
ANNUAL FINANCIAL REPORT DECATUR COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2008



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ANNUAL FINANCIAL REPORT
DECATUR COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2008

DEPARTMENT OF AUDIT
JUSTIN P. WILSON
Comptroller of the Treasury

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

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Auditor 4

AMANDA MARCH
LEE ANN WEST, CPA, CGFM
WENDY HEATH, CFE
State Auditors

This financial report is available at www.tn.gov/comptroller

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Audit Highlights

Annual Financial Report
Decatur County, Tennessee
For the Year Ended June 30, 2008

Scope

We have audited the basic financial statements of Decatur County as of and for the year ended June 30, 2008.

Results

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

Our audit resulted in 12 findings and recommendations, which we have reviewed with Decatur County management. Detailed findings and recommendations are included in the Single Audit section of this report.

Findings

The following are summaries of the audit findings:

DECATUR COUNTY AND DECATUR COUNTY SCHOOL DEPARTMENT

- ◆ Decatur County and the Decatur County School Department do not have the resources to produce financial statements and notes to the financial statements.
- ◆ Material audit adjustments were required for proper financial presentation in the General, General Debt Service, Highway/Public Works, and General Purpose School funds.

OFFICE OF COUNTY MAYOR

- ◆ The office had deficiencies in budget operations.
- ◆ The office failed to comply with state statutes when issuing debt.
- ◆ The office had deficiencies in accounting for payroll taxes and deductions.
- ◆ Cash on deposit with the trustee was not accurately reconciled monthly.

OFFICE OF ROAD SUPERVISOR

- ◆ Expenditures exceeded appropriations approved by the County Commission in the Capital Outlay major appropriation category (the legal level of control) of the Highway/Public Works Fund by \$67,021.
-

OFFICE OF COUNTY CLERK

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

OFFICE OF SHERIFF

- ◆ Some funds were not deposited to the office bank account within three days of collection as required by state statute.
-

OTHER FINDINGS

- ◆ Certain financial activity of the Decatur County Public Library was neither audited nor subject to the budgetary control of the County Commission.
- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately among the officials and employees in the Offices of County Mayor, Trustee, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.

INTRODUCTORY SECTION

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Decatur County Officials
June 30, 2008

Officials

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

Board of County Commissioners

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

Budget Committee

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

Board of Education

Robert Bibbs, Chairman	Dwight Lancaster
Art Bawcum	J. Wayne Stanfill
Bradley Dodd	Rebecca Stanfill
Tom Haggard	Jimmy Tate
Paul Ivy	

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FINANCIAL SECTION

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**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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INDEPENDENT AUDITOR'S REPORT

February 24, 2009

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Decatur County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise Decatur County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Decatur County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Decatur County General Hospital (which represent 28.9 percent and 43.3 percent, respectively, of the assets and revenues of the aggregate discretely presented component units) or the Decatur County Emergency Communications District (which represent 2.4 percent and .8 percent, respectively, of the assets and revenues of the aggregate discretely presented component units). These financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Decatur County General Hospital and the Decatur County Emergency Communications District is based on the reports of the other auditors.

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

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Decatur County, Tennessee, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 24, 2009, on our consideration of Decatur County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note V.B., Decatur County has implemented the provisions of Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures.

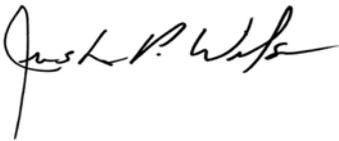
The management of Decatur County did not prepare a management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States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

The budgetary comparison, pension, and postemployment information on pages 85 through 91 are not required parts of the basic financial statements but they do provide supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Decatur County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund,

combining and individual fund financial statements of the Decatur County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Decatur County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is written in a cursive style with a long, vertical tail on the letter "J".

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

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BASIC FINANCIAL STATEMENTS

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Decatur County, Tennessee
Statement of Net Assets
June 30, 2008

	Primary Governmental Activities	Component Units			
		Decatur County School Department	Decatur County General Hospital	Decatur County Emergency Communications District	
Cash	\$ 348	\$ 0	\$ 519,050	\$ 328,088	
Equity in Pooled Cash and Investments	6,313,926	2,114,682	0	0	
Inventories	0	0	232,866	5,519	
Accounts Receivable	22,689	166,014	2,122,343	0	
Due from Other Governments	569,011	558,717	0	0	
Due from Component Units	260,339	1,541,127	0	0	
Property Taxes Receivable	1,664,417	(27,150)	0	0	
Allowance for Uncollectible Property Taxes	(29,322)	0	0	0	
Prepaid Items	0	0	41,542	0	
Other Current Assets	0	0	240,482	0	
Deferred Charges - Debt Issuance Costs	328,136	0	3,019	140	
Capital Assets:					
Assets Not Depreciated:					
Land	1,563,324	239,448	81,696	0	
Construction in Progress	1,576,800	0	0	0	
Assets Net of Accumulated Depreciation:					
Land Improvements	0	0	113	1,418	
Buildings and Improvements	2,413,310	7,852,405	1,323,533	0	
Infrastructure	3,446,441	0	0	0	
Other Capital Assets	1,380,029	1,569,213	1,317,822	149,320	
Total Assets	\$ 19,509,448	\$ 14,014,456	\$ 5,882,466	\$ 484,485	

(Continued)

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

	Primary Governmental Activities	Component Units			
		Decatur County School Department	Decatur County General Hospital	Decatur County Emergency Communications District	
<u>LIABILITIES</u>					
Accounts Payable	\$ 3,637	\$ 0	\$ 1,328,641	\$ 0	0
Other Accrued Expenses	0	0	184,414	0	0
Payroll Deductions Payable	11,483	179,173	0	0	0
Contracts Payable	581,197	0	0	0	0
Retainage Payable	35,854	0	0	0	0
Accrued Interest Payable	136,008	0	83,568	0	0
Due to Primary Government	0	98,671	0	0	0
Due to State of Tennessee	5,093	299	0	0	0
Other Current Liabilities	50	0	0	0	0
Due to Intermediaries	0	0	108,232	0	0
Deferred Revenue - Current Property Taxes and Other	1,581,764	1,464,596	0	0	0
Health Insurance Payments	0	6,377	0	0	0
Cafeteria Salaries and Benefits	0	1,353	0	0	0
Noncurrent Liabilities:					
Due Within One Year	1,293,536	61,099	1,522,450	0	0
Due in More Than One Year (net of deferred amount on refunding)	17,328,444	424,493	2,033,133	0	0
Total Liabilities	\$ 20,977,066	\$ 2,236,061	\$ 5,260,438	\$ 0	0
<u>NET ASSETS</u>					
Invested in Capital Assets, Net of Related Debt	\$ 3,845,766	\$ 9,233,372	\$ 1,347,961	\$ 0	0
Invested in Capital Assets Restricted for:	0	0	0	150,738	0
Solid Waste/Sanitation	18,864	0	0	0	0
Drug Control	15,740	0	0	0	0
Highway/Public Works	540,032	0	0	0	0
Capital Projects	1,438,188	47,019	0	0	0
Debt Service	95,290	0	0	0	0
Resort District	147,481	0	0	0	0
Alcohol and Drug Treatment	3,092	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	120,396	0	0	0	0
Other Purposes	13,831	0	0	0	0
Unrestricted	(7,706,298)	2,498,004	(725,933)	333,747	0
Total Net Assets	\$ (1,467,618)	\$ 11,778,395	\$ 622,028	\$ 484,485	0

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

Exhibit B

Decatur County, Tennessee
Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets									
	Program Revenues					Component Units				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Total Governmental Activities	Decatur County School Department	Decatur County General Hospital	Decatur County Emergency Communications District		
Primary Government:										
Governmental Activities:										
General Government	\$ 580,016	\$ 86,900	\$ 18,153	\$ 0	\$ (474,963)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	443,528	261,025	7,896	0	(174,607)	0	0	0	0	0
Administration of Justice	439,595	272,873	9,000	0	(157,722)	0	0	0	0	0
Public Safety	2,068,956	232,180	515,072	19,684	(1,302,020)	0	0	0	0	0
Public Health and Welfare	413,939	133,414	36,605	0	(243,920)	0	0	0	0	0
Social, Cultural, and Recreational Services	415,138	164,347	23,175	4,009	(223,607)	0	0	0	0	0
Agriculture and Natural Resources	51,061	0	19,733	0	(31,328)	0	0	0	0	0
Other Operations	757,264	0	3,246	0	(754,018)	0	0	0	0	0
Highways/Public Works	1,311,555	355	1,479,290	395,257	563,347	0	0	0	0	0
Interest on Long-term Debt	727,508	0	776,325	0	48,817	0	0	0	0	0
Other Debt Service	60,197	0	0	0	(60,197)	0	0	0	0	0
Total Primary Government	\$ 7,268,757	\$ 1,151,094	\$ 2,888,495	\$ 418,950	\$ (2,810,218)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Component Units:										
Decatur County School Department	\$ 12,932,281	\$ 96,072	\$ 2,238,547	\$ 0	\$ 0	\$ (10,597,662)	\$ 0	\$ 0	\$ 0	\$ 0
Decatur County General Hospital	11,470,852	9,740,944	181,686	0	0	0	(1,548,222)	0	0	0
Decatur County Emergency Communications District	178,766	162,331	0	0	0	0	0	0	(16,435)	0
Total Component Units	\$ 24,581,899	\$ 9,999,347	\$ 2,420,233	\$ 0	\$ 0	\$ (10,597,662)	\$ (1,548,222)	\$ 0	\$ (16,435)	\$ 0

(Continued)

Exhibit B

Decatur County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets									
	Program Revenues					Component Units				
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Total Governmental Activities	Decatur County School Department	Decatur County General Hospital	Decatur County Emergency Communications	Decatur County District		
General Revenues:										
Taxes:										
Property Taxes Levied for General Purposes				\$ 1,055,931	\$ 1,141,627	\$ 0	\$ 0	\$ 0		
Property Taxes Levied for Debt Service				178,082	0	0	0	0		
Local Option Sales Taxes				308,319	1,000,050	0	0	0		
Wholesale Beer Tax				198,763	0	0	0	0		
Wheel Tax				190,094	0	0	0	0		
Litigation Tax				75,041	0	0	0	0		
Business Tax				74,374	0	0	0	0		
Mineral Severance Tax				73,910	0	0	0	0		
Other Local Taxes				40,789	179,257	0	0	0		
Grants and Contributions Not Restricted to Specific Programs				571,507	8,148,714	57,719	15,929			
Unrestricted Investment Earnings				318,540	45,538	2,291	6,760			
Miscellaneous				18,283	40,345	0	0			
Total General Revenues				\$ 3,103,633	\$ 10,555,531	\$ 60,010	\$ 22,689			
Change in Net Assets				\$ 293,415	\$ (42,131)	\$ (1,488,212)	\$ 6,254			
Net Assets, July 1, 2007				(1,761,033)	11,820,526	2,110,240	478,231			
Net Assets, June 30, 2008				\$ (1,467,618)	\$ 11,778,395	\$ 622,028	\$ 484,485			

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

Exhibit C-1

Decatur County, Tennessee
 Balance Sheet
Governmental Funds
 June 30, 2008

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway/ Public Works	General Debt Service	General Capital Projects	Other Governmental Funds	Governmental Funds	
\$	0	0	0	0	0	348	348
Cash	371,537	290,182	1,038,941	4,509,044	104,222	6,313,926	6,313,926
Equity in Pooled Cash and Investments	13,938	74	0	0	8,677	22,689	22,689
Accounts Receivable	202,583	291,094	75,334	0	0	569,011	569,011
Due from Other Governments	867	0	220,000	0	0	220,867	220,867
Due from Other Funds	28,319	0	232,020	0	0	260,339	260,339
Due from Component Units	1,417,837	0	207,114	0	39,466	1,664,417	1,664,417
Property Taxes Receivable	(24,978)	0	(3,933)	0	(411)	(29,322)	(29,322)
Allowance for Uncollectible Property Taxes							
Total Assets	\$ 2,010,103	\$ 581,350	\$ 1,769,476	\$ 4,509,044	\$ 152,302	\$ 9,022,275	\$ 9,022,275

ASSETS

Cash	0
Equity in Pooled Cash and Investments	371,537
Accounts Receivable	13,938
Due from Other Governments	202,583
Due from Other Funds	867
Due from Component Units	28,319
Property Taxes Receivable	1,417,837
Allowance for Uncollectible Property Taxes	(24,978)

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts Payable	2,354	668	0	0	0	615	3,637
Payroll Deductions Payable	9,915	0	0	0	0	1,568	11,483
Contracts Payable	0	40,650	0	540,547	0	581,197	581,197
Retainage Payable	0	0	0	35,854	0	35,854	35,854
Due to Other Funds	200,000	0	0	0	0	20,867	220,867
Due to State of Tennessee	4,834	0	0	0	0	259	5,093
Other Current Liabilities	0	0	0	0	0	50	50
Deferred Revenue - Current Property Taxes	1,347,429	0	195,280	0	39,055	1,581,764	1,581,764
Deferred Revenue - Delinquent Property Taxes	40,808	0	7,097	0	0	47,905	47,905
Other Deferred Revenues	69,941	121,898	191,894	0	0	383,733	383,733
Total Liabilities	\$ 1,675,281	\$ 163,216	\$ 394,271	\$ 576,401	\$ 62,414	\$ 2,871,583	\$ 2,871,583

(Continued)

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

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Highway/ Public Works	General Debt Service	General Capital Projects	Other			
					Governmental Funds	Governmental Funds		
\$	0	0	0	0	0	0	0	3,776,929
	147,481	0	0	3,776,929	0	0	0	147,481
	3,092	0	0	0	0	0	0	3,092
	120,396	0	0	0	0	0	0	120,396
	1,200	0	0	0	0	0	0	1,200
	131	0	0	0	0	0	0	131
	1,160	0	0	0	0	0	0	1,160
	4,273	0	0	0	0	0	0	4,273
	5,357	0	0	0	0	0	0	5,357
	1,710	0	0	0	0	0	0	1,710
	50,022	0	0	0	0	0	0	50,022
	0	418,134	0	0	0	34,604	0	452,738
	0	0	1,375,205	0	0	0	0	1,375,205
	0	0	0	155,714	55,284	0	0	210,998
\$	334,822	418,134	1,375,205	3,932,643	89,888	0	0	6,150,692
\$	2,010,103	581,350	1,769,476	4,509,044	152,302	0	0	9,022,275

LIABILITIES AND FUND BALANCES (Cont.)

<u>Fund Balances</u>
Reserved for Encumbrances
Reserved for Resort District
Reserved for Alcohol and Drug Treatment
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse
Reserved for Sexual Offender Registration
Reserved for Courtroom Security
Reserved for Victims Assistance Programs
Reserved for Computer System - Register
Reserved for Automation Purposes - General Sessions Court
Reserved for Automation Purposes - Chancery Court
Unreserved, Reported In:
General Fund
Special Revenue Funds
Debt Service Funds
Capital Projects Funds
Total Fund Balances

Total Liabilities and Fund Balances

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

Exhibit C-2

Decatur County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2008

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	6,150,692
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,563,324	
Add: construction in progress		1,576,800	
Add: buildings and improvements net of accumulated depreciation		2,413,310	
Add: infrastructure net of accumulated depreciation		3,446,441	
Add: other capital assets net of accumulated depreciation		<u>1,380,029</u>	10,379,904
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: bonds payable	\$	(18,290,000)	
Less: notes payable		(204,584)	
Less: capital leases payable		(58,451)	
Add: deferred charges - debt issuances costs		328,136	
Add: other deferred charges - discount on debt		6,939	
Less: other deferred revenue - premium on debt		(26,676)	
Less: compensated absences payable		(43,498)	
Less: accrued interest on bonds, note, and capital leases		(136,008)	
Less: other postemployment benefits payable		<u>(5,710)</u>	(18,429,852)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			
			<u>431,638</u>
Net assets of governmental activities (Exhibit A)		\$	<u>(1,467,618)</u>

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

Exhibit C-3

Deatur County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Highway/ Public Works	General Debt Service	General Capital Projects	Other Governmental Funds	Total Governmental Funds		
		General	Highway/ Public Works	General Debt Service			General Capital Projects	
<u>Revenues</u>								
Local Taxes	\$ 1,713,148	\$ 18,944	\$ 491,836	\$ 0	\$ 0	\$ 0	\$ 2,223,928	
Licenses and Permits	11,393	0	0	0	0	0	11,393	
Fines, Forfeitures, and Penalties	68,930	0	0	0	6,039	0	74,969	
Charges for Current Services	209,921	0	0	0	118,471	0	328,392	
Other Local Revenues	17,300	6,615	293,540	0	54,878	0	372,333	
Fees Received from County Officials	488,063	0	0	0	0	0	488,063	
State of Tennessee	1,210,701	1,940,270	37,167	11,369	3,812	0	3,203,319	
Federal Government	24,104	0	0	0	0	0	24,104	
Other Governments and Citizens Groups	111,667	0	764,368	0	0	0	876,035	
Total Revenues	\$ 3,855,227	\$ 1,965,829	\$ 1,586,911	\$ 11,369	\$ 183,200	\$ 0	\$ 7,602,536	
<u>Expenditures</u>								
Current:								
General Government	\$ 487,600	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	487,600	
Finance	351,554	0	0	0	0	0	351,554	
Administration of Justice	335,731	0	0	0	14,790	0	350,521	
Public Safety	1,823,307	0	0	0	58,711	0	1,882,018	
Public Health and Welfare	67,690	0	0	0	236,084	0	303,774	
Social, Cultural, and Recreational Services	332,549	0	0	0	0	0	332,549	
Agriculture and Natural Resources	48,282	0	0	0	0	0	48,282	
Other Operations	694,537	0	68,763	0	58,685	0	821,985	
Highways	0	1,694,759	0	0	0	0	1,694,759	
Debt Service:								
Principal on Debt	0	76,667	1,127,850	0	0	0	1,204,517	
Interest on Debt	0	61,787	656,418	0	0	0	718,205	
Other Debt Service	0	11,818	156,440	0	18,767	0	187,025	
Capital Projects	0	0	0	1,595,887	0	0	1,595,887	
Capital Projects - Donated	0	0	0	0	500,000	0	500,000	
Total Expenditures	\$ 4,141,250	\$ 1,845,031	\$ 2,009,471	\$ 1,595,887	\$ 887,037	\$ 0	\$ 10,478,676	
Excess (Deficiency) of Revenues Over Expenditures	\$ (286,023)	\$ 120,798	\$ (422,560)	\$ (1,584,518)	\$ (703,837)	\$ 0	\$ (2,876,140)	

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway/ Public Works	General Debt Service	General Capital Projects	Other Governmental Funds		
<u>Other Financing Sources (Uses)</u>							
Bonds Issued	\$ 0	\$ 0	\$ 3,840,000	\$ 0	\$ 0	\$ 520,000	\$ 4,360,000
Capital Leases Issued	90,510	0	0	0	0	0	90,510
Other Loans Issued	0	0	210,333	0	0	0	210,333
Insurance Recovery	40,613	0	0	0	0	0	40,613
Transfers In	0	0	0	0	0	75,000	75,000
Transfers Out	(75,000)	0	0	0	0	0	(75,000)
Discounts on Debt Issued	0	0	(5,742)	0	0	(1,233)	(6,975)
Payments to Refunded Debt Escrow Agent	0	0	(3,698,000)	0	0	0	(3,698,000)
Total Other Financing Sources (Uses)	\$ 56,123	\$ 0	\$ 346,591	\$ 0	\$ 0	\$ 593,767	\$ 996,481
Net Change in Fund Balances	\$ (229,900)	\$ 120,798	\$ (75,969)	\$ (1,584,518)	\$ (110,070)	\$ (110,070)	\$ (1,879,659)
Fund Balance, July 1, 2007	564,722	297,336	1,451,174	5,517,161	199,958	199,958	8,030,351
Fund Balance, June 30, 2008	\$ 334,822	\$ 418,134	\$ 1,375,205	\$ 3,932,643	\$ 89,888	\$ 89,888	\$ 6,150,692

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

Exhibit C-4

Decatur County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ (1,879,659)
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 2,367,904	
Less: current year depreciation expense	<u>(526,720)</u>	1,841,184
<p>(2) The net effect of various miscellaneous transactions involving capital assets (donations and disposals) is itemized as follows:</p>		
Add: gain on disposal of capital assets	\$ 17,219	
Less: proceeds received from the disposal of assets	<u>(51,000)</u>	(33,781)
<p>(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2008	\$ 431,638	
Less: deferred delinquent property taxes and other deferred June 30, 2007	<u>(381,925)</u>	49,713
<p>(4) The issuance of long-term debt (e.g., bonds, notes, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Less: bond proceeds	\$ (520,000)	
Less: other loans proceeds	(210,333)	
Less: capital leases proceeds	(90,510)	
Less: refunding bond/notes proceeds	(3,840,000)	
Add: change in premium on debt issuances	923	
Add: change in deferred debt issuance costs	126,864	
Add: change in discount on debt issuances	6,939	
Add: principal payments on notes	20,458	
Add: principal payments on bonds	755,000	
Add: principal payments on other loans	357,000	
Add: principal payments on capital leases	32,059	
Add: payment to refunding agent	<u>3,698,000</u>	336,400
<p>(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Change in accrued interest payable	\$ (9,304)	
Change in compensated absences payable	(5,428)	
Change in other postemployment benefits payable	<u>(5,710)</u>	(20,442)
Change in net assets of governmental activities (Exhibit B)		<u>\$ 293,415</u>

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

Exhibit D

Decatur County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2008

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 382,611
Due from Other Governments	<u>69,534</u>
Total Assets	<u>\$ 452,145</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 69,534
Due to Litigants, Heirs, and Others	<u>382,611</u>
Total Liabilities	<u>\$ 452,145</u>

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

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DECATUR COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

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

The Decatur County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Decatur County, and the Decatur County

Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval.

