0	8,372	16,708
Other Notes Payable	0	0	0	205,000	0	205,000
Deferred Revenue - Current Property Taxes	2,298,068	0	111,197	1,074,902	0	3,484,167
Deferred Revenue - Delinquent Property Taxes	53,292	0	2,386	23,067	0	78,745
Other Deferred Revenues	21,924	119,563	138,285	0	0	279,772
Total Liabilities	\$ 2,381,879	\$ 119,563	\$ 251,868	\$ 1,302,969	\$ 8,372	\$ 4,064,651
Fund Balances						
Reserved for Alcohol and Drug Treatment	\$ 36,090	\$ 0	\$ 0	\$ 0	\$ 0	\$ 36,090
Reserved for Courtroom Security	150	0	0	0	0	150
Reserved for Computer System - Register	11,788	0	0	0	0	11,788
Reserved for Automation Purposes - Circuit Court	6,149	0	0	0	0	6,149
Reserved for Automation Purposes - General Sessions Court	22,997	0	0	0	0	22,997
Reserved for Automation Purposes - Juvenile Court	639	0	0	0	0	639
Reserved for Automation Purposes - Sheriff	3,250	0	0	0	0	3,250

Exhibit A

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

	Major Funds			Nonmajor	Total	
	Local Purpose	Highway / Public Works	General Debt Service	Funds Other Governmental Funds		
	General	Tax			Governmental Funds	
<u>LIABILITIES AND FUND BALANCES (Cont.)</u>						
<u>Fund Balances (Cont.)</u>						
Unreserved, Reported In:						
General Fund	\$ 1,764,327	\$ 0	\$ 0	\$ 0	\$ 1,764,327	
Special Revenue Funds	0	962,545	570,050	0	1,818,769	
Debt Service Funds	0	0	0	570,136	570,136	
Capital Projects Funds	0	0	0	0	219,893	
Total Fund Balances	<u>\$ 1,845,390</u>	<u>\$ 962,545</u>	<u>\$ 570,050</u>	<u>\$ 570,136</u>	<u>\$ 4,454,188</u>	
Total Liabilities and Fund Balances	<u>\$ 4,227,269</u>	<u>\$ 1,082,108</u>	<u>\$ 821,918</u>	<u>\$ 1,873,105</u>	<u>\$ 8,518,839</u>	

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

Exhibit B

DeKalb County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	Major Funds				Nonmajor	Total
	General	Local Purpose Tax	Highway / Public Works	General Debt Service	Other Governmental Funds	
Revenues						
Local Taxes	\$ 3,123,942	\$ 1,168,291	\$ 137,275	\$ 1,083,498	\$ 60,027	\$ 5,573,033
Licenses and Permits	17,578	0	0	0	0	17,578
Fines, Forfeitures, and Penalties	162,732	0	0	0	72,474	235,206
Charges for Current Services	26,411	0	0	0	241,057	267,468
Other Local Revenues	72,180	0	11,535	145,630	209,755	439,100
Fees Received from County Officials	539,121	0	0	0	0	539,121
State of Tennessee	614,235	0	1,569,199	136,094	80,820	2,400,348
Federal Government	981,880	0	0	0	0	981,880
Other Governments and Citizens Groups	211,585	0	171,077	0	0	382,662
Total Revenues	\$ 5,749,664	\$ 1,168,291	\$ 1,889,086	\$ 1,365,222	\$ 664,133	\$ 10,836,396
Expenditures						
Current:						
General Government	\$ 836,554	\$ 0	\$ 0	\$ 0	\$ 150,911	\$ 987,465
Finance	264,193	0	0	0	94,791	358,984
Administration of Justice	398,879	0	0	0	2,072	400,951
Public Safety	2,230,077	0	0	0	71,627	2,301,704
Public Health and Welfare	337,301	0	0	0	0	337,301
Social, Cultural, and Recreational Services	126,247	0	0	0	0	126,247
Agriculture and Natural Resources	77,439	0	0	0	0	77,439
Other Operations	1,181,217	0	0	0	500	1,181,717
Highways	0	0	1,779,301	0	0	1,779,301
Support Services	0	0	0	0	5,008	5,008
Debt Service:						
Principal on Debt	0	0	0	1,066,227	0	1,066,227
Interest on Debt	0	0	0	329,661	0	329,661
Other Debt Service	0	0	0	1,264,880	0	1,264,880
Capital Projects	0	961,448	0	0	225,529	1,186,977
Total Expenditures	\$ 5,451,907	\$ 961,448	\$ 1,779,301	\$ 2,660,768	\$ 550,438	\$ 11,403,862
Excess (Deficiency) of Revenues						
Over Expenditures	\$ 297,757	\$ 206,843	\$ 109,785	\$ (1,295,546)	\$ 113,695	\$ (567,466)

(Continued)

Exhibit B

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

	Major Funds				Nonmajor	Total
	General	Local Purpose Tax	Highway / Public Works	General Debt Service	Other Governmental Funds	
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 1,225,000	\$ 0	\$ 1,225,000
Insurance Recovery	9,556	0	7,600	0	0	17,156
Total Other Financing Sources (Uses)	<u>\$ 9,556</u>	<u>\$ 0</u>	<u>\$ 7,600</u>	<u>\$ 1,225,000</u>	<u>\$ 0</u>	<u>\$ 1,242,156</u>
Net Change in Fund Balances	\$ 307,313	\$ 206,843	\$ 117,385	\$ (70,546)	\$ 113,695	\$ 674,690
Fund Balance, July 1, 2006	<u>1,538,077</u>	<u>755,702</u>	<u>452,665</u>	<u>640,682</u>	<u>392,372</u>	<u>3,779,498</u>
Fund Balance, June 30, 2007	<u>\$ 1,845,390</u>	<u>\$ 962,545</u>	<u>\$ 570,050</u>	<u>\$ 570,136</u>	<u>\$ 506,067</u>	<u>\$ 4,454,188</u>

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

Exhibit C-1

DeKalb County, Tennessee
Statement of Net Assets
Proprietary Fund
June 30, 2007

Business-type
Activities
Major Fund
Solid Waste
Disposal Fund

ASSETS

Current Assets:

Equity in Pooled Cash and Investments	\$ 2,254,003
Accounts Receivable	20,183
Due from Other Governments	83,085
Due from Other Funds	8,336
Property Taxes Receivable	745,894
Allowance for Uncollectible Property Taxes	(24,394)
Total Current Assets	<u>\$ 3,087,107</u>

Noncurrent Assets:

Capital Assets (Net of Accumulated Depreciation):	
Land	\$ 361,271
Landfill Facilities and Development	420,406
Buildings and Improvements	9,625
Machinery and Equipment	257,917
Construction in Progress	250,207
Total Noncurrent Assets	<u>\$ 1,299,426</u>

Total Assets	<u>\$ 4,386,533</u>
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LIABILITIES

Current Liabilities:

Accrued Liability for Landfill Closure/Postclosure Care Costs	\$ 13,758
Capitalized Lease Obligations	19,886
Total Current Liabilities	<u>\$ 33,644</u>

Noncurrent Liabilities:

Accrued Liability for Landfill Closure/Postclosure Care Costs	\$ 1,353,201
Total Noncurrent Liabilities	<u>\$ 1,353,201</u>

Total Liabilities	<u>\$ 1,386,845</u>
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NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$ 1,279,540
Restricted for Capital Outlay	1,225,000
Unrestricted	<u>495,148</u>
Total Net Assets	<u>\$ 2,999,688</u>

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

Exhibit C-2

DeKalb County, Tennessee
Statement of Revenues, Expenses, and
Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2007

	Business-type Activities
	<u>Major Fund</u>
	Solid Waste <u>Disposal Fund</u>
<u>Operating Revenues</u>	
Charges for Current Services	\$ 256,190
Other Local Revenues	66,254
Total Operating Revenues	<u>\$ 322,444</u>
<u>Operating Expenses</u>	
Waste Pickup	\$ 40,412
Convenience Centers	185,637
Landfill Operation and Maintenance	608,172
Depreciation	177,349
Other Waste Disposal	54,865
Total Operating Expenses	<u>\$ 1,066,435</u>
Operating Income (Loss)	<u>\$ (743,991)</u>
<u>Nonoperating Revenues (Expenses)</u>	
Local Taxes	\$ 754,207
Grants	19,971
Insurance Recovery	603
Contributions	1,225,000
Interest on Capital Lease	(1,499)
Total Nonoperating Revenues (Expenses)	<u>\$ 1,998,282</u>
Income (Loss) Before Loss on Disposal of Asset	\$ 1,254,291
Loss on Disposal of Asset	<u>(23,670)</u>
Change in Net Assets	\$ 1,230,621
Net Assets, July 1, 2006	<u>1,769,067</u>
Net Assets, June 30, 2007	<u><u>\$ 2,999,688</u></u>

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

Exhibit C-3

DeKalb County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2007

	Business-type Activities
	Major Fund
	Solid Waste Disposal Fund
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 250,755
Payments to Suppliers	(322,828)
Payments to Employees	(410,691)
Other Payments	(16,116)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (498,880)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Local Taxes	\$ 696,132
Grants Received	18,823
Contributions	1,225,000
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ 1,939,955</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of Capital Assets	\$ (199,268)
Insurance Recovery	603
Principal Paid on Capital Lease	(19,151)
Interest Paid on Capital Lease	(1,499)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (219,315)</u>
Net Increase (Decrease) in Cash	\$ 1,221,760
Cash, July 1, 2006	<u>1,032,243</u>
Cash, June 30, 2007	<u><u>\$ 2,254,003</u></u>
<u>Reconciliation of Operating Loss to Net Cash Provided By (Used In)</u>	
<u>Operating Activities</u>	
Operating Income (Loss)	\$ (743,991)
Adjustment to Reconcile Net Operating Loss to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	177,349
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(1,257)
(Increase) Decrease in Due From Other Governments	(70,432)
Increase (Decrease) in Landfill Closure/Postclosure Care Costs	139,451
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ (498,880)</u></u>

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

Exhibit D

DeKalb County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2007

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 625,200
Due from Other Governments	94,683
Notes Receivable - Long-term	<u>48,031</u>
Total Assets	<u>\$ 767,914</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 94,683
Due to Litigants, Heirs, and Others	<u>673,231</u>
Total Liabilities	<u>\$ 767,914</u>

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

DEKALB COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DeKalb County's financial statements are not presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

DeKalb County has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and discretely presented component units. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement No. 34 and accounting principles generally accepted in the United States of America. DeKalb County has elected instead to implement only the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused DeKalb County's auditor to issue an adverse opinion on the county's financial statements.

Although DeKalb County's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement No. 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement No. 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

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

A. Reporting Entity

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

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

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

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

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

The DeKalb County School Department and the DeKalb County Emergency Communications District issue separate financial statements from those of the county. The School Department's financial statements are published as a separate report but under the same cover as the county's financial statements. The DeKalb County Emergency Communications District's financial statements are published as a separate report. Complete financial statements of the DeKalb County Emergency Communications District can be obtained from its administrative office at the following address:

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

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

Fund financial statements of DeKalb County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories:

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

Separate financial statements are provided for governmental funds, the proprietary fund, and fiduciary funds. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. The fiduciary funds in total are reported in 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. DeKalb County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

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

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

DeKalb County reports the following major governmental funds:

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

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

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.

DeKalb County reports the following major enterprise fund:

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

Additionally, DeKalb County reports the following fund types:

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

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

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

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

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

C. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

For purposes of the statement of cash flows, cash includes cash on deposit with the county trustee and cash with clerks, register, and sheriff.

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

The county trustee maintains a cash and internal investment pool that is used by all DeKalb County and DeKalb County School Department funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund and the General Capital Projects Fund. DeKalb County and the DeKalb County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

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

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

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

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

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

3. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. DeKalb County does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, DeKalb County does not present government-wide statements.

Capital assets are reported in the statement of net assets of the proprietary fund. DeKalb County defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the enterprise fund is included as part of the capitalized value of the assets constructed.

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

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

4. Compensated Absences

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

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

5. Long-term Obligations

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

Long-term debt and other long-term obligations are reported as liabilities in the proprietary fund financial statements. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

Governmental funds recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received

on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. Net Assets and Fund Equity

In the proprietary fund, equity is classified as net assets and displayed in three components:

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

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

B. Expenditures Exceeded Appropriations

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

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
General:	
Board of Equalization	\$ 212
Beer Board	228
Other General Administration	2,546
County Clerk's Office	816
Juvenile Court	960
Fire and Prevention	3,930
Other Charges	4,878
General Debt Service:	
Principal on Debt - General Government	7,178
Other Debt Service - General Government	2,744
Drug Control:	
Other Charges	270

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

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

DeKalb County and the DeKalb County School Department participate in an internal cash and investment pool through the Office of Trustee. The DeKalb County School Department meets the criteria for a discretely presented component unit of DeKalb County. Since DeKalb County is presenting fund

financial statements only, the financial information for the DeKalb County School Department is not included in these fund financial statements. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected in the fund financial statements represents nonpooled amounts held separately by individual funds.

Deposits

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

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

Investments

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

U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase. The county had no pooled and nonpooled investments as of June 30, 2007.

B. Notes Receivable

In a prior year, the county sold its hospital to a private corporation. On May 10, 1971, the Chancellor ordered that a portion of the proceeds of this sale be used to provide loans to "...deserving young men and women, who are preparing themselves for the practice of medicine, or the practice of nursing..." These proceeds were deposited with the clerk and master and were earmarked for loans to students in medical-related fields. Notes receivable of \$48,031 in the Constitutional Officers - Agency Fund represent the total of these student loans outstanding at June 30, 2007. These loans are repayable to the county over a ten-year period after the student leaves school with an interest rate two percent below the prime interest rate as published in the *Wall Street Journal*.

C. Capital Assets

Capital assets activity of the Solid Waste Disposal Fund for the year ended June 30, 2007, was as follows:

Business-type Activities:

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
Capital Assets Not Depreciated:				
Land	\$ 361,271	\$ 0	\$ 0	\$ 361,271
Construction in Progress	166,558	83,649	0	250,207
Total Capital Assets Not Depreciated	\$ 527,829	\$ 83,649	\$ 0	\$ 611,478
Capital Assets Depreciated:				
Buildings and Improvements	\$ 35,000	\$ 0	\$ 0	\$ 35,000
Machinery and Equipment	648,565	115,619	(100,000)	664,184
Landfill Facilities and Development	1,206,115	0	0	1,206,115
Total Capital Assets Depreciated	\$ 1,889,680	\$ 115,619	\$ (100,000)	\$ 1,905,299

Business-type Activities: (Cont.)

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 23,625	\$ 1,750	\$ 0	\$ 25,375
Machinery and Equipment	396,701	85,896	(76,330)	406,267
Landfill Facilities and Development	696,006	89,703	0	785,709
Total Accumulated Depreciation	<u>\$ 1,116,332</u>	<u>\$ 177,349</u>	<u>\$ (76,330)</u>	<u>\$ 1,217,351</u>
Total Capital Assets Depreciated, Net	<u>\$ 773,348</u>	<u>\$ (61,730)</u>	<u>\$ (23,670)</u>	<u>\$ 687,948</u>
Business-type Activities Capital Assets, Net	<u>\$ 1,301,177</u>	<u>\$ 21,919</u>	<u>\$ (23,670)</u>	<u>\$ 1,299,426</u>

D. Interfund Receivables and Payables

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

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 1,371
General	Nonmajor governmental	3,066
General	Nonmajor governmental	3,935
Solid Waste Disposal	General	8,336

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

Due to/from primary government and component units:

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

E. Capital Lease

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

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2007, were as follows:

Year Ending June 30	Enterprise Fund
2008	\$ 20,650
Total Minimum Lease Payments	\$ 20,650
Amount Representing Interest	<u>(764)</u>
Present Value of Minimum Lease Payments	<u>\$ 19,886</u>

F. Long-term Debt

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

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes were issued for original terms of up to 16 years for bonds and up to ten years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds included in

long-term debt as of June 30, 2007, will be retired from the General Debt Service Fund. Capital outlay notes included in long-term debt as of June 30, 2007, will be retired from the General Debt Service Fund and the Highway/Public Works Fund.

