
ANNUAL FINANCIAL REPORT DECATUR COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2009



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ANNUAL FINANCIAL REPORT
DECATUR COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2009

DEPARTMENT OF AUDIT
JUSTIN P. WILSON
Comptroller of the Treasury

DIVISION OF COUNTY AUDIT
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Assistant to the Comptroller

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Director

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AMANDA MARCH
WENDY HEATH, CFE
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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, 2009

Scope

We have audited the basic financial statements of Decatur County as of and for the year ended June 30, 2009.

Results

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

Our audit resulted in ten 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.

OFFICE OF COUNTY MAYOR

- ◆ The General and Solid Waste/Sanitation funds had deficits in unreserved fund balances.
- ◆ The General Debt Service Fund required material audit adjustments for proper financial statement presentation.
- ◆ The office had deficiencies in budget operations.
- ◆ Tax anticipation notes were not retired in compliance with state statutes.
- ◆ Insurance payroll liability accounts were not reconciled monthly.

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 not audited and was not 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, Circuit and General Sessions Courts Clerk, Clerk and Master, and Register.

INTRODUCTORY SECTION

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Decatur County Officials
June 30, 2009

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, County Mayor, 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	

Board of Education

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

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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
PHONE (615) 401-7841**

INDEPENDENT AUDITOR'S REPORT

January 6, 2010

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, 2009, 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 24.5 percent and 44.6 percent, respectively, of the assets and revenues of the aggregate discretely presented component units, or the Decatur County Emergency Communications District, which represent 2.8 percent and 1.1 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, 2009, 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 January 6, 2010, on our consideration of Decatur County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note V.B., Decatur County has adopted the provisions of Governmental Accounting Standards Board Statement No. 49, Accounting and Financial Reporting for Pollution and Remediation Obligations; and Statement No. 52, Land and Other Real Estate Held as Investments by Endowments.

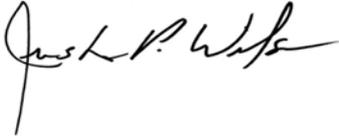
The management of Decatur County did not prepare a management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States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

The budgetary comparison, pension, and other postemployment benefits information on pages 83 through 89 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 fluid and cursive, with a long vertical stroke at the end.

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, 2009

	Primary Governmental Activities	Component Units			
		Decatur County School Department	Decatur County General Hospital	Decatur County Emergency Communications District	
<u>ASSETS</u>					
Cash	\$ 835	\$ 0	\$ 412,239	\$ 212,848	
Equity in Pooled Cash and Investments	1,703,526	3,142,191	0	0	0
Inventories	0	0	259,039	0	0
Accounts Receivable	113,916	59,430	1,493,101	24,005	0
Due from Other Governments	498,146	375,725	0	0	0
Due from Component Units	134,135	0	0	0	0
Property Taxes Receivable	1,798,753	1,587,570	0	0	0
Allowance for Uncollectible Property Taxes	(36,502)	(32,944)	0	0	0
Prepaid Items	0	0	42,265	0	0
Other Current Assets	0	0	84,267	140	0
Deferred Charges - Debt Issuance Costs	313,991	0	1,509	0	0
Capital Assets:					
Assets Not Depreciated:					
Land	1,593,324	239,448	81,696	0	0
Assets Net of Accumulated Depreciation:					
Land Improvements	0	0	67	0	0
Buildings and Improvements	7,657,645	7,451,124	1,230,067	0	0
Infrastructure	3,345,108	0	0	0	0
Other Capital Assets	1,393,189	1,450,931	1,201,576	303,091	0
Total Assets	\$ 18,516,066	\$ 14,273,475	\$ 4,805,826	\$ 540,084	

(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	\$ 112,303	\$ 20,277	\$ 981,837	\$ 0	0
Other Accrued Expenses	0	0	223,162	0	0
Payroll Deductions Payable	26,916	246,476	0	0	0
Contracts Payable	218,092	0	0	0	0
Accrued Payroll	2,157	0	0	0	0
Accrued Interest Payable	127,152	0	80,488	0	0
Due to Primary Government	0	65,057	0	0	0
Due to State of Tennessee	4,721	291	0	0	0
Due to Intermediaries	0	0	250,270	0	0
Deferred Revenue - Current Property Taxes and Other	1,661,161	1,461,023	0	0	0
Health Insurance Payments	0	7,852	0	0	0
Cafeteria Salaries and Benefits	0	70	0	0	0
Noncurrent Liabilities:					
Due Within One Year	1,343,610	61,099	498,219	0	0
Due in More Than One Year (net of deferred amount on refunding)	16,041,052	427,526	2,561,854	0	0
Total Liabilities	\$ 19,537,164	\$ 2,289,671	\$ 4,595,830	\$ 0	0
<u>NET ASSETS</u>					
Invested in Capital Assets, Net of Related Debt	\$ 4,087,389	\$ 8,774,908	\$ 1,220,734	\$ 0	0
Invested in Capital Assets Restricted for:	0	0	0	0	303,091
Drug Control	1,028	0	0	0	0
Highway/Public Works	460,190	0	0	0	0
Capital Projects	55,284	0	0	0	0
Debt Service	1,024,111	0	0	0	0
Resort District	308,323	0	0	0	0
Jail, Workhouse, or Courthouse	150,885	0	0	0	0
Other Purposes	19,983	98,934	0	0	0
Unrestricted	(7,128,291)	3,109,962	(1,010,738)	0	236,993
Total Net Assets	\$ (1,021,098)	\$ 11,983,804	\$ 209,996	\$ 0	540,084

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, 2009

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	\$ 579,262	\$ 67,455	\$ 14,912	\$ 0	\$ (496,895)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	449,452	276,926	7,974	0	(164,552)	0	0	0	0	0
Administration of Justice	467,207	315,864	9,000	0	(142,343)	0	0	0	0	0
Public Safety	2,433,513	283,188	502,647	111,689	(1,535,989)	0	0	0	0	0
Public Health and Welfare	393,466	111,005	39,843	0	(242,618)	0	0	0	0	0
Social, Cultural, and Recreational Services	413,512	151,675	21,195	0	(240,642)	0	0	0	0	0
Agriculture and Natural Resources	55,211	0	0	0	(55,211)	0	0	0	0	0
Other Operations	152,949	0	3,152	0	(149,797)	0	0	0	0	0
Highways/Public Works	1,388,293	26,458	1,410,833	0	48,998	0	0	0	0	0
Interest on Long-term Debt	746,792	0	818,740	0	71,948	0	0	0	0	0
Other Debt Service	27,647	0	0	0	(27,647)	0	0	0	0	0
Total Primary Government	\$ 7,107,304	\$ 1,232,571	\$ 2,828,296	\$ 111,689	\$ (2,934,748)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Component Units:										
Decatur County School Department	\$ 13,232,411	\$ 114,344	\$ 2,143,755	\$ 0	\$ 0	\$ (10,974,312)	\$ 0	\$ 0	\$ 0	\$ 0
Decatur County General Hospital	11,458,898	10,782,995	186,687	0	0	0	(489,216)	0	0	0
Decatur County Emergency Communications District	228,644	164,433	0	0	0	0	0	0	(64,211)	0
Total Component Units	\$ 24,919,953	\$ 11,061,772	\$ 2,330,442	\$ 0	\$ 0	\$ (10,974,312)	\$ (489,216)	\$ 0	\$ (64,211)	\$ 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	Decatur County School Department	Decatur County General Hospital	Decatur County Emergency Communications District
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes				\$ 1,487,786	\$ 1,503,772	\$ 0	\$ 0
Property Taxes Levied for Debt Service				191,950	0	0	0
Local Option Sales Taxes				274,433	1,015,700	0	0
Wholesale Beer Tax				206,564	0	0	0
Wheel Tax				189,626	0	0	0
Litigation Tax				84,588	0	0	0
Business Tax				83,392	0	0	0
Mineral Severance Tax				63,915	0	0	0
Other Local Taxes				48,099	186,649	0	0
Grants and Contributions Not Restricted to Specific Programs				605,374	8,412,559	75,353	52,685
Unrestricted Investment Earnings				96,094	9,323	1,458	3,541
Miscellaneous				49,446	51,718	0	69,731
Gain (Loss) on Disposal of Capital Assets				0	0	373	(6,147)
Total General Revenues				\$ 3,381,267	\$ 11,179,721	\$ 77,184	\$ 119,810
Change in Net Assets				\$ 446,519	\$ 205,409	\$ (412,032)	\$ 55,599
Net Assets, July 1, 2008				(1,467,618)	11,778,395	622,028	484,485
Net Assets, June 30, 2009				\$ (1,021,099)	\$ 11,983,804	\$ 209,996	\$ 540,084

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

Decatur County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2009

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Governmental Funds		
\$	0	0	0	0	0	835	\$ 835
Cash	782,408	201,163	602,529	11,585	105,841	1,703,526	1,703,526
Equity in Pooled Cash and Investments	7,263	326	0	100,000	6,327	113,916	113,916
Accounts Receivable	168,625	258,701	70,820	0	0	498,146	498,146
Due from Other Governments	1,594	0	495,952	0	0	497,546	497,546
Due from Other Funds	0	0	134,135	0	0	134,135	134,135
Due from Component Units	1,497,797	0	176,600	0	124,356	1,798,753	1,798,753
Property Taxes Receivable	(30,716)	0	(4,009)	0	(1,777)	(36,502)	(36,502)
Allowance for Uncollectible Property Taxes							
Total Assets	\$ 2,426,971	\$ 460,190	\$ 1,476,027	\$ 111,585	\$ 235,582	\$ 4,710,355	\$ 4,710,355

ASSETS

Cash
 Equity in Pooled Cash and Investments
 Accounts Receivable
 Due from Other Governments
 Due from Other Funds
 Due from Component Units
 Property Taxes Receivable
 Allowance for Uncollectible Property Taxes

LIABILITIES AND FUND BALANCES

\$	54,157	0	0	58,146	0	112,303
Accounts Payable	2,157	0	0	0	0	2,157
Accrued Payroll	25,341	0	0	0	1,575	26,916
Payroll Deductions Payable	0	0	164,653	53,439	0	218,092
Contracts Payable	400,000	0	0	0	97,546	497,546
Due to Other Funds	4,357	0	0	0	364	4,721
Due to State of Tennessee	1,380,967	0	160,111	0	120,083	1,661,161
Deferred Revenue - Current Property Taxes	80,839	0	11,868	0	2,037	94,744
Deferred Revenue - Delinquent Property Taxes	68,420	125,994	139,802	0	0	334,216
Other Deferred Revenues	\$ 2,016,238	\$ 125,994	\$ 476,434	\$ 111,585	\$ 221,605	\$ 2,951,856
Total Liabilities						
Fund Balances	308,323	0	0	0	0	308,323
Reserved for Resort District	150,885	0	0	0	0	150,885
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	1,963	0	0	0	0	1,963
Reserved for Sexual Offender Registration	253	0	0	0	0	253
Reserved for Courtroom Security						