The Decatur County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Complete financial statements of the Decatur County General Hospital and the Decatur County Emergency Communications District can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Decatur County General Hospital
1200 Tennessee Avenue
Parsons, TN 38363

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Fiduciary fund financial statements are reported using the economic resources measurement focus (except for agency funds, which have no measurement focus) and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Decatur County reports the following major governmental funds:

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

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

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

General Capital Projects Fund – This fund is used to account for transactions involving the construction of a new jail.

Additionally, Decatur County reports the following fund type:

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

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

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

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Decatur County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service and General Purpose School funds. Decatur County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The

State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

All property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.04 percent of total taxes levied.

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

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

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

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

Retainage payable in the primary government's General Capital Projects Fund represents amounts withheld from payments made on construction contracts pending completion of the new jail. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the General Capital Projects Fund.

3. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more (buildings and improvements, equipment, and infrastructure at \$10,000) and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

4. **Compensated Absences**

It is the policy of Decatur County's General Fund to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since Decatur County does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide statements for the county and its discretely presented component units. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

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

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

5. **Long-term Obligations**

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

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

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a

liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences and other postemployment benefits, are recognized to the extent that the liabilities have matured (come due for payment) each period.

6. Net Assets and Fund Equity

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

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

The government-wide statement of net assets reports \$2,392,914 of restricted net assets, of which \$147,481 is restricted by enabling legislation.

As of June 30, 2008, Decatur County had \$7,817,860 in outstanding debt for capital purposes for the discretely presented Decatur County School Department. This debt is a liability of Decatur County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Decatur County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county’s capital assets.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Decatur County School Department

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

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

Primary Government

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

Discretely Presented Decatur County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

B. Expenditures Exceeded Appropriations

Expenditures exceeded total appropriations approved by the County Commission in the Drug Control (\$2,636) and General Debt Service (\$272,660) funds.

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

Fund	Major Appropriation Category	Amount Overspent
General	County Attorney	\$ 2,979
"	Circuit Court Clerk	163
"	Victims Assistance Programs	2,712
"	Sheriff's Department	17,899
"	Drug Enforcement	138
"	Jail	7,693
"	Other Emergency Management	3,713
"	Agriculture Extension Service	90
"	Other Charges	17,981
"	Employee Benefits	17,656
Highway/Public Works	Capital Outlay	67,021

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

C. A Lease-Purchase Agreement Was Not Authorized by the County Commission

On July 23, 2007, Decatur County entered into a two-year lease-purchase agreement for four patrol cars without the prior approval of the County Commission. Terms of the agreement require total lease payments of \$90,510 plus interest of 6.4 percent. Additionally, the office did not file a Report on Debt Obligation with the state director of Local Finance until November 21, 2008.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

Investments

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

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

Investment Balances. As of June 30, 2008, Decatur County had the following investments carried at cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Decatur County and the discretely presented Decatur County School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
State Treasurer's Investment Pool	Daily	\$ 4,984,728

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

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Decatur County has no investment policy that would further limit its investment choices. As of June 30, 2008, Decatur County's investment in the State Treasurer's Investment Pool was unrated.

B. Capital Assets

Capital assets activity for the year ended June 30, 2008, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Not Depreciated:				
Land	\$ 1,562,545	\$ 977	\$ 198	\$ 1,563,324
Construction in Progress	0	1,576,800	0	1,576,800
Total Capital Assets Not Depreciated	<u>\$ 1,562,545</u>	<u>\$ 1,577,777</u>	<u>\$ 198</u>	<u>\$ 3,140,124</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 3,478,882	\$ 0	\$ 0	\$ 3,478,882
Infrastructure	3,576,029	568,348	0	4,144,377
Other Capital Assets	2,864,454	221,779	62,000	3,024,233
Total Capital Assets Depreciated	<u>\$ 9,919,365</u>	<u>\$ 790,127</u>	<u>\$ 62,000</u>	<u>\$ 10,647,492</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 979,832	\$ 85,740	\$ 0	\$ 1,065,572
Infrastructure	495,183	202,753	0	697,936
Other Capital Assets	1,434,394	238,227	28,417	1,644,204
Total Accumulated Depreciation	<u>\$ 2,909,409</u>	<u>\$ 526,720</u>	<u>\$ 28,417</u>	<u>\$ 3,407,712</u>
Total Capital Assets Depreciated, Net	<u>\$ 7,009,956</u>	<u>\$ 263,407</u>	<u>\$ 33,583</u>	<u>\$ 7,239,780</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,572,501</u>	<u>\$ 1,841,184</u>	<u>\$ 33,781</u>	<u>\$ 10,379,904</u>

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

Governmental Activities:

General Administration	\$	33,944
Finance		2,146
Administration of Justice		3,997
Public Safety		97,497
Public Health and Welfare		41,144
Social, Cultural, and Recreational Services		40,010
Agriculture and Natural Resources		984
Other Operations		158
Highways/Public Works		<u>306,840</u>
Total Depreciation Expense - Governmental Activities	\$	<u>526,720</u>

Discretely Presented Decatur County School Department

Governmental Activities:

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Not Depreciated:				
Land	\$ 239,448	\$ 0	\$ 0	\$ 239,448
Total Capital Assets Not Depreciated	<u>\$ 239,448</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 239,448</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 13,982,166	\$ 23,700	\$ 0	\$ 14,005,866
Other Capital Assets	2,314,301	344,036	232,476	2,425,861
Total Capital Assets Depreciated	<u>\$ 16,296,467</u>	<u>\$ 367,736</u>	<u>\$ 232,476</u>	<u>\$ 16,431,727</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 5,674,365	\$ 479,096	\$ 0	\$ 6,153,461
Other Capital Assets	945,183	143,941	232,476	856,648
Total Accumulated Depreciation	<u>\$ 6,619,548</u>	<u>\$ 623,037</u>	<u>\$ 232,476</u>	<u>\$ 7,010,109</u>

Governmental Activities: (Cont.)

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Total Capital Assets Depreciated, Net	\$ 9,676,919	\$ (255,301)	\$ 0	\$ 9,421,618
Governmental Activities Capital Assets, Net	\$ 9,916,367	\$ (255,301)	\$ 0	\$ 9,661,066

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

Governmental Activities:

Instruction	\$ 421,963
Support Services	146,301
Operation of Non-Instructional Services	<u>54,773</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 623,037</u>

C. Construction Commitments

At June 30, 2008, the General Capital Projects Fund had uncompleted construction contracts of \$3,776,929 for the construction of a new jail. Funding has been received for these future expenditures.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2008, is as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 867
General Debt Service	General	200,000
General Debt Service	Nonmajor governmental	20,000
Discretely Presented School Department:		
General Purpose School	Nonmajor governmental	201,503

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:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:	Component Unit:	
General	School Department	\$ 28,319
General Debt Service	School Department	70,352
General Debt Service	General Hospital	<u>161,668</u>
Total		<u><u>\$ 260,339</u></u>

Interfund Transfers

Interfund transfers for the year ended June 30, 2008, consisted of the following amount:

Primary Government

<u>Transfer Out</u>	<u>Transfer In</u> Nonmajor Governmental Fund
General Fund	\$ 75,000

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 and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

E. Capital Leases

On July 23, 2007, Decatur County entered into a two-year lease-purchase agreement for Sheriff Department vehicles. The terms of the agreement require total lease payments of \$90,510 plus interest of 6.4 percent. Title to the vehicles transfers to Decatur County at the end of the lease period. The lease payments are made from the General Fund. This lease-purchase agreement was not entered into in compliance with state statutes.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2008, were as follows:

Year Ending June 30	Governmental Funds
2009	\$ 32,060
2010	32,061
Total Minimum Lease Payments	\$ 64,121
Amount Representing Interest	(5,670)
Present Value of Minimum Lease Payments	<u>\$ 58,451</u>

F. Long-term Debt

Primary Government

General Obligation Bonds and Notes

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

General obligation bonds, other loans, and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds, and capital outlay notes outstanding were issued for original terms of up to 30 years for bonds and up to 12 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 and notes included in long-term debt as of June 30, 2008, will be retired from the Highway/Public Works and General Debt Service funds.

General obligation bonds, capital outlay notes, and capital leases outstanding as of June 30, 2008, are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-08</u>
G.O. Improvement Bonds	2.2 to 4.25%	\$ 6,520,000	\$ 6,520,000
G.O. Bonds - Refunding	1.45 to 4	4,560,000	4,050,000
School Bonds - Refunding	1.45 to 4.25	10,720,000	7,720,000
Note Payable	4.05	245,500	204,584
Capital Lease	6.4	90,510	58,451

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2008, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2009	\$ 1,220,000	\$ 659,747	\$ 1,879,747
2010	1,265,000	623,802	1,888,802
2011	1,205,000	583,673	1,788,673
2012	1,250,000	544,801	1,794,801
2013	1,315,000	503,250	1,818,250
2014-2018	5,835,000	1,869,729	7,704,729
2019-2023	1,680,000	1,127,857	2,807,857
2024-2028	1,885,000	768,055	2,653,055
2029-2033	1,340,000	445,755	1,785,755
2034-2037	1,295,000	140,462	1,435,462
Total	<u>\$ 18,290,000</u>	<u>\$ 7,267,131</u>	<u>\$ 25,557,131</u>

Year Ending June 30	Notes		
	Principal	Interest	Total
2009	\$ 20,458	\$ 8,286	\$ 28,744
2010	20,458	7,457	27,915
2011	20,458	6,628	27,086
2012	20,458	5,800	26,258
2013	20,458	4,971	25,429
2014-2018	102,294	12,429	114,723
Total	<u>\$ 204,584</u>	<u>\$ 45,571</u>	<u>\$ 250,155</u>

There is \$1,375,205 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$1,559, based on the 2000 federal census. Debt per capita, including bonds, notes, and capital leases, totaled \$1,582, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

Governmental Activities:

	Bonds	Notes
Balance, July 1, 2007	\$ 14,685,000	\$ 225,042
Additions	4,360,000	0
Deductions	(755,000)	(20,458)
Balance, June 30, 2008	<u>\$ 18,290,000</u>	<u>\$ 204,584</u>
Balance Due Within One Year	<u>\$ 1,220,000</u>	<u>\$ 20,458</u>
	Other	Capital
	Loans	Leases
Balance, July 1, 2007	\$ 3,844,667	\$ 0
Additions	210,333	90,510
Deductions	(4,055,000)	(32,059)
Balance, June 30, 2008	<u>\$ 0</u>	<u>\$ 58,451</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 28,319</u>
	Other	
	Compensated Absences	Postemployment Benefits
Balance, July 1, 2007	\$ 38,070	\$ 0
Additions	30,956	9,452
Deductions	(25,528)	(3,742)
Balance, June 30, 2008	<u>\$ 43,498</u>	<u>\$ 5,710</u>
Balance Due Within One Year	<u>\$ 24,759</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 18,602,244
Less: Balance Due Within One Year	(1,293,536)
Add: Unamortized Premium on Debt	26,675
Less: Deferred Discount on Debt	<u>(6,939)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 17,328,444</u>

Compensated absences will be paid from the employing fund, which is the General Fund. Other postemployment benefits will be paid from the employing funds, primarily the General Fund.

Current Refunding

During the year, Decatur County issued \$3,840,000 of fixed rate general obligation refunding bonds to provide resources for the current refunding of two variable rate loan agreements. As a result, the refunded loans were redeemed and the liabilities have been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$1,772. This amount is netted against the new debt and amortized over the remaining life of the new debt. The refunded debt issues had maturity dates of May 25, 2014, (\$1,901,000) and May 27, 2026, (\$1,797,000). The refunding bonds issued in June 2008 have a maturity date of June 1, 2027. As a result, total debt service payments have been extended for 13 years and one year, respectively, for the two refunded issues. The county was not able to estimate the cumulative savings or economic gain due to the transaction involving the conversion of variable interest rate debt to fixed interest rate debt.

Discretely Presented Decatur County School Department

The county issued capital outlay notes to provide funds for school energy efficiency improvements. Capital outlay notes can also be issued to fund capital facilities and other capital outlay purchases, such as equipment.

Capital outlay notes are direct obligations and pledge the full faith and credit of the government. Capital outlay notes were issued for original terms of up to seven years. The capital outlay notes outstanding as of June 30, 2008, will be retired from the General Purpose School Fund.

Capital outlay notes outstanding as of June 30, 2008, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance
Capital Outlay Note	0%	\$ 427,694	\$ 427,694

The annual requirements to amortize all notes outstanding as of June 30, 2008, are presented in the following table:

Year Ending June 30	Note Principal
2009	\$ 61,099
2010	61,099
2011	61,099
2012	61,099
2013	61,099
2014-2015	122,199
Total	\$ 427,694

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Decatur County School Department for the year ended June 30, 2008, was as follows:

Governmental Activities:

	Notes	Other Postemployment Benefits
Balance, July 1, 2007	\$ 0	\$ 0
Additions	427,694	89,861
Deductions	0	(31,963)
Balance, June 30, 2008	\$ 427,694	\$ 57,898
Balance Due Within One Year	\$ 61,099	\$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 485,592
Less: Balance Due Within One Year	<u>(61,099)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 424,493</u>

Other postemployment benefits will be paid from the employing funds, the General Purpose School and School Federal Projects funds.

G. Pledges of Future Revenues

Local Option Sales Tax Revenues Pledged

In 1997, the citizens of Decatur County voted to increase the local option sales tax rate from 1.5 percent to 2.5 percent. Decatur County, the City of Parsons, the City of Decaturville, the City of Scotts Hill, and the Decatur County School Department have pledged their additional sales tax collections generated from the one percent increase to repay \$10 million in general obligation bonds issued in June 1998 to finance the construction of new school buildings. The bonds are also guaranteed by the county in the event the additional sales tax revenues are insufficient to meet the debt service requirements on the bonds. Total principal and interest requirements for the bonds are \$9,295,913, payable semiannually through June 2018. For the current year, principal and interest paid and sales tax revenues generated by the increase were \$942,380 and \$793,363, respectively.

H. On-Behalf Payments – Discretely Presented Decatur County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Decatur County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2008, were \$28,840 and \$7,200, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

I. Short-term Debt

In-lieu-of issuing debt with financial institutions, Decatur County chose to internally finance short-term debt with idle funds from the General Debt Service Fund. Decatur County issued tax and revenue anticipation notes to provide temporary operating funds for the General (\$200,000) and Solid

Waste/Sanitation funds (\$20,000). These notes were necessary because funds were not available for operating expenses coming due before receipt of local and state revenues. These notes were not retired prior to June 30, 2008, as required by state statute, and therefore have been reflected in the financial statements of this report as due to/from other funds. Short-term debt activity for the year ended June 30, 2008, was as follows:

	Balance 7-1-07	Issued	Redeemed	Balance 6-30-08
Tax and Revenue Anticipation Notes	\$ 0	\$ 220,000	\$ 0	\$ 220,000

V. **OTHER INFORMATION**

A. **Risk Management**

Primary Government

Liability, Property, and Casualty

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

Decatur County provides health insurance coverage to its general government employees (excluding the Highway Department) 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 (TCA), 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.

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

Workers' Compensation Insurance

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

Discretely Presented Decatur County School Department

Liability, Property, Casualty, and Workers' Compensation Insurance

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

Employee Health Insurance

The School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, TCA, all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, TCA, provides for the LEGIF to be self-sustaining through member premiums.

B. Accounting Changes

Provisions of Governmental Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures became effective for the year ended June 30, 2008.

GASB Statement No. 45 establishes reporting requirements for Other Postemployment Benefits (OPEB). OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (for example, life and dental insurance) when provided separately from a pension plan. This statement establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the county's financial statements. In previous years, Decatur County and the Decatur County School Department had only recognized the current year cost (expense) of these benefits. GASB Statement No. 45 was implemented prospectively with a zero net OPEB obligation at transition.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions are sales or collateralized borrowings and provides guidance on how to account for sales or pledges of receivables or future revenues. This statement provides additional guidance for sales of receivables and future revenues within the same reporting entity. This statement also requires governments to disclose, in the notes to the financial statements, the nature of any receivables or future revenues that have been pledged or sold. Tennessee state statutes do not currently allow counties to sell or pledge receivables or sell future revenue streams. Therefore, those provisions of GASB Statement No. 48 that pertain to the sale or pledge receivables or sale of future revenues will not apply to Decatur County. Decatur County previously did not disclose the nature of its pledged revenue streams.

GASB Statement No. 50 amends previous guidance concerning pension information. This statement closely aligns the financial reporting requirements for pensions with those for other postemployment benefits and enhances the information disclosed in the notes to the financial statements or presented as required supplementary information for pension plans. This statement requires Decatur County to provide additional and more detailed pension plan note disclosures than in previous years.

C. Subsequent Events

On August 27, 2008, Decatur County entered into a lease-purchase agreement totaling \$22,589 for a Sheriff Department vehicle. This lease-purchase agreement was not entered into in compliance with state statutes.

On August 14, 2008, the county's General Debt Service Fund issued a \$75,952 tax anticipation note to the Solid Waste/Sanitation Fund for temporary operating funds.

On September 26, 2008, the county's General Debt Service Fund issued a \$200,000 tax anticipation note to the General Fund for temporary operating funds.

D. Contingent Liabilities

Decatur County is contingently liable for certain Hospital Revenue and Tax Refunding Bonds, Series 1999, of the Decatur County General Hospital. Decatur County would become liable for these bonds and the interest thereon in the event of default by the hospital. The principal of these revenue bonds is reflected on the financial statements of the Decatur County General Hospital. As of June 30, 2008, future principal and interest requirements were \$1,195,000 and \$397,120, respectively.

Decatur County is contingently liable for a state revolving fund loan of the Benton Decatur Special Sewer District. Decatur County would become liable for this loan and the interest thereon in the event of default by the sewer district. As of June 30, 2008, the outstanding balance of this loan was \$1,068,473.

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

E. Change in Administration

County Clerk Randy Pope died on January 31, 2008. On February 25, 2008, the County Commission appointed Gwen Pope to serve as county clerk until the next general election.

F. Joint Ventures

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

The Beech River Regional Airport was established through a joint operations agreement between Decatur County, Henderson County, the City of Parsons, and the City of Lexington. The agreement created the Beech River Regional Airport Board to plan, develop, and maintain a regional airport that will economically benefit all residents of the two-county area. The board comprises nine members, two from each governmental unit and one appointed by the governmental entities on a yearly rotation basis. Each

participant retains a 25 percent ownership in the airport. During the year ended June 30, 2008, the county appropriated an operating subsidy of \$29,481 to the airport.

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

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

Administrative Offices:

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

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

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

G. Retirement Commitments

Employees

Plan Description

Employees of Decatur County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of

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

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

Funding Policy

Decatur County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2008, was 4.78 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Decatur County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2008, Decatur County's annual pension cost of \$139,905 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2005, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), and (c) projected 3.5 percent annual increase in the Social Security wage base. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Decatur County's unfunded actuarial accrued liability is being

amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was 13 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-08	\$139,905	100%	\$0
6-30-07	135,362	100	0
6-30-06	99,864	100	0

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 85.34 percent funded. The actuarial accrued liability for benefits was \$2.98 million, and the actuarial value of assets was \$2.54 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.44 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.76 million, and the ratio of the UAAL to the covered payroll was 15.84 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

School Teachers

Plan Description

The Decatur County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members

and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the 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.tn.gov/treasury/tcrs>.