General obligation bonds and capital outlay notes outstanding as of June 30, 2007, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
General Obligation Bonds - Refunding	.1 to 5.5 %	\$ 7,930,000	\$ 6,230,000
Capital Outlay Notes - Refunding	2 to 3	670,000	220,000
Capital Outlay Notes	3.1 to 3.99	2,665,250	2,374,387

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

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2008	\$ 475,000	\$ 228,750	\$ 438,062	\$ 87,390
2009	505,000	202,625	450,484	70,880
2010	525,000	174,850	468,271	53,833
2011	545,000	145,975	392,616	37,696
2012	570,000	116,000	408,040	22,672
2013-2017	2,710,000	200,650	216,914	8,547
2018-2019	900,000	1,350	0	0
Total	\$ 6,230,000	\$ 1,070,200	\$ 2,374,387	\$ 281,018

There is \$570,136 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$358, based on the 2000 federal census. Debt per capita, including bonds and notes totaled \$518, 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:

	<u>Bonds</u>	<u>Notes</u>
Balance, July 1, 2006	\$ 6,850,000	\$ 1,930,614
Additions	0	1,225,000
Deductions	<u>(620,000)</u>	<u>(561,227)</u>
Balance, June 30, 2007	<u>\$ 6,230,000</u>	<u>\$ 2,594,387</u>
Balance Due Within One Year	<u>\$ 475,000</u>	<u>\$ 438,062</u>

DeKalb County Solid Waste Disposal Fund (Enterprise Fund)

Changes in Long-term Liabilities

Long-term liability activity for the Solid Waste Disposal Fund (enterprise fund) for the year ended June 30, 2007, was as follows:

Business-type Activities:

	Closure/ Postclosure	Capital
	Care Costs	Lease
Balance, July 1, 2006	\$ 1,227,508	\$ 39,037
Additions	153,209	0
Deductions	<u>(13,758)</u>	<u>(19,151)</u>
Balance, June 30, 2007	<u>\$ 1,366,959</u>	<u>\$ 19,886</u>
Balance Due Within One Year	<u>\$ 13,758</u>	<u>\$ 19,886</u>

IV. OTHER INFORMATION

A. Risk Management

The county is exposed to various risks related to general liability, property, casualty, workers' compensation, and health. The county participates in public entity risk pools, Local Government Property and Casualty Fund (LGPCF), Local Government Workers' Compensation Fund (LGGIF), and the Local Government Group Insurance Fund (LGGIF), as opposed to purchasing commercial insurance for these risks. The LGPCF and LGWCF are public entity risk pools established by the Tennessee County Services

Association, an association of member counties. The LGGIF is a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. The county pays monthly or annual premiums to these pools for their insurance coverage. These pools are to be self-sustaining through member premiums.

B. Contingent Liabilities

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

C. Changes in Administration

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

D. Landfill Closure/Postclosure Care Costs

State and federal laws and regulations require the county to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfills stop accepting waste, the Solid Waste Disposal Fund reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,366,959 reported as landfill closure and postclosure care liability at June 30, 2007, represents the total postclosure care costs for the Midway Landfill, which closed in 1992 (\$126,839); the Felts Landfill Cell B, which was closed during the 2000-01 year (\$320,866); and a portion of the Felts Cell D, which was opened during the 2001-02 year (\$919,254). The Solid Waste Disposal Fund will recognize the remaining estimated cost of closure and postclosure care of \$612,836 for the Felts Landfill Cell D as this cell is filled over the next four years. These amounts are based on what it would cost to perform all closure and postclosure care in 2007. The county expects to close the Felts Landfill Cell D in 2011. Actual cost may vary from the estimate due to inflation, changes in technology, or changes in regulations.

E. Retirement Commitments

Employees

Plan Description

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

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

Funding Policy

DeKalb County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2007, was 5.18 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for DeKalb County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2007, DeKalb County’s annual pension cost of \$258,640 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. DeKalb County’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 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	\$258,640	100%	\$0
6-30-06	153,177	100	0
6-30-05	138,747	100	0

F. Purchasing Laws

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

DeKalb County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual and Budget
 General Fund
 For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,123,942	\$ 3,031,269	\$ 3,031,269	\$ 92,673
Licenses and Permits	17,578	14,789	14,789	2,789
Fines, Forfeitures, and Penalties	162,732	130,552	135,642	27,090
Charges for Current Services	26,411	11,587	11,587	14,824
Other Local Revenues	72,180	56,055	62,085	10,095
Fees Received from County Officials	539,121	658,021	660,819	(121,698)
State of Tennessee	614,235	542,862	646,767	(32,532)
Federal Government	981,880	169,450	960,803	21,077
Other Governments and Citizens Groups	211,585	234,500	234,500	(22,915)
Total Revenues	\$ 5,749,664	\$ 4,849,085	\$ 5,758,261	\$ (8,597)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 28,854	\$ 30,000	\$ 30,000	\$ 1,146
Board of Equalization	3,412	3,200	3,200	(212)
Beer Board	2,508	2,100	2,280	(228)
County Mayor/Executive	114,481	117,239	115,565	1,084
County Attorney	15,062	22,625	22,625	7,563
Election Commission	277,093	253,912	279,325	2,232
Register of Deeds	18,280	112,569	112,569	94,289
Planning	11,700	12,600	12,600	900
County Buildings	127,916	145,000	132,082	4,166
Other General Administration	237,248	220,290	234,702	(2,546)
<u>Finance</u>				
Property Assessor's Office	123,735	126,124	126,124	2,389
County Trustee's Office	22,073	121,869	121,869	99,796
County Clerk's Office	118,385	117,569	117,569	(816)
<u>Administration of Justice</u>				
Circuit Court	138,442	152,207	152,207	13,765
General Sessions Court	85,841	85,917	85,917	76
Drug Court	37,759	20,000	44,973	7,214
Chancery Court	80,128	86,169	86,169	6,041
Juvenile Court	35,109	34,149	34,149	(960)
Judicial Commissioners	21,600	21,915	21,915	315
<u>Public Safety</u>				
Sheriff's Department	732,031	806,366	784,494	52,463
Special Patrols	32,587	32,000	33,850	1,263
Traffic Control	1,815	2,000	2,000	185
Correctional Incentive Program Improvements	662,552	675,300	675,300	12,748
Fire Prevention and Control	368,913	112,600	364,983	(3,930)
Civil Defense	13,177	2,000	14,474	1,297
Other Emergency Management	294,475	334,600	334,600	40,125
County Coroner/Medical Examiner	20,220	27,000	27,000	6,780

(Continued)

Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Safety (Cont.)</u>				
Other Public Safety	\$ 104,307	\$ 126,500	\$ 105,202	\$ 895
<u>Public Health and Welfare</u>				
Local Health Center	38,081	43,758	45,650	7,569
Rabies and Animal Control	2,893	7,000	7,000	4,107
Ambulance/Emergency Medical Services	288,547	243,500	288,547	0
Regional Mental Health Center	7,180	7,180	7,180	0
General Welfare Assistance	600	2,750	2,750	2,150
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	15,353	17,500	17,500	2,147
Libraries	110,894	118,000	118,000	7,106
<u>Agriculture & Natural Resources</u>				
Agriculture Extension Service	56,954	59,195	59,195	2,241
Soil Conservation	20,485	20,500	20,500	15
<u>Other Operations</u>				
Industrial Development	70	5,000	100	30
Housing and Urban Development	68,240	0	68,240	0
Other Economic and Community Development	515,652	17,000	538,446	22,794
Veterans' Services	4,746	4,900	4,900	154
Other Charges	62,596	57,718	57,718	(4,878)
Contributions to Other Agencies	29,466	38,526	29,526	60
Employee Benefits	346,930	395,000	395,000	48,070
Miscellaneous	153,517	143,500	167,768	14,251
Total Expenditures	\$ 5,451,907	\$ 4,984,847	\$ 5,905,763	\$ 453,856
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 297,757	\$ (135,762)	\$ (147,502)	\$ 445,259
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 9,556	\$ 0	\$ 11,740	\$ (2,184)
Transfers Out	0	(68,381)	(68,381)	68,381
Total Other Financing Sources (Uses)	\$ 9,556	\$ (68,381)	\$ (56,641)	\$ 66,197
Net Change in Fund Balance				
Fund Balance, July 1, 2006	\$ 1,538,077	\$ 1,522,307	\$ 1,522,307	\$ 15,770
Fund Balance, June 30, 2007				
	\$ 1,845,390	\$ 1,318,164	\$ 1,318,164	\$ 527,226

Exhibit E-2

DeKalb County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Local Purpose Tax Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,168,291	\$ 1,090,000	\$ 1,090,000	\$ 78,291
Total Revenues	\$ 1,168,291	\$ 1,090,000	\$ 1,090,000	\$ 78,291
<u>Expenditures</u>				
<u>Capital Projects</u>				
Other General Government Projects	\$ 961,448	\$ 961,990	\$ 961,990	\$ 542
Total Expenditures	\$ 961,448	\$ 961,990	\$ 961,990	\$ 542
Excess (Deficiency) of Revenues Over Expenditures	\$ 206,843	\$ 128,010	\$ 128,010	\$ 78,833
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ 0	\$ (130,733)	\$ (130,733)	\$ 130,733
Total Other Financing Sources (Uses)	\$ 0	\$ (130,733)	\$ (130,733)	\$ 130,733
Net Change in Fund Balance	\$ 206,843	\$ (2,723)	\$ (2,723)	\$ 209,566
Fund Balance, July 1, 2006	755,702	671,074	671,074	84,628
Fund Balance, June 30, 2007	\$ 962,545	\$ 668,351	\$ 668,351	\$ 294,194

Exhibit E-3

DeKalb County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 137,275	\$ 162,682	\$ 162,682	\$ (25,407)
Other Local Revenues	11,535	5,500	11,535	0
State of Tennessee	1,569,199	1,586,023	1,586,023	(16,824)
Other Governments and Citizens Groups	171,077	0	171,078	(1)
Total Revenues	<u>\$ 1,889,086</u>	<u>\$ 1,754,205</u>	<u>\$ 1,931,318</u>	<u>\$ (42,232)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 137,843	\$ 148,710	\$ 150,710	\$ 12,867
Highway and Bridge Maintenance	651,414	623,000	847,550	196,136
Operation and Maintenance of Equipment	250,611	367,500	380,500	129,889
Quarry Operations	191,752	218,150	223,150	31,398
Other Charges	100,541	110,000	110,000	9,459
Employee Benefits	195,593	207,000	207,000	11,407
Capital Outlay	251,547	376,618	376,618	125,071
Total Expenditures	<u>\$ 1,779,301</u>	<u>\$ 2,050,978</u>	<u>\$ 2,295,528</u>	<u>\$ 516,227</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 109,785</u>	<u>\$ (296,773)</u>	<u>\$ (364,210)</u>	<u>\$ 473,995</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 7,600	\$ 0	\$ 7,600	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 7,600</u>	<u>\$ 0</u>	<u>\$ 7,600</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 117,385	\$ (296,773)	\$ (356,610)	\$ 473,995
Fund Balance, July 1, 2006	<u>452,665</u>	<u>421,871</u>	<u>421,871</u>	<u>30,794</u>
Fund Balance, June 30, 2007	<u>\$ 570,050</u>	<u>\$ 125,098</u>	<u>\$ 65,261</u>	<u>\$ 504,789</u>

Exhibit E-4

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

Required Supplementary Information

(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	\$ 5,477	\$ 5,477	\$0	100 %	\$ 3,674	0 %
6-30-03	4,861	4,861	0	100	3,425	0
6-30-01	4,350	4,350	0	100	3,061	0

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

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

B. EXPENDITURES EXCEEDED APPROPRIATIONS

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

<u>Major Category</u>	<u>Amount Overspent</u>
Board of Equalization	\$ 212
Beer Board	228
Other General Administration	2,546
County Clerk's Office	816
Juvenile Court	960
Fire Prevention and Control	3,930
Other Charges	4,878

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

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

Capital Projects Fund

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

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

Exhibit F-1

DeKalb 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>Courthouse and Jail Maintenance</u>	<u>Drug Control</u>	<u>Constitu- tional Officers - Fees</u>	<u>Total</u>	<u>General Capital Projects</u>	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 111,530	\$ 111,530	\$ 0	\$ 111,530
Equity in Pooled Cash and Investments	97,688	81,393	0	179,081	222,828	401,909
Due from Component Units	0	0	0	0	1,000	1,000
Total Assets	<u>\$ 97,688</u>	<u>\$ 81,393</u>	<u>\$ 111,530</u>	<u>\$ 290,611</u>	<u>\$ 223,828</u>	<u>\$ 514,439</u>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Due to Other Funds	\$ 1,371	\$ 0	\$ 3,066	\$ 4,437	\$ 3,935	\$ 8,372
Total Liabilities	<u>\$ 1,371</u>	<u>\$ 0</u>	<u>\$ 3,066</u>	<u>\$ 4,437</u>	<u>\$ 3,935</u>	<u>\$ 8,372</u>
<u>Fund Balances</u>						
Unreserved	\$ 96,317	\$ 81,393	\$ 108,464	\$ 286,174	\$ 219,893	\$ 506,067
Total Fund Balances	<u>\$ 96,317</u>	<u>\$ 81,393</u>	<u>\$ 108,464</u>	<u>\$ 286,174</u>	<u>\$ 219,893</u>	<u>\$ 506,067</u>
Total Liabilities and Fund Balances	<u>\$ 97,688</u>	<u>\$ 81,393</u>	<u>\$ 111,530</u>	<u>\$ 290,611</u>	<u>\$ 223,828</u>	<u>\$ 514,439</u>

Exhibit F-2

DeKalb County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Drug Control	Constitu- tional Officers - Fees	Total	General Capital Projects	
<u>Revenues</u>						
Local Taxes	\$ 60,027	\$ 0	\$ 0	\$ 60,027	\$ 0	\$ 60,027
Fines, Forfeitures, and Penalties	0	72,474	0	72,474	0	72,474
Charges for Current Services	0	0	241,057	241,057	0	241,057
Other Local Revenues	751	9,905	0	10,656	199,099	209,755
State of Tennessee	0	7,538	0	7,538	73,282	80,820
Total Revenues	<u>\$ 60,778</u>	<u>\$ 89,917</u>	<u>\$ 241,057</u>	<u>\$ 391,752</u>	<u>\$ 272,381</u>	<u>\$ 664,133</u>
<u>Expenditures</u>						
Current:						
General Government	\$ 59,094	\$ 0	\$ 91,817	\$ 150,911	\$ 0	\$ 150,911
Finance	0	0	94,791	94,791	0	94,791
Administration of Justice	0	0	2,072	2,072	0	2,072
Public Safety	0	71,627	0	71,627	0	71,627
Other Operations	0	500	0	500	0	500
Support Services	0	5,008	0	5,008	0	5,008
Capital Projects	0	0	0	0	225,529	225,529
Total Expenditures	<u>\$ 59,094</u>	<u>\$ 77,135</u>	<u>\$ 188,680</u>	<u>\$ 324,909</u>	<u>\$ 225,529</u>	<u>\$ 550,438</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,684</u>	<u>\$ 12,782</u>	<u>\$ 52,377</u>	<u>\$ 66,843</u>	<u>\$ 46,852</u>	<u>\$ 113,695</u>
Net Change in Fund Balances	\$ 1,684	\$ 12,782	\$ 52,377	\$ 66,843	\$ 46,852	\$ 113,695
Fund Balance, July 1, 2006	94,633	68,611	56,087	219,331	173,041	392,372
Fund Balance, June 30, 2007	<u>\$ 96,317</u>	<u>\$ 81,393</u>	<u>\$ 108,464</u>	<u>\$ 286,174</u>	<u>\$ 219,893</u>	<u>\$ 506,067</u>