(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		
\$	1,255	0	0	0	0	0	1,255
	4,779	0	0	0	0	0	4,779
	8,108	0	0	0	0	0	8,108
	2,456	0	0	0	0	0	2,456
	490	0	0	0	0	0	490
	679	0	0	0	0	0	679
	(68,458)	0	0	0	0	0	(68,458)
	0	334,196	0	0	0	(41,307)	292,889
	0	0	999,593	0	0	0	999,593
	0	0	0	0	0	55,284	55,284
	<u>410,733</u>	<u>334,196</u>	<u>999,593</u>	<u>0</u>	<u>0</u>	<u>13,977</u>	<u>1,758,499</u>
	\$ 2,426,971	\$ 460,190	\$ 1,476,027	\$ 111,585	\$ 235,582	\$ 4,710,355	

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)	
Reserved for Victims Assistance Programs	
Reserved for Computer System - Register	
Reserved for Automation Purposes - General Sessions Court	
Reserved for Automation Purposes - Chancery Court	
Reserved for Automation Purposes - Sheriff	
Reserved for Automation Purposes - County Clerk	
Unreserved, Reported In:	
General Fund (Deficit)	
Special Revenue Funds (Deficit)	
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, 2009

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)		\$	1,758,499
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,593,324	
Add: buildings and improvements net of accumulated depreciation		7,657,645	
Add: infrastructure net of accumulated depreciation		3,345,108	
Add: other capital assets net of accumulated depreciation		<u>1,393,189</u>	13,989,266
(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	\$	(17,070,000)	
Less: notes payable		(184,126)	
Less: capital leases payable		(46,492)	
Add: deferred charges - debt issuances costs		313,991	
Add: other deferred charges - discount on debt		6,572	
Less: other deferred revenue - premium on debt		(25,752)	
Less: compensated absences payable		(53,029)	
Less: accrued interest on bonds, note, and capital leases		(127,152)	
Less: other postemployment benefits liability		<u>(11,835)</u>	(17,197,823)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			
			<u>428,960</u>
Net assets of governmental activities (Exhibit A)		\$	<u>(1,021,098)</u>

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

Decatur County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Highway /	General	General	Capital Projects	Other Governmental Funds	Governmental Funds	
		Public Works	Debt Service	Capital Projects				
<u>Revenues</u>								
Local Taxes	\$ 2,063,643	\$ 28,803	\$ 476,086	\$ 0	\$ 0	\$ 91,093	\$ 2,659,625	
Licenses and Permits	5,798	0	0	0	0	0	5,798	
Fines, Forfeitures, and Penalties	83,264	0	0	0	0	10,483	93,747	
Charges for Current Services	202,261	0	0	0	0	113,830	316,091	
Other Local Revenues	15,735	19,971	105,869	5,148	0	31,355	178,078	
Fees Received from County Officials	513,794	0	0	0	0	0	513,794	
State of Tennessee	1,208,568	1,406,737	46,441	0	0	5,948	2,667,694	
Federal Government	166,030	0	0	0	0	0	166,030	
Other Governments and Citizens Groups	103,025	26,289	865,407	0	0	0	994,721	
Total Revenues	\$ 4,362,118	\$ 1,481,800	\$ 1,493,803	\$ 5,148	\$ 0	\$ 252,709	\$ 7,595,578	
<u>Expenditures</u>								
Current:								
General Government	\$ 488,926	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 488,926	
Finance	357,615	0	0	0	0	0	357,615	
Administration of Justice	356,425	0	0	0	0	18,595	375,020	
Public Safety	2,014,558	0	0	0	0	39,810	2,054,368	
Public Health and Welfare	71,799	0	0	0	0	212,469	284,268	
Social, Cultural, and Recreational Services	331,826	0	0	0	0	0	331,826	
Agriculture and Natural Resources	52,294	0	0	0	0	0	52,294	
Other Operations	656,763	0	0	0	0	57,746	714,509	
Highways	0	1,197,703	0	0	0	0	1,197,703	
Debt Service:								
Principal on Debt	6,229	306,000	1,002,777	0	0	0	1,315,006	
Interest on Debt	0	66,798	688,850	0	0	0	755,648	
Other Debt Service	0	0	13,135	0	0	0	13,135	
Capital Projects	0	0	164,653	3,937,791	0	0	4,102,444	
Total Expenditures	\$ 4,336,435	\$ 1,570,501	\$ 1,869,415	\$ 3,937,791	\$ 0	\$ 328,620	\$ 12,042,762	
Excess (Deficiency) of Revenues Over Expenditures	\$ 25,683	\$ (88,701)	\$ (375,612)	\$ (3,932,643)	\$ (75,911)	\$ (4,447,184)		

(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>							
Capital Leases Issued	\$ 22,589	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	22,589
Insurance Recovery	27,639	4,763	0	0	0	0	32,402
Total Other Financing Sources (Uses)	\$ 50,228	\$ 4,763	\$ 0	\$ 0	\$ 0	\$ 0	54,991
Net Change in Fund Balances	\$ 75,911	\$ (83,938)	\$ (375,612)	\$ (3,932,643)	\$ (75,911)	\$ (75,911)	(4,392,193)
Fund Balance, July 1, 2008	334,822	418,134	1,375,205	3,932,643	89,888	89,888	6,150,692
Fund Balance, June 30, 2009	\$ 410,733	\$ 334,196	\$ 999,593	\$ 0	\$ 13,977	\$ 13,977	1,758,499

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, 2009

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)		\$ (4,392,193)
<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	\$ 4,247,057	
Less: current year depreciation expense	<u>(607,677)</u>	3,639,380
<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	\$ 3,682	
Less: loss on disposal of capital assets	(3,050)	
Less: proceeds received from disposal of capital assets	<u>(30,650)</u>	(30,018)
<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, 2009	\$ 428,960	
Less: deferred delinquent property taxes and other deferred June 30, 2008	<u>(431,638)</u>	(2,678)
<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: capital lease proceeds	\$ (22,589)	
Add: change in premium on debt issuances	923	
Less: change in deferred debt issuance costs	(14,145)	
Less: change in discount on debt issuances	(367)	
Add: principal payments on notes	20,458	
Add: principal payments on bonds	1,220,000	
Add: principal payments on capital leases	<u>34,548</u>	1,238,828
<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	\$ 8,856	
Change in compensated absences payable	(9,531)	
Change in other postemployment benefits liability	<u>(6,125)</u>	(6,800)
Change in net assets of governmental activities (Exhibit B)		<u>\$ 446,519</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, 2009

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 512,308
Due from Other Governments	<u>56,722</u>
Total Assets	<u><u>\$ 569,030</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 56,722
Due to Litigants, Heirs, and Others	<u>512,308</u>
Total Liabilities	<u><u>\$ 569,030</u></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, 2009

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.

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 funds:

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.

School Federal Projects Fund – This 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; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

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

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

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

3. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more (buildings and improvements, 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 government (excluding the Highway Department) 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. 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 \$2,019,804 of restricted net assets, of which \$308,323 is restricted by enabling legislation.

As of June 30, 2009, Decatur County had \$7,103,930 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 County 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. Fund Deficits

The General and Solid Waste/Sanitation funds had deficits in unreserved fund balances of \$68,458 and \$42,335, respectively, at June 30, 2009. These deficits resulted from management's failure to reduce expenditures while revenues failed to meet projections.

C. Expenditures Exceeded Appropriations

Expenditures exceeded total appropriations approved by the County Commission in the Drug Control and General Debt Service funds by \$619 and \$134,954, respectively.

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

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
Other Boards and Committees	\$ 350
General Sessions Judge	2,240
Drug Court	1,684
Victims Assistance Programs	10,200
Sheriff's Department	779
Drug Enforcement	42
Jail	35,547
Other Emergency Management	23,634
Other Public Health and Welfare	329
Senior Citizens Assistance	4,607
Other Charges	12,260

Such overexpenditures are a violation of state statutes. These overexpenditures contributed to the fund deficit in the General Fund.

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

We reported in the prior-year audit report in finding 08.04(C) that on August 27, 2008, Decatur County entered into a three-year lease-purchase agreement for one patrol car without the prior approval of the County Commission. Terms of the agreement require total lease payments of \$22,589 plus interest of 6.95 percent. Additionally, the office did not file a Report on Debt Obligation with the state director of Local Finance until December 1, 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; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; 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, 2009, 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	\$ 151,255

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, 2009, 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, 2009, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-08	Increases	Decreases	Balance 6-30-09
Capital Assets Not Depreciated:				
Land	\$ 1,563,324	\$ 30,000	\$ 0	\$ 1,593,324
Construction in Progress	1,576,800	0	1,576,800	0
Total Capital Assets Not Depreciated	\$ 3,140,124	\$ 30,000	\$ 1,576,800	\$ 1,593,324
Capital Assets Depreciated:				
Buildings and Improvements	\$ 3,478,882	\$ 5,373,207	\$ 0	\$ 8,852,089
Infrastructure	4,144,377	128,919	0	4,273,296
Other Capital Assets	3,024,233	291,731	59,947	3,256,017
Total Capital Assets Depreciated	\$ 10,647,492	\$ 5,793,857	\$ 59,947	\$ 16,381,402
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,065,572	\$ 128,872	\$ 0	\$ 1,194,444
Infrastructure	697,936	230,252	0	928,188
Other Capital Assets	1,644,204	248,553	29,929	1,862,828
Total Accumulated Depreciation	\$ 3,407,712	\$ 607,677	\$ 29,929	\$ 3,985,460
Total Capital Assets Depreciated, Net	\$ 7,239,780	\$ 5,186,180	\$ 30,018	\$ 12,395,942
Governmental Activities Capital Assets, Net	\$ 10,379,904	\$ 5,216,180	\$ 1,606,818	\$ 13,989,266

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	155,782
Public Health and Welfare	40,243
Social, Cultural, and Recreational Services	40,172
Agriculture and Natural Resources	984
Other Operations	158
Highways/Public Works	<u>330,251</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 607,677</u></u>