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 School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2008, was 6.24 percent of annual covered payroll. The employer contribution requirement for the 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, 2008, 2007, and 2006, were \$398,242, \$368,043, and \$328,043, respectively, equal to the required contributions for each year.

H. Other Postemployment Benefits (OPEB)

Plan Description

Decatur County and the School Department participate in the state-administered Local Government Group Insurance Plan and Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-302, Tennessee Code Annotated (TCA), for teachers and Section 8-27-207, TCA, for local governments. Prior to reaching age 65,

all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of the plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year ended June 30, 2008, Decatur County and the discretely presented Decatur County School Department contributed \$3,742 and \$31,963, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 89,861	\$ 9,452
Interest on the NPO	0	0
Adjustment to the ARC	0	0
Annual OPEB cost	\$ 89,861	\$ 9,452
Less: Amount of contribution	(31,963)	(3,742)
Increase/decrease in NPO	\$ 57,898	\$ 5,710
Net OPEB obligation, 7-1-07	0	0
Net OPEB obligation, 6-30-08	<u>\$ 57,898</u>	<u>\$ 5,710</u>

Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-08	Local Education Group	\$ 89,861	36%	\$ 57,898
6-30-08	Local Government Group	9,452	40	5,711

*Data not available for two preceding years.

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2008, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	6-30-07	6-30-07
Actuarial accrued liability (AAL)	\$ 858,264	\$ 63,212
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 858,264	\$ 63,212
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 6,268,911	\$ 2,013,600
UAAL as a % of covered payroll	14%	3%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that

are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the June 30, 2007, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of six percent after ten years. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

I. Purchasing Laws

Office of County Mayor

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

Office of Road Supervisor

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

Office of Director of Schools

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

VI. OTHER NOTES – DISCRETELY PRESENTED DECATUR COUNTY GENERAL HOSPITAL

A. General

Decatur County General Hospital is a political subdivision of Decatur County, Tennessee. The hospital is a 40-bed community hospital located in Parsons, Tennessee, that provides health care services to patients primarily in the Decatur County area. The Decatur County Emergency Medical Service is considered a department of the hospital and is consolidated within these financial statements. The hospital is governed by a Board of Trustees under

the authority of the Board of Commissioners of the county. The Board of County Commissioners appoints the Board of Trustees of the hospital, which may not issue debt without the county's approval. Under accounting principles generally accepted in the United States of America, the hospital constitutes a component unit of the county for financial reporting purposes.

B. Summary of Significant Accounting Policies

The hospital utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis.

1. Basis of Presentation

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that do not conflict with or contradict GASB pronouncements.

2. Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are defined as cash on hand or in banks with original maturities at date of purchase of less than three months.

The hospital maintains checking accounts with local banks. The hospital's investment policies are governed by state statute. Included in permissible investments are direct obligations of the U.S. Government and agency securities, certificates of deposit, and savings accounts. The hospital has no policy that further limits allowable investments. At June 30, 2008, the hospital had no investments.

For deposits, custodial credit risk is the risk that, in the event of a bank failure, the hospital's deposits may not be returned to it. Collateral is required for demand deposits and certificates of deposit at 105 percent of all amounts not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of Tennessee and its subdivisions. All of the hospital's cash and cash equivalents are insured and collateralized by securities held by the financial institutions' trust department in the hospital's name.

3. Inventories

Supplies are stated at the lower of cost, determined on the first-in, first-out (FIFO) basis, or market (net realizable value).

4. Compensated Absences

The hospital provides its full-time and part-time employees with paid days off for holiday, vacation, sick leave, and bereavement absences. The paid days off begin accruing after a six month probationary period and are based on the table which follows. Such days may be taken only after the employee has earned them. At the end of each fiscal year, employees may choose to be paid the remainder of their annual accrual at a rate of \$.75 on the dollar. All earned days must be taken or paid out annually, except that an employee may carry forward up to 240 hours with less than five years of employment and up to 320 hours with five or more years of employment. Such liabilities have been accrued in the accompanying statement of net assets.

Full-time Employees

Years of Service	Hours earned per year
0-1	176
2-4	210
5-14	251
15 or more	270

Part-time Employees

Years of Service	Hours earned per hour worked
0-1	0.08461
2-4	0.10096
5-14	0.12067
15 or more	0.12989

5. Property and Equipment

Property and equipment acquisitions are recorded at cost. The hospital capitalizes purchases that cost a minimum of \$500 and have a useful life greater than one year. Assets are depreciated on a straight-line basis over their estimated useful lives as follows: land improvements 5-15 years; buildings and improvements 15-42 years; fixed equipment 5-38 years; and movable equipment 3-20 years.

6. Patient Service Revenue

The hospital has agreements with third-party payors that provide for payments to the hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient service revenue is net of contractual adjustments and policy discounts of approximately \$9,800,000 for the year ended June 30, 2008. Approximately 55 percent and 13 percent of net patient service revenue was from Medicare and Medicaid/TennCare, respectively, for the year ended June 30, 2008.

7. Risk Management

The hospital is exposed to various risks of loss from medical malpractice; torts; thefts of, damage to, and destruction of assets; business interruption; errors and omissions; and natural disasters. Commercial insurance is purchased for claims arising from such matters.

8. Income Taxes

The hospital is a not-for-profit corporation as described in Chapter 176 of the Private Acts and is exempt from federal income taxes pursuant to Section 115 of the Internal Revenue Code.

9. Long-lived Assets

Management evaluates the recoverability of its investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

10. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets

and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

11. Net Assets

All resources that are not restricted by donors are included in unrestricted net assets. Resources temporarily restricted by donors for specific purposes are reported as temporarily restricted net assets. When specific purposes are achieved, either through passage of a stipulated time or the purpose for restriction is accomplished, they are classified to unrestricted net assets and reported in the statement of revenues, expenses, and changes in net assets. Resources temporarily restricted by donors for additions to land, buildings, and equipment are initially reported as temporarily restricted net assets and are transferred to unrestricted net assets when expended. Donor-imposed restrictions, which stipulate that the resources be maintained permanently, are reported as permanently restricted net assets. Investment income for the permanently restricted net assets is classified as either temporarily restricted or unrestricted based on the intent of the donor. As of June 30, 2008, there were no permanently or temporarily restricted net assets.

12. Performance Indicator

Excess of expenses over revenue reflected in the accompanying statements of revenue, expenses, and changes in net assets is a performance indicator.

C. Third-party Reimbursement Programs

The hospital receives revenue under various third-party reimbursement programs which include Medicare, TennCare, and other third-party payors. Contractual adjustments under third-party reimbursement programs represent the difference between the hospital's billings at its established rates and the amounts reimbursed by third-party payors. They also include any differences between estimated third-party reimbursement settlements for prior years and subsequent tentative or final settlements. The adjustments resulting from tentative or final settlements to estimated reimbursement amounts resulted in a decrease to revenue of approximately \$4,000 for the year ended June 30, 2008.

1. Medicare – Hospital

Inpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates are according to a patient classification system that is based on clinical, diagnostic, and other factors. Effective August 1, 2001, outpatient

services are to be paid based on a methodology similar to inpatient services. The hospital's Medicare cost reports have been audited through June 30, 2006.

2. Blue Cross

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

3. TennCare

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

4. Commercial Payors

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

5. Credit Concentration

The hospital grants credit to patients and generally does not require collateral or other security in extending credit; however, it routinely obtains assignment of (or is otherwise entitled to) patients' benefits payable under their health insurance programs, plans, or policies. At June 30, 2008, the hospital had net receivables from the federal government (Medicare) of approximately \$825,000 and from Medicaid/TennCare of approximately \$260,000.

D. Property and Equipment

The major classifications and changes in property and equipment as of and for the year ended June 30, 2008, are as follows:

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets				
Not Depreciated:				
Land	\$ 81,696	\$ 0	\$ 0	\$ 81,696
Capital Assets Depreciated:				
Land Improvements	\$ 153,221	\$ 0	\$ 0	\$ 153,221
Buildings	2,722,899	10,480	0	2,733,379
Machinery and Equipment	5,217,409	333,089	46,013	5,504,485
Total Capital Assets Depreciated	\$ 8,093,529	\$ 343,569	\$ 46,013	\$ 8,391,085
Less Accumulated Depreciation For:				
Land Improvements	\$ 150,450	\$ 2,658	\$ 0	\$ 153,108
Buildings	1,329,534	80,312	0	1,409,846
Machinery and Equipment	3,855,076	364,986	33,399	4,186,663
Total Accumulated Depreciation	\$ 5,335,060	\$ 447,956	\$ 33,399	\$ 5,749,617
Total Capital Assets Depreciated, Net	\$ 2,758,469	\$ (104,387)	\$ 12,614	\$ 2,641,468
Total Capital Assets, Net	\$ 2,840,165	\$ (104,387)	\$ 12,614	\$ 2,723,164

E. Long-term Debt

A schedule of changes in the hospital's long-term debt as of and for the year ended June 30, 2008 is as follows:

	Balance			Balance	Amounts
	7-1-07	Additions	Reductions	6-30-08	Due Within
					One Year
G.O. Bonds	\$ 194,330	\$ 0	\$ (62,518)	\$ 131,812	\$ 75,740
Revenue and Tax					
Bonds	1,300,000	0	(35,000)	1,265,000	110,000
Deferred loss on					
bond refunding	(25,210)	0	3,601	(21,609)	0
Notes Payable	599,038	1,096,637	(358,965)	1,336,710	1,336,710
Total	\$ 2,068,158	\$ 1,096,637	\$ (452,882)	\$ 2,711,913	\$ 1,522,450

General Obligation Refunding Bonds, Series 2003, dated January 24, 2003, were issued for the purpose of advance refunding Series 1995 bonds. They are due in annual principal installments through 2010 and semiannual installments of interest ranging from 1.45 to 3.2 percent. The bonds are secured by ad valorem taxes. The county pays the first \$35,000 annually. The hospital remits funds to the county for the requirements above that amount.

Hospital Revenue and Tax Refunding and Improvement Bonds Series 1999, dated April 1, 1999, were issued for the purpose of (a) advance refunding of Series 1994 bonds, and (b) financing the construction of additions to and equipping of the hospital. They are due in annual principal installments through 2019 and semiannual installments of interest ranging from 4.4 to 5.4 percent. Hospital revenues are the source of payment. The hospital remits funds to the county in amounts that are sufficient to cover the scheduled debt service payments. The hospital incurred a loss on bond refunding related to these notes that will be amortized over the life of the bonds. The deferred loss has a balance of \$21,609 as of June 30, 2008.

Borrowings from local banks consisted of five notes throughout the year with four outstanding at year end. Each note bears interest at prime (5 percent as of June 30, 2008). Three of the outstanding notes with a balance of \$796,722 as of June 30, 2008, mature October 2008. The fourth outstanding note with a balance of \$539,988 as of June 30, 2008, matures December 2008. All of the notes are secured by certain equipment and accounts receivable. The notes have periodic interest only payments with the balance due at maturity.

A summary of future maturities and interest of long-term debt as of June 30, 2008, is as follows:

Year Ending June 30	Principal	Estimated Interest	Total
2009	\$ 1,522,450	\$ 96,000	\$ 1,618,450
2010	101,072	58,000	159,072
2011	105,000	53,000	158,000
2012	110,000	48,000	158,000
2013	110,000	43,000	153,000
2014-2018	635,000	135,000	770,000
2019	150,000	8,000	158,000
Total	<u>\$ 2,733,522</u>	<u>\$ 441,000</u>	<u>\$ 3,174,522</u>

F. Compliance with Finance-related Legal and Contractual Provisions

Decatur County has an understanding with the hospital that the county will pay the first \$35,000 each year, and the hospital will pay the balance required to service the 2003 bonds. In addition, the hospital is to pay all amounts required to service the 1999 bonds. At June 30, 2008, the hospital was in arrears \$89,670 of being current with its required principal payments. The hospital also has approximately \$80,000 in delinquent interest payments due to Decatur County at June 30, 2008.

G. Pension Plan

The hospital established a defined contribution, noncontributory employee retirement plan effective January 1, 1988. The plan has been amended at various times since 1988 and is maintained on a calendar year basis. The hospital's contributions for each employee are fully vested after ten years of continuous service. Pension expense for the fiscal year 2008 was \$207,893. Benefits of \$269,589, established when the plan was adopted, are being amortized over 43 years, based on the expected future service periods of the original eligible employees.

H. Related Party Transactions

In 2003, Decatur County issued general obligation refunding bonds, a portion of which was used to refinance Series 1995 bonds. The hospital portion of these bonds is included in the accompanying statement of net assets and is being retired over an eight-year period. The county pays a portion of the annual principal and interest with the hospital funding the remainder. Payments made by the county during the year ended June 30, 2007, totaled \$35,000. The hospital is also required to remit funds to the county sufficient to retire the 1999 bonds.

I. Commitments and Contingencies

The hospital maintains commercial insurance on a claims-made basis for medical malpractice liabilities. Insurance coverages are \$300,000 individually and \$700,000 in the aggregate annually, which is consistent with current litigation settlement limitations established by the State of Tennessee for governmental entities. Management intends to maintain such coverages in the future. The hospital is involved in litigation arising in the ordinary course of business; however, management is of the opinion that insurance coverages are adequate to cover any potential losses on asserted claims. Management is unaware of any incidents that would ultimately result in a loss in excess of the hospital's insurance coverages.

Management continues to implement policies, procedures, and compliance overview of organizational structure to enforce and monitor compliance with Health Insurance Portability and Accountability Act of 1996 and other government statutes and regulations. The medical center's compliance with such laws and regulations is subject to future government review and interpretations, as well as regulatory actions, which are unknown or unasserted at this time.

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

A. General Information

1. GASB Conformity

The financial statements included herein are prepared in conformity with generally accepted accounting principles as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement 20 - "Election of a Reporting Method" - required the Decatur County Emergency Communication District to elect either (1) all provisions of the Financial Accounting Standards Board (FASB) issued prior to 1989 for proprietary type funds, or (2) all of the provisions of FASB regardless of the issue date for proprietary type funds. The district elected to adopt only the provisions of FASB prior to 1989.

2. Component Unit

The district provides 911 emergency assistance to persons living in Decatur County. The district is a component unit of Decatur County. Accordingly, this financial data is incorporated into the county's financial statements. The district is governed by nine members who serve staggered four-year terms. Board members are appointed by the county mayor and ratified by the Decatur County Commission. The

Decatur County Commission pays for dispatchers salaries and benefits and furnishes the district's operating headquarters. The district pays the Decatur County Commission \$4/hour per district employee and pays all of the salary of one employee, which is shown as contracts with governmental agencies expense.

B. Summary of Significant Accounting Policies

1. Basis of Accounting

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

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

2. Capital Assets

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

Gains and losses from the sale of capital assets are reflected in operations, and the asset accounts and related allowances for depreciation are reduced. Also, depreciation expense on all depreciable items is systematically charged against operations using the straight-line method over their estimated useful lives. Any related interest cost is also added to the cost of the asset as appropriate.

3. Operating Revenues and Expenses

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

4. Fund Accounting

The accounts of the district are organized on the basis of funds. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. Each fund is accounted for with a separate set of self-balancing accounts that

comprise its assets, liabilities, fund equity, revenues, and expenses, as appropriate. The accounts in the financial statements in this report fall under one broad fund category as follows:

Proprietary Funds

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

C. Revenues

Revenues are derived from telephone customers in the area served by the district. The telephone company collects the fees on the monthly telephone bills (\$.65 per residence line and \$2 per business line) and remits them to the district. Revenues are also derived from wireless charges from cellular phone fees. The State of Tennessee collects these fees and remits them to the district bimonthly.

D. Risk Management

All of the district's capital assets are located in or on facilities owned by Decatur County. The district owns all office and communications equipment. The district is exposed to loss of personal property by fire, accident, or an act of God, as well as tort liabilities and errors and omissions. The district insures against these risks through commercial insurance coverage taken by the Decatur County Mayor. It is also named as a component unit of Decatur County for basic general liability coverage of up to \$1,000,000 per liability. The district has had no insurance settlements in excess of insurance coverage during the past three years.

E. Cash and Cash Equivalents

Cash and cash equivalents include demand deposit accounts and certificates of deposit with original maturities of three months or less when purchased.

F. Capital Assets

Capital assets activity for the year ended June 30, 2008, was as follows:

	Balance		Balance
	7-1-07	Increases	6-30-08
Capital Assets Depreciated:			
Land Improvements	\$ 7,829	\$ 0	\$ 7,829
Capital Equipment	443,315	0	443,315
Office Furniture and Equipment	28,382	0	28,382
Total Capital Assets Depreciated	<u>\$ 479,526</u>	<u>\$ 0</u>	<u>\$ 479,526</u>
Less Accumulated Depreciation For:			
Land Improvements	\$ 6,030	\$ 381	\$ 6,411
Capital Equipment	261,184	32,974	294,158
Office Furniture and Equipment	26,905	1,314	28,219
Total Accumulated Depreciation	<u>\$ 294,119</u>	<u>\$ 34,669</u>	<u>\$ 328,788</u>
Total Capital Assets, Net	<u>\$ 185,407</u>	<u>\$ (34,669)</u>	<u>\$ 150,738</u>

Depreciation expense of \$34,669 was recorded by the district.

G. Stewardship, Compliance, and Accountability

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

1. Deposits and Investments

The district's investment policies are governed by state statute. Included in permissible investments are direct obligations of the U.S. government and agency securities, certificates of deposit, and savings accounts. The district has no policy that further limits allowable investments. At June 30, 2008, investments consisted entirely of a certificate of deposit with a local depository. Investments are carried at cost, which approximates fair value.

For deposits and investments, custodial credit risk is the risk that, in the event of a bank failure, the district's deposits may not be returned to it. The district does not have a policy regarding custodial credit risk for deposits. Collateral is required for demand deposits and certificates of deposit at 105 percent of all amounts not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of Tennessee and its subdivisions. As of June 30, 2008, the district's bank balances were partially exposed to custodial credit risk since \$62,745 of the district's cash was

uncollateralized due to this amount exceeding both the FDIC insured amount and the fair market value of pledged collateral.