Exhibit F-3

DeKalb County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Courthouse & Jail Maintenance Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 60,027	\$ 63,500	\$ 63,500	\$ (3,473)
Other Local Revenues	751	0	0	751
Total Revenues	<u>\$ 60,778</u>	<u>\$ 63,500</u>	<u>\$ 63,500</u>	<u>\$ (2,722)</u>
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 59,094	\$ 89,150	\$ 89,150	\$ 30,056
Total Expenditures	<u>\$ 59,094</u>	<u>\$ 89,150</u>	<u>\$ 89,150</u>	<u>\$ 30,056</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,684</u>	<u>\$ (25,650)</u>	<u>\$ (25,650)</u>	<u>\$ 27,334</u>
Net Change in Fund Balance	\$ 1,684	\$ (25,650)	\$ (25,650)	\$ 27,334
Fund Balance, July 1, 2006	<u>94,633</u>	<u>96,224</u>	<u>96,224</u>	<u>(1,591)</u>
Fund Balance, June 30, 2007	<u>\$ 96,317</u>	<u>\$ 70,574</u>	<u>\$ 70,574</u>	<u>\$ 25,743</u>

Exhibit F-4

DeKalb County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 72,474	\$ 7,185	\$ 56,902	\$ 15,572
Other Local Revenues	9,905	100	2,929	6,976
State of Tennessee	7,538	0	7,099	439
Total Revenues	<u>\$ 89,917</u>	<u>\$ 7,285</u>	<u>\$ 66,930</u>	<u>\$ 22,987</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Sheriff's Department	\$ 59,497	\$ 46,200	\$ 96,725	\$ 37,228
Drug Enforcement	12,130	8,000	16,000	3,870
<u>Other Operations</u>				
Other Charges	500	230	230	(270)
<u>Support Services</u>				
Other Student Support	5,008	4,000	5,120	112
Total Expenditures	<u>\$ 77,135</u>	<u>\$ 58,430</u>	<u>\$ 118,075</u>	<u>\$ 40,940</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 12,782</u>	<u>\$ (51,145)</u>	<u>\$ (51,145)</u>	<u>\$ 63,927</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 68,381	\$ 68,381	\$ (68,381)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 68,381</u>	<u>\$ 68,381</u>	<u>\$ (68,381)</u>
Net Change in Fund Balance	\$ 12,782	\$ 17,236	\$ 17,236	\$ (4,454)
Fund Balance, July 1, 2006	<u>68,611</u>	<u>15,229</u>	<u>15,229</u>	<u>53,382</u>
Fund Balance, June 30, 2007	<u>\$ 81,393</u>	<u>\$ 32,465</u>	<u>\$ 32,465</u>	<u>\$ 48,928</u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit G

DeKalb County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,083,498	\$ 1,075,898	\$ 1,075,898	\$ 7,600
Other Local Revenues	145,630	90,000	90,000	55,630
State of Tennessee	136,094	156,000	156,000	(19,906)
Total Revenues	\$ 1,365,222	\$ 1,321,898	\$ 1,321,898	\$ 43,324
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 523,681	\$ 516,503	\$ 516,503	\$ (7,178)
Education	542,546	542,544	542,544	(2)
<u>Interest on Debt</u>				
General Government	102,939	122,436	122,436	19,497
Education	226,722	227,064	227,064	342
<u>Other Debt Service</u>				
General Government	1,264,880	37,136	1,262,136	(2,744)
Education	0	893	893	893
Total Expenditures	\$ 2,660,768	\$ 1,446,576	\$ 2,671,576	\$ 10,808
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,295,546)	\$ (124,678)	\$ (1,349,678)	\$ 54,132
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 1,225,000	0	\$ 1,225,000	0
Transfers In	0	124,678	124,678	(124,678)
Total Other Financing Sources (Uses)	\$ 1,225,000	\$ 124,678	\$ 1,349,678	\$ (124,678)
Net Change in Fund Balance	\$ (70,546)	0	0	(70,546)
Fund Balance, July 1, 2006	640,682	737,065	737,065	(96,383)
Fund Balance, June 30, 2007	\$ 570,136	\$ 737,065	\$ 737,065	\$ (166,929)

Fiduciary Funds

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

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

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

Exhibit H-1

DeKalb County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2007

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 625,200	\$ 625,200
Due from Other Governments	94,683	0	94,683
Notes Receivable - Long-term	0	48,031	48,031
Total Assets	<u>\$ 94,683</u>	<u>\$ 673,231</u>	<u>\$ 767,914</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 94,683	\$ 0	\$ 94,683
Due to Litigants, Heirs, and Others	0	673,231	673,231
Total Liabilities	<u>\$ 94,683</u>	<u>\$ 673,231</u>	<u>\$ 767,914</u>

Exhibit H-2

DeKalb 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	\$ 479,964	\$ 479,964	\$ 0
Due from Other Governments	69,841	94,683	69,841	94,683
Total Assets	\$ 69,841	\$ 574,647	\$ 549,805	\$ 94,683
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 69,841	\$ 574,647	\$ 549,805	\$ 94,683
Total Liabilities	\$ 69,841	\$ 574,647	\$ 549,805	\$ 94,683
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 607,509	\$ 5,218,607	\$ 5,200,916	\$ 625,200
Notes Receivable - Long-term	37,929	11,802	1,700	48,031
Total Assets	\$ 645,438	\$ 5,230,409	\$ 5,202,616	\$ 673,231
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 645,438	\$ 5,230,409	\$ 5,202,616	\$ 673,231
Total Liabilities	\$ 645,438	\$ 5,230,409	\$ 5,202,616	\$ 673,231
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 479,964	\$ 479,964	\$ 0
Cash	607,509	5,218,607	5,200,916	625,200
Due from Other Governments	69,841	94,683	69,841	94,683
Notes Receivable - Long-term	37,929	11,802	1,700	48,031
Total Assets	\$ 715,279	\$ 5,805,056	\$ 5,752,421	\$ 767,914
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 69,841	\$ 574,647	\$ 549,805	\$ 94,683
Due to Litigants, Heirs, and Others	645,438	5,230,409	5,202,616	673,231
Total Liabilities	\$ 715,279	\$ 5,805,056	\$ 5,752,421	\$ 767,914

MISCELLANEOUS SCHEDULES

Exhibit I-1

DeKalb County, Tennessee
Schedule of Changes in Long-term Notes 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>								
Land and Equipment	\$ 520,000	3.1 %	8-18-03	8-15-13	\$ 428,481	\$ 0	\$ 47,932	\$ 380,549
Improvement and Equipment	400,000	3.47	8-25-04	9-1-09	325,454	0	77,178	248,276
School Roofs	610,000	3.87	7-18-05	7-18-12	610,000	0	77,546	532,454
Landfill Tract	270,250	3.99	1-18-06	6-18-12	231,679	0	38,571	193,108
Landfill Project	1,225,000	3.95	1-11-07	5-1-12	0	1,225,000	205,000	1,020,000
Total Payable through General Debt Service Fund					\$ 1,595,614	\$ 1,225,000	\$ 446,227	\$ 2,374,387
<u>Payable through Highway/Public Works Fund</u>								
Refunding	670,000	2 to 3	4-1-03	4-1-09	\$ 335,000	\$ 0	\$ 115,000	\$ 220,000
Total Notes Payable					\$ 1,930,614	\$ 1,225,000	\$ 561,227	\$ 2,594,387
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
School Bonds, Series 1994	1,550,000	4 to 5.5	8-15-1994	8-1-06	\$ 170,000	\$ 0	\$ 170,000	\$ 0
Refunding Bonds, Series 2003	7,930,000	.1 to 5.5	4-24-03	3-1-19	6,680,000	0	450,000	6,230,000
Total Bonds Payable					\$ 6,850,000	\$ 0	\$ 620,000	\$ 6,230,000

Exhibit I-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2008	\$ 475,000	\$ 228,750	\$ 703,750
2009	505,000	202,625	707,625
2010	525,000	174,850	699,850
2011	545,000	145,975	690,975
2012	570,000	116,000	686,000
2013	600,000	84,650	684,650
2014	600,000	59,450	659,450
2015	620,000	38,450	658,450
2016	440,000	16,750	456,750
2017	450,000	1,350	451,350
2018	450,000	900	450,900
2019	450,000	450	450,450
Total	\$ 6,230,000	\$ 1,070,200	\$ 7,300,200

Exhibit I-3

DeKalb County, Tennessee
Schedule of Notes Receivable
For the Year Ended June 30, 2007

Description	Original Amount of Loan	Date of Issue	Date of Maturity	Interest Rate	Balance 6-30-07
<u>Constitutional Officers - Agency Fund</u>					
Sliger	\$ 5,265	1-4-1995	(1)	(2)	\$ 4,570
Webb	5,450	8-19-1996	(1)	(2)	2,450
Cole	1,800	8-16-02	(1)	(2)	550
Snow	9,000	7-13-04	(1)	(2)	9,000
T. Cantrell	5,000	8-5-04	(1)	(2)	5,000
C. Cantrell	5,239	12-27-04	(1)	(2)	5,239
Evans	10,500	3-10-05	(1)	(2)	10,500
N. Cantrell	10,722	1-10-06	(1)	(2)	<u>10,722</u>
Total					<u>\$ 48,031</u>

(1) - Ten years after borrower graduates school.

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

Exhibit I-4

DeKalb County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u> , and Chairman of Roads, Chapter 156, Private Acts of 1943, as amended	\$ 60,739 (1)	\$ 50,000	State Farm Fire and Casualty Company
Highway Supervisor	Section 8-24-102, <u>TCA</u> , and DeKalb County Commission	58,776 (2)	100,000	Western Surety Company
Trustee:				
Bobbie Young (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	8,678	462,700	"
Sean Driver (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	43,391	462,700	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	52,069	20,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	52,069	50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	52,069	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	69,409 (3)	75,000	"
Register	Section 8-24-102, <u>TCA</u>	52,069	25,000	"
Sheriff:				
Lloyd Emmons (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	11,015	50,000	State Farm Fire and Casualty Company
Patrick Ray (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	46,261	25,000	Western Surety Company
Employee Blanket Bond Coverage:				
General County Employees			150,000	Local Government Insurance Pool

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

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

(3) Includes special commissioner fees of \$17,340.

Exhibit I-5

DeKalb 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	Courthouse and Jail Maintenance	Local Purpose Tax	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 2,323,857	\$ 0	\$ 0	\$ 0	\$ 0	104,058	\$ 1,005,853	\$ 0	\$ 3,433,768
Trustee's Collections - Prior Year	97,251	0	0	0	0	0	15,576	0	112,827
Circuit/Clerk & Master Collections - Prior Years	29,255	0	0	0	0	291	7,204	0	36,750
Interest and Penalty	16,499	0	0	0	0	206	3,719	0	20,424
Pick-up Taxes	12,876	0	0	0	0	101	973	0	13,950
Payments in-Lieu-of Taxes - T.V.A.	51,025	0	0	0	0	0	0	0	51,025
Payments in-Lieu-of Taxes - Local Utilities	115,917	0	0	0	0	5,190	50,173	0	171,280
Payments in-Lieu-of Taxes - Other	1,913	0	0	0	0	0	0	0	1,913
<u>County Local Option Taxes</u>									
Local Option Sales Tax	167,809	0	1,168,291	0	0	0	0	0	1,336,100
Hotel/Motel Tax	78,738	0	0	0	0	0	0	0	78,738
Litigation Tax - General	452	56,121	0	0	0	0	0	0	56,573
Litigation Tax - Special Purpose	13,350	3,906	0	0	0	0	0	0	17,256
Business Tax	73,897	0	0	0	0	1,382	0	0	75,279
Mineral Severance Tax	0	0	0	0	0	26,047	0	0	26,047
<u>Statutory Local Taxes</u>									
Bank Excise Tax	62,297	0	0	0	0	0	0	0	62,297
Wholesale Beer Tax	78,806	0	0	0	0	0	0	0	78,806
Total Local Taxes	\$ 3,123,942	\$ 60,027	\$ 1,168,291	\$ 0	\$ 0	137,275	\$ 1,083,498	\$ 0	\$ 5,573,033
<u>Licenses and Permits</u>									
<u>Licenses</u>									
Cable TV Franchise	\$ 14,514	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,514
<u>Permits</u>									
Beer Permits	3,064	0	0	0	0	0	0	0	3,064
Total Licenses and Permits	\$ 17,578	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,578
<u>Fines, Forfeitures, and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 20,692	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,692
Officers Costs	2,668	0	0	0	0	0	0	0	2,668
Drug Control Fines	0	0	0	2,049	0	0	0	0	2,049

(Continued)

Exhibit I-5

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

	Special Revenue Funds						Debt Service Fund	Capital Projects Fund	Total
	General	Courthouse and Jail Maintenance	Local Purpose Tax	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>									
<u>Circuit Court (Cont.)</u>									
Drug Court Fees	\$ 2,171	\$ 0	\$ 0	14	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,185
Jail Fees	491	0	0	0	0	0	0	0	491
DUI Treatment Fines	1,538	0	0	0	0	0	0	0	1,538
Data Entry Fee - Circuit Court	429	0	0	0	0	0	0	0	429
Courtroom Security Fee	25	0	0	0	0	0	0	0	25
<u>General Sessions Court</u>									
Fines	43,699	0	0	0	0	0	0	0	43,699
Officers Costs	7,169	0	0	0	0	0	0	0	7,169
Game and Fish Fines	900	0	0	0	0	0	0	0	900
Drug Control Fines	0	0	0	356	0	0	0	0	356
Drug Court Fees	11,599	0	0	2,413	0	0	0	0	14,012
Jail Fees	1,982	0	0	0	0	0	0	0	1,982
DUI Treatment Fines	2,961	0	0	0	0	0	0	0	2,961
Data Entry Fee - General Sessions Court	5,002	0	0	0	0	0	0	0	5,002
Courtroom Security Fee	55	0	0	0	0	0	0	0	55
<u>Juvenile Court</u>									
Fines	4,664	0	0	0	0	0	0	0	4,664
Officers Costs	26,711	0	0	0	0	0	0	0	26,711
Data Entry Fee - Juvenile Court	91	0	0	0	0	0	0	0	91
Courtroom Security Fee	2	0	0	0	0	0	0	0	2
<u>Chancery Court</u>									
Officers Costs	14,394	0	0	0	0	0	0	0	14,394
Data Entry Fee - Chancery Court	292	0	0	0	0	0	0	0	292
Courtroom Security Fee	68	0	0	0	0	0	0	0	68
<u>Other Courts - In-county</u>									
Fines	9,957	0	0	0	0	0	0	0	9,957
<u>Judicial District Drug Program</u>									
Courtroom Security Fee	82	0	0	0	0	0	0	0	82
<u>Other Fines, Forfeitures, and Penalties</u>									
Proceeds from Confiscated Property	5,090	0	0	67,642	0	0	0	0	72,732
Total Fines, Forfeitures, and Penalties	\$ 162,732	\$ 0	\$ 0	72,474	\$ 0	\$ 0	\$ 0	\$ 0	\$ 235,206

(Continued)