Discretely Presented Decatur County School Department

Governmental Activities:

	Balance 7-1-08	Increases	Balance 6-30-09
Capital Assets Not Depreciated:			
Land	\$ 239,448	\$ 0	\$ 239,448
Total Capital Assets Not Depreciated	<u>\$ 239,448</u>	<u>\$ 0</u>	<u>\$ 239,448</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 14,005,866	\$ 81,897	\$ 14,087,763
Other Capital Assets	2,425,861	40,500	2,466,361
Total Capital Assets Depreciated	<u>\$ 16,431,727</u>	<u>\$ 122,397</u>	<u>\$ 16,554,124</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 6,153,461	\$ 483,178	\$ 6,636,639
Other Capital Assets	856,648	158,782	1,015,430
Total Accumulated Depreciation	<u>\$ 7,010,109</u>	<u>\$ 641,960</u>	<u>\$ 7,652,069</u>
Total Capital Assets Depreciated, Net	<u>\$ 9,421,618</u>	<u>\$ (519,563)</u>	<u>\$ 8,902,055</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 9,661,066</u></u>	<u><u>\$ (519,563)</u></u>	<u><u>\$ 9,141,503</u></u>

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

Governmental Activities:

Instruction	\$ 432,494
Support Services	154,701
Operation of Non-Instructional Services	<u>54,765</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 641,960</u>

C. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2009, is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 1,594
General Debt Service	General	400,000
General Debt Service	Nonmajor governmental	95,952

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:		
General Debt Service	Component Unit:	
	School Department	\$ 65,057
General Debt Service	General Hospital	<u>69,078</u>
Total		<u>\$ 134,135</u>

D. Capital Leases

On July 23, 2007, Decatur County entered into a two-year lease-purchase agreement for Sheriff's 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.

On August 27, 2008, Decatur County entered into a three-year lease-purchase agreement for a Sheriff's Department vehicle. The terms of the agreement require total lease payments of \$22,589 plus interest of 6.95 percent. Title to the vehicle transfers to Decatur County at the end of the lease period. The lease payments are made from the General Fund.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2009, were as follows:

Year Ending June 30	Governmental Funds
2010	\$ 38,288
2011	6,228
2012	6,229
Total Minimum Lease Payments	\$ 50,745
Less: Amount Representing Interest	(4,253)
Present Value of Minimum Lease Payments	\$ 46,492

E. Long-term Debt

Primary Government

General Obligation Bonds and Notes

The county issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund other 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 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, 2009, 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, 2009, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-09
G.O. Improvement Bonds	2.2 to 4.14%	\$ 6,520,000	\$ 6,385,000
G.O. Bonds - Refunding	1.45 to 4	4,560,000	3,630,000
School Bonds - Refunding	1.45 to 4.25	10,720,000	7,055,000
Capital Outlay Note	4.05	245,500	184,126
Capital Leases	6.4 to 6.95	113,099	46,492

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2009, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2015-2019	4,780,000	1,660,848	6,440,848
2020-2024	1,760,000	1,063,554	2,823,554
2025-2029	1,745,000	692,741	2,437,741
2030-2034	1,400,000	390,480	1,790,480
2035-2037	990,000	85,426	1,075,426
Total	<u>\$ 17,070,000</u>	<u>\$ 6,607,385</u>	<u>\$ 23,677,385</u>

Year Ending June 30	Notes		
	Principal	Interest	Total
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
2015-2018	81,835	8,286	90,121
Total	<u>\$ 184,126</u>	<u>\$ 37,285</u>	<u>\$ 221,411</u>

There is \$999,593 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$1,455, based on the 2000 federal census. Debt per capita, including bonds, notes, and capital leases, totaled \$1,475, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2008	\$ 18,290,000	\$ 204,584	\$ 58,451
Additions	0	0	22,589
Deductions	(1,220,000)	(20,458)	(34,548)
Balance, June 30, 2009	<u>\$ 17,070,000</u>	<u>\$ 184,126</u>	<u>\$ 46,492</u>
Balance Due Within One Year	<u>\$ 1,265,000</u>	<u>\$ 20,458</u>	<u>\$ 35,223</u>

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2008	\$ 43,498	\$ 5,710
Additions	32,427	10,029
Deductions	(22,896)	(3,904)
Balance, June 30, 2009	<u>\$ 53,029</u>	<u>\$ 11,835</u>
Balance Due Within One Year	<u>\$ 22,929</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2009	\$ 17,365,482
Less: Balance Due Within One Year	(1,343,610)
Add: Unamortized Premium on Debt	25,752
Less: Deferred Discount on Debt	<u>(6,572)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 16,041,052</u>

Compensated absences will be paid from the employing funds, which are the General and Solid Waste/Sanitation funds. Other postemployment benefits will be paid from the employing funds, primarily the General Fund.

Discretely Presented Decatur County School Department

The county issued a capital outlay note 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. The capital outlay note was issued for original terms of up to seven years. The capital outlay note outstanding as of June 30, 2009, will be retired from the General Purpose School Fund.

The capital outlay note outstanding as of June 30, 2009, is as follows:

Type	Interest Rate	Original Amount of Issue	Balance
Capital Outlay Note	0%	\$ 427,694	\$ 366,595

The annual requirements to amortize the note outstanding as of June 30, 2009, are presented in the following table:

Year Ending June 30	Note Principal
2010	\$ 61,099
2011	61,099
2012	61,099
2013	61,099
2014	61,099
2015	61,100
Total	<u>\$ 366,595</u>

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Decatur County School Department for the year ended June 30, 2009, was as follows:

Governmental Activities:

	Notes	Other Postemployment Benefits
Balance, July 1, 2008	\$ 427,694	\$ 57,898
Additions	0	94,286
Deductions	(61,099)	(30,154)
Balance, June 30, 2009	<u>\$ 366,595</u>	<u>\$ 122,030</u>
Balance Due Within One Year	<u>\$ 61,099</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2009	\$ 488,625
Less: Balance Due Within One Year	<u>(61,099)</u>
 Noncurrent Liabilities - Due in More Than One Year - Exhibit A	 <u>\$ 427,526</u>

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

F. 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 \$8,360,175, payable semiannually through June 2018. For the current year, principal and interest paid and sales tax revenues generated by the increase were \$935,738 and \$808,470, respectively.

G. 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, 2009, were \$30,114 and \$7,355, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

H. 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 (\$75,952) funds. These notes were necessary because funds were not available for operating expenses coming due before receipt of local and state revenues. These notes, in addition to \$220,000 in unpaid short-term financing from the prior year, were not retired prior to June 30, 2009, 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, 2009, was as follows:

	Balance 7-1-08	Issued	Redeemed	Balance 6-30-09
Tax and Revenue				
Anticipation Notes	\$ 220,000	\$ 275,952	\$ 0	\$ 495,952

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. Retirees are not allowed to continue coverage in this commercial plan. 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 Accounting Standards Board (GASB) Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations; and Statement No. 52, Land and Other Real Estate Held as Investments by Endowments became effective for the year ended June 30, 2009.

GASB Statement No. 49 requires county governments to measure and report their pollution remediation liabilities. A county has a pollution remediation problem if one of five obligating events occurs. The statement requires governments to restate beginning net assets in government-wide and proprietary fund financial statements for pollution remediation liabilities that existed as of July 1, 2008. Previous to GASB Statement No. 49, counties were not required to measure and record pollution remediation liabilities. GASB Statement No. 49 had no effect on the financial statements of Decatur County for the year ended June 30, 2009, since the county had none of the obligating events. However, it is reasonably expected that Decatur County could have pollution remediation liabilities in subsequent years.

GASB Statement No. 52 requires endowments to report land and other real estate investments at fair value. Previous to Statement No. 52, land and other real estate held by endowments were reported at historical cost. Changes in fair value between years will be reported as investment income (loss). GASB Statement No. 52 had no effect on the financial statements of Decatur County for the year ended June 30, 2009, since the county had no endowment investments. However, it is reasonably expected that Decatur County could have endowment investments in subsequent years.

C. Subsequent Event

On October 14, 2009, Decatur County issued a \$61,275 capital outlay note for solid waste containers.

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, 2009, future principal and interest requirements were \$1,155,000 and \$340,838, 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, 2009, future principal and interest requirements were \$1,069,673 and \$165,582, respectively.

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

E. Joint Ventures

The Benton-Decatur Special Sewer District was created through a joint agreement between Benton and Decatur counties. The agreement established the Benton-Decatur Special Sewer District Management Board 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, 2009, the county appropriated an operating subsidy of \$29,125 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

F. 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 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, 2009, was 4.72 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, 2009, Decatur County's annual pension cost of \$147,414 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2007, 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, 2007, was 11 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
6-30-09	\$147,414	100%	\$0
6-30-08	139,905	100	0
6-30-07	135,362	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 SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.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 Decatur County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2009, was 6.42 percent of annual covered payroll. The employer contribution requirement for the Decatur County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2009, 2008, and 2007, were \$410,343, \$398,242, and \$368,043, respectively, equal to the required contributions for each year.

G. Other Postemployment Benefits (OPEB)

Plan Description

Decatur County (excluding the Highway Department) 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 local education employees 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://tn.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 a 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, 2009, Decatur County and the discretely presented Decatur County School Department contributed \$3,654 and \$27,618, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 91,681	\$ 9,772
Interest on the NPO	2,605	257
Adjustment to the ARC	(2,536)	(250)
Annual OPEB cost	\$ 91,750	\$ 9,779
Less: Amount of contribution	(27,618)	(3,654)
Increase/decrease in NPO	\$ 64,132	\$ 6,125
Net OPEB obligation, 7-1-08	57,898	5,710
Net OPEB obligation, 6-30-09	\$ 122,030	\$ 11,835

Fiscal 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
6-30-09	"	91,750	30	122,030
6-30-08	Local Government Group	9,452	40	5,710
6-30-09	"	9,779	37	11,835

*Data only available for two years.

Funded Status and Funding Progress

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-07	7-1-07
Actuarial accrued liability (AAL)	\$ 837,947	\$ 64,792
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 837,947	\$ 64,792
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 6,062,677	\$ 2,220,277
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 multiyear 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 July 1, 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.

H. 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. 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 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, 2009, 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 110 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

Inventories 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 holidays, vacation, sick leave, and bereavement absences. The paid days off begin accruing after a six month probationary period and are based on the following table. 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

<u>Years of Service</u>	<u>Hours earned per hour worked</u>
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 major 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 \$12,400,000 for the year ended June 30, 2009. For the year ended June 30, 2009, approximately 54 percent of net patient service revenue was from Medicare and seven percent was from Medicaid/TennCare.

The hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charges under this policy were \$230,561 for the year ended June 30, 2009.

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, 2009, there were no permanently or temporarily restricted net assets. Invested in capital assets, net of related debt is calculated as follows:

	<u>6-30-09</u>
Property and equipment, net	\$ 2,513,406
Less:	
Current portion of long-term debt relating to the acquisition of property and equipment	(132,044)
Long-term debt, excluding current portion relating to the acquisition of property and equipment	<u>(1,160,628)</u>
Invested in capital assets, net of related debt	<u>\$ 1,220,734</u>

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.

13. New Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (“SFAS 157”). SFAS 157 defines fair value, establishes a framework for measuring fair value, and requires enhanced disclosures about fair value measurements. SFAS 157 also requires hospitals to disclose the fair value of their financial instruments according to a fair value hierarchy as defined in the standard. Additionally, hospitals are required to provide enhanced disclosure regarding financial instruments, including a reconciliation of beginning and ending balances separately for each major category of assets and liabilities. SFAS 157 was effective for financial statements issued for fiscal years beginning after November 15, 2007. However, in February 2008, the FASB issued FASB Staff Position No. FAS 157-2, effective date of FASB Statement No. 157 (“FSP 157-2”). FSP 157-2 delays the effective date of SFAS 157 for certain nonfinancial assets and liabilities to fiscal years beginning after November 15, 2008. The hospital adopted the applicable provisions of SFAS 157 related to financial assets and liabilities at the beginning of 2009. The adoption of this accounting standard did not have a significant impact on the hospital’s financial statements.

14. Events Occurring After Reporting Date

The hospital has evaluated events and transactions that occurred between June 30, 2009, and September 29, 2009, which is the period the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

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 \$53,000 for the year ended June 30, 2009.

1. Medicare

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 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 receive) patients' benefits payable under their health insurance programs, plans, or policies. At June 30, 2009, the hospital had net receivables from the federal government (Medicare) of approximately \$650,000 and from Medicaid/TennCare of approximately \$200,000.

D. Property and Equipment

The major classifications and changes in property and equipment as of and for the year ended June 30, 2009, are as follows:

	Balance 7-1-08	Increases	Decreases	Balance 6-30-09
Capital Assets				
Not Depreciated:				
Land	\$ 81,696	\$ 0	\$ 0	\$ 81,696
Capital Assets Depreciated:				
Land Improvements	\$ 153,221	\$ 0	\$ 0	\$ 153,221
Buildings	2,733,379	0	0	2,733,379
Machinery and Equipment	5,504,485	234,234	69,881	5,668,838
Total Capital Assets				
Depreciated	\$ 8,391,085	\$ 234,234	\$ 69,881	\$ 8,555,438
Less Accumulated Depreciation For:				
Land Improvements	\$ 153,108	\$ 46	\$ 0	\$ 153,154
Buildings	1,409,846	93,466	0	1,503,312
Machinery and Equipment	4,186,663	346,402	65,803	4,467,262
Total Accumulated Depreciation	\$ 5,749,617	\$ 439,914	\$ 65,803	\$ 6,123,728
Total Capital Assets Depreciated, Net	\$ 2,641,468	\$ (205,680)	\$ 4,078	\$ 2,431,710
Total Capital Assets, Net	\$ 2,723,164	\$ (205,680)	\$ 4,078	\$ 2,513,406

E. Long-term Debt

A schedule of changes in the hospital's long-term debt as of and for the year ended June 30, 2009, is as follows:

	Balance 7-1-08	Additions	Reductions	Balance 6-30-09	Amounts Due Within One Year
G.O. Bonds	\$ 131,812	\$ 0	\$ (75,742)	\$ 56,070	\$ 56,070
Revenue and Tax Bonds	1,265,000	0	(110,000)	1,155,000	45,000
Deferred Loss on Bond Refunding	(21,609)	0	3,601	(18,008)	0
Notes Payable	1,336,710	99,610	(335,076)	1,101,244	397,149
Total	\$ 2,711,913	\$ 99,610	\$ (517,217)	\$ 2,294,306	\$ 498,219

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 (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 \$18,008 as of June 30, 2009.

Borrowings from local banks consisted of four notes with an outstanding balance of \$1,336,710 as of June 30, 2008. In January 2009, the hospital refinanced the four notes into one with a fixed interest rate of 7 percent. The outstanding balance as of June 30, 2009, was \$1,001,634. The note is due in monthly principal and interest payments of \$35,461 and matures January 2012. The note is secured by accounts receivable and certain equipment.

On June 30, 2009, the hospital executed a promissory note with a local bank for \$99,610 with a fixed interest rate of seven percent. The note is due in monthly principal and interest payments of \$3,080 and matures June 2012. The note is secured by certain equipment.

A summary of future maturities and interest of long-term debt as of June 30, 2009, is as follows:

Year Ending June 30	Principal	Estimated Interest	Total
2010	\$ 498,219	\$ 123,000	\$ 621,219
2011	528,999	90,000	618,999
2012	390,096	55,000	445,096
2013	110,000	43,000	153,000
2014	115,000	38,000	153,000
2015-2019	670,000	105,000	775,000
Total	\$ 2,312,314	\$ 454,000	\$ 2,766,314
Deferred Loss on Bond Refunding	<u>(18,008)</u>		
	<u>\$ 2,294,306</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, 2009, the hospital was current with its required principal payments. At June 30, 2009, the hospital also has approximately \$80,000 in delinquent interest payments due to Decatur County.

G. Employee Benefit Plan

The hospital established an 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 following description of the Decatur County General Hospital Retirement Matching Plan provides only general information. Participants should refer to the plan agreement for a complete description of the plan's provisions.

The plan is a defined contribution plan, which was adopted to provide retirement benefits for employees of Decatur County General Hospital. The plan covers substantially all full-time employees of the hospital who have completed six months of service (the "participants"). The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

Participants may voluntarily make qualified retirement contributions to the plan, which are deductible by the participants for federal income tax purposes under Section 457(f) of the Internal Revenue Code (“IRC”). To participate, employees must make a minimum contribution of one percent of compensation. Participant contributions are permitted up to 100 percent of compensation.

The hospital may make matching contributions equal to a discretionary percentage, as determined annually by the hospital’s Retirement Trust Committee. The hospital made a matching contribution of three percent for the year ended June 30, 2009, totaling \$94,641. 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.

Hospital and participant contributions may not exceed the maximum amount deductible for federal income tax purposes.

H. Related Party Transactions

In 2003, Decatur County issued general obligation refunding bonds, a portion of which was to refinance 1995 bonds. The hospital’s portion of these bonds is included in the accompanying statement of net assets and is being retired over an eight-year period. The county pays a portion of the annual principal and interest requirements with the hospital funding the remainder. Payments made by the county under this arrangement were \$35,100 during the year ended June 30, 2009. The hospital is also required to remit funds to the county sufficient to retire the 1999 bonds.

I. Commitments and Contingencies

The hospital leases various equipment under operating lease agreements. Rent expense was approximately \$46,000 in 2009.

A summary of future minimum payments under these equipment leases as of June 30, 2009, is as follows:

<u>Year</u>	<u>Amount</u>
2010	\$ 60,000
2011	57,000
2012	38,000
2013	25,000
2014	<u>17,000</u>
Total	<u>\$ 197,000</u>

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 reviews and interpretations, as well as regulatory actions, which are unknown or unasserted at this time.

The Centers for Medicare and Medicaid Services ("CMS") have implemented a Recovery Audit Contractors ("RAC") program. The purpose of the program is to reduce improper Medicare payments through the detection and recovery of overpayments. CMS has engaged subcontractors to perform these audits and they are being compensated on a contingency basis depending on the amount of overpayments that are recovered. Management expects the hospital to be subject to audit during 2010 or 2011. While management believes that all Medicare billings are proper and adequate support is maintained, certain aspects of Medicare billing, coding, and support are subject to interpretation and may be viewed differently by the RAC auditors versus hospital management. As the amount of any recovery is unknown, management has not recorded any reserves related to the RAC audit 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" - requires the Decatur County Emergency Communications 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 County Commission pays for dispatchers' salaries and benefits and furnishes the district's operating headquarters. The district pays the County Commission \$4/hour per district employee (as well as an additional \$.84/hour for the assistant director's salary) 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. It also includes all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues that are not generated from daily operations are defined as nonoperating.

4. Fund Accounting

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

Proprietary Funds

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

C. Revenues

Revenues are derived from telephone customers in the area served by the district. The telephone company collects the fees on the monthly telephone bills (\$.65 per residence line and \$2 per business line) and remits them to the district. 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 is insured against these risks under the Decatur County Mayor's commercial insurance policy. 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, as used in the Statement of Cash Flows, includes demand deposit accounts and certificates of deposit with original maturities of three months or less when purchased, in accordance with GASB Statement No. 9.

F. Capital Assets

Capital assets activity for the year ended June 30, 2009, was as follows:

	Balance		Balance	
	7-1-08	Increases	Decreases	6-30-09
Capital Assets Depreciated:				
Land Improvements	\$ 7,829	\$ 0	\$ 7,829	\$ 0
Furniture and Fixtures	0	32,767	0	32,767
Communications Equipment	443,315	142,762	206,717	379,360
Office Equipment	28,382	15,975	23,242	21,115
Total Capital Assets Depreciated	<u>\$ 479,526</u>	<u>\$ 191,504</u>	<u>\$ 237,788</u>	<u>\$ 433,242</u>
Less Accumulated Depreciation For:				
Land Improvements	\$ 6,411	\$ 319	\$ 6,730	\$ 0
Furniture and Fixtures	0	546	0	546
Communications Equipment	294,158	31,715	201,674	124,199
Office Equipment	28,219	424	23,237	5,406
Total Accumulated Depreciation	<u>\$ 328,788</u>	<u>\$ 33,004</u>	<u>\$ 231,641</u>	<u>\$ 130,151</u>
Total Capital Assets, Net	<u>\$ 150,738</u>	<u>\$ 158,500</u>	<u>\$ 6,147</u>	<u>\$ 303,091</u>

Depreciation expense of \$33,004 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. Permissible investments include 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, 2009, investments consisted entirely of a certificate of deposit with a local bank. 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 deposit 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. The district's deposits at year-end were not exposed to custodial credit risk due to being entirely covered by federal depository insurance.