2. Budget Appropriations

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

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

H. Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

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Exhibit E-1

Decatur County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,713,148	\$ 1,822,989	\$ 1,822,989	\$ (109,841)
Licenses and Permits	11,393	5,900	5,900	5,493
Fines, Forfeitures, and Penalties	68,930	51,200	51,200	17,730
Charges for Current Services	209,921	206,425	227,547	(17,626)
Other Local Revenues	17,300	18,850	19,490	(2,190)
Fees Received from County Officials	488,063	464,500	464,500	23,563
State of Tennessee	1,210,701	1,103,080	1,254,608	(43,907)
Federal Government	24,104	0	0	24,104
Other Governments and Citizens Groups	111,667	0	0	111,667
Total Revenues	\$ 3,855,227	\$ 3,672,944	\$ 3,846,234	\$ 8,993
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 30,369	\$ 35,000	\$ 35,000	\$ 4,631
Board of Equalization	1,500	1,500	1,500	0
Beer Board	1,300	2,000	2,000	700
Other Boards and Committees	0	6,500	6,500	6,500
County Mayor/Executive	115,026	114,534	115,028	2
Personnel Office	8,119	8,650	8,156	37
County Attorney	12,979	10,000	10,000	(2,979)
Election Commission	114,902	124,474	126,367	11,465
Register of Deeds	81,916	85,330	85,330	3,414
County Buildings	121,489	116,109	124,109	2,620
<u>Finance</u>				
Property Assessor's Office	113,083	120,199	120,199	7,116
Reappraisal Program	15,822	17,363	17,363	1,541
County Trustee's Office	114,261	114,479	114,478	217
County Clerk's Office	108,388	113,499	113,499	5,111
<u>Administration of Justice</u>				
Circuit Court Clerk	118,935	118,772	118,772	(163)
General Sessions Judge	94,369	85,526	94,684	315
Drug Court	7,846	0	7,846	0
Chancery Court	79,851	82,113	82,113	2,262
Juvenile Court	32,018	33,358	33,358	1,340
Victims Assistance Programs	2,712	0	0	(2,712)
<u>Public Safety</u>				
Sheriff's Department	769,102	618,142	751,203	(17,899)
Drug Enforcement	138	0	0	(138)
Jail	135,380	112,628	127,687	(7,693)
Juvenile Services	74,060	82,785	76,711	2,651
Work Release Program	407,647	342,999	463,751	56,104
Fire Prevention and Control	120,427	84,030	127,632	7,205
Civil Defense	59,554	56,316	60,954	1,400

(Continued)

Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Safety (Cont.)</u>				
Rescue Squad	\$ 12,000	\$ 10,000	\$ 12,000	\$ 0
Other Emergency Management	226,132	222,419	222,419	(3,713)
County Coroner/Medical Examiner	17,200	20,000	20,000	2,800
Other Public Safety	1,667	2,333	2,333	666
<u>Public Health and Welfare</u>				
Local Health Center	34,132	41,200	41,200	7,068
Crippled Children Services	796	796	796	0
General Welfare Assistance	5,000	5,000	5,000	0
Aid to Dependent Children	1,262	2,500	2,500	1,238
Sanitation Education/Information	22,722	29,237	29,237	6,515
Other Public Health and Welfare	3,778	7,703	7,703	3,925
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	65,078	65,110	65,109	31
Libraries	63,432	61,613	66,908	3,476
Parks and Fair Boards	204,039	242,790	242,790	38,751
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	42,982	42,892	42,892	(90)
Forest Service	2,000	2,000	2,000	0
Soil Conservation	3,300	3,300	3,300	0
<u>Other Operations</u>				
Tourism	22,544	9,200	30,282	7,738
Industrial Development	54,337	61,200	61,200	6,863
Airport	29,481	20,987	29,481	0
Veterans' Services	9,942	10,522	10,522	580
Other Charges	172,812	154,500	154,831	(17,981)
Employee Benefits	380,399	357,000	362,743	(17,656)
Miscellaneous	25,022	25,865	26,897	1,875
Total Expenditures	\$ 4,141,250	\$ 3,884,473	\$ 4,266,383	\$ 125,133
Excess (Deficiency) of Revenues Over Expenditures	\$ (286,023)	\$ (211,529)	\$ (420,149)	\$ 134,126
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 90,510	\$ 0	\$ 90,510	\$ 0
Insurance Recovery	40,613	0	61,649	(21,036)
Transfers Out	(75,000)	0	(75,000)	0
Total Other Financing Sources (Uses)	\$ 56,123	\$ 0	\$ 77,159	\$ (21,036)
Net Change in Fund Balance	\$ (229,900)	\$ (211,529)	\$ (342,990)	\$ 113,090
Fund Balance, July 1, 2007	564,722	360,306	360,306	204,416
Fund Balance, June 30, 2008	\$ 334,822	\$ 148,777	\$ 17,316	\$ 317,506

Exhibit E-2

Decatur County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 18,944	\$ 46,000	\$ 46,000	\$ (27,056)
Other Local Revenues	6,615	31,500	31,500	(24,885)
State of Tennessee	1,940,270	1,855,589	1,855,589	84,681
Total Revenues	<u>\$ 1,965,829</u>	<u>\$ 1,933,089</u>	<u>\$ 1,933,089</u>	<u>\$ 32,740</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 133,507	\$ 138,664	\$ 134,563	\$ 1,056
Highway and Bridge Maintenance	518,535	501,050	543,948	25,413
Operation and Maintenance of Equipment	185,439	248,000	188,340	2,901
Other Charges	89,297	95,558	89,719	422
Employee Benefits	151,656	183,320	173,870	22,214
Capital Outlay	616,325	513,152	549,304	(67,021)
<u>Principal on Debt</u>				
Highways and Streets	76,667	287,000	287,000	210,333
<u>Interest on Debt</u>				
Highways and Streets	61,787	97,384	96,974	35,187
<u>Other Debt Service</u>				
Highways and Streets	11,818	11,408	11,818	0
Total Expenditures	<u>\$ 1,845,031</u>	<u>\$ 2,075,536</u>	<u>\$ 2,075,536</u>	<u>\$ 230,505</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 120,798</u>	<u>\$ (142,447)</u>	<u>\$ (142,447)</u>	<u>\$ 263,245</u>
Net Change in Fund Balance	\$ 120,798	\$ (142,447)	\$ (142,447)	\$ 263,245
Fund Balance, July 1, 2007	<u>297,336</u>	<u>147,844</u>	<u>147,844</u>	<u>149,492</u>
Fund Balance, June 30, 2008	<u>\$ 418,134</u>	<u>\$ 5,397</u>	<u>\$ 5,397</u>	<u>\$ 412,737</u>

Exhibit E-3

Decatur County, Tennessee
Schedule of Funding Progress – Pension Plan
June 30, 2008

(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)
6-30-07	\$ 2,549	\$ 2,987	\$ 438	85.34 %	\$ 2,766	15.84 %

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made during the year; therefore, only the most current year is presented.

Exhibit E-4

Decatur County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented Decatur County School Department
June 30, 2008

(Dollar amounts in thousands)

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll (b-a)/c)
<u>PRIMARY GOVERNMENT</u>							
Local Government Group Plan	6-30-07	\$ 0	\$ 63	\$ 63	0 %	\$ 2,013	3 %
<u>DISCRETELY PRESENTED DECATUR COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group Plan	6-30-07	0	858	858	0	6,269	14

Data not available for preceding two years

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DECATUR COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2008

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

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

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

B. EXPENDITURES EXCEEDED APPROPRIATIONS

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

<u>Fund</u>	<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
General	County Attorney	\$ 2,979
"	Circuit Court Clerk	163
"	Victims Assistance Programs	2,712
"	Sheriff's Department	17,899
"	Drug Enforcement	138
"	Jail	7,693
"	Other Emergency Management	3,713
"	Agriculture Extension Service	90
"	Other Charges	17,981
"	Employee Benefits	17,656
Highway/Public Works	Capital Outlay	67,021

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

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

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Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

Capital Projects Funds

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

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

Other Capital Projects Fund – The Other Capital Projects Fund was used to account for bond proceeds remitted to the City of Parsons for the county’s part of the UT Martin campus at Parsons.

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Exhibit F-1

Decatur County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2008

	Special Revenue Funds				Total	Capital Projects Fund		Total Nonmajor Governmental Funds
	Solid Waste/ Sanitation	Drug Control	Constitutional Officers - Fees	Community Development/ Industrial Park		Community Development/ Industrial Park	Nonmajor Governmental Funds	
Cash	\$ 0	\$ 0	\$ 348	\$ 348	\$ 348	\$ 0	\$ 348	
Equity in Pooled Cash and Investments	32,235	16,703	0	48,938	55,284	0	104,222	
Accounts Receivable	8,605	0	72	8,677	0	0	8,677	
Property Taxes Receivable	39,466	0	0	39,466	0	0	39,466	
Allowance for Uncollectible Property Taxes	(411)	0	0	(411)	0	0	(411)	
Total Assets	\$ 79,895	\$ 16,703	\$ 420	\$ 97,018	\$ 55,284	\$ 0	\$ 152,302	

ASSETS

Cash	\$ 0	\$ 0	\$ 348	\$ 348
Equity in Pooled Cash and Investments	32,235	16,703	0	48,938
Accounts Receivable	8,605	0	72	8,677
Property Taxes Receivable	39,466	0	0	39,466
Allowance for Uncollectible Property Taxes	(411)	0	0	(411)
Total Assets	\$ 79,895	\$ 16,703	\$ 420	\$ 97,018

LIABILITIES AND FUND BALANCES

Liabilities	\$ 615	\$ 0	\$ 0	\$ 615	\$ 0	\$ 615
Accounts Payable	1,052	516	0	1,568	0	1,568
Payroll Deductions Payable	20,000	447	420	20,867	0	20,867
Due to Other Funds	259	0	0	259	0	259
Due to State of Tennessee	50	0	0	50	0	50
Other Current Liabilities	39,055	0	0	39,055	0	39,055
Deferred Revenue - Current Property Taxes	61,031	963	420	62,414	0	62,414
Total Liabilities	\$ 18,864	\$ 15,740	\$ 0	\$ 34,604	\$ 55,284	\$ 89,888
Fund Balances	18,864	15,740	0	34,604	55,284	89,888
Unreserved	79,895	16,703	420	97,018	55,284	152,302
Total Fund Balances	\$ 79,895	\$ 16,703	\$ 420	\$ 97,018	\$ 55,284	\$ 152,302
Total Liabilities and Fund Balances	\$ 79,895	\$ 16,703	\$ 420	\$ 97,018	\$ 55,284	\$ 152,302

Exhibit F-2

Decatur County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	Special Revenue Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Total	Community Development/ Industrial Park	Other Capital Projects	Total	
<u>Revenues</u>								
Fines, Forfeitures, and Penalties	\$ 0 \$	6,039 \$	0 \$	6,039 \$	0 \$	0 \$	0 \$	6,039
Charges for Current Services	103,681	0	14,790	118,471	0	0	0	118,471
Other Local Revenues	53,878	1,000	0	54,878	0	0	0	54,878
State of Tennessee	3,812	0	0	3,812	0	0	0	3,812
Total Revenues	\$ 161,371 \$	7,039 \$	14,790 \$	183,200 \$	0 \$	0 \$	0 \$	183,200
<u>Expenditures</u>								
Current:								
Administration of Justice	\$ 0 \$	0 \$	14,790 \$	14,790 \$	0 \$	0 \$	0 \$	14,790
Public Safety	0	58,711	0	58,711	0	0	0	58,711
Public Health and Welfare	236,084	0	0	236,084	0	0	0	236,084
Other Operations	58,685	0	0	58,685	0	0	0	58,685
Debt Service:								
Other Debt Service	0	0	0	0	0	18,767	18,767	18,767
Capital Projects - Donated	0	0	0	0	0	500,000	500,000	500,000
Total Expenditures	\$ 294,769 \$	58,711 \$	14,790 \$	368,270 \$	0 \$	518,767 \$	518,767 \$	887,037
Excess (Deficiency) of Revenues Over Expenditures	\$ (133,398) \$	(51,672) \$	0 \$	(185,070) \$	0 \$	(518,767) \$	(518,767) \$	(703,837)
<u>Other Financing Sources (Uses)</u>								
Bonds Issued	\$ 0 \$	0 \$	0 \$	0 \$	0 \$	520,000 \$	520,000 \$	520,000
Transfers In	75,000	0	0	75,000	0	0	0	75,000
Discounts on Debt Issued	0	0	0	0	0	(1,233)	(1,233)	(1,233)
Total Other Financing Sources (Uses)	\$ 75,000 \$	0 \$	0 \$	75,000 \$	0 \$	518,767 \$	518,767 \$	593,767
Net Change in Fund Balances	\$ (58,398) \$	(51,672) \$	0 \$	(110,070) \$	0 \$	0 \$	0 \$	(110,070)
Fund Balance, July 1, 2007	77,262	67,412	0	144,674	55,284	0	55,284	199,958
Fund Balance, June 30, 2008	\$ 18,864 \$	15,740 \$	0 \$	34,604 \$	55,284 \$	0 \$	55,284 \$	89,888

Exhibit F-3

Decatur County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 103,681	\$ 127,000	\$ 127,000	\$ (23,319)
Other Local Revenues	53,878	28,000	53,000	878
State of Tennessee	3,812	0	0	3,812
Total Revenues	<u>\$ 161,371</u>	<u>\$ 155,000</u>	<u>\$ 180,000</u>	<u>\$ (18,629)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 156,383	\$ 139,950	\$ 163,950	\$ 7,567
Convenience Centers	79,701	97,675	81,272	1,571
<u>Other Operations</u>				
Other Charges	31,013	32,700	32,700	1,687
Employee Benefits	27,672	37,700	37,700	10,028
Total Expenditures	<u>\$ 294,769</u>	<u>\$ 308,025</u>	<u>\$ 315,622</u>	<u>\$ 20,853</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (133,398)</u>	<u>\$ (153,025)</u>	<u>\$ (135,622)</u>	<u>\$ 2,224</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 75,000	\$ 0	\$ 75,000	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 75,000</u>	<u>\$ 0</u>	<u>\$ 75,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (58,398)	\$ (153,025)	\$ (60,622)	\$ 2,224
Fund Balance, July 1, 2007	<u>77,262</u>	<u>93,868</u>	<u>93,868</u>	<u>(16,606)</u>
Fund Balance, June 30, 2008	<u>\$ 18,864</u>	<u>\$ (59,157)</u>	<u>\$ 33,246</u>	<u>\$ (14,382)</u>

Exhibit F-4

Decatur County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 6,039	\$ 11,000	\$ 11,000	\$ (4,961)
Other Local Revenues	1,000	10,150	24,225	(23,225)
Total Revenues	<u>\$ 7,039</u>	<u>\$ 21,150</u>	<u>\$ 35,225</u>	<u>\$ (28,186)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 58,711	\$ 42,000	\$ 56,075	\$ (2,636)
Total Expenditures	<u>\$ 58,711</u>	<u>\$ 42,000</u>	<u>\$ 56,075</u>	<u>\$ (2,636)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (51,672)</u>	<u>\$ (20,850)</u>	<u>\$ (20,850)</u>	<u>\$ (30,822)</u>
Net Change in Fund Balance	\$ (51,672)	\$ (20,850)	\$ (20,850)	\$ (30,822)
Fund Balance, July 1, 2007	67,412	34,058	34,058	33,354
Fund Balance, June 30, 2008	<u>\$ 15,740</u>	<u>\$ 13,208</u>	<u>\$ 13,208</u>	<u>\$ 2,532</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.

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Exhibit G

Decatur County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 491,836	\$ 542,213	\$ 542,213	\$ (50,377)
Other Local Revenues	293,540	120,000	95,000	198,540
State of Tennessee	37,167	34,000	34,000	3,167
Other Governments and Citizens Groups	764,368	0	428,000	336,368
Total Revenues	\$ 1,586,911	\$ 696,213	\$ 1,099,213	\$ 487,698
<u>Expenditures</u>				
<u>Other Operations</u>				
Miscellaneous	\$ 68,763	\$ 0	\$ 0	\$ (68,763)
<u>Principal on Debt</u>				
General Government	428,920	182,970	182,970	(245,950)
Education	698,930	698,930	698,930	0
<u>Interest on Debt</u>				
General Government	359,659	405,088	405,088	45,429
Education	296,759	296,759	296,759	0
<u>Other Debt Service</u>				
General Government	153,547	15,500	149,986	(3,561)
Education	2,893	3,078	3,078	185
Total Expenditures	\$ 2,009,471	\$ 1,602,325	\$ 1,736,811	\$ (272,660)
Excess (Deficiency) of Revenues Over Expenditures	\$ (422,560)	\$ (906,112)	\$ (637,598)	\$ 215,038
<u>Other Financing Sources (Uses)</u>				
Bonds Issued	\$ 3,840,000	\$ 0	\$ 3,838,228	\$ 1,772
Other Loans Issued	210,333	0	0	210,333
Transfers In	0	428,000	0	0
Discounts on Debt Issued	(5,742)	0	(5,742)	0
Payments to Refunded Debt Escrow Agent	(3,698,000)	0	(3,698,000)	0
Total Other Financing Sources (Uses)	\$ 346,591	\$ 428,000	\$ 134,486	\$ 212,105
Net Change in Fund Balance	\$ (75,969)	\$ (478,112)	\$ (503,112)	\$ 427,143
Fund Balance, July 1, 2007	1,451,174	1,124,832	1,124,832	326,342
Fund Balance, June 30, 2008	\$ 1,375,205	\$ 646,720	\$ 621,720	\$ 753,485

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Fiduciary Funds

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

Cities - Sales Tax Fund – The Cities - Sales Tax Fund is used to account for the second half of the sales tax revenues collected inside incorporated cities of the county. These revenues are received by the county from the State of Tennessee and forwarded to the various cities on a monthly basis. Also, the cities have pledged their share of a one-cent local option sales tax increase to retire school bonds.

Community Development - Agency Fund – The Community Development - Agency Fund is used to account for a project for the Benton-Decatur Special Sewer District.

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

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Exhibit H-1

Decatur County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2008

	<u>Agency Funds</u>		
	Cities- Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 382,611	\$ 382,611
Due from Other Governments	69,534	0	69,534
Total Assets	<u>\$ 69,534</u>	<u>\$ 382,611</u>	<u>\$ 452,145</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 69,534	\$ 0	\$ 69,534
Due to Litigants, Heirs, and Others	0	382,611	382,611
Total Liabilities	<u>\$ 69,534</u>	<u>\$ 382,611</u>	<u>\$ 452,145</u>

Exhibit H-2

Decatur County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2008

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 723,590	\$ 723,590	\$ 0
Due from Other Governments	59,325	69,534	59,325	69,534
Total Assets	\$ 59,325	\$ 793,124	\$ 782,915	\$ 69,534
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 59,325	\$ 793,124	\$ 782,915	\$ 69,534
Total Liabilities	\$ 59,325	\$ 793,124	\$ 782,915	\$ 69,534
<u>Community Development - Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 289,162	\$ 289,162	\$ 0
Total Assets	\$ 0	\$ 289,162	\$ 289,162	\$ 0
<u>Liabilities</u>				
Other Current Liabilities	\$ 0	\$ 289,162	\$ 289,162	\$ 0
Total Liabilities	\$ 0	\$ 289,162	\$ 289,162	\$ 0
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 595,019	\$ 2,906,150	\$ 3,118,558	\$ 382,611
Total Assets	\$ 595,019	\$ 2,906,150	\$ 3,118,558	\$ 382,611
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 595,019	2,906,150	3,118,558	382,611
Total Liabilities	\$ 595,019	\$ 2,906,150	\$ 3,118,558	\$ 382,611
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 595,019	\$ 2,906,150	\$ 3,118,558	\$ 382,611
Equity in Pooled Cash and Investments	0	1,012,752	1,012,752	0
Due from Other Governments	59,325	69,534	59,325	69,534
Total Assets	\$ 654,344	\$ 3,988,436	\$ 4,190,635	\$ 452,145
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 59,325	\$ 793,124	\$ 782,915	\$ 69,534
Due to Litigants, Heirs, and Others	595,019	2,906,150	3,118,558	382,611
Other Current Liabilities	0	289,162	289,162	0
Total Liabilities	\$ 654,344	\$ 3,988,436	\$ 4,190,635	\$ 452,145

Decatur County School Department

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

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

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

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Exhibit I-1

Decatur County, Tennessee
Statement of Activities
Discretely Presented Decatur County School Department
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Component Unit:				
Governmental Activities:				
Instruction	\$ 7,805,826	\$ 0	\$ 1,262,993	\$ (6,542,833)
Support Services	3,731,318	0	507,222	(3,224,096)
Operation of Non-Instructional Services	996,767	96,072	468,332	(432,363)
Other Debt Service	398,370	0	0	(398,370)
Total Governmental Activities	\$ 12,932,281	\$ 96,072	\$ 2,238,547	\$ (10,597,662)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 1,141,627
Local Option Sales Taxes				1,000,050
Other Local Taxes				179,257
Grants and Contributions Not Restricted to Specific Programs				8,148,714
Investment Income				45,538
Miscellaneous				40,345
Total General Revenues				\$ 10,555,531
Change in Net Assets				\$ (42,131)
Net Assets, July 1, 2007				11,820,526
Net Assets, June 30, 2008				\$ 11,778,395

Exhibit I-2

Decatur County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Decatur County School Department
June 30, 2008

	<u>Major Fund</u>	<u>Nonmajor Fund</u>	<u>Total</u>
	General Purpose School	School Federal Projects	Govern-mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 2,009,800	\$ 104,882	\$ 2,114,682
Accounts Receivable	166,014	0	166,014
Due from Other Governments	451,455	107,262	558,717
Due from Other Funds	201,503	0	201,503
Property Taxes Receivable	1,541,127	0	1,541,127
Allowance for Uncollectible Property Taxes	(27,150)	0	(27,150)
Total Assets	<u>\$ 4,342,749</u>	<u>\$ 212,144</u>	<u>\$ 4,554,893</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Payroll Deductions Payable	\$ 177,906	\$ 1,267	\$ 179,173
Due to Other Funds	0	201,503	201,503
Due to Primary Government	98,671	0	98,671
Due to State of Tennessee	282	17	299
Deferred Revenue - Current Property Taxes	1,464,596	0	1,464,596
Deferred Revenue - Delinquent Property Taxes	44,357	0	44,357
Other Deferred Revenues	249,999	0	249,999
Health Insurance Payments	6,377	0	6,377
Cafeteria Salaries and Benefits	1,353	0	1,353
Total Liabilities	<u>\$ 2,043,541</u>	<u>\$ 202,787</u>	<u>\$ 2,246,328</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 331,148	\$ 0	\$ 331,148
Reserved for Career Ladder Program	4,063	0	4,063
Reserved for Basic Education Program	33,599	0	33,599
Reserved for Title I Grants to Local Education Agencies	0	1,507	1,507
Reserved for Special Education - Grants to States	0	3,399	3,399
Other Federal Reserves	0	4,451	4,451
Unreserved, Reported In:			
General Fund	1,930,398	0	1,930,398
Total Fund Balances	<u>\$ 2,299,208</u>	<u>\$ 9,357</u>	<u>\$ 2,308,565</u>
Total Liabilities and Fund Balances	<u>\$ 4,342,749</u>	<u>\$ 212,144</u>	<u>\$ 4,554,893</u>