Exhibit I-5

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

	Special Revenue Funds						Debt Service Fund	Capital Projects Fund	Total
	General	Courthouse and Jail Maintenance	Local Purpose Tax	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Tipping Fees	\$ 233	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	233
<u>Fees</u>									
Telephone Commissions	13,683	0	0	0	0	0	0	0	13,683
Vending Machine Collections	671	0	0	0	0	0	0	0	671
Constitutional Officers' Fees and Commissions	0	0	0	0	241,057	0	0	0	241,057
Data Processing Fee - Register	10,402	0	0	0	0	0	0	0	10,402
Data Processing Fee - Sheriff	122	0	0	0	0	0	0	0	122
Sexual Offender Registration Fees - Sheriff	1,300	0	0	0	0	0	0	0	1,300
Total Charges for Current Services	\$ 26,411	\$ 0	\$ 0	\$ 0	\$ 241,057	\$ 0	\$ 0	\$ 0	\$ 267,468
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	145,630	145,630	291,260
Lease/Rentals	31,096	0	0	0	0	0	0	0	31,096
Commissary Sales	5,736	0	0	0	0	0	0	0	5,736
Miscellaneous Refunds	19,874	751	0	5,914	0	11,535	0	16,178	54,252
<u>Nonrecurring Items</u>									
Sale of Equipment	10,128	0	0	0	0	0	0	0	10,128
Sale of Property	0	0	0	0	0	0	0	37,291	37,291
Contributions & Gifts	2,719	0	0	3,991	0	0	0	0	6,710
<u>Other Local Revenues</u>									
Other Local Revenues	2,627	0	0	0	0	0	0	0	2,627
Total Other Local Revenues	\$ 72,180	\$ 751	\$ 0	\$ 9,905	\$ 0	\$ 11,535	\$ 145,630	\$ 199,099	\$ 439,100
<u>Fees Received from County Officials</u>									
<u>Excess Fees</u>									
Trustee	\$ 126,896	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	126,896
<u>Fees-In-Lieu of Salary</u>									
County Clerk	121,775	0	0	0	0	0	0	0	121,775
Circuit Court Clerk	56,573	0	0	0	0	0	0	0	56,573
General Sessions Court Clerk	132,091	0	0	0	0	0	0	0	132,091
Clerk and Master	63,211	0	0	0	0	0	0	0	63,211

(Continued)

Exhibit I-5

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

	Special Revenue Funds						Debt Service Fund	Capital Projects Fund	Total
	General	Courthouse and Jail Maintenance	Local Purpose Tax	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Fees Received from County Officials (Cont.)</u>									
<u>Fees-In-Lieu of Salary (Cont.)</u>									
Juvenile Court Clerk	\$ 10,070	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	10,070
Sheriff	28,505	0	0	0	0	0	0	0	28,505
Total Fees Received from County Officials	\$ 539,121	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	539,121
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	9,000
Aging Programs	4,915	0	0	0	0	0	0	0	4,915
State Reappraisal Grant	11,365	0	0	0	0	0	0	0	11,365
<u>Public Safety Grants</u>									
Drug Control Grants	37,766	0	0	0	0	0	0	0	37,766
<u>Health and Welfare Grants</u>									
Health Department Programs	1,892	0	0	0	0	0	0	0	1,892
<u>Public Works Grants</u>									
State Aid Program	0	0	0	0	0	81,726	0	0	81,726
Litter Program	31,755	0	0	0	0	0	0	0	31,755
<u>Other State Revenues</u>									
Flood Control	138,651	0	0	0	0	0	0	0	138,651
Beer Tax	18,753	0	0	0	0	0	0	0	18,753
Alcoholic Beverage Tax	27,711	0	0	0	0	0	0	0	27,711
Mixed Drink Tax	3	0	0	0	0	0	0	0	3
State Revenue Sharing - T.V.A.	68,792	0	0	0	0	0	136,094	73,282	278,168
Contracted Prisoner Boarding	170,861	0	0	0	0	0	0	0	170,861
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,473,457	0	0	1,473,457
Petroleum Special Tax	0	0	0	0	0	14,016	0	0	14,016
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	16,380
Other State Grants	72,241	0	0	0	0	0	0	0	72,241
Other State Revenues	4,150	0	0	7,538	0	0	0	0	11,688
Total State of Tennessee	\$ 614,235	\$ 0	\$ 0	\$ 7,538	\$ 0	\$ 1,569,199	\$ 136,094	\$ 73,282	\$ 2,400,348

(Continued)

Exhibit I-5

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

	Special Revenue Funds						Debt Service Fund	Capital Projects Fund	Total
	General	Courthouse and Jail Maintenance	Local Purpose Tax	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Federal Government</u>									
<u>Federal Through State</u>									
Community Development	\$ 518,946	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 518,946
Homeland Security Grants	28,753	0	0	0	0	0	0	0	28,753
Other Federal through State	146,950	0	0	0	0	0	0	0	146,950
<u>Direct Federal Revenue</u>									
Police Service (Lake Area)	34,848	0	0	0	0	0	0	0	34,848
Other Direct Federal Revenue	252,383	0	0	0	0	0	0	0	252,383
Total Federal Government	\$ 981,880	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 981,880
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Paving and Maintenance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 171,077	\$ 0	\$ 0	\$ 171,077
Contributions	211,585	0	0	0	0	0	0	0	211,585
Total Other Governments and Citizens Groups	\$ 211,585	\$ 0	\$ 0	\$ 0	\$ 0	\$ 171,077	\$ 0	\$ 0	\$ 382,662
Total	\$ 5,749,664	\$ 60,778	\$ 1,168,291	\$ 89,917	\$ 241,057	\$ 1,889,086	\$ 1,365,222	\$ 272,381	\$ 10,836,396

Exhibit I-6

DeKalb 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	\$	17,885	
Audit Services		4,040	
Legal Notices, Recording, and Court Costs		6,405	
Other Charges		524	
Total County Commission			\$ 28,854

Board of Equalization

Board and Committee Members Fees	\$	3,412	
Total Board of Equalization			3,412

Beer Board

Board and Committee Members Fees	\$	2,508	
Total Beer Board			2,508

County Mayor/Executive

County Official/Administrative Officer	\$	60,139	
Assistant(s)		40,828	
Part-time Personnel		3,997	
Data Processing Services		5,851	
Travel		25	
Office Supplies		3,641	
Total County Mayor/Executive			114,481

County Attorney

County Official/Administrative Officer	\$	12,000	
Dues and Memberships		100	
Legal Services		2,812	
Travel		150	
Total County Attorney			15,062

Election Commission

County Official/Administrative Officer	\$	46,862	
Part-time Personnel		441	
Other Salaries & Wages		20,485	
Election Commission		3,125	
Election Workers		46,382	
Advertising		3,278	
Maintenance & Repair Services - Equipment		50	
Printing, Stationery, and Forms		6,773	
Office Supplies		1,394	

(Continued)

Exhibit I-6

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Other Charges	\$	15,853	
Voting Machines		<u>132,450</u>	
Total Election Commission			\$ 277,093

Register of Deeds

Data Processing Services	\$	700	
Other Contracted Services		2,022	
Office Supplies		2,099	
Other Supplies and Materials		3,126	
Data Processing Equipment		9,000	
Other Equipment		<u>1,333</u>	
Total Register of Deeds			18,280

Planning

Board and Committee Members Fees	\$	3,200	
Other Contracted Services		<u>8,500</u>	
Total Planning			11,700

County Buildings

Custodial Personnel	\$	31,561	
Maintenance & Repair Services - Buildings		39,042	
Utilities		53,546	
Building and Contents Insurance		<u>3,767</u>	
Total County Buildings			127,916

Other General Administration

Other Salaries & Wages	\$	4,200	
Communication		37,556	
Contributions		150	
Dues and Memberships		8,229	
Operating Lease Payments		13,241	
Postal Charges		28,311	
Office Supplies		2,297	
Periodicals		1,509	
Premiums on Corporate Surety Bonds		8,227	
Workers' Compensation Insurance		132,388	
Other Charges		<u>1,140</u>	
Total Other General Administration			237,248

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	52,069	
Secretary(ies)		20,500	
Other Salaries & Wages		26,040	
Data Processing Services		1,286	
Travel		2,326	
Other Contracted Services		20,978	
Office Supplies		536	
Total Property Assessor's Office			\$ 123,735

County Trustee's Office

Data Processing Services	\$	16,743	
Office Supplies		5,330	
Total County Trustee's Office			22,073

County Clerk's Office

County Official/Administrative Officer	\$	52,069	
Deputy(ies)		61,500	
Office Supplies		3,466	
Other Charges		1,350	
Total County Clerk's Office			118,385

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	52,069	
Deputy(ies)		61,500	
Jury and Witness Fees		7,326	
Data Processing Services		9,638	
Office Supplies		5,473	
Other Charges		2,436	
Total Circuit Court			138,442

General Sessions Court

Judge(s)	\$	72,917	
Secretary(ies)		7,500	
Travel		1,851	
Office Supplies		2,400	
Other Charges		1,173	
Total General Sessions Court			85,841

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Drug Court

Other Contracted Services	\$	22,320	
Other Charges		<u>15,439</u>	
Total Drug Court	\$		37,759

Chancery Court

County Official/Administrative Officer	\$	52,069	
Secretary(ies)		20,500	
Data Processing Services		4,854	
Office Supplies		2,457	
Other Charges		<u>248</u>	
Total Chancery Court			80,128

Juvenile Court

Youth Service Officer(s)	\$	25,184	
Contracts with Other Public Agencies		8,850	
Other Charges		<u>1,075</u>	
Total Juvenile Court			35,109

Judicial Commissioners

County Official/Administrative Officer	\$	<u>21,600</u>	
Total Judicial Commissioners			21,600

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	57,276	
Assistant(s)		20,316	
Deputy(ies)		306,379	
Secretary(ies)		16,735	
Part-time Personnel		25,696	
Overtime Pay		19,999	
In-Service Training		7,437	
Communication		15,589	
Contracts with Private Agencies		1,100	
Contributions		1,200	
Maintenance & Repair Services - Vehicles		55,904	
Travel		3,282	
Gasoline		58,213	
Office Supplies		10,570	
Tires and Tubes		4,332	
Uniforms		15,348	

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Utilities	\$	49,873	
Other Supplies and Materials		26,639	
Motor Vehicles		36,143	
Total Sheriff's Department			\$ 732,031

Special Patrols

Guards	\$	20,500	
Other Salaries & Wages		4,200	
Gasoline		2,121	
Instructional Supplies and Materials		3,946	
Other Charges		1,820	
Total Special Patrols			32,587

Traffic Control

Other Salaries & Wages	\$	1,815	
Total Traffic Control			1,815

Correctional Incentive Program Improvements

Cafeteria Personnel	\$	19,471	
Other Salaries & Wages		359,000	
Medical and Dental Services		128,581	
Food Supplies		124,657	
Other Supplies and Materials		5,551	
Other Charges		25,292	
Total Correctional Incentive Program Improvements			662,552

Fire Prevention and Control

In-Service Training	\$	3,890	
Forest Resource Services		1,500	
Maintenance & Repair Services - Equipment		4,380	
Equipment and Machinery Parts		21,882	
Gasoline		8,606	
Instructional Supplies and Materials		404	
Utilities		15,877	
Other Supplies and Materials		2,994	
Liability Insurance		2,762	
Other Charges		5,863	
Communication Equipment		1,584	
Law Enforcement Equipment		101,101	
Other Equipment		196,233	

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Other Construction	\$ 1,837	
Total Fire Prevention and Control		\$ 368,913

Civil Defense

Other Charges	\$ 703	
Law Enforcement Equipment	12,474	
Total Civil Defense		13,177

Other Emergency Management

County Official/Administrative Officer	\$ 10,815	
Dispatchers/Radio Operators	233,583	
Part-time Personnel	11,591	
Other Fringe Benefits	35,827	
Liability Insurance	2,659	
Total Other Emergency Management		294,475

County Coroner/Medical Examiner

Evaluation and Testing	\$ 8,695	
Medical and Dental Services	6,300	
Other Contracted Services	5,225	
Total County Coroner/Medical Examiner		20,220

Other Public Safety

Other Charges	\$ 104,307	
Total Other Public Safety		104,307

Public Health and Welfare

Local Health Center

Social Workers	\$ 1,795
Custodial Personnel	3,120
Communication	3,321
Contracts with Government Agencies	5,896
Maintenance & Repair Services - Equipment	2,156
Postal Charges	53
Travel	314
Other Contracted Services	2,208
Custodial Supplies	1,433
Drugs and Medical Supplies	819
Office Supplies	470
Utilities	13,804

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Other Charges	\$ 2,692	
Total Local Health Center		\$ 38,081

Rabies and Animal Control

Contracts with Other Public Agencies	\$ 2,600	
Maintenance & Repair Services - Buildings	293	
Total Rabies and Animal Control		2,893

Ambulance/Emergency Medical Services

Other Contracted Services	\$ 163,500	
Building Purchases	125,047	
Total Ambulance/Emergency Medical Services		288,547

Regional Mental Health Center

Contributions	\$ 7,180	
Total Regional Mental Health Center		7,180

General Welfare Assistance

Contributions	\$ 600	
Total General Welfare Assistance		600

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Clerical Personnel	\$ 13,195	
Travel	350	
Other Supplies and Materials	1,808	
Total Senior Citizens Assistance		15,353

Libraries

Librarians	\$ 22,486	
Clerical Personnel	30,000	
Part-time Personnel	23,340	
Communication	5,510	
Library Books/Media	8,089	
Periodicals	1,319	
Utilities	9,461	
Other Supplies and Materials	4,125	
Other Charges	5,460	
Other Equipment	1,104	
Total Libraries		110,894

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Agriculture & Natural Resources

Agriculture Extension Service

Assistant(s)	\$	24,312	
Supervisor/Director		10,954	
Clerical Personnel		7,282	
Other Fringe Benefits		5,956	
Rentals		8,450	
Total Agriculture Extension Service			\$ 56,954

Soil Conservation

Secretary(ies)	\$	20,485	
Total Soil Conservation			20,485

Other Operations

Industrial Development

Other Charges	\$	70	
Total Industrial Development			70

Housing and Urban Development

Other Contracted Services	\$	68,240	
Total Housing and Urban Development			68,240

Other Economic and Community Development

Contracts with Government Agencies	\$	2,000	
Contributions		10,000	
Travel		525	
Other Charges		1,044	
Other Construction		502,083	
Total Other Economic and Community Development			515,652

Veterans' Services

Supervisor/Director	\$	4,246	
Travel		500	
Total Veterans' Services			4,746

Other Charges

Trustee's Commission	\$	62,596	
Total Other Charges			62,596

Contributions to Other Agencies

Contributions	\$	29,292	
Dues and Memberships		174	
Total Contributions to Other Agencies			29,466

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits

Social Security	\$	145,944	
State Retirement		98,804	
Employee and Dependent Insurance		93,156	
Unemployment Compensation		9,026	
Total Employee Benefits			\$ 346,930

Miscellaneous

Laborers	\$	3,263	
Other Salaries & Wages		3,819	
Pauper Burials		2,450	
Road Signs		5,848	
Liability Insurance		106,626	
Refunds		500	
Other Charges		28,042	
Other Construction		2,969	
Total Miscellaneous			\$ 153,517

Total General Fund \$ 5,451,907

Courthouse & Jail Maintenance Fund

General Government

County Buildings

Maintenance & Repair Services - Buildings	\$	40,127	
Custodial Supplies		18,098	
Trustee's Commission		607	
Building Improvements		262	
Total County Buildings			\$ 59,094

Total Courthouse & Jail Maintenance Fund 59,094

Local Purpose Tax Fund

Capital Projects

Other General Government Projects

Contributions	\$	950,000	
Trustee's Commission		11,448	
Total Other General Government Projects			\$ 961,448