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.

**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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,063,643	\$ 2,088,279	\$ 2,088,279	\$ (24,636)
Licenses and Permits	5,798	6,400	6,400	(602)
Fines, Forfeitures, and Penalties	83,264	61,700	61,700	21,564
Charges for Current Services	202,261	206,825	206,860	(4,599)
Other Local Revenues	15,735	4,500	15,689	46
Fees Received from County Officials	513,794	488,500	488,500	25,294
State of Tennessee	1,208,568	1,316,122	1,381,814	(173,246)
Federal Government	166,030	1,200	48,786	117,244
Other Governments and Citizens Groups	103,025	96,576	96,576	6,449
Total Revenues	\$ 4,362,118	\$ 4,270,102	\$ 4,394,604	\$ (32,486)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 23,194	\$ 31,750	\$ 31,750	\$ 8,556
Board of Equalization	971	1,500	1,500	529
Beer Board	1,450	1,500	1,500	50
Other Boards and Committees	1,350	1,000	1,000	(350)
County Mayor/Executive	117,300	119,331	119,331	2,031
Personnel Office	8,060	8,200	8,200	140
County Attorney	8,822	13,000	13,000	4,178
Election Commission	129,521	137,329	137,364	7,843
Register of Deeds	83,300	86,151	86,151	2,851
County Buildings	114,958	115,057	115,057	99
<u>Finance</u>				
Property Assessor's Office	110,054	119,574	119,574	9,520
Reappraisal Program	13,919	19,187	19,187	5,268
County Trustee's Office	118,427	119,814	119,822	1,395
County Clerk's Office	115,215	116,834	116,917	1,702
<u>Administration of Justice</u>				
Circuit Court Clerk	127,884	128,257	128,257	373
General Sessions Judge	97,000	94,760	94,760	(2,240)
Drug Court	6,184	4,500	4,500	(1,684)
Chancery Court	80,661	84,070	84,070	3,409
Juvenile Court	31,784	32,943	32,943	1,159
Victims Assistance Programs	12,912	2,712	2,712	(10,200)
<u>Public Safety</u>				
Sheriff's Department	900,420	823,808	899,641	(779)
Drug Enforcement	42	0	0	(42)
Jail	206,098	165,550	170,551	(35,547)
Juvenile Services	68,168	82,454	74,962	6,794
Work Release Program	381,258	437,485	437,485	56,227
Fire Prevention and Control	76,310	86,610	88,887	12,577
Civil Defense	105,183	62,506	128,198	23,015

(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	\$ 10,000	\$ 10,000	\$ 10,000	\$ 0
Other Emergency Management	252,999	229,365	229,365	(23,634)
County Coroner/Medical Examiner	14,080	20,000	20,000	5,920
Other Public Safety	0	2,333	2,333	2,333
<u>Public Health and Welfare</u>				
Local Health Center	32,106	35,239	35,239	3,133
Crippled Children Services	796	796	796	0
General Welfare Assistance	5,000	5,000	5,000	0
Aid to Dependent Children	1,403	1,500	1,500	97
Sanitation Education/Information	28,367	29,237	29,237	870
Other Public Health and Welfare	4,127	3,798	3,798	(329)
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	70,253	65,609	65,646	(4,607)
Libraries	63,063	62,276	63,144	81
Parks and Fair Boards	198,510	216,792	219,314	20,804
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	46,994	47,094	48,842	1,848
Forest Service	2,000	2,000	2,000	0
Soil Conservation	3,300	3,300	3,300	0
<u>Other Operations</u>				
Tourism	2,286	9,200	9,200	6,914
Industrial Development	35,350	40,800	40,800	5,450
Airport	29,125	29,481	29,481	356
Veterans' Services	9,935	10,118	10,118	183
Other Charges	178,684	165,925	166,424	(12,260)
Employee Benefits	376,969	402,000	407,743	30,774
Miscellaneous	24,414	24,500	24,500	86
<u>Principal on Debt</u>				
General Government	6,229	0	6,229	0
Total Expenditures	\$ 4,336,435	\$ 4,312,245	\$ 4,471,328	\$ 134,893
Excess (Deficiency) of Revenues Over Expenditures	\$ 25,683	\$ (42,143)	\$ (76,724)	\$ 102,407
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 22,589	\$ 0	\$ 22,589	\$ 0
Insurance Recovery	27,639	0	6,281	21,358
Total Other Financing Sources (Uses)	\$ 50,228	\$ 0	\$ 28,870	\$ 21,358
Net Change in Fund Balance	\$ 75,911	\$ (42,143)	\$ (47,854)	\$ 123,765
Fund Balance, July 1, 2008	334,822	368,990	368,990	(34,168)
Fund Balance, June 30, 2009	\$ 410,733	\$ 326,847	\$ 321,136	\$ 89,597

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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 28,803	\$ 62,000	\$ 62,000	\$ (33,197)
Other Local Revenues	19,971	8,500	8,500	11,471
State of Tennessee	1,406,737	1,810,288	1,810,288	(403,551)
Other Governments and Citizens Groups	26,289	0	0	26,289
Total Revenues	<u>\$ 1,481,800</u>	<u>\$ 1,880,788</u>	<u>\$ 1,880,788</u>	<u>\$ (398,988)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 136,591	\$ 141,989	\$ 141,989	\$ 5,398
Highway and Bridge Maintenance	533,899	628,200	628,200	94,301
Operation and Maintenance of Equipment	247,556	309,360	309,360	61,804
Other Charges	89,424	98,101	98,101	8,677
Employee Benefits	155,520	195,752	195,752	40,232
Capital Outlay	34,713	710,152	710,152	675,439
<u>Principal on Debt</u>				
Highways and Streets	306,000	249,183	306,000	0
<u>Interest on Debt</u>				
Highways and Streets	66,798	129,744	72,927	6,129
Total Expenditures	<u>\$ 1,570,501</u>	<u>\$ 2,462,481</u>	<u>\$ 2,462,481</u>	<u>\$ 891,980</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (88,701)</u>	<u>\$ (581,693)</u>	<u>\$ (581,693)</u>	<u>\$ 492,992</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 4,763	\$ 0	\$ 0	\$ 4,763
Total Other Financing Sources (Uses)	<u>\$ 4,763</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,763</u>
Net Change in Fund Balance	\$ (83,938)	\$ (581,693)	\$ (581,693)	\$ 497,755
Fund Balance, July 1, 2008	<u>418,134</u>	<u>654,705</u>	<u>654,705</u>	<u>(236,571)</u>
Fund Balance, June 30, 2009	<u>\$ 334,196</u>	<u>\$ 73,012</u>	<u>\$ 73,012</u>	<u>\$ 261,184</u>

Exhibit E-3

Decatur County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Decatur County School Department
June 30, 2009

(Dollar amounts in thousands)

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)					
6-30-09	7-1-07	\$ 2,549	\$ 2,987	\$ 438	85.34 %	2,766	15.84%	
6-30-08	7-1-07	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 2007-08 year; therefore, only two years of data are 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, 2009

(Dollar amounts in thousands)

Fiscal Year Ended*	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	6-30-08	\$ 0	\$ 63	\$ 63	0 %	\$ 2,013	3 %
"	6-30-09	0	63	63	0	2,013	3
<u>DISCRETELY PRESENTED DECATUR COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group Plan	6-30-08	0	858	858	0	6,269	14
"	6-30-09	0	858	858	0	6,269	14

*Data only available for two years.

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DECATUR COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2009

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 County 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. FUND DEFICIT

The General Fund had a deficit in unreserved fund balance of \$68,458 at June 30, 2009. This deficit resulted from management's failure to reduce expenditures while revenues failed to meet projections.

C. EXPENDITURES EXCEEDED APPROPRIATIONS

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

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
Other Boards and Committees	\$ 350
General Sessions Judge	2,240
Drug Court	1,684
Victims Assistance Programs	10,200
Sheriff's Department	779
Drug Enforcement	42
Jail	35,547
Other Emergency Management	23,634
Other Public Health and Welfare	329
Senior Citizens Assistance	4,607
Other Charges	12,260

Such overexpenditures are a violation of state statutes. These overexpenditures contributed to the fund deficit.

**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.

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Exhibit F-1

Decatur County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

	Special Revenue Funds				Total	Capital Projects Fund		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees			Community Development/ Industrial Park		
Cash	\$ 0	\$ 0	\$ 835	\$ 835	\$ 835	\$ 0	\$ 835	
Equity in Pooled Cash and Investments	48,316	2,241	0	50,557	55,284	0	105,841	
Accounts Receivable	5,958	0	369	6,327	0	0	6,327	
Property Taxes Receivable	124,356	0	0	124,356	0	0	124,356	
Allowance for Uncollectible Property Taxes	(1,777)	0	0	(1,777)	0	0	(1,777)	
Total Assets	\$ 176,853	\$ 2,241	\$ 1,204	\$ 180,298	\$ 55,284	\$ 235,582		

ASSETS

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>								
Payroll Deductions Payable	\$ 752	\$ 823	\$ 0	\$ 1,575	\$ 0	\$ 1,575		
Due to Other Funds	95,952	390	1,204	97,546	0	97,546		
Due to State of Tennessee	364	0	0	364	0	364		
Deferred Revenue - Current Property Taxes	120,083	0	0	120,083	0	120,083		
Deferred Revenue - Delinquent Property Taxes	2,037	0	0	2,037	0	2,037		
Total Liabilities	\$ 219,188	\$ 1,213	\$ 1,204	\$ 221,605	\$ 0	\$ 221,605		
<u>Fund Balances</u>								
Unreserved (Deficit)	\$ (42,335)	\$ 1,028	\$ 0	\$ (41,307)	\$ 55,284	\$ 13,977		
Total Fund Balances	\$ (42,335)	\$ 1,028	\$ 0	\$ (41,307)	\$ 55,284	\$ 13,977		
Total Liabilities and Fund Balances	\$ 176,853	\$ 2,241	\$ 1,204	\$ 180,298	\$ 55,284	\$ 235,582		