Exhibit I-3

Decatur County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
Discretely Presented Decatur County School Department
June 30, 2008

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 2,308,565
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 239,448	
Add: buildings and improvements net of accumulated depreciation	7,852,405	
Add: other capital assets net of accumulated depreciation	<u>1,569,213</u>	9,661,066
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: notes payable	\$ (427,694)	
Less: other postemployment benefits payable	<u>(57,898)</u>	(485,592)
(3) Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds.		<u>294,356</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 11,778,395</u>

Exhibit I-4

Decatur County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Decatur County School Department
For the Year Ended June 30, 2008

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General Purpose School	School Federal Projects	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 2,375,184	\$ 0	\$ 2,375,184
Licenses and Permits	998	0	998
Charges for Current Services	253,108	0	253,108
Other Local Revenues	135,541	50	135,591
State of Tennessee	8,375,405	0	8,375,405
Federal Government	531,170	1,052,032	1,583,202
Total Revenues	<u>\$ 11,671,406</u>	<u>\$ 1,052,082</u>	<u>\$ 12,723,488</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 6,047,834	\$ 828,180	\$ 6,876,014
Support Services	3,730,776	240,488	3,971,264
Operation of Non-Instructional Services	873,682	0	873,682
Capital Outlay	459,608	0	459,608
Debt Service:			
Other Debt Service	398,370	0	398,370
Total Expenditures	<u>\$ 11,510,270</u>	<u>\$ 1,068,668</u>	<u>\$ 12,578,938</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 161,136</u>	<u>\$ (16,586)</u>	<u>\$ 144,550</u>
<u>Other Financing Sources (Uses)</u>			
Notes Issued	\$ 427,694	\$ 0	\$ 427,694
Insurance Recovery	1,781	0	1,781
Total Other Financing Sources (Uses)	<u>\$ 429,475</u>	<u>\$ 0</u>	<u>\$ 429,475</u>
Net Change in Fund Balances	\$ 590,611	\$ (16,586)	\$ 574,025
Fund Balance, July 1, 2007	<u>1,708,597</u>	<u>25,943</u>	<u>1,734,540</u>
Fund Balance, June 30, 2008	<u>\$ 2,299,208</u>	<u>\$ 9,357</u>	<u>\$ 2,308,565</u>

Exhibit I-5

Decatur County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Decatur County School Department
For the Year Ended June 30, 2008

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

Net change in fund balances - total governmental funds (Exhibit I-4)		\$ 574,025
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 367,736	
Less: current year depreciation expense	<u>(623,037)</u>	(255,301)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2008	\$ 294,356	
Less: deferred delinquent property taxes and other deferred June 30, 2007	<u>(169,619)</u>	124,737
(3) The issuance of long-term debt (e.g., bonds, notes, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Less: note proceeds		(427,694)
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in other postemployment benefits payable		<u>(57,898)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (42,131)</u>

Exhibit I-6

Decatur County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Decatur County School Department
General Purpose School Fund
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,375,184	\$ 0	\$ 0	\$ 2,375,184	\$ 2,445,660	\$ 2,457,035	\$ (81,851)
Licenses and Permits	998	0	0	998	1,500	1,500	(502)
Charges for Current Services	253,108	0	0	253,108	353,000	359,600	(106,492)
Other Local Revenues	135,541	0	0	135,541	38,000	111,310	24,231
State of Tennessee	8,375,405	0	0	8,375,405	7,685,989	8,247,121	128,284
Federal Government	531,170	0	0	531,170	519,500	580,000	(48,830)
<u>Total Revenues</u>	<u>\$ 11,671,406</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,671,406</u>	<u>\$ 11,043,649</u>	<u>\$ 11,756,566</u>	<u>\$ (85,160)</u>
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 4,829,999	\$ (15,328)	\$ 68,378	\$ 4,883,049	\$ 5,031,835	\$ 5,254,845	\$ 371,796
Alternative Instruction Program	168	0	0	168	500	500	332
Special Education Program	742,056	(806)	0	741,250	754,965	765,815	24,565
Vocational Education Program	456,525	0	364	456,889	617,410	622,610	165,721
Adult Education Program	19,086	(702)	0	18,384	61,150	61,150	42,766
<u>Support Services</u>							
Attendance	67,763	0	0	67,763	14,870	79,759	11,996
Health Services	123,147	0	3,844	126,991	12,000	140,771	13,780
Other Student Support	448,331	0	0	448,331	412,750	463,726	15,395
Regular Instruction Program	491,638	(2,572)	0	489,066	506,028	511,800	22,734
Special Education Program	81,457	0	0	81,457	83,805	85,705	4,248
Vocational Education Program	40,765	0	0	40,765	45,525	46,350	5,585
Adult Programs	99,553	0	0	99,553	110,800	113,500	13,947
Other Programs	36,040	0	0	36,040	0	36,040	0

(Continued)

Exhibit I-6

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Board of Education	\$ 255,656	\$ (61)	\$ 0	\$ 255,595	\$ 300,275	\$ 275,275	\$ 19,680
Director of Schools	124,395	0	0	124,395	133,325	136,250	11,855
Office of the Principal	278,489	0	0	278,489	281,325	289,745	11,256
Fiscal Services	67,306	0	0	67,306	70,257	81,354	14,048
Operation of Plant	741,573	(27,000)	0	714,573	755,100	730,433	15,860
Maintenance of Plant	154,158	(3,525)	773	151,406	176,050	180,633	29,227
Transportation	720,505	0	0	720,505	602,000	770,000	49,495
<u>Operation of Non-Instructional Services</u>							
Food Service	468,084	0	0	468,084	418,750	495,029	26,945
Community Services	130,411	(4,577)	154	125,988	175,742	169,250	43,262
Early Childhood Education	275,187	0	660	275,847	237,900	293,300	17,453
<u>Capital Outlay</u>							
Regular Capital Outlay	459,608	(21,500)	256,975	695,083	121,000	701,877	6,794
Other Debt Service							
Education	398,370	0	0	398,370	0	428,000	29,630
Total Expenditures	\$ 11,510,270	\$ (76,071)	\$ 331,148	\$ 11,765,347	\$ 10,923,362	\$ 12,733,717	\$ 968,370
Excess (Deficiency) of Revenues Over Expenditures	\$ 161,136	\$ 76,071	\$ (331,148)	\$ (93,941)	\$ 120,287	\$ (977,151)	\$ 883,210
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 427,694	\$ 0	\$ 0	\$ 427,694	\$ 0	\$ 427,694	\$ 0
Insurance Recovery	1,781	0	0	1,781	0	0	1,781
Transfers Out	0	0	0	0	(428,000)	0	0
Total Other Financing Sources (Uses)	\$ 429,475	\$ 0	\$ 0	\$ 429,475	\$ (428,000)	\$ 427,694	\$ 1,781
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ 590,611	\$ 76,071	\$ (331,148)	\$ 335,534	\$ (307,713)	\$ (549,457)	\$ 884,991
Fund Balance, July 1, 2007	1,708,597	(76,071)	0	1,632,526	1,203,415	1,203,415	429,111
Fund Balance, June 30, 2008	\$ 2,299,208	\$ 0	\$ (331,148)	\$ 1,968,060	\$ 895,702	\$ 653,958	\$ 1,314,102

Exhibit I-7

Decatur County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Decatur County School Department
School Federal Projects Fund
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Other Local Revenues	\$ 50	\$ 0	\$ 50	\$ 0	\$ 0	\$ 50
Federal Government	1,052,032	0	1,052,032	1,168,002	1,170,830	(118,798)
Total Revenues	\$ 1,052,082	\$ 0	\$ 1,052,082	\$ 1,168,002	\$ 1,170,830	\$ (118,748)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 419,472	\$ 0	\$ 419,472	\$ 469,417	\$ 468,335	\$ 48,863
Special Education Program	390,458	(2,441)	388,017	450,742	451,539	63,522
Vocational Education Program	18,250	0	18,250	16,191	18,250	0
<u>Support Services</u>						
Other Student Support	169,054	0	169,054	173,081	171,679	2,625
Regular Instruction Program	42,308	0	42,308	45,282	48,536	6,228
Special Education Program	8,125	0	8,125	10,942	10,942	2,817
Vocational Education Program	1,665	0	1,665	1,665	1,665	0
Transportation	19,336	0	19,336	24,185	23,387	4,051
Total Expenditures	\$ 1,068,668	\$ (2,441)	\$ 1,066,227	\$ 1,191,505	\$ 1,194,333	\$ 128,106
Excess (Deficiency) of Revenues Over Expenditures	\$ (16,586)	\$ 2,441	\$ (14,145)	\$ (23,503)	\$ (23,503)	\$ 9,358
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ (16,586)	\$ 2,441	\$ (14,145)	\$ (23,503)	\$ (23,503)	\$ 9,358
Fund Balance, July 1, 2007	25,943	(2,441)	23,502	25,943	25,943	(2,441)
Fund Balance, June 30, 2008	\$ 9,357	\$ 0	\$ 9,357	\$ 2,440	\$ 2,440	\$ 6,917

MISCELLANEOUS SCHEDULES

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Exhibit J-1

Decatur County, Tennessee
 Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds
 Primary Government and Discretely Presented Decatur County School Department
 For the Year Ended June 30, 2008

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-08
PRIMARY GOVERNMENT									
NOTES PAYABLE									
Payable through General Debt Service Fund									
Beech River Airport	\$ 245,500	4.05 %	10-28-05	10-28-17	\$ 225,042	0 \$	20,458 \$	0 \$	204,584
Total Notes Payable					\$ 225,042	0 \$	20,458 \$	0 \$	204,584
OTHER LOANS PAYABLE									
Payable through Highway/Public Works Fund									
Public Works Projects	76,667	Variable	7-29-04	5-25-08	\$ 76,667	0 \$	76,667 \$	0 \$	0
Payable through General Debt Service Fund									
Public Works Projects	2,923,333	Variable	7-29-04	5-25-14	\$ 2,111,333	0 \$	210,333 \$	1,901,000 \$	0
Various Capital Projects	2,000,000	Variable	3-10-05	5-27-26	1,656,667	210,333	70,000	1,797,000	0
Total Payable through General Debt Service Fund					\$ 3,768,000	210,333 \$	280,333 \$	3,698,000 \$	0
Total Other Loans Payable					\$ 3,844,667	210,333 \$	357,000 \$	3,698,000 \$	0
CAPITAL LEASES PAYABLE									
Payable through General Debt Service Fund									
Sheriff Department Vehicles	90,510	6.4	7-23-07	7-23-09	\$ 0	90,510 \$	32,059 \$	0 \$	58,451
Total Capital Leases Payable					\$ 0	90,510 \$	32,059 \$	0 \$	58,451
BONDS PAYABLE									
Payable through Highway/Public Works Fund									
General Obligation Refunding Bonds, Series 2008	1,974,000	2.2 to 4	6-5-08	6-1-27	\$ 0	1,974,000 \$	0 \$	0 \$	1,974,000
Payable through General Debt Service Fund									
School Refunding Bonds, Series 2003	2,210,000	1.45 to 4.25	1-1-03	6-1-18	\$ 1,770,000	0 \$	140,000 \$	0 \$	1,630,000
Refunding Bonds, Series 2003	720,000	1.45 to 3.2	1-1-03	6-1-10	315,000	0	105,000	0	210,000
School Refunding Bonds, Series 2003	8,510,000	3.42	3-1-18	3-1-18	6,600,000	0	510,000	0	6,090,000
Improvement Bonds, Series 2007	6,000,000	4 to 4.25	5-9-07	5-1-37	6,000,000	0	0	0	6,000,000
General Obligation Refunding Bonds, Series 2008	1,866,000	2.2 to 4	6-5-08	6-1-27	0	1,866,000	0	0	1,866,000
General Obligation Improvement Bonds, Series 2008	520,000	2.2 to 4	6-5-08	6-1-27	0	520,000	0	0	520,000
Total Payable through General Debt Service Fund					\$ 14,685,000	2,386,000 \$	755,000 \$	0 \$	16,316,000
Total Bonds Payable					\$ 14,685,000	4,360,000 \$	755,000 \$	0 \$	18,290,000

(Continued)

Exhibit J-1

Decatur County, Tennessee
 Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds
 Primary Government and Discretely Presented Decatur County School Department (Cont.)

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-08
<u>DISCRETELY PRESENTED DECATUR COUNTY</u>									
<u>SCHOOL DEPARTMENT</u>									
<u>NOTES PAYABLE</u>									
Payable through General Purpose School Fund	\$ 427,694	0	% 4-1-08	6-1-15	\$	427,694 \$	0 \$	0 \$	427,694
Energy Efficiency Loan					\$	427,694 \$	0 \$	0 \$	427,694
Total Notes Payable					\$	427,694 \$	0 \$	0 \$	427,694

Exhibit J-2

Decatur County, Tennessee
Schedule of Long-term Debt Requirements by Year
Primary Government and Discretely Presented Decatur County School Department

PRIMARY GOVERNMENT

Year Ending June 30	Note Principal	Note Interest	Total Note Requirements
2009	\$ 20,458	\$ 8,286	\$ 28,744
2010	20,458	7,457	27,915
2011	20,458	6,628	27,086
2012	20,458	5,800	26,258
2013	20,458	4,971	25,429
2014	20,459	4,143	24,602
2015	20,459	3,314	23,773
2016	20,459	2,486	22,945
2017	20,459	1,657	22,116
2018	20,458	829	21,287
Total	\$ 204,584	\$ 45,571	\$ 250,155

Year Ending June 30	Capital Lease Principal	Capital Lease Interest	Total Capital Lease Requirements
2009	\$ 28,319	\$ 3,741	\$ 32,060
2010	30,132	1,929	32,061
Total	\$ 58,451	\$ 5,670	\$ 64,121

Year Ending June 30	Bond Principal	Bond Interest	Total Bond Requirements
2009	\$ 1,220,000	\$ 659,747	\$ 1,879,747
2010	1,265,000	623,802	1,888,802
2011	1,205,000	583,673	1,788,673
2012	1,250,000	544,801	1,794,801
2013	1,315,000	503,250	1,818,250
2014	1,360,000	458,810	1,818,810
2015	1,065,000	411,966	1,476,966
2016	1,110,000	373,738	1,483,738
2017	1,150,000	333,477	1,483,477
2018	1,150,000	291,738	1,441,738
2019	305,000	249,929	554,929
2020	325,000	238,569	563,569
2021	335,000	226,169	561,169
2022	350,000	213,389	563,389

(Continued)

Exhibit J-2

Decatur County, Tennessee
Schedule of Long-term Debt Requirements by Year
Primary Government and Discretely Presented Decatur County School Department (Cont.)

PRIMARY GOVERNMENT (Cont.)

Year Ending June 30 (Cont.)	Bond Principal	Bond Interest	Total Bond Requirements
2023	\$ 365,000	\$ 199,801	\$ 564,801
2024	385,000	185,626	570,626
2025	405,000	170,411	575,411
2026	420,000	154,406	574,406
2027	440,000	137,606	577,606
2028	235,000	120,006	355,006
2029	245,000	110,312	355,312
2030	255,000	100,206	355,206
2031	270,000	89,687	359,687
2032	280,000	78,550	358,550
2033	290,000	67,000	357,000
2034	305,000	55,037	360,037
2035	315,000	42,075	357,075
2036	330,000	28,687	358,687
2037	345,000	14,663	359,663
Total	<u>\$ 18,290,000</u>	<u>\$ 7,267,131</u>	<u>\$ 25,557,131</u>

DISCRETELY PRESENTED DECATUR COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Note Principal	Note Interest	Total Note Requirements
2009	\$ 61,099	\$ 0	\$ 61,099
2010	61,099	0	61,099
2011	61,099	0	61,099
2012	61,099	0	61,099
2013	61,099	0	61,099
2014	61,099	0	61,099
2015	61,100	0	61,100
Total	<u>\$ 427,694</u>	<u>\$ 0</u>	<u>\$ 427,694</u>

Exhibit J-3

Decatur County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2008

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Solid Waste/Sanitation	Operations	<u>\$ 75,000</u>
Total Transfers			<u><u>\$ 75,000</u></u>

Exhibit J-4

Decatur County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Decatur County School Department
For the Year Ended June 30, 2008

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 57,025	\$ 25,000	The Ohio Casualty Insurance Company
Road Supervisor	Section 8-24-102, <u>TCA</u>	54,310	100,000	"
Director of Schools	State Board of Education and County Board of Education	88,600	50,000	"
Trustee	Section 8-24-102, <u>TCA</u>	49,372	466,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	49,372	10,000	"
County Clerk:				
Randy Pope (7-1-07 through 1-31-08)	Section 8-24-102, <u>TCA</u>	28,800	25,000	"
Vacant (2-1-08 through 2-25-08)				
Gwen Pope (2-26-08 through 6-30-08)	Section 8-24-102, <u>TCA</u>	17,167	25,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	49,372	30,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	49,372 (1)	35,000	"
Register	Section 8-24-102, <u>TCA</u>	49,372	15,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	54,310 (2)	25,000	"
Employee Blanket Bonds:				
Office:				
County Mayor - All Employees			150,000	The Local Government Property and Casualty Fund
Road Supervisor - All Employees			150,000	"
Director of Schools - All Employees			150,000	Tennessee Risk Management Trust

(1) Does not include special commissioner fees of \$14,790.

(2) Does not include a law enforcement training supplement of \$1,200.