Total Local Purpose Tax Fund 961,448

(Continued)

Exhibit I-6

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

Drug Control Fund

Public Safety

Sheriff's Department

Other Charges	\$ 18,317	
Motor Vehicles	<u>41,180</u>	
Total Sheriff's Department		\$ 59,497

Drug Enforcement

Confidential Drug Enforcement Payments	\$ <u>12,130</u>	
Total Drug Enforcement		12,130

Other Operations

Other Charges

Trustee's Commission	\$ <u>500</u>	
Total Other Charges		500

Support Services

Other Student Support

Other Supplies and Materials	\$ <u>5,008</u>	
Total Other Student Support		<u>5,008</u>

Total Drug Control Fund \$ 77,135

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Constitutional Officers' Operating Expenses	\$ <u>91,817</u>	
Total Register of Deeds		\$ 91,817

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$ <u>88,889</u>	
Total County Trustee's Office		88,889

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ <u>5,902</u>	
Total County Clerk's Office		5,902

Administration of Justice

Circuit Court Clerk

Constitutional Officers' Operating Expenses	\$ <u>792</u>	
Total Circuit Court Clerk		792

(Continued)

Exhibit I-6

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

Constitutional Officers - Fees Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court Clerk

Constitutional Officers' Operating Expenses	\$ 1,280	
Total General Sessions Court Clerk		\$ 1,280

Total Constitutional Officers - Fees Fund \$ 188,680

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 58,776	
Accountants/Bookkeepers	22,300	
Secretary(ies)	20,834	
Board and Committee Members Fees	600	
Communication	6,111	
Data Processing Services	3,725	
Dues and Memberships	3,866	
Legal Services	7,322	
Postal Charges	199	
Rentals	878	
Travel	588	
Electricity	3,499	
Natural Gas	7,794	
Office Supplies	1,215	
Water and Sewer	136	
Total Administration		\$ 137,843

Highway and Bridge Maintenance

Foremen	\$ 23,254	
Equipment Operators	100,156	
Truck Drivers	45,003	
Laborers	61,024	
Rentals	120	
Other Contracted Services	9,794	
Asphalt - Liquid	349,148	
Concrete	3,442	
Crushed Stone	29,626	
Pipe - Metal	20,001	
Structural Steel	2,476	
Wood Products	3,118	
Other Supplies and Materials	4,252	
Total Highway and Bridge Maintenance		651,414

(Continued)

Exhibit I-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment

Mechanic(s)	\$	46,023	
Maintenance & Repair Services - Equipment		20,675	
Diesel Fuel		81,897	
Equipment and Machinery Parts		41,346	
Garage Supplies		5,205	
Gasoline		28,464	
Lubricants		4,602	
Small Tools		1,354	
Tires and Tubes		21,045	
Total Operation and Maintenance of Equipment	\$		250,611

Quarry Operations

Foremen	\$	26,150	
Equipment Operators		74,468	
Explosive and Drilling Services		50,332	
Maintenance & Repair Services - Equipment		7,602	
Electricity		7,180	
Equipment and Machinery Parts		26,020	
Total Quarry Operations			191,752

Other Charges

Liability Insurance	\$	39,665	
Trustee's Commission		15,935	
Workers' Compensation Insurance		42,624	
Other Charges		2,317	
Total Other Charges			100,541

Employee Benefits

Social Security	\$	36,612	
State Retirement		23,568	
Employee and Dependent Insurance		131,038	
Unemployment Compensation		4,375	
Total Employee Benefits			195,593

Capital Outlay

Principal on Notes	\$	115,000	
Interest on Notes		9,118	
Motor Vehicles		36,969	
State Aid Projects		90,460	
Total Capital Outlay			251,547

Total Highway/Public Works Fund \$ 1,779,301

(Continued)

Exhibit I-6

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

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 155,000	
Principal on Notes	368,681	
Total General Government		\$ 523,681

Education

Principal on Bonds	\$ 465,000	
Principal on Notes	77,546	
Total Education		542,546

Interest on Debt

General Government

Interest on Bonds	\$ 55,060	
Interest on Notes	47,879	
Total General Government		102,939

Education

Interest on Bonds	\$ 203,115	
Interest on Notes	23,607	
Total Education		226,722

Other Debt Service

General Government

Contributions	\$ 1,225,000	
Fiscal Agent Charges	15,000	
Trustee's Commission	23,880	
Other Debt Service	1,000	
Total General Government		1,264,880

Total General Debt Service Fund \$ 2,660,768

General Capital Projects Fund

Capital Projects

General Administration Projects

Trustee's Commission	\$ 2,189	
Building Construction	116,397	
Motor Vehicles	47,856	
Other Capital Outlay	59,087	
Total General Administration Projects		\$ 225,529

Total General Capital Projects Fund 225,529

Total Governmental Funds - Primary Government \$ 11,403,862

Exhibit I-7

DeKalb County, Tennessee
Schedule of Detailed Revenues and Expenses
Proprietary Fund
For the Year Ended June 30, 2007

	Business-type Activities
	<u>Enterprise Fund</u>
	Solid Waste Disposal Fund
<hr/>	
<u>Revenues</u>	
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
Commercial and Industrial Waste Collection Charge	\$ 10,472
Residential Waste Collection Charge	1,600
Tipping Fees	244,118
Total Charges for Current Services	<u>\$ 256,190</u>
<u>Other Local Revenues</u>	
Sale of Materials and Supplies	\$ 794
Sale of Recycled Materials	2,045
Miscellaneous Refunds	63,415
Total Other Local Revenues	<u>\$ 66,254</u>
Total Operating Revenue	<u>\$ 322,444</u>
<u>Nonoperating Revenues</u>	
<u>Local Taxes</u>	
Current Property Taxes	\$ 691,317
Trustee Collections - Prior Year	18,202
Circuit/Clerk and Master Collections - Prior Years	8,174
Interest and Penalty	4,768
Pick-up Taxes	604
Payments in-Lieu-of Taxes - Local Utilities	31,142
Contributions	1,225,000
Grants	19,971
Total Nonoperating Revenues	<u>\$ 1,999,178</u>
Total Revenues	<u>\$ 2,321,622</u>
<u>Expenses</u>	
<u>Operating Expenses</u>	
<u>Waste Pickup</u>	
Laborers	\$ 40,412
Total Waste Pickup	<u>\$ 40,412</u>
<u>Convenience Centers</u>	
Laborers	\$ 175,117
Communication	3,423
Other Supplies and Materials	6,437
Other Construction	660
Total Convenience Centers	<u>\$ 185,637</u>

(Continued)

Exhibit I-7

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

	Business-type Activities
	<u>Enterprise Fund</u>
	Solid Waste Disposal Fund
<hr/>	
<u>Expenses (Cont.)</u>	
<u>Operating Expenses (Cont.)</u>	
<u>Landfill Operation and Maintenance</u>	
Laborers	\$ 152,665
Overtime Pay	3,748
Communication	494
Engineering Services	42,076
Laundry Service	19,148
Maintenance and Repair Services - Vehicles	49,840
Rentals	19,480
Other Contracted Services	35,122
Crushed Stone	5,940
Diesel Fuel	96,488
Utilities	9,768
Other Supplies and Materials	24,219
Depreciation	177,349
Loss on Disposal of Property	23,670
Landfill Closure/Postclosure Care Costs	139,451
Other Charges	6,444
Other Construction	3,289
Total Landfill Operation and Maintenance	<u>\$ 809,191</u>
<u>Other Waste Disposal</u>	
Social Security	\$ 29,097
State Retirement	6,632
Unemployment Compensation	3,020
Trustee's Commission	16,116
Total Other Waste Disposal	<u>\$ 54,865</u>
Total Operating Expenses	<u>\$ 1,090,105</u>
<u>Nonoperating Expenses</u>	
Interest on Capital Lease	\$ 1,499
Total Nonoperating Expenses	<u>\$ 1,499</u>
Total Expenses	<u><u>\$ 1,091,604</u></u>

Exhibit I-8

DeKalb County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2007

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 479,964
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 475,164
Trustee's Commission	4,800
Total Cash Disbursements	<u>\$ 479,964</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>

ANNUAL FINANCIAL REPORT
DEKALB COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF DEKALB COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2007

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

JAMES R. ARNETTE
Director

CARL LOWE, CGFM
Audit Manager

STEVE REEDER, CPA, CGFM, CFE
Auditor 4

JAMES D. HODGES, CFE
KELLEY J. McNEAL, CPA, CGFM
State Auditors

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

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

Annual Financial Report
DeKalb County School Department
For the Year Ended June 30, 2007

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of the DeKalb County School Department as of and for the year ended June 30, 2007.

Results

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

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

Findings

The following are summaries of the audit findings:

DEKALB COUNTY SCHOOL DEPARTMENT

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ The School Department had not completed the steps set forth in the implementation plan for GASB Statement No. 34 filed with the Comptroller of the Treasury.
- ◆ Central Cafeteria Fund expenditures exceeded appropriations approved by the County Commission by \$14,580.

OTHER FINDINGS

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

INTRODUCTORY SECTION

DeKalb County School Officials
June 30, 2007

Official

Mark Willoughby, Director of Schools

Board of Education

Johnny Lattimore, Chairman

Joan Draper

W.J. Evins, III

John Foutch

Linda Fuston

Kenny Rhody

Charles Robinson

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

November 28, 2007

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

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of the major fund and the aggregate remaining fund information of the DeKalb County School Department, a component unit of DeKalb County, Tennessee, as of and for the year ended June 30, 2007, as shown on pages 15 through 26, which collectively comprise a portion of the DeKalb County School Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the DeKalb County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the DeKalb County School Department as of June 30, 2007, or the changes in its financial position for the year then ended.

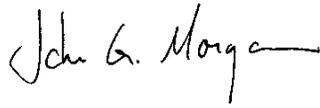
However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and the aggregate remaining fund information of the DeKalb County School Department as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated November 28, 2007, on our consideration of the DeKalb County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 29 through 31 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

DeKalb County, Tennessee
Balance Sheet - Governmental Funds
DeKalb County School Department
June 30, 2007

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,973,190	\$ 494,089	\$ 2,467,279
Due from Other Governments	49,435	37,184	86,619
Property Taxes Receivable	2,268,452	0	2,268,452
Allowance for Uncollectible Property Taxes	(85,741)	0	(85,741)
Total Assets	<u>\$ 4,205,336</u>	<u>\$ 531,273</u>	<u>\$ 4,736,609</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 662	\$ 0	\$ 662
Due to Primary Government	4,000	0	4,000
Deferred Revenue - Current Property Taxes	2,112,739	0	2,112,739
Deferred Revenue - Delinquent Property Taxes	58,064	0	58,064
Total Liabilities	<u>\$ 2,175,465</u>	<u>\$ 0</u>	<u>\$ 2,175,465</u>
<u>Fund Balances</u>			
Reserved for Career Ladder - Extended Contract	\$ 1,412	\$ 0	\$ 1,412
Reserved for Career Ladder Program	17,495	0	17,495
Reserved for Technology	58,477	0	58,477
Reserved for Basic Education Program	1,517,488	0	1,517,488
Reserved for Title I Grants to Local Education Agencies	0	80,732	80,732
Reserved for Special Education - Grants to States	0	7,480	7,480
Other Federal Reserves	0	2,281	2,281
Unreserved, Reported In:			
General Fund	434,999	0	434,999
Special Revenue Funds	0	436,835	436,835
Capital Projects Funds	0	3,945	3,945
Total Fund Balances	<u>\$ 2,029,871</u>	<u>\$ 531,273</u>	<u>\$ 2,561,144</u>
Total Liabilities and Fund Balances	<u>\$ 4,205,336</u>	<u>\$ 531,273</u>	<u>\$ 4,736,609</u>

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

Exhibit B

DeKalb County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
DeKalb County School Department
For the Year Ended June 30, 2007

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General	Other	Total
	Purpose	Govern- mental	Governmental
	School	Funds	Funds
<u>Revenues</u>			
Local Taxes	\$ 2,830,830	\$ 0	\$ 2,830,830
Licenses and Permits	970	0	970
Charges for Current Services	0	434,864	434,864
Other Local Revenues	111,326	14,740	126,066
State of Tennessee	11,636,299	0	11,636,299
Federal Government	244,182	2,187,477	2,431,659
Other Governments and Citizens Groups	950,000	0	950,000
Total Revenues	<u>\$ 15,773,607</u>	<u>\$ 2,637,081</u>	<u>\$ 18,410,688</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 9,406,353	\$ 1,095,234	\$ 10,501,587
Support Services	5,263,737	434,497	5,698,234
Operation of Non-Instructional Services	419,320	1,102,617	1,521,937
Capital Outlay	174,188	0	174,188
Total Expenditures	<u>\$ 15,263,598</u>	<u>\$ 2,632,348</u>	<u>\$ 17,895,946</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 510,009</u>	<u>\$ 4,733</u>	<u>\$ 514,742</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 4,859	\$ 0	\$ 4,859
Transfers In	1,015	0	1,015
Transfers Out	0	(1,015)	(1,015)
Total Other Financing Sources (Uses)	<u>\$ 5,874</u>	<u>\$ (1,015)</u>	<u>\$ 4,859</u>
Net Change in Fund Balances	\$ 515,883	\$ 3,718	\$ 519,601
Fund Balance, July 1, 2006	1,513,988	527,555	2,041,543
Fund Balance, June 30, 2007	<u>\$ 2,029,871</u>	<u>\$ 531,273</u>	<u>\$ 2,561,144</u>

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

DEKALB COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF DEKALB COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DeKalb County School Department's financial statements are not presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

The School Department has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement No. 34 and accounting principles generally accepted in the United States of America. The School Department has elected instead to implement only the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused the School Department's auditor to issue an adverse opinion on the School Department's financial statements.

Although the School Department's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement No. 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement No. 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

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

A. Reporting Entity

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

not issue debt without county approval, and its budget and property tax levy are subject to the DeKalb County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

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

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

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

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

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

The School Department reports the following major governmental fund:

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

Additionally, the School Department reports the following fund types:

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

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

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

1. **Deposits and Investments**

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

The county trustee maintains a cash and internal investment pool that is used by all DeKalb County and DeKalb County School Department funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the primary government's General Debt Service Fund and the General Capital Projects Fund. DeKalb County and the DeKalb County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. **Receivables and Payables**

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

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

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

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

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

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

3. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. The School Department does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, the School Department does not present government-wide statements.

4. Compensated Absences

It is the School Department's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since the School Department does not have a policy to pay any amounts when employees separate from service with the department. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

5. Fund Equity

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

B. Expenditures Exceeded Appropriations

Expenditures exceeded total appropriations approved by the DeKalb County Commission in the Central Cafeteria Fund by \$14,580. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

DeKalb County and the School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments.

Deposits

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

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

Investments

Legal Provisions. DeKalb County, the School Department's primary government, is authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not

have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase. The county had no pooled and nonpooled investments as of June 30, 2007.

B. Interfund Receivables, Payables, and Transfers

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

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	General Purpose School	\$ 3,000
Nonmajor governmental	"	1,000

Interfund Transfers:

Interfund transfers for the year ended June 30, 2007, consisted of the following amount:

<u>Transfers Out</u>	<u>Transfers In</u>
	General Purpose School Fund
Nonmajor governmental fund	\$ 1,015
Total	<u>\$ 1,015</u>

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

IV. OTHER INFORMATION

A. Risk Management

The School Department is exposed to various risks related to general liability, property, casualty, and workers' compensation losses. The School Department is a member of the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. The School Department pays annual premiums to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of TSB-RMT provides for it to be self-sustaining through member premiums.