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, 2009

	Special Revenue Funds				Total	Capital Projects Fund		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees			Community Development/ Industrial Park		
<u>Revenues</u>								
Local Taxes	\$ 91,093	\$ 0	\$ 0	\$ 0	\$ 91,093	\$ 0	\$ 0	\$ 91,093
Fines, Forfeitures, and Penalties	0	10,483	0	0	10,483	0	0	10,483
Charges for Current Services	95,235	0	18,595	0	113,830	0	0	113,830
Other Local Revenues	15,826	15,529	0	0	31,355	0	0	31,355
State of Tennessee	5,348	600	0	0	5,948	0	0	5,948
Total Revenues	\$ 207,502	\$ 26,612	\$ 18,595	\$ 0	\$ 252,709	\$ 0	\$ 0	\$ 252,709
<u>Expenditures</u>								
Current:								
Administration of Justice	\$ 0	\$ 0	\$ 18,595	\$ 0	\$ 18,595	\$ 0	\$ 0	\$ 18,595
Public Safety	0	39,810	0	0	39,810	0	0	39,810
Public Health and Welfare	212,469	0	0	0	212,469	0	0	212,469
Other Operations	56,232	1,514	0	0	57,746	0	0	57,746
Total Expenditures	\$ 268,701	\$ 41,324	\$ 18,595	\$ 0	\$ 328,620	\$ 0	\$ 0	\$ 328,620
Excess (Deficiency) of Revenues Over Expenditures	\$ (61,199)	\$ (14,712)	\$ 0	\$ 0	\$ (75,911)	\$ 0	\$ 0	\$ (75,911)
Net Change in Fund Balances	\$ (61,199)	\$ (14,712)	\$ 0	\$ 0	\$ (75,911)	\$ 0	\$ 0	\$ (75,911)
Fund Balance, July 1, 2008	18,864	15,740	0	0	34,604	55,284	0	89,888
Fund Balance, June 30, 2009	\$ (42,335)	\$ 1,028	\$ 0	\$ 0	\$ (41,307)	\$ 55,284	\$ 0	\$ 13,977

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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 91,093	\$ 75,952	\$ 113,928	\$ (22,835)
Charges for Current Services	95,235	114,000	114,000	(18,765)
Other Local Revenues	15,826	28,000	23,000	(7,174)
State of Tennessee	5,348	4,400	4,400	948
Total Revenues	<u>\$ 207,502</u>	<u>\$ 222,352</u>	<u>\$ 255,328</u>	<u>\$ (47,826)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 153,944	\$ 161,545	\$ 161,545	\$ 7,601
Convenience Centers	58,525	60,992	60,992	2,467
<u>Other Operations</u>				
Other Charges	30,360	32,900	30,400	40
Employee Benefits	25,872	28,200	30,699	4,827
Total Expenditures	<u>\$ 268,701</u>	<u>\$ 283,637</u>	<u>\$ 283,636</u>	<u>\$ 14,935</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (61,199)</u>	<u>\$ (61,285)</u>	<u>\$ (28,308)</u>	<u>\$ (32,891)</u>
Net Change in Fund Balance	\$ (61,199)	\$ (61,285)	\$ (28,308)	\$ (32,891)
Fund Balance, July 1, 2008	<u>18,864</u>	<u>(117,852)</u>	<u>42,097</u>	<u>(23,233)</u>
Fund Balance, June 30, 2009	<u>\$ (42,335)</u>	<u>\$ (179,137)</u>	<u>\$ 13,789</u>	<u>\$ (56,124)</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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 10,483	\$ 11,000	\$ 11,000	\$ (517)
Other Local Revenues	15,529	5,500	5,500	10,029
State of Tennessee	600	0	0	600
Total Revenues	<u>\$ 26,612</u>	<u>\$ 16,500</u>	<u>\$ 16,500</u>	<u>\$ 10,112</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 39,810	\$ 39,205	\$ 39,205	\$ (605)
<u>Other Operations</u>				
Employee Benefits	1,514	1,500	1,500	(14)
Total Expenditures	<u>\$ 41,324</u>	<u>\$ 40,705</u>	<u>\$ 40,705</u>	<u>\$ (619)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (14,712)</u>	<u>\$ (24,205)</u>	<u>\$ (24,205)</u>	<u>\$ 9,493</u>
Net Change in Fund Balance	\$ (14,712)	\$ (24,205)	\$ (24,205)	\$ 9,493
Fund Balance, July 1, 2008	<u>15,740</u>	<u>30,988</u>	<u>30,988</u>	<u>(15,248)</u>
Fund Balance, June 30, 2009	<u><u>\$ 1,028</u></u>	<u><u>\$ 6,783</u></u>	<u><u>\$ 6,783</u></u>	<u><u>\$ (5,755)</u></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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 476,086	\$ 515,430	\$ 477,454	\$ (1,368)
Other Local Revenues	105,869	185,000	185,000	(79,131)
State of Tennessee	46,441	40,000	40,000	6,441
Other Governments and Citizens Groups	865,407	286,500	592,371	273,036
Total Revenues	<u>\$ 1,493,803</u>	<u>\$ 1,026,930</u>	<u>\$ 1,294,825</u>	<u>\$ 198,978</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 288,847	\$ 309,487	\$ 337,806	\$ 48,959
Education	713,930	713,930	713,930	0
<u>Interest on Debt</u>				
General Government	414,980	385,036	388,777	(26,203)
Education	273,870	273,870	273,870	0
<u>Other Debt Service</u>				
General Government	9,535	49,060	17,000	7,465
Education	3,600	3,078	3,078	(522)
<u>Capital Projects</u>				
Public Safety Projects	125,753	0	0	(125,753)
Social, Cultural, and Recreation Projects	38,900	0	0	(38,900)
Total Expenditures	<u>\$ 1,869,415</u>	<u>\$ 1,734,461</u>	<u>\$ 1,734,461</u>	<u>\$ (134,954)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (375,612)</u>	<u>\$ (707,531)</u>	<u>\$ (439,636)</u>	<u>\$ 64,024</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 213,871	\$ 0	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 213,871</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (375,612)	\$ (493,660)	\$ (439,636)	\$ 64,024
Fund Balance, July 1, 2008	<u>1,375,205</u>	<u>1,243,657</u>	<u>1,243,657</u>	<u>131,548</u>
Fund Balance, June 30, 2009	<u>\$ 999,593</u>	<u>\$ 749,997</u>	<u>\$ 804,021</u>	<u>\$ 195,572</u>

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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, 2009

	<u>Agency Funds</u>		
	Cities- Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 512,308	\$ 512,308
Due from Other Governments	56,722	0	56,722
Total Assets	<u>\$ 56,722</u>	<u>\$ 512,308</u>	<u>\$ 569,030</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 56,722	\$ 0	\$ 56,722
Due to Litigants, Heirs, and Others	0	512,308	512,308
Total Liabilities	<u>\$ 56,722</u>	<u>\$ 512,308</u>	<u>\$ 569,030</u>

Exhibit H-2

Decatur County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2009

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 744,264	\$ 744,264	\$ 0
Due from Other Governments	69,534	56,722	69,534	56,722
Total Assets	\$ 69,534	\$ 800,986	\$ 813,798	\$ 56,722
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 69,534	\$ 800,986	\$ 813,798	\$ 56,722
Total Liabilities	\$ 69,534	\$ 800,986	\$ 813,798	\$ 56,722
<u>Community Development - Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 28,868	\$ 28,868	\$ 0
Total Assets	\$ 0	\$ 28,868	\$ 28,868	\$ 0
<u>Liabilities</u>				
Other Current Liabilities	\$ 0	\$ 28,868	\$ 28,868	\$ 0
Total Liabilities	\$ 0	\$ 28,868	\$ 28,868	\$ 0
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 382,611	\$ 3,153,718	\$ 3,024,021	\$ 512,308
Total Assets	\$ 382,611	\$ 3,153,718	\$ 3,024,021	\$ 512,308
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 382,611	3,153,718	3,024,021	512,308
Total Liabilities	\$ 382,611	\$ 3,153,718	\$ 3,024,021	\$ 512,308
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 382,611	\$ 3,153,718	\$ 3,024,021	\$ 512,308
Equity in Pooled Cash and Investments	0	773,132	773,132	0
Due from Other Governments	69,534	56,722	69,534	56,722
Total Assets	\$ 452,145	\$ 3,983,572	\$ 3,866,687	\$ 569,030
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 69,534	\$ 800,986	\$ 813,798	\$ 56,722
Due to Litigants, Heirs, and Others	382,611	3,153,718	3,024,021	512,308
Other Current Liabilities	0	28,868	28,868	0
Total Liabilities	\$ 452,145	\$ 3,983,572	\$ 3,866,687	\$ 569,030

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, 2009

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 7,911,035	\$ 0	\$ 1,118,684	\$ (6,792,351)
Support Services	3,675,263	0	479,874	(3,195,389)
Operation of Non-Instructional Services	1,245,471	114,344	545,197	(585,930)
Other Debt Service	400,642	0	0	(400,642)
Total Governmental Activities	\$ 13,232,411	\$ 114,344	\$ 2,143,755	\$ (10,974,312)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 1,503,772
Local Option Sales Taxes				1,015,700
Other Local Taxes				186,649
Grants and Contributions Not Restricted to Specific Programs				8,412,559
Investment Income				9,323
Miscellaneous				51,718
Total General Revenues				\$ 11,179,721
Change in Net Assets				\$ 205,409
Net Assets, July 1, 2008				11,778,395
Net Assets, June 30, 2009				\$ 11,983,804

Exhibit I-2

Decatur County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Decatur County School Department
June 30, 2009

	<u>Major Funds</u>		Total
	General Purpose School	School Federal Projects	Govern- mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 3,137,751	\$ 4,440	\$ 3,142,191
Accounts Receivable	59,430	0	59,430
Due from Other Governments	371,075	4,650	375,725
Property Taxes Receivable	1,587,570	0	1,587,570
Allowance for Uncollectible Property Taxes	(32,944)	0	(32,944)
Total Assets	<u>\$ 5,122,882</u>	<u>\$ 9,090</u>	<u>\$ 5,131,972</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 20,277	\$ 0	\$ 20,277
Payroll Deductions Payable	244,062	2,414	246,476
Due to Primary Government	65,057	0	65,057
Due to State of Tennessee	291	0	291
Deferred Revenue - Current Property Taxes	1,461,023	0	1,461,023
Deferred Revenue - Delinquent Property Taxes	88,023	0	88,023
Other Deferred Revenues	115,196	0	115,196
Health Insurance Payments	7,852	0	7,852
Cafeteria Salaries and Benefits	70	0	70
Total Liabilities	<u>\$ 2,001,851</u>	<u>\$ 2,414</u>	<u>\$ 2,004,265</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 290,314	\$ 2,834	\$ 293,148
Reserved for Career Ladder - Extended Contract	97	0	97
Reserved for Career Ladder Program	10,150	0	10,150
Reserved for Basic Education Program	82,011	0	82,011
Reserved for Title I Grants to Local Education Agencies	0	58	58
Reserved for Special Education - Grants to States	0	3,695	3,695
Other Federal Reserves	0	89	89
Unreserved, Reported In:			
General Fund	2,738,459	0	2,738,459
Total Fund Balances	<u>\$ 3,121,031</u>	<u>\$ 6,676</u>	<u>\$ 3,127,707</u>
Total Liabilities and Fund Balances	<u>\$ 5,122,882</u>	<u>\$ 9,090</u>	<u>\$ 5,131,972</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, 2009