Exhibit J-5

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

	Special Revenue Funds							Total
	Constituent			Highway/ Public Works	Fund			
	General	Solid Waste/ Sanitation	Drug Control		Officers - Fees	General Debt Service	Capital Projects	
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	3,812	0	0	0	0	0	3,812	
Officers Costs	964	0	0	0	0	0	964	
Drug Control Fines	0	0	844	0	0	0	844	
Drug Court Fees	585	0	0	0	0	0	585	
Data Entry Fee - Circuit Court	642	0	0	0	0	0	642	
Victims Assistance Assessments	43	0	0	0	0	0	43	
<u>General Sessions Court</u>								
Fines	16,515	0	0	0	0	0	16,515	
Officers Costs	19,900	0	0	0	0	0	19,900	
Game and Fish Fines	169	0	0	0	0	0	169	
Drug Control Fines	0	0	5,195	0	0	0	5,195	
Drug Court Fees	2,729	0	0	0	0	0	2,729	
Jail Fees	2,135	0	0	0	0	0	2,135	
DUI Treatment Fines	3,055	0	0	0	0	0	3,055	
Data Entry Fee - General Sessions Court	2,680	0	0	0	0	0	2,680	
Courtroom Security Fee	83	0	0	0	0	0	83	
Victims Assistance Assessments	3,830	0	0	0	0	0	3,830	
<u>Chancery Court</u>								
Officers Costs	1,197	0	0	0	0	0	1,197	
Data Entry Fee - Chancery Court	584	0	0	0	0	0	584	
Courtroom Security Fee	17	0	0	0	0	0	17	
<u>Judicial District Drug Program</u>								
Data Entry Fee - Other Courts	9,990	0	0	0	0	0	9,990	
Total Fines, Forfeitures, and Penalties	68,930	98,861	6,039	0	0	0	74,969	
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Surcharge - Host Agency	0	98,861	0	0	0	0	98,861	
Solid Waste Disposal Fees	0	4,820	0	0	0	0	4,820	

(Continued)

Exhibit J-5

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

	Special Revenue Funds							Total
	Fees			Constitutional Officers -		Highway/		
	General	Solid Waste/ Sanitation	Drug Control	Fees	Public Works	General Debt Service	Capital Projects	
<u>Charges for Current Services (Cont.)</u>								
<u>Fees</u>								
Recreation Fees	\$ 140,060	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 140,060
Copy Fees	128	0	0	0	0	0	0	128
Telephone Commissions	4,501	0	0	0	0	0	0	4,501
Vending Machine Collections	1,173	0	0	0	0	0	0	1,173
Special Commissioner Fees/Special Master Fees	0	0	0	14,790	0	0	0	14,790
Data Processing Fee - Register	6,116	0	0	0	0	0	0	6,116
Probation Fees	8,650	0	0	0	0	0	0	8,650
Data Processing Fee - Sheriff	1,656	0	0	0	0	0	0	1,656
Sexual Offender Registration Fees - Sheriff	600	0	0	0	0	0	0	600
<u>Education Charges</u>								
Community Service Fees - Adults	24,287	0	0	0	0	0	0	24,287
<u>Other Charges for Services</u>								
Other Charges for Services	22,750	0	0	0	0	0	0	22,750
Total Charges for Current Services	\$ 209,921	\$ 103,681	\$ 0	\$ 14,790	\$ 0	\$ 0	\$ 0	\$ 328,392
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 0	\$ 25,000	\$ 0	\$ 0	\$ 0	\$ 293,540	\$ 0	\$ 318,540
Sale of Materials and Supplies	0	0	0	0	355	0	0	355
Sale of Recycled Materials	0	28,582	0	0	1,151	0	0	29,733
Miscellaneous Refunds	12,878	296	0	0	5,109	0	0	18,283
<u>Nonrecurring Items</u>								
Damages Recovered from Individuals	65	0	0	0	0	0	0	65
Contributions and Gifts	4,287	0	1,000	0	0	0	0	5,287
<u>Other Local Revenues</u>								
Other Local Revenues	70	0	0	0	0	0	0	70
Total Other Local Revenues	\$ 17,300	\$ 53,878	\$ 1,000	\$ 0	\$ 6,615	\$ 293,540	\$ 0	\$ 372,333

(Continued)

Exhibit J-5

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

	Special Revenue Funds							Total
	Constituent			Highway/ Public Works	Debt		Capital Projects	
	General	Solid Waste/ Sanitation	Drug Control		Constituent Officers - Fees	General Debt Service		
<u>Fees Received from County Officials</u>								
<u>Fees in-Lieu-of Salary</u>								
County Clerk	\$ 113,968	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 113,968
Circuit Court Clerk	36,022	0	0	0	0	0	0	36,022
General Sessions Court Clerk	85,126	0	0	0	0	0	0	85,126
Clerk and Master	40,609	0	0	0	0	0	0	40,609
Register	69,232	0	0	0	0	0	0	69,232
Sheriff	5,953	0	0	0	0	0	0	5,953
Trustee	137,153	0	0	0	0	0	0	137,153
Total Fees Received from County Officials	\$ 488,063	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 488,063
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 72,439	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 72,439
Aging Programs	17,888	0	0	0	0	0	0	17,888
State Reappraisal Grant	7,896	0	0	0	0	0	0	7,896
Solid Waste Grants	0	3,812	0	0	0	0	0	3,812
Public Safety Grants								
Law Enforcement Training Programs	7,800	0	0	0	0	0	0	7,800
<u>Health and Welfare Grants</u>								
Other Health and Welfare Grants	3,130	0	0	0	0	0	0	3,130
<u>Public Works Grants</u>								
Bridge Program	0	0	0	0	354,524	0	0	354,524
State Aid Program	0	0	0	0	91,733	0	0	91,733
Litter Program	28,621	0	0	0	0	0	0	28,621
<u>Other State Revenues</u>								
Income Tax	19,563	0	0	0	0	0	0	19,563
Resort District Sales Tax	203,817	0	0	0	0	0	0	203,817
Beer Tax	19,312	0	0	0	0	0	0	19,312
Alcoholic Beverage Tax	25,319	0	0	0	0	0	0	25,319
Mixed Drink Tax	2,091	0	0	0	0	0	0	2,091
State Revenue Sharing - T.V.A.	221,586	0	0	0	0	37,167	0	258,753

(Continued)

Exhibit J-5

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

	Special Revenue Funds							Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste/ Sanitation	Drug Control	Constitutional Officers - Fees	Highway/ Public Works	General Debt Service	General Capital Projects			
<u>State of Tennessee (Cont.)</u>										
<u>Other State Revenues (Cont.)</u>										
Contracted Prisoner Boarding	\$ 104,965	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 104,965
Gasoline and Motor Fuel Tax	0	0	0	0	1,484,592	0	0	0	0	1,484,592
Petroleum Special Tax	0	0	0	0	9,421	0	0	0	0	9,421
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	0	16,380
Other State Grants	21,009	0	0	0	0	0	0	0	0	21,009
Other State Revenues	438,885	0	0	0	0	0	0	0	0	438,885
Total State of Tennessee	\$ 1,210,701	\$ 3,812	\$ 0	\$ 0	\$ 1,940,270	\$ 37,167	\$ 0	\$ 0	\$ 11,369	\$ 3,203,319
<u>Federal Government</u>										
<u>Federal Through State</u>										
Homeland Security Grants	\$ 19,684	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 19,684
Law Enforcement Grants	3,127	0	0	0	0	0	0	0	0	3,127
<u>Direct Federal Revenue</u>										
Other Direct Federal Revenue	1,293	0	0	0	0	0	0	0	0	1,293
Total Federal Government	\$ 24,104	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,104
<u>Other Governments and Citizens Groups</u>										
<u>Other Governments</u>										
Contributions	\$ 109,714	\$ 0	\$ 0	\$ 0	\$ 0	\$ 764,368	\$ 0	\$ 0	\$ 0	\$ 874,082
Other	1,953	0	0	0	0	0	0	0	0	1,953
Total Other Governments and Citizens Groups	\$ 111,667	\$ 0	\$ 0	\$ 0	\$ 0	\$ 764,368	\$ 0	\$ 0	\$ 0	\$ 876,035
Total	\$ 3,855,227	\$ 161,371	\$ 7,039	\$ 14,790	\$ 1,965,829	\$ 1,586,911	\$ 11,369	\$ 0	\$ 7,602,536	

Exhibit J-6

Decatur County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Decatur County School Department
For the Year Ended June 30, 2008

	General Purpose School	School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 1,066,927	\$ 0	\$ 1,066,927
Trustee's Collections - Prior Year	53,732	0	53,732
Circuit/Clerk & Master Collections - Prior Years	18,680	0	18,680
Interest and Penalty	8,864	0	8,864
Payments in-Lieu-of Taxes - T.V.A.	6,527	0	6,527
Payments in-Lieu-of Taxes - Local Utilities	11,814	0	11,814
Payments in-Lieu-of Taxes - Other	1,864	0	1,864
<u>County Local Option Taxes</u>			
Local Option Sales Tax	1,005,468	0	1,005,468
Wheel Tax	142,096	0	142,096
Mineral Severance Tax	35,133	0	35,133
<u>Statutory Local Taxes</u>			
Bank Excise Tax	22,051	0	22,051
Interstate Telecommunications Tax	2,028	0	2,028
Total Local Taxes	<u>\$ 2,375,184</u>	<u>\$ 0</u>	<u>\$ 2,375,184</u>
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 998	\$ 0	\$ 998
Total Licenses and Permits	<u>\$ 998</u>	<u>\$ 0</u>	<u>\$ 998</u>
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
Receipts from Individual Schools	\$ 9,843	\$ 0	\$ 9,843
Community Service Fees - Children	84,596	0	84,596
<u>Other Charges for Services</u>			
Other Charges for Services	158,669	0	158,669
Total Charges for Current Services	<u>\$ 253,108</u>	<u>\$ 0</u>	<u>\$ 253,108</u>
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Investment Income	\$ 45,538	\$ 0	\$ 45,538
Refund of Telecommunication and Internet Fees (E-Rate)	31,413	0	31,413
Miscellaneous Refunds	7,925	50	7,975
<u>Nonrecurring Items</u>			
Sale of Equipment	23,108	0	23,108
Damages Recovered from Individuals	422	0	422
Contributions and Gifts	18,295	0	18,295
<u>Other Local Revenues</u>			
Other Local Revenues	8,840	0	8,840
Total Other Local Revenues	<u>\$ 135,541</u>	<u>\$ 50</u>	<u>\$ 135,591</u>

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	Total
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
On-Behalf Contributions for OPEB	\$ 36,040	\$ 0	\$ 36,040
<u>State Education Funds</u>			
Basic Education Program	7,471,837	0	7,471,837
School Food Service	8,955	0	8,955
Driver Education	3,250	0	3,250
Other State Education Funds	20,578	0	20,578
Career Ladder Program	118,624	0	118,624
Career Ladder - Extended Contract	71,260	0	71,260
<u>Other State Revenues</u>			
Mixed Drink Tax	2,091	0	2,091
State Revenue Sharing - T.V.A.	232,292	0	232,292
Other State Grants	396,236	0	396,236
Other State Revenues	14,242	0	14,242
Total State of Tennessee	\$ 8,375,405	\$ 0	\$ 8,375,405
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 307,894	\$ 0	\$ 307,894
Breakfast	90,263	0	90,263
USDA - Other	19,295	0	19,295
Adult Education State Grant Program	109,079	0	109,079
Vocational Education - Basic Grants to States	4,639	35,368	40,007
Title I Grants to Local Education Agencies	0	375,715	375,715
Innovative Education Program Strategies	0	5,230	5,230
Special Education - Grants to States	0	362,884	362,884
Special Education Preschool Grants	0	38,111	38,111
Safe and Drug-Free Schools - State Grants	0	143,451	143,451
Eisenhower Professional Development State Grants	0	83,352	83,352
Other Federal through State	0	7,921	7,921
Total Federal Government	\$ 531,170	\$ 1,052,032	\$ 1,583,202
Total	\$ 11,671,406	\$ 1,052,082	\$ 12,723,488

Exhibit J-7

Decatur County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2008

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	19,550	
Audit Services		4,060	
Legal Notices, Recording, and Court Costs		5,079	
Postal Charges		455	
Travel		680	
Other Charges		545	
Total County Commission			\$ 30,369

Board of Equalization

Board and Committee Members Fees	\$	1,500	
Total Board of Equalization			1,500

Beer Board

Board and Committee Members Fees	\$	1,300	
Total Beer Board			1,300

County Mayor/Executive

County Official/Administrative Officer	\$	57,025	
Accountants/Bookkeepers		48,791	
Dues and Memberships		1,250	
Maintenance and Repair Services - Office Equipment		1,241	
Postal Charges		1,013	
Travel		1,928	
Office Supplies		3,028	
Data Processing Equipment		750	
Total County Mayor/Executive			115,026

Personnel Office

Maintenance Agreements	\$	6,515	
Office Supplies		228	
Other Supplies and Materials		626	
Data Processing Equipment		750	
Total Personnel Office			8,119

County Attorney

Legal Services	\$	12,979	
Total County Attorney			12,979

Election Commission

County Official/Administrative Officer	\$	44,435	
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(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Part-time Personnel	\$	1,190	
Other Salaries and Wages		22,599	
Election Commission		3,300	
Election Workers		6,540	
Communication		3,445	
Dues and Memberships		175	
Legal Notices, Recording, and Court Costs		652	
Maintenance and Repair Services - Buildings		1,700	
Maintenance and Repair Services - Equipment		6,212	
Postal Charges		1,254	
Printing, Stationery, and Forms		7,224	
Rentals		8,640	
Travel		1,591	
Electricity		730	
Natural Gas		977	
Office Supplies		764	
Water and Sewer		309	
Other Supplies and Materials		616	
Office Equipment		2,549	
Total Election Commission			\$ 114,902

Register of Deeds

County Official/Administrative Officer	\$	49,372	
Secretary(ies)		22,599	
Dues and Memberships		422	
Postal Charges		600	
Travel		99	
Office Supplies		1,353	
Data Processing Equipment		5,916	
Office Equipment		1,555	
Total Register of Deeds			81,916

County Buildings

Supervisor/Director	\$	24,398	
Custodial Personnel		10,049	
Communication		23,655	
Maintenance and Repair Services - Buildings		5,929	
Maintenance and Repair Services - Equipment		8,934	
Other Contracted Services		276	
Custodial Supplies		2,650	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Electricity	\$	35,241	
Natural Gas		3,583	
Water and Sewer		1,806	
Other Charges		681	
Heating and Air Conditioning Equipment		4,287	
Total County Buildings			\$ 121,489

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	49,372	
Deputy(ies)		22,599	
Other Salaries and Wages		22,599	
In-Service Training		762	
Data Processing Services		3,493	
Dues and Memberships		1,267	
Maintenance and Repair Services - Office Equipment		1,882	
Maintenance and Repair Services - Vehicles		176	
Postal Charges		2,250	
Other Contracted Services		6,555	
Data Processing Supplies		518	
Gasoline		379	
Office Supplies		731	
Office Equipment		500	
Total Property Assessor's Office			113,083

Reappraisal Program

Other Salaries and Wages	\$	12,900	
Data Processing Services		2,186	
Other Supplies and Materials		736	
Total Reappraisal Program			15,822

County Trustee's Office

County Official/Administrative Officer	\$	49,372	
Deputy(ies)		45,198	
Communication		916	
Data Processing Services		3,493	
Dues and Memberships		527	
Legal Notices, Recording, and Court Costs		90	
Postal Charges		3,166	
Travel		1,152	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Other Contracted Services	\$	6,227	
Data Processing Supplies		681	
Office Supplies		999	
Data Processing Equipment		1,256	
Office Equipment		1,184	
Total County Trustee's Office			\$ 114,261

County Clerk's Office

County Official/Administrative Officer	\$	45,967	
Deputy(ies)		45,198	
Dues and Memberships		427	
Maintenance and Repair Services - Office Equipment		1,615	
Postal Charges		3,800	
Office Supplies		1,960	
Data Processing Equipment		9,421	
Total County Clerk's Office			108,388

Administration of Justice

Circuit Court Clerk

County Official/Administrative Officer	\$	49,372	
Deputy(ies)		45,198	
Other Salaries and Wages		510	
Jury and Witness Fees		5,134	
Dues and Memberships		392	
Legal Notices, Recording, and Court Costs		25	
Postal Charges		3,269	
Travel		528	
Office Supplies		4,516	
Data Processing Equipment		7,175	
Office Equipment		2,816	
Total Circuit Court Clerk			118,935

General Sessions Judge

Judge(s)	\$	77,150	
Probation Officer(s)		16,030	
Dues and Memberships		295	
Postal Charges		124	
Travel		594	
Office Supplies		176	
Total General Sessions Judge			94,369

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Drug Court

Remittance of Revenue Collected	\$ 7,846	
Total Drug Court		\$ 7,846

Chancery Court

County Official/Administrative Officer	\$ 49,372	
Part-time Personnel	5,650	
Other Salaries and Wages	17,429	
Dues and Memberships	392	
Postal Charges	280	
Duplicating Supplies	150	
Office Supplies	6,578	
Total Chancery Court		79,851

Juvenile Court

County Official/Administrative Officer	\$ 28,246	
Communication	742	
Dues and Memberships	105	
Postal Charges	166	
Travel	1,204	
Other Contracted Services	897	
Office Supplies	326	
Other Charges	332	
Total Juvenile Court		32,018

Victims Assitance Programs

Other Per Diem and Fees	\$ 2,712	
Total Victims Assitance Programs		2,712

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 54,310
Deputy(ies)	263,735
Investigator(s)	28,531
Salary Supplements	14,400
Dispatchers/Radio Operators	82,866
Part-time Personnel	27,325
Overtime Pay	14,901
Other Salaries and Wages	29,851
In-Service Training	4,518
Communication	10,579

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Dues and Memberships	\$	1,195	
Maintenance and Repair Services - Equipment		2,947	
Maintenance and Repair Services - Vehicles		17,214	
Postal Charges		1,628	
Travel		4,545	
Other Contracted Services		3,403	
Diesel Fuel		45	
Gasoline		55,211	
Office Supplies		5,609	
Uniforms		5,714	
Other Charges		426	
Law Enforcement Equipment		6,086	
Motor Vehicles		124,062	
Office Equipment		3,132	
Other Equipment		6,869	
Total Sheriff's Department			\$ 769,102

Drug Enforcement

Social Security	\$	112	
Employer Medicare		26	
Total Drug Enforcement			138

Jail

Deputy(ies)	\$	22,621	
Maintenance and Repair Services - Buildings		4,870	
Medical and Dental Services		10,822	
Other Contracted Services		6,200	
Custodial Supplies		7,146	
Drugs and Medical Supplies		5,209	
Electricity		11,657	
Food Supplies		55,511	
Law Enforcement Supplies		1,467	
Natural Gas		3,505	
Water and Sewer		6,319	
Other Supplies and Materials		53	
Total Jail			135,380

Juvenile Services

Assistant(s)	\$	13,700	
Supervisor/Director		30,226	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Juvenile Services (Cont.)

Youth Service Officer(s)	\$	11,971	
Medical Personnel		12,978	
Medical Insurance		772	
Communication		1,635	
Dues and Memberships		30	
Postal Charges		82	
Travel		668	
Other Contracted Services		394	
Natural Gas		1,356	
Office Supplies		248	
Total Juvenile Services			\$ 74,060

Work Release Program

Supervisor/Director	\$	42,285	
Probation Officer(s)		134,612	
Accountants/Bookkeepers		10,986	
Secretary(ies)		17,282	
Part-time Personnel		27,958	
Other Fringe Benefits		53,641	
Communication		13,313	
Maintenance and Repair Services - Vehicles		168	
Postal Charges		2,047	
Printing, Stationery, and Forms		4,000	
Rentals		15,600	
Travel		2,952	
Other Contracted Services		18,117	
Electricity		3,510	
Natural Gas		843	
Office Supplies		11,936	
Water and Sewer		340	
Building and Contents Insurance		10,060	
Other Charges		13,279	
Motor Vehicles		16,269	
Other Equipment		8,449	
Total Work Release Program			407,647

Fire Prevention and Control

Supervisor/Director	\$	27,995
Contributions		2,895
Maintenance and Repair Services - Vehicles		8,907

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Other Supplies and Materials	\$	75	
Liability Insurance		80,146	
Other Equipment		409	
Total Fire Prevention and Control			\$ 120,427

Civil Defense

Supervisor/Director	\$	10,555	
Communication		373	
Dues and Memberships		120	
Travel		2,064	
Electricity		105	
Natural Gas		33	
Office Supplies		135	
Other Equipment		46,169	
Total Civil Defense			59,554

Rescue Squad

Contributions	\$	12,000	
Total Rescue Squad			12,000

Other Emergency Management

Supervisor/Director	\$	33,984	
Dispatchers/Radio Operators		140,342	
Part-time Personnel		51,806	
Total Other Emergency Management			226,132

County Coroner/Medical Examiner

Contracts with Government Agencies	\$	17,200	
Total County Coroner/Medical Examiner			17,200

Other Public Safety

Supervisor/Director	\$	1,667	
Total Other Public Safety			1,667

Public Health and Welfare

Local Health Center

Salary Supplements	\$	12,000	
Custodial Personnel		5,100	
Communication		4,336	
Maintenance and Repair Services - Buildings		558	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Postal Charges	\$	1,761	
Other Contracted Services		1,288	
Custodial Supplies		966	
Drugs and Medical Supplies		950	
Electricity		4,390	
Natural Gas		1,134	
Office Supplies		831	
Water and Sewer		818	
Total Local Health Center			\$ 34,132

Crippled Children Services

Contributions	\$	796	
Total Crippled Children Services			796

General Welfare Assistance

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

Aid to Dependent Children

Contributions	\$	1,262	
Total Aid to Dependent Children			1,262

Sanitation Education/Information

Laborers	\$	17,549	
Instructional Supplies and Materials		2,618	
Other Supplies and Materials		2,555	
Total Sanitation Education/Information			22,722

Other Public Health and Welfare

Supervisor/Director	\$	3,448	
Travel		330	
Total Other Public Health and Welfare			3,778

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$	20,938	
Other Salaries and Wages		21,882	
Communication		1,002	
Contributions		2,500	
Maintenance and Repair Services - Buildings		53	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Senior Citizens Assistance (Cont.)

Postal Charges	\$	42	
Transportation - Other than Students		8,967	
Electricity		6,210	
Natural Gas		333	
Water and Sewer		536	
Other Supplies and Materials		1,428	
Other Charges		1,187	
Total Senior Citizens Assistance			\$ 65,078

Libraries

Supervisor/Director	\$	22,090	
Other Salaries and Wages		12,522	
Communication		1,583	
Dues and Memberships		90	
Maintenance and Repair Services - Buildings		108	
Maintenance and Repair Services - Office Equipment		395	
Postal Charges		316	
Travel		763	
Data Processing Supplies		2,039	
Library Books/Media		9,779	
Office Supplies		1,589	
Other Supplies and Materials		2,360	
Other Charges		2,490	
Data Processing Equipment		4,228	
Office Equipment		3,080	
Total Libraries			63,432

Parks and Fair Boards

Supervisor/Director	\$	34,320	
Laborers		12,172	
Part-time Personnel		11,177	
Communication		3,181	
Contributions		1,500	
Dues and Memberships		336	
Maintenance and Repair Services - Buildings		3,219	
Maintenance and Repair Services - Equipment		5,719	
Postal Charges		56	
Other Contracted Services		20,954	
Custodial Supplies		4,490	
Electricity		54,155	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Parks and Fair Boards (Cont.)