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

B. Change in Administration

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

C. Contingent Liabilities

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

D. Retirement Commitments

Employees

Plan Description

Employees of DeKalb County, including the School Department, are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as

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

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

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

School Teachers

Plan Description

The DeKalb County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury

occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEPP. 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 DeKalb 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 DeKalb County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2007, 2006, and 2005, were \$543,865, \$469,799, and \$463,746, respectively, equal to the required contributions for each year.

E. Purchasing Laws

Purchasing procedures for the School Department are governed by provisions of Chapter 63, Private Acts of 1979, as amended, and by Section 49-2-203, Tennessee Code Annotated. Chapter 63, Private Acts of 1979, as amended, provides for the establishment of a Purchasing Committee and designates the county mayor as purchasing agent for purchases approved by the committee. All purchases of materials, supplies, equipment, or services estimated to exceed \$10,000 are required to be made by the Purchasing Committee on the basis of competitive bids solicited through newspaper advertisement. Other purchases may be made by the department heads. Requisitions and purchase orders are required for all purchases.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit C

DeKalb County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
DeKalb County School Department
General Purpose School Fund
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 2,830,830	\$ 0	\$ 2,830,830	\$ 2,708,294	\$ 2,710,909	\$ 119,921
Licenses and Permits	970	0	970	1,500	1,500	(530)
Charges for Current Services	0	0	0	18,000	18,000	(18,000)
Other Local Revenues	111,326	0	111,326	50,000	57,385	53,941
State of Tennessee	11,636,299	0	11,636,299	11,278,000	11,537,291	99,008
Federal Government	244,182	0	244,182	183,337	197,016	47,166
Other Governments and Citizens Groups	950,000	0	950,000	950,000	950,000	0
Total Revenues	\$ 15,773,607	\$ 0	\$ 15,773,607	\$ 15,189,131	\$ 15,472,101	\$ 301,506
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 7,442,868	\$ 0	\$ 7,442,868	\$ 7,446,970	\$ 7,536,541	\$ 93,673
Alternative Instruction Program	88,888	0	88,888	91,070	91,670	2,782
Special Education Program	1,318,899	0	1,318,899	1,481,370	1,482,870	163,971
Vocational Education Program	534,653	0	534,653	553,180	557,179	22,526
Adult Education Program	21,045	0	21,045	0	23,222	2,177
<u>Support Services</u>						
Attendance	81,544	0	81,544	96,250	98,250	16,706
Health Services	101,704	0	101,704	103,620	103,620	1,916
Other Student Support	323,132	0	323,132	404,250	404,250	81,118
Regular Instruction Program	635,540	0	635,540	661,450	674,950	39,410
Special Education Program	121,207	0	121,207	120,420	121,321	114
Vocational Education Program	9,040	0	9,040	9,040	9,040	0
Board of Education	274,179	0	274,179	359,020	359,020	84,841
Director of Schools	145,634	0	145,634	149,860	150,360	4,726
Office of the Principal	902,865	0	902,865	937,480	943,480	40,615

(Continued)

Exhibit C

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Fiscal Services	\$ 154,064	\$ 0	\$ 154,064	\$ 173,600	\$ 173,600	\$ 19,536
Operation of Plant	1,074,549	0	1,074,549	1,121,000	1,121,000	46,451
Maintenance of Plant	234,511	0	234,511	266,100	266,100	31,589
Transportation	1,205,768	(15,920)	1,189,848	1,202,950	1,202,950	13,102
<u>Operation of Non-Instructional Services</u>						
Food Service	63,003	0	63,003	69,100	69,600	6,597
Community Services	71,509	0	71,509	39,500	96,880	25,371
Early Childhood Education	284,808	0	284,808	224,260	307,557	22,749
<u>Capital Outlay</u>						
Regular Capital Outlay	174,188	0	174,188	300,000	300,000	125,812
Total Expenditures	\$ 15,263,598	\$ (15,920)	\$ 15,247,678	\$ 15,810,490	\$ 16,093,460	\$ 845,782
Excess (Deficiency) of Revenues						
Over Expenditures	\$ 510,009	\$ 15,920	\$ 525,929	\$ (621,359)	\$ (621,359)	\$ 1,147,288
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 4,859	\$ 0	\$ 4,859	\$ 0	\$ 0	\$ 4,859
Transfers In	1,015	0	1,015	0	0	1,015
Total Other Financing Sources (Uses)	\$ 5,874	\$ 0	\$ 5,874	\$ 0	\$ 0	\$ 5,874
Net Change in Fund Balance						
Fund Balance, July 1, 2006	\$ 515,883	\$ 15,920	\$ 531,803	\$ (621,359)	\$ (621,359)	\$ 1,153,162
	1,513,988	(15,920)	1,498,068	1,256,345	1,256,345	241,723
Fund Balance, June 30, 2007						
	\$ 2,029,871	\$ 0	\$ 2,029,871	\$ 634,986	\$ 634,986	\$ 1,394,885

**DEKALB COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF DEKALB COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2007**

BUDGETARY INFORMATION

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

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

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

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

Capital Projects Fund

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

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

Exhibit D-1

DeKalb County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
DeKalb County School Department
June 30, 2007

	<u>Special Revenue Funds</u>			<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>School Federal Projects</u>	<u>Central Cafeteria</u>	<u>Total</u>	<u>Education Capital Projects</u>	
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 53,309	\$ 436,835	\$ 490,144	\$ 3,945	\$ 494,089
Due from Other Governments	37,184	0	37,184	0	37,184
Total Assets	<u>\$ 90,493</u>	<u>\$ 436,835</u>	<u>\$ 527,328</u>	<u>\$ 3,945</u>	<u>\$ 531,273</u>
<u>FUND BALANCES</u>					
Reserved for Title I Grants to Local Education Agencies	\$ 80,732	\$ 0	\$ 80,732	\$ 0	\$ 80,732
Reserved for Special Education - Grants to States	7,480	0	7,480	0	7,480
Other Federal Reserves	2,281	0	2,281	0	2,281
Unreserved	0	436,835	436,835	3,945	440,780
Total Fund Balances	<u>\$ 90,493</u>	<u>\$ 436,835</u>	<u>\$ 527,328</u>	<u>\$ 3,945</u>	<u>\$ 531,273</u>

Exhibit D-2

DeKalb County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
DeKalb County School Department
For the Year Ended June 30, 2007

	<u>Special Revenue Funds</u>			<u>Capital</u>	<u>Total</u>
	<u>School</u>	<u>Central</u>	<u>Total</u>	<u>Projects</u>	
	<u>Federal</u>	<u>Cafeteria</u>		<u>Education</u>	<u>Nonmajor</u>
	<u>Projects</u>			<u>Capital</u>	<u>Governmental</u>
				<u>Projects</u>	<u>Funds</u>
<u>Revenues</u>					
Charges for Current Services	\$ 0	\$ 434,864	\$ 434,864	\$ 0	\$ 434,864
Other Local Revenues	0	14,740	14,740	0	14,740
Federal Government	1,496,529	690,948	2,187,477	0	2,187,477
Total Revenues	\$ 1,496,529	\$ 1,140,552	\$ 2,637,081	\$ 0	\$ 2,637,081
<u>Expenditures</u>					
Current:					
Instruction	\$ 1,095,234	\$ 0	\$ 1,095,234	\$ 0	\$ 1,095,234
Support Services	434,497	0	434,497	0	434,497
Operation of Non-Instructional Services	0	1,102,617	1,102,617	0	1,102,617
Total Expenditures	\$ 1,529,731	\$ 1,102,617	\$ 2,632,348	\$ 0	\$ 2,632,348
Excess (Deficiency) of Revenues					
Over Expenditures	\$ (33,202)	\$ 37,935	\$ 4,733	\$ 0	\$ 4,733
<u>Other Financing Sources (Uses)</u>					
Transfers Out	\$ (1,015)	\$ 0	\$ (1,015)	\$ 0	\$ (1,015)
Total Other Financing Sources (Uses)	\$ (1,015)	\$ 0	\$ (1,015)	\$ 0	\$ (1,015)
Net Change in Fund Balances					
Fund Balance, July 1, 2006	\$ 124,710	\$ 398,900	\$ 523,610	\$ 3,945	\$ 527,555
Fund Balance, June 30, 2007	\$ 90,493	\$ 436,835	\$ 527,328	\$ 3,945	\$ 531,273

Exhibit D-3

DeKalb County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
DeKalb County School Department
School Federal Projects Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,496,529	\$ 2,038,553	\$ 2,041,276	\$ (544,747)
Total Revenues	\$ 1,496,529	\$ 2,038,553	\$ 2,041,276	\$ (544,747)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 603,147	\$ 922,577	\$ 925,224	\$ 322,077
Special Education Program	434,308	502,229	498,581	64,273
Vocational Education Program	57,779	57,090	57,779	0
<u>Support Services</u>				
Health Services	56,467	62,540	58,574	2,107
Other Student Support	1,026	1,500	1,026	0
Regular Instruction Program	131,575	298,770	299,348	167,773
Special Education Program	241,751	251,464	259,079	17,328
Vocational Education Program	783	1,000	783	0
Transportation	2,895	4,346	3,845	950
Total Expenditures	\$ 1,529,731	\$ 2,101,516	\$ 2,104,239	\$ 574,508
Excess (Deficiency) of Revenues Over Expenditures	\$ (33,202)	\$ (62,963)	\$ (62,963)	\$ 29,761
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 109,567	\$ 109,567	\$ (109,567)
Transfers Out	(1,015)	(87,887)	(87,887)	86,872
Total Other Financing Sources (Uses)	\$ (1,015)	\$ 21,680	\$ 21,680	\$ (22,695)
Net Change in Fund Balance	\$ (34,217)	\$ (41,283)	\$ (41,283)	\$ 7,066
Fund Balance, July 1, 2006	124,710	41,283	41,283	83,427
Fund Balance, June 30, 2007	\$ 90,493	\$ 0	\$ 0	\$ 90,493

Exhibit D-4

DeKalb County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
DeKalb County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 434,864	\$ 429,000	\$ 429,000	\$ 5,864
Other Local Revenues	14,740	3,000	3,000	11,740
Federal Government	690,948	658,000	658,000	32,948
Total Revenues	<u>\$ 1,140,552</u>	<u>\$ 1,090,000</u>	<u>\$ 1,090,000</u>	<u>\$ 50,552</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,102,617	\$ 1,088,037	\$ 1,088,037	\$ (14,580)
Total Expenditures	<u>\$ 1,102,617</u>	<u>\$ 1,088,037</u>	<u>\$ 1,088,037</u>	<u>\$ (14,580)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 37,935</u>	<u>\$ 1,963</u>	<u>\$ 1,963</u>	<u>\$ 35,972</u>
Net Change in Fund Balance	\$ 37,935	\$ 1,963	\$ 1,963	\$ 35,972
Fund Balance, July 1, 2006	<u>398,900</u>	<u>466,084</u>	<u>466,084</u>	<u>(67,184)</u>
Fund Balance, June 30, 2007	<u>\$ 436,835</u>	<u>\$ 468,047</u>	<u>\$ 468,047</u>	<u>\$ (31,212)</u>

MISCELLANEOUS SCHEDULES

Exhibit E-1

DeKalb County, Tennessee
Schedule of Transfers
DeKalb County School Department
For the Year Ended June 30, 2007

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 1,015</u>
Total Transfers			<u><u>\$ 1,015</u></u>

Exhibit E-2

DeKalb County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
DeKalb County School Department
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and DeKalb County Board of Education	\$ 80,137 (1)	\$ 100,000	Western Surety Company
Other Bonds: Public Employee Dishonesty			150,000	Tennessee School Boards Risk Management Trust

(1) Includes chief executive officer training supplement of \$1,000.

Exhibit E-3

DeKalb County, Tennessee
 Schedule of Detailed Revenues -
All Governmental Fund Types
 DeKalb County School Department
 For the Year Ended June 30, 2007

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 2,531,928	\$ 0	\$ 0	\$ 2,531,928
Trustee's Collections - Prior Year	96,613	0	0	96,613
Circuit/Clerk and Master Collections - Prior Years	53,883	0	0	53,883
Interest and Penalty	17,045	0	0	17,045
Pick-up Taxes	2,449	0	0	2,449
Payments in-Lieu-of Taxes - Local Utilities	126,297	0	0	126,297
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	2,615	0	0	2,615
Total Local Taxes	\$ 2,830,830	\$ 0	\$ 0	\$ 2,830,830
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 970	\$ 0	\$ 0	\$ 970
Total Licenses and Permits	\$ 970	\$ 0	\$ 0	\$ 970
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 248,283	\$ 248,283
Lunch Payments - Adults	0	0	39,614	39,614
Income from Breakfast	0	0	42,858	42,858
A la carte Sales	0	0	104,109	104,109
Total Charges for Current Services	\$ 0	\$ 0	\$ 434,864	\$ 434,864
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 10,486	\$ 10,486
Refund of Telecommunication and Internet Fees (E-Rate)	33,768	0	0	33,768
Miscellaneous Refunds	59,554	0	4,254	63,808
<u>Nonrecurring Items</u>				
Sale of Equipment	6,894	0	0	6,894
Contributions and Gifts	11,110	0	0	11,110
Total Other Local Revenues	\$ 111,326	\$ 0	\$ 14,740	\$ 126,066
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 10,860,187	\$ 0	\$ 0	\$ 10,860,187
Early Childhood Education	356,377	0	0	356,377
School Food Service	15,596	0	0	15,596
Driver Education	8,980	0	0	8,980
Other State Education Funds	94,551	0	0	94,551
Career Ladder Program	150,858	0	0	150,858
Career Ladder - Extended Contract	105,302	0	0	105,302
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	1,000	0	0	1,000
Other State Revenues	43,448	0	0	43,448
Total State of Tennessee	\$ 11,636,299	\$ 0	\$ 0	\$ 11,636,299

(Continued)

Exhibit E-3

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 524,051	\$ 524,051
Breakfast	0	0	166,897	166,897
Vocational Education - Basic Grants to States	0	59,590	0	59,590
Other Vocational	29,471	0	0	29,471
Title I Grants to Local Education Agencies	0	575,000	0	575,000
Innovative Education Program Strategies	0	4,359	0	4,359
Special Education - Grants to States	0	656,850	0	656,850
Special Education Preschool Grants	0	23,900	0	23,900
Eisenhower Professional Development State Grants	0	148,221	0	148,221
Job Training Partnership Act	17,000	0	0	17,000
Other Federal through State	15,483	28,609	0	44,092
<u>Direct Federal Revenue</u>				
Public Law 874 - Maintenance and Operation	182,228	0	0	182,228
Total Federal Government	\$ 244,182	\$ 1,496,529	\$ 690,948	\$ 2,431,659
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 950,000	\$ 0	\$ 0	\$ 950,000
Total Other Governments and Citizens Groups	\$ 950,000	\$ 0	\$ 0	\$ 950,000
Total	\$ 15,773,607	\$ 1,496,529	\$ 1,140,552	\$ 18,410,688

Exhibit E-4

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	5,251,210	
Career Ladder Program		76,252	
Career Ladder Extended Contracts		33,040	
Educational Assistants		116,923	
Other Salaries & Wages		9,646	
Certified Substitute Teachers		31,000	
Non-certified Substitute Teachers		80,046	
Social Security		318,423	
State Retirement		333,463	
Medical Insurance		681,161	
Dental Insurance		45,805	
Unemployment Compensation		6,979	
Employer Medicare		74,470	
Instructional Supplies and Materials		59,340	
Textbooks		194,151	
Other Supplies and Materials		22,929	
Other Charges		14,655	
Regular Instruction Equipment		93,375	
Total Regular Instruction Program	\$		7,442,868