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)		\$ 3,127,707
(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	7,451,124	
Add: other capital assets net of accumulated depreciation	<u>1,450,931</u>	9,141,503
(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	\$ (366,595)	
Less: other postemployment benefits liability	<u>(122,030)</u>	(488,625)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>203,219</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 11,983,804</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, 2009

	<u>Major Funds</u>		Total Governmental Funds
	General Purpose School	School Federal Projects	
<u>Revenues</u>			
Local Taxes	\$ 2,693,215	\$ 0	\$ 2,693,215
Licenses and Permits	789	0	789
Charges for Current Services	340,459	0	340,459
Other Local Revenues	80,956	0	80,956
State of Tennessee	8,503,560	0	8,503,560
Federal Government	579,811	1,268,539	1,848,350
Total Revenues	<u>\$ 12,198,790</u>	<u>\$ 1,268,539</u>	<u>\$ 13,467,329</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 6,194,907	\$ 1,020,766	\$ 7,215,673
Support Services	3,278,417	250,454	3,528,871
Operation of Non-Instructional Services	976,620	0	976,620
Capital Outlay	468,594	0	468,594
Debt Service:			
Principal on Debt	61,099	0	61,099
Other Debt Service	400,642	0	400,642
Total Expenditures	<u>\$ 11,380,279</u>	<u>\$ 1,271,220</u>	<u>\$ 12,651,499</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 818,511</u>	<u>\$ (2,681)</u>	<u>\$ 815,830</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 3,312	\$ 0	\$ 3,312
Total Other Financing Sources (Uses)	<u>\$ 3,312</u>	<u>\$ 0</u>	<u>\$ 3,312</u>
Net Change in Fund Balances	\$ 821,823	\$ (2,681)	\$ 819,142
Fund Balance, July 1, 2008	<u>2,299,208</u>	<u>9,357</u>	<u>2,308,565</u>
Fund Balance, June 30, 2009	<u>\$ 3,121,031</u>	<u>\$ 6,676</u>	<u>\$ 3,127,707</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, 2009

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)		\$ 819,142
<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	\$ 122,397	
Less: current year depreciation expense	<u>(641,960)</u>	(519,563)
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2009	\$ 203,219	
Less: deferred delinquent property taxes and other deferred June 30, 2008	<u>(294,356)</u>	(91,137)
<p>(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) 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 effect of these differences in the treatment of long-term debt and related items.</p>		
Add: principal payments on notes		61,099
<p>(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.</p>		
Change in other postemployment benefits liability		<u>(64,132)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 205,409</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, 2009

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,693,215	\$ 0	\$ 0	\$ 2,693,215	\$ 2,788,796	\$ 2,788,796	\$ (95,581)
Licenses and Permits	789	0	0	789	1,500	1,500	(711)
Charges for Current Services	340,459	0	0	340,459	425,000	425,000	(84,541)
Other Local Revenues	80,956	0	0	80,956	146,500	146,500	(65,544)
State of Tennessee	8,503,560	0	0	8,503,560	8,435,914	8,474,068	29,492
Federal Government	579,811	0	0	579,811	481,000	597,500	(17,689)
Total Revenues	\$ 12,198,790	\$ 0	\$ 0	\$ 12,198,790	\$ 12,278,710	\$ 12,433,364	\$ (234,574)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 4,986,570	\$ (68,378)	\$ 25,811	\$ 4,944,003	\$ 5,386,750	\$ 5,386,750	\$ 442,747
Alternative Instruction Program	162	0	0	162	500	500	338
Special Education Program	769,936	0	0	769,936	789,300	789,300	19,364
Vocational Education Program	412,775	(364)	0	412,411	520,400	520,400	107,989
Adult Education Program	25,464	0	1,596	27,060	53,050	53,050	25,990
<u>Support Services</u>							
Attendance	77,125	0	0	77,125	105,709	105,709	28,584
Health Services	133,513	(3,844)	1,067	130,736	147,685	147,685	16,949
Other Student Support	230,773	0	1,767	232,540	516,900	516,900	284,360
Regular Instruction Program	469,230	0	0	469,230	539,320	539,320	70,090
Special Education Program	81,956	0	0	81,956	88,250	88,250	6,294
Vocational Education Program	40,947	0	0	40,947	44,450	44,450	3,503
Adult Programs	102,320	0	0	102,320	115,900	115,900	13,580
Other Programs	37,469	0	0	37,469	0	37,469	0
Board of Education	253,047	0	0	253,047	310,275	310,275	57,228
Director of Schools	127,195	0	0	127,195	141,300	141,985	14,790
Office of the Principal	292,591	0	0	292,591	308,625	308,625	16,034

(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 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Fiscal Services	\$ 77,640	\$ 0	\$ 0	\$ 77,640	\$ 85,507	\$ 85,507	\$ 7,867
Operation of Plant	764,685	0	0	764,685	831,500	831,500	66,815
Maintenance of Plant	144,108	(773)	8,280	151,615	177,000	177,000	25,385
Transportation	445,818	0	154,040	599,858	840,850	840,850	240,992
<u>Operation of Non-Instructional Services</u>							
Food Service	516,253	0	0	516,253	435,947	552,447	36,194
Community Services	158,017	(154)	0	157,863	217,350	217,350	59,487
Early Childhood Education	302,350	(660)	930	302,620	307,375	307,375	4,755
<u>Capital Outlay</u>							
Regular Capital Outlay	468,594	(256,975)	96,823	308,442	445,944	445,944	137,502
Principal on Debt	61,099	0	0	61,099	61,100	61,100	1
Education							
Other Debt Service							
Education	400,642	0	0	400,642	0	428,000	27,358
Total Expenditures	\$ 11,380,279	\$ (331,148)	\$ 290,314	\$ 11,339,445	\$ 12,470,987	\$ 13,053,641	\$ 1,714,196
<u>Excess (Deficiency) of Revenues</u> <u>Over Expenditures</u>	\$ 818,511	\$ 331,148	\$ (290,314)	\$ 859,345	\$ (192,277)	\$ (620,277)	\$ 1,479,622
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 3,312	\$ 0	\$ 0	\$ 3,312	\$ 0	\$ 0	\$ 3,312
Transfers Out	0	0	0	0	(428,000)	0	0
Total Other Financing Sources (Uses)	\$ 3,312	\$ 0	\$ 0	\$ 3,312	\$ (428,000)	\$ 0	\$ 3,312
Net Change in Fund Balance Fund Balance, July 1, 2008	\$ 821,823	\$ 331,148	\$ (290,314)	\$ 862,657	\$ (620,277)	\$ (620,277)	\$ 1,482,934
Fund Balance, July 1, 2008	2,299,208	(331,148)	0	1,968,060	1,116,963	1,116,963	851,097
Fund Balance, June 30, 2009	\$ 3,121,031	\$ 0	\$ (290,314)	\$ 2,830,717	\$ 496,686	\$ 496,686	\$ 2,334,031

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, 2009

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Federal Government	\$ 1,268,539	\$ 0	\$ 1,268,539	\$ 1,434,418	\$ 1,434,418	\$ (165,879)
Total Revenues	\$ 1,268,539	\$ 0	\$ 1,268,539	\$ 1,434,418	\$ 1,434,418	\$ (165,879)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 598,509	\$ 0	\$ 598,509	\$ 683,221	\$ 683,220	\$ 84,711
Special Education Program	398,875	0	398,875	463,819	463,821	64,946
Vocational Education Program	23,382	0	23,382	23,382	23,382	0
<u>Support Services</u>						
Other Student Support	165,355	2,834	168,189	170,220	170,221	2,032
Regular Instruction Program	48,062	0	48,062	61,074	61,074	13,012
Special Education Program	13,610	0	13,610	13,723	13,723	113
Vocational Education Program	1,972	0	1,972	1,972	1,972	0
Transportation	21,455	0	21,455	26,363	26,363	4,908
Total Expenditures	\$ 1,271,220	\$ 2,834	\$ 1,274,054	\$ 1,443,774	\$ 1,443,776	\$ 169,722
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,681)	\$ (2,834)	\$ (5,515)	\$ (9,356)	\$ (9,358)	\$ 3,843
Net Change in Fund Balance Fund Balance, July 1, 2008	\$ (2,681)	\$ (2,834)	\$ (5,515)	\$ (9,356)	\$ (9,358)	\$ 3,843
	9,357	0	9,357	9,356	9,358	(1)
Fund Balance, June 30, 2009	\$ 6,676	\$ (2,834)	\$ 3,842	\$ 0	\$ 0	\$ 3,842

MISCELLANEOUS SCHEDULES

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Exhibit J-1

Decatur County, Tennessee
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds
Primary Government and Discretely Presented Decatur County School Department
For the Year Ended June 30, 2009