Fertilizer, Lime, and Seed	\$	198	
Natural Gas		11,205	
Water and Sewer		17,214	
Other Supplies and Materials		9,181	
Other Charges		9,027	
Building Construction		2,830	
Other Construction		3,105	
Total Parks and Fair Boards			\$ 204,039

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	30,490	
Other Fringe Benefits		4,953	
Communication		1,536	
Electricity		3,503	
Natural Gas		1,893	
Water and Sewer		307	
Office Equipment		300	
Total Agriculture Extension Service			42,982

Forest Service

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

Soil Conservation

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

Other Operations

Tourism

Advertising	\$	11,558	
Dues and Memberships		2,200	
Other Charges		8,786	
Total Tourism			22,544

Industrial Development

Supervisor/Director	\$	31,686	
Secretary(ies)		6,587	
Contributions		16,064	
Total Industrial Development			54,337

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Airport

Contributions	\$ 29,481	
Total Airport	<u>29,481</u>	\$ 29,481

Veterans' Services

Supervisor/Director	\$ 8,488	
Dues and Memberships	25	
Maintenance and Repair Services - Equipment	483	
Postal Charges	83	
Travel	691	
Office Equipment	<u>172</u>	
Total Veterans' Services		9,942

Other Charges

Road Signs	\$ 163	
Liability Insurance	48,572	
Trustee's Commission	41,544	
Vehicle and Equipment Insurance	8,353	
Workers' Compensation Insurance	69,236	
Other Charges	<u>4,944</u>	
Total Other Charges		172,812

Employee Benefits

Social Security	\$ 130,904	
State Retirement	76,203	
Medical Insurance	133,699	
Unemployment Compensation	9,007	
Employer Medicare	<u>30,586</u>	
Total Employee Benefits		380,399

Miscellaneous

Contributions	\$ 15,065	
Dues and Memberships	8,794	
Other Charges	<u>1,163</u>	
Total Miscellaneous		<u>25,022</u>

Total General Fund		\$ 4,141,250
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(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$	26,500	
Truck Drivers		22,032	
Laborers		22,155	
Communication		571	
Maintenance and Repair Services - Buildings		1,056	
Maintenance and Repair Services - Equipment		3,110	
Maintenance and Repair Services - Vehicles		16,333	
Other Contracted Services		7,231	
Diesel Fuel		23,584	
Electricity		1,992	
Gasoline		24,062	
Natural Gas		1,913	
Tires and Tubes		3,172	
Water and Sewer		497	
Other Charges		1,098	
Solid Waste Equipment		1,077	
Total Sanitation Management			\$ 156,383

Convenience Centers

Laborers	\$	72,597	
Communication		427	
Maintenance and Repair Services - Buildings		383	
Maintenance and Repair Services - Equipment		123	
Electricity		3,567	
Water and Sewer		1,072	
Gravel and Chert		438	
Other Supplies and Materials		80	
Other Charges		847	
Building Improvements		35	
Solid Waste Equipment		132	
Total Convenience Centers			79,701

Other Operations

Other Charges

Liability Insurance	\$	8,058	
Trustee's Commission		1,063	
Vehicle and Equipment Insurance		2,833	
Workers' Compensation Insurance		12,497	
Surcharge		6,562	
Total Other Charges			31,013

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Other Operations (Cont.)

Employee Benefits

Social Security	\$	8,737	
State Retirement		3,356	
Medical Insurance		11,896	
Unemployment Compensation		1,640	
Employer Medicare		2,043	
Total Employee Benefits			\$ 27,672

Total Solid Waste/Sanitation Fund \$ 294,769

Drug Control Fund

Public Safety

Drug Enforcement

Salary Supplements	\$	3,250	
Other Salaries and Wages		26,466	
Social Security		1,704	
State Retirement		1,420	
Medical Insurance		3,197	
Unemployment Compensation		238	
Employer Medicare		398	
Communication		979	
Animal Food and Supplies		844	
Trustee's Commission		64	
Other Charges		6,750	
Law Enforcement Equipment		13,401	
Total Drug Enforcement			\$ 58,711

Total Drug Control Fund 58,711

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	14,790	
Total Chancery Court			\$ 14,790

Total Constitutional Officers - Fees Fund 14,790

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	54,310	
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(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Assistant(s)	\$	27,531	
Accountants/Bookkeepers		27,531	
Advertising		449	
Communication		5,536	
Dues and Memberships		2,393	
Postal Charges		795	
Printing, Stationery, and Forms		211	
Travel		1,574	
Other Contracted Services		6,042	
Electricity		4,848	
Natural Gas		545	
Office Supplies		912	
Water and Sewer		830	
Total Administration			\$ 133,507

Highway and Bridge Maintenance

Laborers	\$	326,068	
Overtime Pay		31,053	
Rentals		5,500	
Asphalt - Liquid		45,506	
Crushed Stone		69,331	
Custodial Supplies		133	
Pipe		40,713	
Road Signs		231	
Total Highway and Bridge Maintenance			518,535

Operation and Maintenance of Equipment

Mechanic(s)	\$	28,280	
Overtime Pay		2,530	
Diesel Fuel		77,638	
Equipment and Machinery Parts		35,326	
Gasoline		35,696	
Tires and Tubes		5,969	
Total Operation and Maintenance of Equipment			185,439

Other Charges

Liability Insurance	\$	34,821	
Trustee's Commission		15,130	
Workers' Compensation Insurance		39,346	
Total Other Charges			89,297

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits

Social Security	\$ 37,869	
State Retirement	20,711	
Medical Insurance	92,526	
Unemployment Compensation	550	
Total Employee Benefits	<u>151,656</u>	\$ 151,656

Capital Outlay

Other Contracted Services	\$ 97,194	
Bridge Construction	374,843	
Highway Equipment	52,500	
Office Equipment	55	
State Aid Projects	91,733	
Total Capital Outlay	<u>616,325</u>	616,325

Principal on Debt

Highways and Streets

Principal on Other Loans	\$ 76,667	
Total Highways and Streets	<u>76,667</u>	76,667

Interest on Debt

Highways and Streets

Interest on Other Loans	\$ 61,787	
Total Highways and Streets	<u>61,787</u>	61,787

Other Debt Service

Highways and Streets

Other Debt Service	\$ 11,818	
Total Highways and Streets	<u>11,818</u>	11,818

Total Highway/Public Works Fund \$ 1,845,031

General Debt Service Fund

Other Operations

Miscellaneous

Contributions	\$ 68,763	
Total Miscellaneous	<u>68,763</u>	\$ 68,763

Principal on Debt

General Government

Principal on Bonds	\$ 96,070	
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(Continued)

Exhibit J-7

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

General Debt Service Fund (Cont.)

Principal on Debt (Cont.)

General Government (Cont.)

Principal on Notes	\$ 20,458	
Principal on Capital Leases	32,059	
Principal on Other Loans	<u>280,333</u>	
Total General Government		\$ 428,920

Education

Principal on Bonds	<u>\$ 698,930</u>	
Total Education		698,930

Interest on Debt

General Government

Interest on Bonds	\$ 302,798	
Interest on Notes	9,245	
Interest on Other Loans	<u>47,616</u>	
Total General Government		359,659

Education

Interest on Bonds	<u>\$ 296,759</u>	
Total Education		296,759

Other Debt Service

General Government

Trustee's Commission	\$ 10,541	
Underwriter's Discount	32,257	
Other Debt Issuance Charges	102,229	
Other Debt Service	<u>8,520</u>	
Total General Government		153,547

Education

Other Debt Service	<u>\$ 2,893</u>	
Total Education		<u>2,893</u>

Total General Debt Service Fund \$ 2,009,471

General Capital Projects Fund

Capital Projects

Public Safety Projects

Other Contracted Services	\$ 341,216
Excess Risk Insurance	5,638
Building Construction	936,258

(Continued)

Exhibit J-7

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

General Capital Projects Fund (Cont.)

Capital Projects (Cont.)

Public Safety Projects (Cont.)

Furniture and Fixtures	\$ 817	
Law Enforcement Equipment	12,632	
Site Development	299,326	
Total Public Safety Projects	<u> </u>	\$ 1,595,887

Total General Capital Projects Fund \$ 1,595,887

Other Capital Projects Fund

Other Debt Service

General Government

Underwriter's Discount	\$ 4,368	
Other Debt Issuance Charges	14,399	
Total General Government	<u> </u>	\$ 18,767

Capital Projects - Donated

Capital Projects Donated to Other Entities

Other Construction	\$ 500,000	
Total Capital Projects Donated to Other Entities	<u> </u>	<u>500,000</u>

Total Other Capital Projects Fund 518,767

Total Governmental Funds - Primary Government \$ 10,478,676

Exhibit J-8

Decatur County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Decatur County School Department
For the Year Ended June 30, 2008

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 3,557,938	
Career Ladder Program	66,700	
Career Ladder Extended Contracts	50,140	
Homebound Teachers	2,340	
Educational Assistants	37,511	
Other Salaries and Wages	10,880	
Non-certified Substitute Teachers	50,468	
Social Security	216,513	
State Retirement	221,909	
Medical Insurance	265,983	
Unemployment Compensation	3,108	
Employer Medicare	51,015	
Maintenance and Repair Services - Equipment	9,824	
Other Contracted Services	39,897	
Instructional Supplies and Materials	72,875	
Textbooks	99,884	
Other Supplies and Materials	21,839	
Other Charges	30,829	
Regular Instruction Equipment	20,346	
Total Regular Instruction Program		\$ 4,829,999

Alternative Instruction Program

Other Supplies and Materials	\$ 168	
Total Alternative Instruction Program		168

Special Education Program

Teachers	\$ 448,798
Career Ladder Program	11,000
Homebound Teachers	2,215
Speech Pathologist	92,395
Non-certified Substitute Teachers	10,012
Social Security	32,229
State Retirement	34,469
Medical Insurance	40,458
Unemployment Compensation	210
Employer Medicare	7,537
Maintenance and Repair Services - Equipment	1,120
Other Contracted Services	50,920
Instructional Supplies and Materials	2,907

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Other Supplies and Materials	\$	5,130	
Other Charges		1,369	
Special Education Equipment		1,287	
Total Special Education Program			\$ 742,056

Vocational Education Program

Teachers	\$	372,054	
Career Ladder Program		5,999	
Social Security		22,306	
State Retirement		21,145	
Medical Insurance		16,581	
Unemployment Compensation		261	
Employer Medicare		5,340	
Instructional Supplies and Materials		12,839	
Total Vocational Education Program			456,525

Adult Education Program

Teachers	\$	13,896	
Social Security		862	
Unemployment Compensation		29	
Employer Medicare		201	
Instructional Supplies and Materials		2,981	
Other Supplies and Materials		415	
Other Equipment		702	
Total Adult Education Program			19,086

Support Services

Attendance

Supervisor/Director	\$	51,284	
Clerical Personnel		1,000	
Social Security		1,381	
State Retirement		3,248	
Medical Insurance		3,152	
Unemployment Compensation		1	
Employer Medicare		742	
Maintenance and Repair Services - Equipment		1,987	
Travel		1,028	
Other Supplies and Materials		1,975	
Attendance Equipment		1,965	
Total Attendance			67,763

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services

Other Salaries and Wages	\$	59,938	
Social Security		3,716	
State Retirement		3,638	
Medical Insurance		500	
Unemployment Compensation		23	
Employer Medicare		869	
Travel		2,697	
Other Contracted Services		6,717	
Drugs and Medical Supplies		369	
Other Supplies and Materials		32,601	
Health Equipment		12,079	
Total Health Services			\$ 123,147

Other Student Support

Career Ladder Program	\$	8,000	
Guidance Personnel		303,816	
Career Ladder Extended Contracts		2,001	
Secretary(ies)		51,152	
Social Security		21,640	
State Retirement		22,027	
Medical Insurance		13,201	
Unemployment Compensation		200	
Employer Medicare		5,061	
Contracts with Other School Systems		7,200	
Evaluation and Testing		8,466	
Travel		100	
Other Charges		5,467	
Total Other Student Support			448,331

Regular Instruction Program

Supervisor/Director	\$	106,178	
Career Ladder Program		9,000	
Career Ladder Extended Contracts		4,429	
Librarians		179,432	
Instructional Computer Personnel		24,412	
Secretary(ies)		82,454	
Social Security		23,997	
State Retirement		22,890	
Medical Insurance		12,010	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Unemployment Compensation	\$	411	
Employer Medicare		5,612	
Travel		2,832	
Library Books/Media		13,383	
Other Supplies and Materials		783	
In Service/Staff Development		1,243	
Other Charges		2,572	
Total Regular Instruction Program			\$ 491,638

Special Education Program

Supervisor/Director	\$	52,963	
Career Ladder Program		1,000	
Clerical Personnel		7,206	
Social Security		3,405	
State Retirement		3,712	
Medical Insurance		6,209	
Unemployment Compensation		44	
Employer Medicare		796	
Travel		6,122	
Total Special Education Program			81,457

Vocational Education Program

Supervisor/Director	\$	28,881	
Social Security		2,026	
State Retirement		2,039	
Unemployment Compensation		27	
Employer Medicare		498	
Maintenance and Repair Services - Equipment		1,173	
Travel		5,051	
Other Supplies and Materials		998	
In Service/Staff Development		72	
Total Vocational Education Program			40,765

Adult Programs

Supervisor/Director	\$	58,324	
Career Ladder Program		2,000	
Career Ladder Extended Contracts		2,000	
Other Salaries and Wages		18,300	
Social Security		4,496	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs (Cont.)

State Retirement	\$	4,764	
Medical Insurance		6,209	
Unemployment Compensation		57	
Employer Medicare		1,052	
Travel		1,534	
Other Supplies and Materials		651	
In Service/Staff Development		166	
Total Adult Programs			\$ 99,553

Other Programs

On-Behalf Payments to OPEB	\$	36,040	
Total Other Programs			36,040

Board of Education

Board and Committee Members Fees	\$	12,200	
Social Security		756	
Unemployment Compensation		50	
Employer Medicare		177	
Audit Services		7,500	
Contracts with Other School Systems		100,000	
Dues and Memberships		6,606	
Legal Services		10,778	
Trustee's Commission		61,574	
Workers' Compensation Insurance		44,429	
Refund to Applicant for Criminal Investigation		208	
Other Charges		11,378	
Total Board of Education			255,656

Director of Schools

County Official/Administrative Officer	\$	88,600	
Social Security		5,261	
State Retirement		5,529	
Medical Insurance		2,982	
Unemployment Compensation		29	
Employer Medicare		1,230	
Communication		11,780	
Postal Charges		673	
Travel		1,476	
Other Contracted Services		2,500	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Office Supplies	\$	2,498	
Other Charges		1,029	
Administration Equipment		808	
Total Director of Schools			\$ 124,395

Office of the Principal

Principals	\$	216,891	
Career Ladder Program		6,000	
Career Ladder Extended Contracts		4,000	
Social Security		12,827	
State Retirement		14,158	
Medical Insurance		18,811	
Unemployment Compensation		114	
Employer Medicare		3,000	
Communication		2,688	
Total Office of the Principal			278,489

Fiscal Services

Accountants/Bookkeepers	\$	50,372	
Social Security		2,673	
State Retirement		2,088	
Unemployment Compensation		37	
Employer Medicare		625	
Travel		1,415	
Other Contracted Services		7,707	
Office Supplies		2,126	
Administration Equipment		263	
Total Fiscal Services			67,306

Operation of Plant

Custodial Personnel	\$	151,645	
Social Security		9,389	
State Retirement		3,038	
Unemployment Compensation		331	
Employer Medicare		2,196	
Custodial Supplies		29,297	
Electricity		263,113	
Natural Gas		117,010	
Water and Sewer		56,944	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Building and Contents Insurance	\$	75,920	
Other Charges		550	
Plant Operation Equipment		32,140	
Total Operation of Plant			\$ 741,573

Maintenance of Plant

Maintenance Personnel	\$	54,118	
Social Security		3,349	
State Retirement		1,404	
Unemployment Compensation		131	
Employer Medicare		783	
Maintenance and Repair Services - Buildings		67,985	
Maintenance and Repair Services - Equipment		1,619	
Other Contracted Services		11,418	
Gasoline		3,082	
Other Charges		1,259	
Maintenance Equipment		9,010	
Total Maintenance of Plant			154,158

Transportation

Supervisor/Director	\$	36,000	
Mechanic(s)		16,000	
Bus Drivers		198,347	
Social Security		15,325	
State Retirement		4,738	
Medical Insurance		1,991	
Unemployment Compensation		503	
Employer Medicare		3,584	
Communication		6,739	
Maintenance and Repair Services - Vehicles		15,332	
Medical and Dental Services		1,262	
Travel		1,163	
Diesel Fuel		107,400	
Garage Supplies		1,150	
Gasoline		3,400	
Tires and Tubes		5,392	
Administration Equipment		703	
Transportation Equipment		301,476	
Total Transportation			720,505

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	26,381	
Clerical Personnel		6,200	
Social Security		2,057	
State Retirement		2,000	
Unemployment Compensation		22	
Employer Medicare		481	
Payments to Schools - Breakfast		90,263	
Payments to Schools - Lunch		307,894	
Payments to Schools - Other		19,295	
Travel		498	
In Service/Staff Development		468	
Food Service Equipment		12,525	
Total Food Service			\$ 468,084

Community Services

Supervisor/Director	\$	45,860	
Clerical Personnel		1,600	
Other Salaries and Wages		51,217	
Social Security		5,571	
State Retirement		2,868	
Medical Insurance		6,209	
Unemployment Compensation		252	
Employer Medicare		1,303	
Travel		722	
Food Supplies		2,982	
Other Supplies and Materials		7,249	
Other Equipment		4,578	
Total Community Services			130,411

Early Childhood Education

Supervisor/Director	\$	5,916	
Teachers		109,067	
Clerical Personnel		2,000	
Other Salaries and Wages		40,375	
Social Security		9,401	
State Retirement		9,151	
Medical Insurance		8,628	
Unemployment Compensation		279	
Employer Medicare		2,199	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

Maintenance and Repair Services - Equipment	\$	1,847	
Travel		1,501	
Other Contracted Services		146	
Food Supplies		1,856	
Other Supplies and Materials		51,276	
In Service/Staff Development		581	
Other Charges		1,169	
Other Equipment		29,795	
Total Early Childhood Education			\$ 275,187

Capital Outlay

Regular Capital Outlay

Architects	\$	6,637	
Building Improvements		452,971	
Total Regular Capital Outlay			459,608

Other Debt Service

Education

Contributions	\$	398,370	
Total Education			398,370

Total General Purpose School Fund \$ 11,510,270

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	331,744	
Educational Assistants		11,000	
Social Security		21,250	
State Retirement		21,227	
Medical Insurance		12,100	
Unemployment Compensation		296	
Employer Medicare		4,970	
Instructional Supplies and Materials		13,885	
Other Supplies and Materials		3,000	
Total Regular Instruction Program			\$ 419,472

Special Education Program

Teachers	\$	51,315	
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(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Homebound Teachers	\$	3,440	
Educational Assistants		199,206	
Other Salaries and Wages		45,470	
Social Security		17,756	
State Retirement		14,101	
Medical Insurance		10,702	
Unemployment Compensation		507	
Employer Medicare		4,152	
Maintenance and Repair Services - Equipment		2,754	
Other Contracted Services		22,380	
Instructional Supplies and Materials		2,936	
Other Supplies and Materials		3,463	
Other Charges		3,628	
Special Education Equipment		8,648	
Total Special Education Program	\$		390,458

Vocational Education Program

Other Charges	\$	1,996	
Vocational Instruction Equipment		16,254	
Total Vocational Education Program			18,250

Support Services

Other Student Support

Other Salaries and Wages	\$	112,196	
Social Security		6,956	
State Retirement		6,261	
Unemployment Compensation		1	
Employer Medicare		1,627	
Communication		500	
Contracts with Other School Systems		1,463	
Postal Charges		300	
Travel		14,706	
Other Supplies and Materials		16,988	
In Service/Staff Development		6,040	
Other Charges		813	
Other Equipment		1,203	
Total Other Student Support			169,054

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program

Supervisor/Director	\$	26,500	
Social Security		1,643	
State Retirement		1,654	
Unemployment Compensation		10	
Employer Medicare		384	
Travel		1,754	
Library Books/Media		2,585	
Other Supplies and Materials		990	
In Service/Staff Development		6,788	
Total Regular Instruction Program			\$ 42,308

Special Education Program

Clerical Personnel	\$	7,206	
Social Security		447	
State Retirement		354	
Unemployment Compensation		13	
Employer Medicare		105	
Total Special Education Program			8,125

Vocational Education Program

Supervisor/Director	\$	1,665	
Total Vocational Education Program			1,665

Transportation

Bus Drivers	\$	17,550	
Social Security		1,088	
State Retirement		418	
Unemployment Compensation		25	
Employer Medicare		255	
Total Transportation			19,336

Total School Federal Projects Fund \$ 1,068,668

Total Governmental Funds - Decatur County School Department \$ 12,578,938

Exhibit J-9

Decatur County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2008

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 723,590
Total Cash Receipts	<u>\$ 723,590</u>
<u>Cash Disbursements</u>	
Remittance of Revenue Collected	\$ 429,812
Trustee's Commission	7,236
Contributions	286,542
Total Cash Disbursements	<u>\$ 723,590</u>
 Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2007	<u>0</u>
 Cash Balance, June 30, 2008	<u><u>\$ 0</u></u>

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SINGLE AUDIT SECTION

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841

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

February 24, 2009

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Decatur County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise Decatur County's basic financial statements and have issued our report thereon dated February 24, 2009. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented Decatur County General Hospital and the discretely presented Decatur County Emergency Communications District as described in our report on Decatur County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 08.01, 08.02, 08.03(B), 08.05(B,C), 08.08, and 08.12.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 08.01 and 08.02 to be material weaknesses.