Alternative Instruction Program

Teachers	\$	53,712	
Career Ladder Program		3,000	
Career Ladder Extended Contracts		5,600	
Educational Assistants		10,339	
Social Security		4,244	
State Retirement		4,355	
Medical Insurance		6,268	
Dental Insurance		293	
Unemployment Compensation		84	
Employer Medicare		993	
Total Alternative Instruction Program			88,888

Special Education Program

Teachers	\$	827,577
Career Ladder Program		12,000
Homebound Teachers		42,009
Educational Assistants		148,968
Other Salaries & Wages		3,606

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Certified Substitute Teachers	\$	542	
Non-certified Substitute Teachers		11,294	
Social Security		60,662	
State Retirement		61,675	
Medical Insurance		116,932	
Dental Insurance		7,333	
Unemployment Compensation		1,672	
Employer Medicare		14,169	
Other Contracted Services		7,589	
Instructional Supplies and Materials		708	
Other Supplies and Materials		2,163	
Total Special Education Program			\$ 1,318,899

Vocational Education Program

Teachers	\$	353,191	
Career Ladder Program		6,000	
Career Ladder Extended Contracts		5,600	
Other Salaries & Wages		37,223	
Certified Substitute Teachers		456	
Non-certified Substitute Teachers		6,144	
Social Security		23,379	
State Retirement		24,643	
Medical Insurance		50,614	
Dental Insurance		3,436	
Unemployment Compensation		460	
Employer Medicare		5,471	
Other Contracted Services		975	
Instructional Supplies and Materials		15,514	
Textbooks		1,356	
Other Supplies and Materials		191	
Total Vocational Education Program			534,653

Adult Education Program

Teachers	\$	18,210	
Social Security		1,129	
State Retirement		1,116	
Unemployment Compensation		43	
Employer Medicare		264	
Instructional Supplies and Materials		283	
Total Adult Education Program			21,045

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services

Attendance

Supervisor/Director	\$	60,587	
Career Ladder Program		3,000	
Social Security		3,613	
State Retirement		3,898	
Medical Insurance		8,005	
Dental Insurance		346	
Unemployment Compensation		43	
Employer Medicare		845	
Travel		697	
Other Supplies and Materials		510	
Total Attendance			\$ 81,544

Health Services

Medical Personnel	\$	68,591	
Social Security		3,648	
State Retirement		4,205	
Medical Insurance		14,815	
Dental Insurance		693	
Unemployment Compensation		85	
Employer Medicare		853	
Travel		2,972	
Other Contracted Services		4,630	
Drugs and Medical Supplies		1,114	
Other Supplies and Materials		98	
Total Health Services			101,704

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		217,532	
Career Ladder Extended Contracts		2,240	
Secretary(ies)		22,153	
Other Salaries & Wages		500	
Social Security		14,517	
State Retirement		14,707	
Medical Insurance		15,886	
Dental Insurance		1,646	
Unemployment Compensation		299	
Employer Medicare		3,395	
Evaluation and Testing		3,150	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Travel	\$	873	
Other Contracted Services		1,758	
Other Supplies and Materials		95	
Other Charges		23,381	
Total Other Student Support			\$ 323,132

Regular Instruction Program

Supervisor/Director	\$	61,844	
Career Ladder Program		11,000	
Career Ladder Extended Contracts		10,080	
Librarians		208,278	
Materials Supervisor		60,587	
Instructional Computer Personnel		70,613	
Educational Assistants		30,890	
Social Security		26,459	
State Retirement		26,773	
Medical Insurance		38,830	
Dental Insurance		2,419	
Unemployment Compensation		484	
Employer Medicare		6,188	
Maintenance & Repair Services - Equipment		26,077	
Travel		8,252	
Other Contracted Services		583	
Instructional Supplies and Materials		15,806	
Library Books/Media		18,932	
Other Supplies and Materials		8,544	
In Service/Staff Development		2,901	
Total Regular Instruction Program			635,540

Special Education Program

Supervisor/Director	\$	57,648
Career Ladder Program		1,000
Psychological Personnel		515
Career Ladder Extended Contracts		4,480
Other Salaries & Wages		33,941
Social Security		5,796
State Retirement		3,936
Medical Insurance		8,005
Dental Insurance		346

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Unemployment Compensation	\$	89	
Employer Medicare		1,374	
Travel		4,077	
Total Special Education Program			\$ 121,207

Vocational Education Program

Supervisor/Director	\$	7,860	
Social Security		510	
State Retirement		490	
Dental Insurance		60	
Employer Medicare		120	
Total Vocational Education Program			9,040

Board of Education

Board and Committee Members Fees	\$	4,485	
Social Security		278	
Employer Medicare		65	
Audit Services		4,844	
Dues and Memberships		10,736	
Legal Services		4,782	
Travel		4,296	
Other Contracted Services		432	
Liability Insurance		41,000	
Trustee's Commission		82,373	
Workers' Compensation Insurance		113,923	
Criminal Investigation of Applicants - TBI		3,552	
Refund to Applicant for Criminal Investigation		2,748	
Other Charges		665	
Total Board of Education			274,179

Director of Schools

County Official/Administrative Officer	\$	79,137	
Career Ladder Program		1,000	
Social Security		4,956	
State Retirement		4,912	
Medical Insurance		12,199	
Dental Insurance		318	
Unemployment Compensation		43	
Employer Medicare		1,159	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Communication	\$	35,898	
Dues and Memberships		150	
Postal Charges		3,166	
Travel		1,632	
Other Charges		40	
Administration Equipment		1,024	
Total Director of Schools			\$ 145,634

Office of the Principal

Principals	\$	300,658	
Career Ladder Program		11,000	
Career Ladder Extended Contracts		29,680	
Assistant Principals		147,390	
Secretary(ies)		208,426	
Clerical Personnel		21,357	
Social Security		42,297	
State Retirement		40,756	
Medical Insurance		52,204	
Dental Insurance		2,772	
Unemployment Compensation		853	
Employer Medicare		9,892	
Communication		13,700	
Dues and Memberships		2,525	
Travel		2,436	
Other Contracted Services		16,607	
Other Supplies and Materials		312	
Total Office of the Principal			902,865

Fiscal Services

Accountants/Bookkeepers	\$	56,229	
Secretary(ies)		33,625	
Clerical Personnel		6,511	
Social Security		5,486	
State Retirement		4,992	
Medical Insurance		10,957	
Unemployment Compensation		174	
Employer Medicare		1,283	
Data Processing Services		12,500	
Travel		1,759	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Other Contracted Services	\$	6,865	
Data Processing Supplies		4,404	
Office Supplies		6,364	
Other Charges		918	
Administration Equipment		1,997	
Total Fiscal Services			\$ 154,064

Operation of Plant

Custodial Personnel	\$	249,568	
Social Security		14,476	
State Retirement		8,863	
Medical Insurance		23,826	
Unemployment Compensation		855	
Employer Medicare		3,386	
Other Contracted Services		3,249	
Electricity		442,520	
Natural Gas		144,573	
Water and Sewer		29,487	
Other Supplies and Materials		81,831	
Boiler Insurance		5,042	
Building and Contents Insurance		64,253	
Other Charges		1,235	
Plant Operation Equipment		1,385	
Total Operation of Plant			1,074,549

Maintenance of Plant

Supervisor/Director	\$	40,372	
Maintenance Personnel		64,223	
Other Salaries & Wages		9,407	
Social Security		6,219	
State Retirement		5,526	
Medical Insurance		13,978	
Unemployment Compensation		224	
Employer Medicare		1,454	
Maintenance & Repair Services - Buildings		5,832	
Travel		782	
Other Contracted Services		6,683	
Other Supplies and Materials		79,811	
Total Maintenance of Plant			234,511

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation

Supervisor/Director	\$	42,996	
Mechanic(s)		21,247	
Bus Drivers		375,103	
Other Salaries & Wages		79,704	
Social Security		30,709	
State Retirement		25,851	
Medical Insurance		34,547	
Dental Insurance		158	
Unemployment Compensation		1,681	
Employer Medicare		7,182	
Contracts with Other School Systems		3,000	
Maintenance & Repair Services - Equipment		2,202	
Maintenance & Repair Services - Vehicles		128	
Travel		952	
Other Contracted Services		5,079	
Diesel Fuel		127,717	
Equipment and Machinery Parts		555	
Garage Supplies		1,642	
Gasoline		10,630	
Lubricants		3,795	
Tires and Tubes		12,067	
Vehicle Parts		57,799	
Other Supplies and Materials		3,569	
Vehicle and Equipment Insurance		44,118	
Other Charges		972	
Transportation Equipment		312,365	
Total Transportation			\$ 1,205,768

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	47,214	
Career Ladder Program		1,000	
Social Security		2,734	
State Retirement		2,949	
Medical Insurance		7,337	
Dental Insurance		346	
Unemployment Compensation		43	
Employer Medicare		639	
Travel		741	
Total Food Service			63,003

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services

Supervisor/Director	\$	5,600	
Teachers		35,152	
Educational Assistants		7,436	
Social Security		2,886	
State Retirement		2,883	
Unemployment Compensation		12	
Employer Medicare		675	
Travel		100	
Food Supplies		1,185	
Instructional Supplies and Materials		13,376	
Other Supplies and Materials		2,204	
Total Community Services			\$ 71,509

Early Childhood Education

Supervisor/Director	\$	5,600	
Teachers		136,103	
Educational Assistants		57,978	
Non-certified Substitute Teachers		4,029	
Social Security		11,953	
State Retirement		11,688	
Medical Insurance		23,308	
Dental Insurance		1,328	
Unemployment Compensation		365	
Employer Medicare		2,795	
Travel		689	
Other Contracted Services		9,036	
Food Supplies		166	
Instructional Supplies and Materials		6,842	
Other Supplies and Materials		12,928	
Total Early Childhood Education			284,808

Capital Outlay

Regular Capital Outlay

Other Capital Outlay	\$	174,188	
Total Regular Capital Outlay			174,188

Total General Purpose School Fund \$ 15,263,598

(Continued)

Exhibit E-4

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	381,694	
Educational Assistants		66,860	
Certified Substitute Teachers		172	
Non-certified Substitute Teachers		10,771	
Social Security		27,097	
State Retirement		26,854	
Medical Insurance		47,010	
Dental Insurance		3,638	
Unemployment Compensation		726	
Employer Medicare		6,337	
Instructional Supplies and Materials		29,585	
Other Supplies and Materials		862	
In Service/Staff Development		1,466	
Other Equipment		75	
Total Regular Instruction Program			\$ 603,147

Special Education Program

Teachers	\$	3,049	
Educational Assistants		243,272	
Other Salaries & Wages		27,326	
Certified Substitute Teachers		1,114	
Non-certified Substitute Teachers		20,402	
Social Security		17,032	
State Retirement		13,740	
Medical Insurance		28,992	
Dental Insurance		29	
Unemployment Compensation		1,033	
Employer Medicare		3,983	
Instructional Supplies and Materials		44,720	
Other Supplies and Materials		18,051	
Special Education Equipment		11,565	
Total Special Education Program			434,308

Vocational Education Program

Travel	\$	1,987	
Instructional Supplies and Materials		11,823	
Vocational Instruction Equipment		43,969	
Total Vocational Education Program			57,779

(Continued)

Exhibit E-4

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

School Federal Projects Fund (Cont.)

Support Services

Health Services

Medical Personnel	\$	20,066	
Other Salaries & Wages		19,522	
Social Security		2,423	
State Retirement		840	
Unemployment Compensation		143	
Employer Medicare		567	
Travel		165	
Other Contracted Services		11,801	
Other Supplies and Materials		172	
In Service/Staff Development		225	
Health Equipment		543	
Total Health Services			\$ 56,467

Other Student Support

Evaluation and Testing	\$	430	
In Service/Staff Development		596	
Total Other Student Support			1,026

Regular Instruction Program

Supervisor/Director	\$	58,497	
Social Security		3,520	
State Retirement		3,586	
Medical Insurance		2,939	
Dental Insurance		346	
Unemployment Compensation		43	
Employer Medicare		823	
Travel		128	
Other Supplies and Materials		677	
In Service/Staff Development		51,812	
Other Charges		7,104	
Other Equipment		2,100	
Total Regular Instruction Program			131,575

Special Education Program

Psychological Personnel	\$	89,483	
Assessment Personnel		9,060	
Secretary(ies)		25,836	
Other Salaries & Wages		42,737	
In-Service Training		2,675	

(Continued)

Exhibit E-4

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Social Security	\$	9,864	
State Retirement		9,913	
Medical Insurance		17,204	
Dental Insurance		1,039	
Unemployment Compensation		216	
Employer Medicare		2,307	
Consultants		733	
Travel		2,519	
Other Contracted Services		3,662	
Other Supplies and Materials		7,041	
In Service/Staff Development		17,462	
Total Special Education Program			\$ 241,751

Vocational Education Program

Travel	\$	783	
Total Vocational Education Program			783

Transportation

Contracts with Parents	\$	2,895	
Total Transportation			2,895

Total School Federal Projects Fund \$ 1,529,731

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	4,255	
Accountants/Bookkeepers		19,325	
Cafeteria Personnel		374,038	
Social Security		21,162	
State Retirement		17,318	
Medical Insurance		73,163	
Unemployment Compensation		1,528	
Employer Medicare		4,949	
Communication		2,515	
Maintenance & Repair Services - Equipment		6,691	
Travel		2,179	
Other Contracted Services		6,750	
Food Supplies		504,972	

(Continued)

Exhibit E-4

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Other Supplies and Materials	\$	16,553	
In Service/Staff Development		824	
Other Charges		974	
Food Service Equipment		<u>45,421</u>	
Total Food Service			<u>\$ 1,102,617</u>

Total Central Cafeteria Fund \$ 1,102,617

Total Governmental Funds - DeKalb County School Department \$ 17,895,946

SINGLE AUDIT REPORT
DEKALB COUNTY, TENNESSEE
AND
DEKALB COUNTY SCHOOL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2007

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

JAMES R. ARNETTE
Director

CARL LOWE, CGFM
Audit Manager

STEVE REEDER, CPA, CGFM, CFE
Auditor 4

JAMES D. HODGES, CFE
KELLEY J. McNEAL, CPA, CGFM
State Auditors

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

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

REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

November 28, 2007

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

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

We have audited the financial statements of each major fund and the aggregate remaining fund information of DeKalb County, Tennessee, and the DeKalb County School Department as of and for the year ended June 30, 2007, which collectively comprise a portion of DeKalb County's and the DeKalb County School Department's basic financial statements and have issued our reports thereon dated November 28, 2007. Our reports on the financial statements of DeKalb County, Tennessee, and the DeKalb County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered DeKalb County's and the DeKalb County School Department's internal control over financial reporting 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 DeKalb County's and the DeKalb County School Department's internal control over financial

reporting. Accordingly, we do not express an opinion on the effectiveness of DeKalb County's and the DeKalb County School Department'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: 07.03, 07.05, 07.06 07.11(E,F), and 07.13.

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 DeKalb County's and the DeKalb County School Department'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 significant weaknesses. However, of the significant deficiencies described above, we consider item 07.03 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether DeKalb County's and the DeKalb County School Department's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 07.01, 07.02, 07.04, 07.07, 07.08, 07.09, 07.10, and 07.11(A,B,C,D).

We consider item 07.12 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 the management of DeKalb County and the DeKalb County School Department in separate communications.

This report is intended solely for the information and use of management, the county mayor, director of schools, road supervisor, County Commission, Board of Education, others within DeKalb 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". The signature is written in a cursive style with a long horizontal stroke at the end.