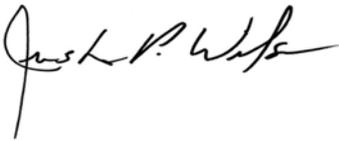
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Decatur County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 08.03(A), 08.04, 08.05(A), 08.06, 08.07, 08.09, and 08.10.

We consider item 08.11 described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations. We also noted certain matters that we reported to management of Decatur County in separate communications.

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke extending downwards from the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

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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 37243-1402
PHONE (615) 401-7841

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

February 24, 2009

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Decatur County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Decatur County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Decatur County's management. Our responsibility is to express an opinion on Decatur County's compliance based on our audit.

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

performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Decatur County's compliance with those requirements.

In our opinion, Decatur County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

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

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

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

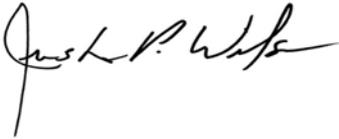
Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Decatur County as of and for the year ended June 30, 2008, and have issued our report thereon dated February 24, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Decatur County's basic financial statements. The accompanying Schedule of Expenditures of

Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Yours very truly,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke extending downwards from the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

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Decatur County, Tennessee
Schedule of Expenditures and Federal Awards and State Grants (1)
For the Year Ended June 30, 2008

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:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ 41,925 (4)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	90,263
National School Lunch Program	10.555	N/A	307,894 (4)
USDA Other	10.556	N/A	19,295
Total U.S. Department of Agriculture			<u>\$ 459,377</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	GG-07-12833-00	\$ 289,162
Total U.S. Department of Housing and Urban Development			<u>\$ 289,162</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Z-08-022749-00	\$ 9,000
Total U.S. Department of Justice			<u>\$ 9,000</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
State and Community Highway Safety	20.600	(2)	\$ 3,127
Total U.S. Department of Transportation			<u>\$ 3,127</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	(3)	\$ 109,079
Passed-through the State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	374,855
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	380,220
Special Education - Preschool Grants	84.173	N/A	37,698
Career and Technical Education - Basic Grants to States	84.048	N/A	40,007
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	8,534
Twenty-First Century Community Learning Centers	84.287	(2)	138,514
State Grants for Innovative Programs	84.298	N/A	5,230
Education Technology State Grants	84.318	N/A	3,440
English Language Acquisition Grants	84.365A	N/A	4,345
Improving Teacher Quality State Grants	84.367	N/A	80,465
Total U.S. Department of Education			<u>\$ 1,182,387</u>
U.S. Department of Health and Human Services:			
Passed-through Southwest Tennessee Development District:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	(2)	\$ 17,888
Total U.S. Department of Health and Human Services			<u>\$ 17,888</u>

(Continued)

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

Federal/Pass Through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	Z-07-020596-00	\$ 2,475
Homeland Security Grant Program	97.067	GG-07-02960-00	17,209
Total U.S. Department of Homeland Security			<u>\$ 19,684</u>
Total Expenditures of Federal Awards			<u>\$ 1,980,625</u>

State Grants

		<u>Contract Number</u>	
Juvenile Justice and Delinquency Prevention - State			
Department of Children's Services	N/A	GG-08-21794-00	\$ 63,439
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	7,896
Waste Tire Options Grant - State Department of Environment and Conservation	N/A	(2)	3,812
Preventive Health and Human Services - State Department of Health	N/A	Z-08-020338-00	3,129
Tobacco Cessation Grant - State Department of Health	N/A	GG-08-23356-00	15,789
Litter Grant - State Department of Transportation	N/A	Z-08-020985-00	28,621
Election Computer Equipment Grant - Tennessee Secretary of State	N/A	(2)	1,773
Community Enhancement Grant - Tennessee Secretary of State	N/A	(2)	9,000
Early Childhood Education - State Department of Education	N/A	(2)	249,190
ACT-EXP - Internet Connectivity - State Department of Education	N/A	(2)	8,026
Coordinated School Health - State Department of Education	N/A	(2)	97,957
AGMS - Nutrition PE Equipment - State Department of Education	N/A	(2)	3,552
Family Resource Center - State Department of Education	N/A	(2)	33,300
Safe Schools Act of 2008 - State Department of Education	N/A	(2)	9,000
Courtroom Security Grant - Administrative Office of the Courts	N/A	(2)	11,369
Computer Grant - Administrative Office of the Courts	N/A	(2)	8,000
Gates Library Computer Grant - State Libraries and Archives	N/A	(2)	4,009
Alternative Punishment Program - State Department of Corrections	N/A	(2)	416,337
Total State Grants			<u>\$ 974,199</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) Z0802077300: \$93,863; Z0820120100: \$15,216.
- (4) Total for CFDA No. 10.555 is \$349,819.

Decatur County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2008

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Decatur County, Tennessee, for the year ended June 30, 2007, which have not been corrected.

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.01	154	The office had deficiencies in budget operations

OTHER FINDINGS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.06	156	Financial activity of the Decatur County Library was not audited, and the library was not subject to budgetary control of the County Commission
07.07	157	A central system of accounting, budgeting, and purchasing had not been adopted
07.08	158	Duties were not segregated adequately in the Offices of County Mayor, Trustee, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

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DECATUR COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2008

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Decatur County is unqualified.
2. The audit of the financial statements of Decatur County disclosed significant deficiencies in internal control. Two of these deficiencies were considered to be material weaknesses.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Decatur County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, and USDA – Other (CFDA Nos. 10.553, 10.555, and 10.556) and Title I Grants to Local Educational Agencies (CFDA No. 84.010) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Decatur County did qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

DECATUR COUNTY AND DECATUR COUNTY SCHOOL DEPARTMENT

FINDING 08.01 **DECATUR COUNTY AND THE DECATUR COUNTY SCHOOL DEPARTMENT DO NOT HAVE THE RESOURCES TO PRODUCE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS**

(Internal Control – Material Weakness Under Government Auditing Standards)

Generally accepted auditing standards require that Decatur County's and the Decatur County School Department's financial statements be the product of financial reporting systems that offer reasonable assurance that management is able to produce financial statements and notes to the financial statements that comply with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires that the county and the School Department have internal controls over reporting government-wide and fund financial information and preparing the related notes. It is permissible for us, as the external auditors, to assist the county and the School Department in preparing their financial statements and notes as a matter of convenience as long as the county and the School Department have the skills needed to prepare the financial statements and notes. However, management, including the accounting staff, does not have the technical skills to prepare GAAP financial statements and disclosures. The inability to prepare financial statements and notes is an indication of a lack of controls, or ineffective controls, because material misstatements may not be detected.

RECOMMENDATION

Decatur County and the Decatur County School Department should develop the ability to produce financial statements and notes to the financial statements that comply with GAAP. This could include having at least one staff member trained in financial statement preparation. This staff member should have sufficient skills necessary to prepare a complete set of year-end financial statements even though the external auditors prepare the county's and the School Department's financial statements as a matter of convenience. If we, as the external auditors, continue to prepare the county's and the School Department's financial statements, this individual must have sufficient knowledge to determine the completeness of financial statement information and disclosures.

FINDING 08.02 THE GENERAL, GENERAL DEBT SERVICE, HIGHWAY/PUBLIC WORKS, AND GENERAL PURPOSE SCHOOL FUNDS REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION
(Internal Control – Material Weakness Under Government Auditing Standards)

At June 30, 2008, certain general ledger account balances in the General, General Debt Service, Highway/Public Works, and General Purpose School funds were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Decatur County and the Decatur County School Department to have adequate internal controls over the maintenance of their accounting records. Material audit adjustments were required because the county's and the School Department's financial reporting systems did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the county and the School Department have ineffective controls over the maintenance of their accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

Decatur County and the Decatur County School Department should have appropriate processes in place to ensure that their general ledgers are materially correct.

OFFICE OF COUNTY MAYOR

FINDING 08.03 THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS
(A. – Noncompliance Under Government Auditing Standards; B. – Internal Control – Significant Deficiency Under Government Auditing Standards)

Our examination of the Decatur County Mayor's Office revealed the following deficiencies in budget operations:

- A. Expenditures exceeded appropriations as noted below:
 - 1. Total expenditures of the General Debt Service and Drug Control funds exceeded appropriations approved by the County Commission by \$272,660 and \$2,636, respectively.
 - 2. Expenditures of the General Fund exceeded appropriations in ten of the 50 major appropriation categories (the legal level of control) by amounts ranging from \$90 to \$17,981.

3. Salaries exceeded line-item appropriations approved in the budget document in the General and Drug Control funds by amounts ranging from \$33 to \$21,830.

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

The budget resolution approved by the County Commission states that the salary, wages, or enumeration of each official, employee, or agent of the county will not exceed expenditures that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the County Commission.

These deficiencies exist because management failed to hold spending to the limits authorized by the County Commission, which resulted in unauthorized expenditures, and management's failure to correct budgetary deficiencies noted in prior audit reports.

- B. The original budget submitted to and approved by the County Commission for the Solid Waste/Sanitation Fund reflected appropriations that exceeded estimated available funding causing a budgeted fund deficit of \$59,157. Subsequently, the state Division of Local Finance rejected the budget for the Solid Waste/Sanitation Fund in a letter dated November 20, 2007. On November 26, 2007, the County Commission approved a budget amendment adding \$25,000 in investment income to the Solid Waste/Sanitation Fund, and on April 28, 2008, the County Commission approved a transfer totaling \$75,000 from the General Fund to the Solid Waste/Sanitation Fund to correct the budgeted fund deficit. Sound budgetary principles dictate that appropriations not be approved in excess of estimated available funding.

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission. Appropriations that exceed estimated available funds should not be submitted to the County Commission, and the County Commission should not approve such appropriations.

FINDING 08.04

THE OFFICE FAILED TO COMPLY WITH STATE STATUTES WHEN ISSUING DEBT

(A., B., and C. – Noncompliance Under Government Auditing Standards;
D. – Material Noncompliance Under Government Auditing Standards)

Our examination of the Decatur County Mayor's Office revealed the following deficiencies in the issuance of debt:

- A. On July 23, 2007, the County Mayor's Office entered into a two-year lease-purchase agreement for four patrol cars (\$90,510) without the prior approval of the County Commission. Additionally, the office did not file a Report on Debt Obligation with the state director of Local Finance until November 21, 2008.
- B. On April 1, 2008, the County Mayor's Office obtained an Energy Efficiency Loan (\$427,694) on behalf of the School Department. The office did not file a Report on Debt Obligation with the state director of Local Finance until November 14, 2008.
- C. On August 27, 2008, the County Mayor's Office entered into a three-year lease-purchase agreement for one patrol car (\$22,589) without the prior approval of the County Commission. Additionally, the office did not file a Report on Debt Obligation with the state director of Local Finance until December 1, 2008.

Section 7-51-904, Tennessee Code Annotated (TCA), requires lease-purchase agreements to be approved by the County Commission. Section 9-21-151, TCA, requires that within 45 days following the issuance of debt, the county must provide to the state director of Local Finance certain information, such as a description of the purchase for which the debt is issued, a description of the debt obligation, and an itemized description of the costs of issuance. The county mayor advised that he was not aware that lease-purchase agreements had to be approved by the County Commission, and that a Report on Debt Obligation had to be filed with the state director of Local Finance within 45 days of the debt issuance.

- D. During the year, the General and Solid Waste/Sanitation funds borrowed \$200,000 and \$20,000, respectively, from the General Debt Service Fund to provide cash for operations. Section 9-21-801, TCA, authorizes the County Commission to issue tax anticipation notes provided the notes are retired by the end of the current fiscal year. These notes were not retired by June 30, 2008, because of cash flow problems. Therefore, these notes have been reflected in the financial statements of this report as Due from Other Funds in the General Debt Service Fund and Due to Other Funds in the General and Solid Waste/Sanitation funds. It should be noted that these notes have not been retired as of February 20, 2009, and that the General and Solid Waste/Sanitation funds have borrowed an additional \$200,000 and \$75,952, respectively, from the General Debt Service Fund in 2008-09 to provide additional cash for operations.

RECOMMENDATION

Lease-purchase agreements should be approved by the County Commission, and the county should file a Report on Debt Obligation with the state director of Local Finance within 45 days of the issuance of the debt. Tax anticipation notes should be retired prior to the end of the fiscal year issued as required by state statute.

FINDING 08.05 **THE OFFICE HAD DEFICIENCIES ACCOUNTING FOR PAYROLL TAXES AND DEDUCTIONS**

(A. – Noncompliance Under Government Auditing Standards; B. and C. – Internal Control – Significant Deficiency Under Government Auditing Standards)

Our review of payroll revealed the following deficiencies:

- A. Payroll taxes were not deposited with the Internal Revenue Service (IRS) timely for the quarters ended June 30, 2007, and December 31, 2007. IRS Circular E – Employer’s Tax Guide requires employers to deposit employee payroll taxes in a U.S. Treasury bank account within three days of each payroll. This deficiency was the result of a lack of management oversight. As a result, the office was required to pay interest and penalty charges totaling \$2,276.73 on February 21, 2008, and \$913.79 on June 24, 2008.
- B. General ledger payroll liability accounts for employee insurance deductions in the General, Solid Waste/Sanitation, and Drug Control funds were not reconciled monthly with insurance invoices and payments. Sound business practices dictate that these reconciliations be performed monthly. These reconciliations were not performed because the bookkeeper became confused about the amounts to be paid and the amounts being withheld for the next payment. The failure to regularly reconcile insurance payroll liability accounts with insurance payments and invoices allows errors to remain undiscovered and uncorrected.
- C. The County Mayor’s Office withheld amounts from employees participating in a 457 savings plan; however, the office did not remit these payroll deductions to the plan administrator for deposit into the employees’ accounts timely. Amounts deducted from July through September 2008 were not remitted to the plan administrator for deposit until October 10, 2008. Sound business practices dictate that all employee payroll deductions be deposited with the respective reporting agency currently. This delay occurred because the bookkeeper believed these payments could be made quarterly, and that these funds would help the county’s cash flow problems.

RECOMMENDATION

Management should ensure that all payroll taxes are deposited within three days of each payroll. Insurance payroll liability accounts should be reconciled monthly with insurance invoices and payments, and any errors should be corrected promptly. The County Mayor's Office should remit all employees' payroll deductions to the respective reporting agency currently.

FINDING 08.06 **CASH ON DEPOSIT WITH THE TRUSTEE WAS NOT ACCURATELY RECONCILED MONTHLY** (Noncompliance Under Government Auditing Standards)

Management attempted to reconcile the Cash with Trustee accounts of the various funds with the county trustee's report monthly through January 2008. However, due to numerous unidentified errors in these reconciliations, management did not attempt to perform these reconciliations for February through May 2008. In June 2008, the bookkeeper obtained assistance and reconciled the various funds with the county trustee's reports. Section 9-2-138, Tennessee Code Annotated requires officials to reconcile their respective fund accounts with the records of the county trustee monthly. The failure to accurately reconcile the general ledgers' Cash with Trustee accounts with the county trustee's report monthly results in posting errors not being discovered and corrected in a timely manner.

RECOMMENDATION

The County Mayor's Office should reconcile the Cash with Trustee accounts of the various funds with the trustee's report monthly as required by state statute, and posting errors should be corrected promptly.

OFFICE OF ROAD SUPERVISOR

FINDING 08.07 **EXPENDITURES EXCEEDED APPROPRIATIONS** (Noncompliance Under Government Auditing Standards)

Expenditures exceeded appropriations approved by the County Commission in the Capital Outlay major appropriation category (the legal level of control) of the Highway/Public Works Fund by \$67,021. Section 5-9-401, Tennessee Code Annotated states, "All funds from whatever source derived including, but not limited to taxes, county aid funds, federal funds, and fines that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies." This deficiency is the result of budget amendments not being presented to the County Commission for a bridge construction payment made at the end of June. Therefore, management failed to hold spending within limits authorized by the County Commission.

RECOMMENDATION

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

OFFICE OF COUNTY CLERK

FINDING 08.08 **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

System backups were not stored off-site on a regular basis. Sound business practices dictate that system backups be 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. Backup procedures are now in place.

OFFICE OF SHERIFF

FINDING 08.09 **FUNDS WERE NOT DEPOSITED WITHIN THREE DAYS OF COLLECTION**
(Noncompliance Under Government Auditing Standards)

The Sheriff's Department did not deposit some collections to the office bank account within three days of collection as required by Section 5-8-207, Tennessee Code Annotated. During the period under examination, as many as seven days elapsed between the date funds were received and the date funds were deposited to the bank. This deficiency is the result of the bookkeeper not keeping up with money that is receipted by the jailors. Failure to deposit collections within three days weakens internal controls over funds and increases the risk for loss or theft.

RECOMMENDATION

To strengthen internal controls over cash collections and deposits, the department should deposit funds to the office bank account within three days of collection as required by state statute.

OTHER FINDINGS AND RECOMMENDATIONS

**FINDING 08.10 CERTAIN FINANCIAL ACTIVITY OF THE DECATUR COUNTY PUBLIC LIBRARY WAS NEITHER AUDITED NOR SUBJECT TO THE BUDGETARY CONTROL OF THE COUNTY COMMISSION
(Noncompliance Under Government Auditing Standards)**

The Decatur County Public Library operates as a department within the county's General Fund. A significant portion of the library's expenditures for the year was paid through the county's General Fund (\$63,432), which is included in the financial statements of this report. However, the Library Board maintained three checking accounts and one certificate of deposit outside of the county's control to deposit various revenues and to pay certain operating expenses. The balance of the three checking accounts and the certificate of deposit totaled \$114,182 at June 30, 2008. Section 5-9-401, Tennessee Code Annotated (TCA), states that "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies." Also, Section 10-3-106, TCA, states that "all library accounts of every character shall be audited annually by or under the county legislative body and/or city governing body." This deficiency remains uncorrected from prior years as a result of management's failure to take corrective action. Therefore, the funds channeled through the Library Board's bank accounts, including the certificate of deposit, did not flow through the county's budgetary process, have not been audited, and are not included in the financial statements of this report. We do not consider the exclusion of these amounts to be material to the financial statements of this report.

RECOMMENDATION

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

**FINDING 08.11 A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED
(Internal Control – Control Deficiency Under Government Auditing Standards)**

County officials had not adopted a central system of accounting, budgeting, and purchasing. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort.

RECOMMENDATION

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

FINDING 08.12 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY MAYOR, TRUSTEE, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Offices of County Mayor, Trustee, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. The employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to provide reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management’s decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions.

RECOMMENDATION

Officials should segregate duties to the extent possible using available resources.

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

There were no findings and questioned costs for federal awards.

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**DECATUR COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2008**

There were no audit findings relative to federal awards presented in the prior- or current-years' Schedules of Findings and Questioned Costs.