John G. Morgan
Comptroller of the Treasury

JGM/sb



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
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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

November 28, 2007

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

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

Compliance

We have audited the compliance of DeKalb County and the DeKalb County School Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of their major federal programs for the year ended June 30, 2007. DeKalb County's and the DeKalb County School Department's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of their major federal programs is the responsibility of DeKalb County's and the DeKalb County School Department's management. Our responsibility is to express an opinion on DeKalb County's and the DeKalb County School Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with

the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about DeKalb County's and the DeKalb County School Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of DeKalb County's and the DeKalb County School Department's compliance with those requirements.

In our opinion, DeKalb County and the DeKalb County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of DeKalb County and the DeKalb County School Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered DeKalb County's and the DeKalb County School Department's internal control over compliance with 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 DeKalb County's and the DeKalb County School Department'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.

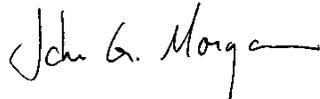
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies 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 each major fund and the aggregate remaining fund information of DeKalb County and the DeKalb County School Department as of and for the year ended June 30, 2007, and have issued our reports thereon dated November 28, 2007. Our reports on the financial statements of DeKalb County and the DeKalb County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise a portion of DeKalb County's and the DeKalb County School Department'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 DeKalb 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,



John G. Morgan
Comptroller of the Treasury

JGM/sb

DeKalb County, Tennessee, and the DeKalb County School Department
Schedule of Expenditures of Federal Awards and State Grants (1)
For Year Ended June 30, 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 Donation (Noncash Assistance)	10.550	N/A	\$ 40,167
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	166,897
National School Lunch Program	10.555	N/A	524,051
Total U.S. Department of Agriculture			\$ 731,115
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/Small Cities Program	14.219	GG-06-12359-00	\$ 518,946
Passed-through State Housing Development Agency:			
HOME Investment Partnerships Program	14.239	(2)	68,241
Total U.S. Department of Housing and Urban Development			\$ 587,187
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
WIA Youth Activities	17.259	(2)	\$ 17,000
U.S. Department of Education:			
Direct Program:			
Impact Aid	84.041	(3)	\$ 182,228
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	555,299
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	712,992
Special Education - Preschool Grants	84.173	N/A	23,442
Vocational Education - Basic Grants to States	84.048	N/A	59,590
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	9,509
State Grants for Innovative Programs	84.298	N/A	4,359
Education Technology State Grants	84.318	(2)	8,910
English Language Acquisition Grants	84.365	N/A	19,352
Improving Teacher Quality State Grants	84.367	N/A	137,292
Hurricane Education Recovery	84.938	N/A	1,807
Total U.S. Department of Education			\$ 1,714,780
U.S. Elections Assistance Commission:			
Passed-through Tennessee Office of Secretary of State:			
Help America Vote Act Requirements Payments	90.401	(4)	\$ 146,950
U.S. Department of Health and Human Services:			
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families	93.558	(2)	\$ 13,679
U.S. Office of Homeland Security:			
Passed-through State Department of Military:			
Assistance to Firefighter Grants	97.044	(2)	\$ 252,383
Homeland Security Grant Program	97.067	(2)	28,753
Total U.S. Office of Homeland Security			\$ 281,136
Total Expenditures of Federal Awards			\$ 3,491,847

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Aging Programs - State Commission on Aging	N/A	(2)	\$ 4,915
Litter Program - State Department of Transportation	N/A	(2)	37,921
Voluntary Pre K for Tennessee - State Department of Education	N/A	(2)	245,365
Lottery for Education - After School Program - State Department of Education	N/A	(2)	111,011
Local Archives Development Grant - Tennessee Office of Secretary of State	N/A	(2)	4,000
Safe Schools Act - State Department of Education	N/A	(2)	15,595
Dropout Prevention Program - State Department of Education	N/A	(2)	5,969
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	11,365
Drug Court Grant - State Office of Criminal Justice Programs	N/A	(5)	37,766
Temporary Assistance for Needy Families	N/A	(2)	7,366
Youth Services Program - State Commission on Children and Youth	N/A	(2)	9,000
Local Health Services - State Department of Health	N/A	(2)	1,892
Stream Cleanup - State Wildlife Agency	N/A	(2)	1,000
Used Oil Grant - State Department of Environment and Conservation	N/A	(2)	8,336
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	<u>10,635</u>
Total State Grants			<u>\$ 512,136</u>

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

- (1) - Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
(2) - Information not available.
(3) - 52-TN-2004-1603: \$19,171; 52-TN-2006-1603: \$26,400; 52-TN-2007-1603: \$136,657.
(4) - Z-07-037393-00: \$6,950; Z-06-032936-00: \$140,000.
(5) - Z-05-025511-00: \$23,688; Z-05-025512-00: \$14,078.

DeKalb County, Tennessee, and the DeKalb County School Department
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 DeKalb County, Tennessee, and the DeKalb County School Department for the year ended June 30, 2006, which have not been corrected.

DEKALB COUNTY AND DEKALB COUNTY SCHOOL DEPARTMENT

Finding Number	Page Number	Subject
06.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

OFFICE OF COUNTY MAYOR

Finding Number	Page Number	Subject
06.02	13	Expenditures exceeded appropriations
06.04	14	Inventory records were not maintained
06.05	14	The office had deficiencies in computer system backup procedures

OFFICE OF ROAD SUPERVISOR

Finding Number	Page Number	Subject
06.07	15	The office did not maintain adequate controls over consumable assets

OFFICE OF REGISTER

Finding Number	Page Number	Subject
06.09	16	Excess fees were not reported and paid to the county in compliance with state statute

OFFICE OF SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.10(B-D, G-I)	17	The office had numerous accounting deficiencies

OTHER FINDINGS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.13	19	A central system of accounting and budgeting had not been adopted
06.14	20	Duties were not adequately segregated in the Offices of County Mayor, Road Supervisor, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2007

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Adverse opinions were issued on the financial statements of DeKalb County and the DeKalb County School Department.
2. The audit of the financial statements of DeKalb County and the DeKalb County School Department disclosed significant deficiencies in internal control. One of these deficiencies was considered to be a material weakness in DeKalb County. None of these deficiencies was considered to be a material weakness in the DeKalb County School Department.
3. The audit disclosed three instances of noncompliance that are material to the financial statements of DeKalb County, and two instances of noncompliance that are material to the financial statements of the DeKalb County School Department.
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 Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Community Development Block Grants/Small Cities Program (CFDA No. 14.219), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: Special Education - Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. DeKalb County and the DeKalb County School Department did not qualify as low-risk auditees.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. Officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

DEKALB COUNTY AND DEKALB COUNTY SCHOOL DEPARTMENT

FINDING 07.01 **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

(Material Noncompliance Under Government Auditing Standards)

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

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement No. 34 to issue a financial report in compliance with Financial Reporting Standards for County Governments, Component Units of County Governments, and Special School Districts That Do Not Implement Governmental Accounting Standards Board Statement No. 34, established by the Comptroller of the Treasury. DeKalb County’s and the DeKalb County School Department’s financial statements are presented in compliance with these requirements.

RECOMMENDATION

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

FINDING 07.02 DEKALB COUNTY AND THE DEKALB COUNTY SCHOOL DEPARTMENT HAVE NOT COMPLETED THE STEPS SET FORTH IN THE IMPLEMENTATION PLAN FOR GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 34 FILED WITH THE COMPTROLLER OF THE TREASURY
(Material Noncompliance Under Government Auditing Standards)

As noted in finding 07.01, DeKalb County and the DeKalb County School Department have not taken the necessary steps to present their financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34. To encourage local governments to comply with GASB Statement No. 34, the Tennessee General Assembly passed legislation (Sections 9-3-401 through 9-3-405, Tennessee Code Annotated) requiring local governments that were not in compliance with GASB Statement No. 34 to file an implementation plan with the Comptroller of the Treasury showing the steps and the timeline the local government would follow to implement the standard no later than June 30, 2008. An examination of the plan DeKalb County and the DeKalb County School Department filed with the Comptroller's Office shows that the county has failed to perform the steps in accordance with the timeline set forth in their plan. If DeKalb County and the DeKalb County School Department do not comply with GASB Statement No. 34 by June 30, 2008, the statutes further provide that the state may withhold certain state funds from the county and the School Department.

RECOMMENDATION

DeKalb County and the DeKalb County School Department should take the necessary steps to ensure compliance with GASB Statement No. 34 by June 30, 2008.

OFFICE OF COUNTY MAYOR

FINDING 07.03 INVENTORY RECORDS WERE NOT MAINTAINED
(Internal Control – Material Weakness Under Government Auditing Standards)

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

RECOMMENDATION

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

FINDING 07.04 EXPENDITURES EXCEEDED APPROPRIATIONS
 (Noncompliance Under Government Auditing Standards)

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

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
General Fund:	
Board of Equalization	\$ 228
Beer Board	212
Other General Administration	2,456
County Clerk's Office	816
Juvenile Court	960
Fire and Prevention	3,930
Other Charges	4,878
General Debt Service Fund:	
Principal on Debt - General Government	7,178
Other Debt Service - General Government	2,744
Drug Control Fund:	
Other Charges	270

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

RECOMMENDATION

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

**FINDING 07.05 THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM
BACKUP PROCEDURES**
 (Internal Control – Significant Deficiency Under Government Auditing
Standards)

The following weaknesses regarding computer system backup procedures were identified:

- A. System backups were not performed on a routine basis. Inadequate backup procedures could result in the loss of data in the event of a hardware or software failure. Without current system backups, the cost of re-creating data could be substantial.

- B. Daily backups were not stored in a secure location. Unsecured access to system backups exposes the data to environmental hazards, as well as to possible sabotage.
- C. System backups were not stored off-site. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process.
- D. The backup log does not include label descriptions, contents, and storage location.

RECOMMENDATION

Management should implement daily system backup procedures. A backup for each day of the week should be maintained and stored in a secure fireproof location. In addition to daily system backups, a weekly system backup should be performed, and two copies of this backup should be maintained. These backups should be stored off-site on a weekly basis. A complete systems backup should also be performed at fiscal year-end. These year-end backups should be stored off-site and retained indefinitely. Some possibilities for an off-site storage location would be another county office building with a fireproof vault or a safe deposit box at a local bank. Furthermore, a current log of all backups that includes label descriptions, date of creation, contents, and storage location should be maintained.

OFFICE OF ROAD SUPERVISOR

FINDING 07.06 **THE OFFICE DID NOT MAINTAIN ADEQUATE CONTROLS OVER CONSUMABLE ASSETS**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

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

RECOMMENDATION

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

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 07.07 **CENTRAL CAFETERIA FUND EXPENDITURES EXCEEDED APPROPRIATIONS
(Noncompliance Under Government Auditing Standards)**

Central Cafeteria Fund expenditures exceeded appropriations approved by the County Commission by \$14,580. Section 5-9-401, Tennessee Code Annotated, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

RECOMMENDATION

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

OFFICE OF TRUSTEE

FINDING 07.08 **EXCESS FEES WERE NOT REPORTED AND PAID TO THE COUNTY IN COMPLIANCE WITH STATE STATUTE
(Noncompliance Under Government Auditing Standards)**

The trustee did not report and pay excess fees to the county in compliance with Section 8-22-104, Tennessee Code Annotated. This statute requires excess fees to be reported and paid to the county quarterly and permits the trustee to retain sufficient fees to operate the office for three months. During the year, excess fees totaling \$127,466 were reported and paid to the county. However, excess fees retained exceeded three months operating expenses by amounts ranging from \$4,681 to \$23,474 at the end of three of four reporting periods.

RECOMMENDATION

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

OFFICE OF CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK

FINDING 07.09 **EXECUTION DOCKET TRIAL BALANCES WERE NOT PREPARED FOR CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS**

(Material Noncompliance Under Government Auditing Standards)

At June 30, 2007, execution docket trial balances were not prepared for Circuit, General Sessions, and Juvenile Courts as required by Section 18-2-103, Tennessee Code Annotated (TCA). Therefore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-110, TCA. This statute provides that any funds held by the court for one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer's Office.

RECOMMENDATION

Execution docket trial balances should be prepared and reconciled with cash control records in Circuit, General Sessions, and Juvenile Courts. Any funds held by the courts for one year and unclaimed by the owner are considered abandoned and should be reported and paid to the state Treasurer's Office in compliance with state statute.

OFFICE OF REGISTER

FINDING 07.10 **EXCESS FEES WERE NOT REPORTED AND PAID TO THE COUNTY IN COMPLIANCE WITH STATE STATUTE**

(Noncompliance Under Government Auditing Standards)

The register did not report and pay excess fees to the county in compliance with Section 8-22-104, Tennessee Code Annotated. This statute requires excess fees to be reported and paid to the county quarterly and permits the register to retain sufficient fees to operate the office for three months. During the year, the office reported and paid no excess fees to the county. Excess fees retained exceeded operating expenses for three months by amounts ranging from \$23,780 to \$58,759 at the end of the four reporting periods.

RECOMMEDATION

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

OFFICE OF SHERIFF

FINDING 07.11 **THE OFFICE HAD NUMEROUS ACCOUNTING DEFICIENCIES**

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

The following deficiencies were noted during our examination of the office's accounting records:

- A. Vending and commissary profits were not remitted to the county monthly. Section 8-24-103, Tennessee Code Annotated (TCA), provides that all funds earned by the Sheriff's Department are to be reported and paid to the county monthly.

- B. The sheriff did not require banks to provide a photo image of the reverse side of the office's canceled checks. The Comptroller of the Treasury requires public officials to obtain a photo image of both the front and reverse sides of canceled checks and deposit slips to provide all pertinent information such as the payees' signature, the endorsement, and any bank notations.

- C. Official prenumbered receipts were not issued for some collections. Section 9-2-103, TCA, requires official prenumbered receipts to be issued when collections are received.

- D. The official cash journal was not properly maintained and did not accurately reflect the operations of the office. For the period July 1, 2006, through April 30, 2007, debit entries to the cash account were not offset by corresponding credit entries to other accounts, resulting in the cash account not balancing. Also, during this period, bank deposits and checks were not posted to the cash journal. Commissary transactions were not posted to the cash journal for the entire audit period. It should be noted that we had to do substantive testing and perform alternate auditing procedures to determine cash receipts and disbursements for the Sheriff's Office.

- E. The Sheriff's Department maintained two bank accounts. Bank statements for these accounts had not been reconciled through May 2007.

- F. Individual checks were not itemized on bank deposit slips.

RECOMMENDATION

Vending and commissary profits should be remitted to the county trustee as required by procedures established by the Comptroller of the Treasury and by state statute. The sheriff should require his depositories to photo image both sides of cancelled checks and deposit slips. Official prenumbered receipts should be issued for all collections. The cash journal should be properly maintained and all transactions should be properly recorded. Bank statements should be reconciled with cash journal accounts monthly. Individual checks should be itemized on bank deposit slips.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 07.12 A CENTRAL SYSTEM OF ACCOUNTING AND BUDGETING HAD NOT BEEN ADOPTED
(Internal Control – Control Deficiency Under Government Auditing Standards)

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

RECOMMENDATION

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

FINDING 07.13 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY MAYOR; ROAD SUPERVISOR; DIRECTOR OF SCHOOLS; TRUSTEE; COUNTY CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE 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 County Mayor; Road Supervisor; Director of Schools; Trustee; County Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff. Officials and employees responsible for maintaining the accounting records in these offices were also involved in receipting, depositing, and/or disbursing funds. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.

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

There were no findings and questioned costs for federal awards.

**DEKALB COUNTY, TENNESSEE, AND THE
DEKALB COUNTY SCHOOL DEPARTMENT
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2007**

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

Director of Schools – Summary Schedule of Prior Year's Findings

FINDINGS 06.14 and 06.15

Although the School Department as a whole lacks sufficient segregation of duties, additional controls are in place over the expenditures of federal funds and reporting to federal agencies that we feel mitigate the lack of segregation of duties as it pertains to federal awards.