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-08	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-09
PRIMARY GOVERNMENT								
NOTES PAYABLE								
<u>Payable through General Debt Service Fund</u> Beech River Airport	\$ 245,500	4.05	% 10-28-05	10-28-17	\$ 204,584	\$ 0	\$ 20,458	\$ 184,126
Total Notes Payable					\$ 204,584	\$ 0	\$ 20,458	\$ 184,126
CAPITAL LEASES PAYABLE								
<u>Payable through General Fund</u> Sheriff Department Vehicle	22,589	6.95	8-27-08	8-27-11	\$ 0	\$ 22,589	\$ 6,229	\$ 16,360
Total Payable through General Fund					\$ 0	\$ 22,589	\$ 6,229	\$ 16,360
<u>Payable through General Debt Service Fund</u>								
Sheriff Department Vehicles	90,510	6.4	7-23-07	7-23-09	\$ 58,451	\$ 0	\$ 28,319	\$ 30,132
Total Payable through General Debt Service Fund					\$ 58,451	\$ 0	\$ 28,319	\$ 30,132
Total Capital Leases Payable					\$ 58,451	\$ 22,589	\$ 34,548	\$ 46,492
BONDS PAYABLE								
<u>Payable through Highway/Public Works Fund</u>								
General Obligation Refunding Bonds, Series 2008	1,974,000	2.2 to 4	6-5-08	6-1-27	\$ 1,974,000	\$ 0	\$ 306,000	\$ 1,668,000
<u>Payable through General Debt Service Fund</u>								
School Refunding Bonds, Series 2003	2,210,000	1.45 to 4.25	1-1-03	6-1-18	\$ 1,630,000	\$ 0	\$ 140,000	\$ 1,490,000
Refunding Bonds, Series 2003	720,000	1.45 to 3.2	1-1-03	6-1-10	210,000	0	105,000	105,000
School Refunding Bonds, Series 2003	8,510,000	3.42	3-1-03	3-1-18	6,090,000	0	525,000	5,565,000
Improvement Bonds, Series 2007	6,000,000	4.14	5-9-07	5-1-37	6,000,000	0	115,000	5,885,000
General Obligation Refunding Bonds, Series 2008	1,866,000	2.2 to 4	6-5-08	6-1-27	1,866,000	0	9,000	1,857,000
General Obligation Improvement Bonds, Series 2008	520,000	2.2 to 4	6-5-08	6-1-27	520,000	0	20,000	500,000
Total Payable through General Debt Service Fund					\$ 16,316,000	\$ 0	\$ 914,000	\$ 15,402,000
Total Bonds Payable					\$ 18,290,000	\$ 0	\$ 1,220,000	\$ 17,070,000

(Continued)

Exhibit J-1

Decatur County, Tennessee
Schedule of Changes in Long-term Notes, 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 7-1-08	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-09
<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	\$ 61,099	\$ 366,595
Energy Efficiency Loan								
Total Notes Payable					\$ 427,694	\$ 0	\$ 61,099	\$ 366,595

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
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	\$ 184,126	\$ 37,285	\$ 221,411

Year Ending June 30	Capital Lease Principal	Capital Lease Interest	Total Capital Lease Requirements
2010	\$ 35,223	\$ 3,065	\$ 38,288
2011	5,445	783	6,228
2012	5,824	405	6,229
Total	\$ 46,492	\$ 4,253	\$ 50,745

Year Ending June 30	Bond Principal	Bond Interest	Total Bond Requirements
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	28,688	358,688
2037	345,000	14,663	359,663
Total	<u>\$ 17,070,000</u>	<u>\$ 6,607,385</u>	<u>\$ 23,677,385</u>

DISCRETELY PRESENTED DECATUR
COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Note Principal	Note Interest	Total Note Requirements
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>\$ 366,595</u>	<u>\$ 0</u>	<u>\$ 366,595</u>

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, 2009

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 60,350	\$ 25,000	Ohio Casualty Insurance Company
Road Supervisor	Section 8-24-102, <u>TCA</u>	57,477	100,000	"
Director of Schools	State Board of Education and County Board of Education	92,500 (1)	50,000	"
Trustee	Section 8-24-102, <u>TCA</u>	52,251	466,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	52,251	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	52,251	25,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	52,251	30,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	52,251 (2)	35,000	"
Register	Section 8-24-102, <u>TCA</u>	52,251	15,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	57,477 (3)	25,000	"
Employee Blanket Bonds:				
Office:				
County Mayor - All Employees			150,000	Local Government Property and Casualty Fund
Road Supervisor - All Employees			150,000	"
Director of Schools - All Employees			150,000	Tennessee Risk Management Trust

- (1) Includes a chief executive officer training supplement of \$600 and a \$300 state bonus.
- (2) Does not include special commissioner fees of \$18,595.
- (3) Does not include a law enforcement training supplement of \$600.

Exhibit J-4

Decatur County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2009

	Special Revenue Funds							Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Debt Service Fund		
						General Debt Service	Capital Projects	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 1,306,957	\$ 90,508	\$ 0	\$ 0	\$ 0	\$ 151,527	\$ 0	\$ 1,548,992
Trustee's Collections - Prior Year	48,064	459	0	0	0	8,057	0	56,580
Trustee's Collections - Bankruptcy	161	12	0	0	0	20	0	193
Circuit/Clerk & Master Collections - Prior Years	15,197	0	0	0	0	2,643	0	17,840
Interest and Penalty	7,891	114	0	0	0	1,287	0	9,292
Payments in-Lieu-of Taxes - T.V.A.	1,696	0	0	0	0	198	0	1,894
Payments in-Lieu-of Taxes - Local Utilities	26,714	0	0	0	0	4,970	0	31,684
Payments in-Lieu-of Taxes - Other	802	0	0	0	0	0	0	802
<u>County Local Option Taxes</u>								
Local Option Sales Tax	168,004	0	0	0	0	111,934	0	279,938
Hotel/Motel Tax	48,186	0	0	0	0	0	0	48,186
Wheel Tax	0	0	0	0	0	189,626	0	189,626
Litigation Tax - General	52,845	0	0	0	0	0	0	52,845
Litigation Tax - Special Purpose	1,254	0	0	0	0	0	0	1,254
Litigation Tax - Jail, Workhouse, or Courthouse	30,489	0	0	0	0	0	0	30,489
Business Tax	83,392	0	0	0	0	0	0	83,392
Mineral Severance Tax	37,614	0	0	0	26,301	0	0	63,915
<u>Statutory Local Taxes</u>								
Bank Excise Tax	27,521	0	0	0	2,502	5,629	0	35,652
Wholesale Beer Tax	206,564	0	0	0	0	0	0	206,564
Interstate Telecommunications Tax	292	0	0	0	0	195	0	487
Total Local Taxes	\$ 2,063,643	\$ 91,093	\$ 0	\$ 0	\$ 28,803	\$ 476,086	\$ 0	\$ 2,659,625
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Cable TV Franchise	2,673	0	0	0	0	0	0	2,673
Permits								
Beer Permits	2,750	0	0	0	0	0	0	2,750
Other Permits	375	0	0	0	0	0	0	375
Total Licenses and Permits	\$ 5,798	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,798

(Continued)

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

	Special Revenue Funds							Total
	Constituent			Highway / Public Works	Debt Service Fund		Capital Projects Fund	
	General	Solid Waste / Sanitation	Drug Control		Constituent Officers - Fees	General Debt Service		
\$	\$	\$	\$	\$	\$	\$	\$	\$
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	3,095	0	0	0	0	0	0	3,095
Officers Costs	2,130	0	0	0	0	0	0	2,130
Drug Control Fines	0	0	1,731	0	0	0	0	1,731
Drug Court Fees	539	0	0	0	0	0	0	539
DUI Treatment Fines	95	0	0	0	0	0	0	95
Data Entry Fee - Circuit Court	848	0	0	0	0	0	0	848
Victims Assistance Assessments	224	0	0	0	0	0	0	224
<u>General Sessions Court</u>								
Fines	20,472	0	0	0	0	0	0	20,472
Officers Costs	20,990	0	0	0	0	0	0	20,990
Game and Fish Fines	248	0	0	0	0	0	0	248
Drug Control Fines	0	0	1,904	0	0	0	0	1,904
Drug Court Fees	2,331	0	0	0	0	0	0	2,331
Jail Fees	2,495	0	0	0	0	0	0	2,495
DUI Treatment Fines	3,420	0	0	0	0	0	0	3,420
Data Entry Fee - General Sessions Court	2,750	0	0	0	0	0	0	2,750
Courtroom Security Fee	123	0	0	0	0	0	0	123
Victims Assistance Assessments	12,784	0	0	0	0	0	0	12,784
<u>Chancery Court</u>								
Officers Costs	1,292	0	0	0	0	0	0	1,292
Data Entry Fee - Chancery Court	746	0	0	0	0	0	0	746
<u>Judicial District Drug Program</u>								
Drug Task Force Forfeitures and Seizures	0	0	6,848	0	0	0	0	6,848
Data Entry Fee - Other Courts	8,682	0	0	0	0	0	0	8,682
Total Fines, Forfeitures, and Penalties	\$ 83,264	\$ 0	\$ 10,483	\$ 0	\$ 0	\$ 0	\$ 0	\$ 93,747
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Surcharge - Host Agency	0	95,099	0	0	0	0	0	95,099
Solid Waste Disposal Fees	0	80	0	0	0	0	0	80

(Continued)

Exhibit J-4

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

	Special Revenue Funds						Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Charges for Current Services (Cont.)</u>							
<u>Fees</u>							
Recreation Fees	\$ 126,351	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 126,351
Copy Fees	71	0	0	0	0	0	71
Telephone Commissions	4,556	0	0	0	0	0	4,556
Vending Machine Collections	383	56	0	0	0	0	439
Special Commissioner Fees/Special Master Fees	0	0	0	18,595	0	0	18,595
Data Processing Fee - Register	5,090	0	0	0	0	0	5,090
Probation Fees	13,510	0	0	0	0	0	13,510
Data Processing Fee - Sheriff	1,585	0	0	0	0	0	1,585
Sexual Offender Registration Fees - Sheriff	762	0	0	0	0	0	762
Data Processing Fee - County Clerk	679	0	0	0	0	0	679
<u>Education Charges</u>							
Community Service Fees - Adults	25,324	0	0	0	0	0	25,324
<u>Other Charges for Services</u>							
Other Charges for Services	23,950	0	0	0	0	0	23,950
Total Charges for Current Services	\$ 202,261	\$ 95,235	\$ 0	\$ 18,595	\$ 0	\$ 0	\$ 316,091
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 96,094	\$ 96,094
Sale of Materials and Supplies	0	0	0	0	169	0	169
Sale of Recycled Materials	0	15,826	0	0	0	0	15,826
Miscellaneous Refunds	14,221	0	0	0	10,454	9,775	39,598
<u>Nonrecurring Items</u>							
Sale of Equipment	0	0	0	0	9,348	0	9,348
Contributions and Gifts	1,368	0	15,529	0	0	0	16,897
<u>Other Local Revenues</u>							
Other Local Revenues	146	0	0	0	0	0	146
Total Other Local Revenues	\$ 15,735	\$ 15,826	\$ 15,529	\$ 0	\$ 19,971	\$ 105,869	\$ 178,078

(Continued)

Exhibit J-4

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

	Special Revenue Funds							Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects			
<u>Fees Received from County Officials</u>										
<u>Fees in-Lieu-of Salary</u>										
County Clerk	\$ 116,519	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 116,519	
Circuit Court Clerk	47,828	0	0	0	0	0	0	0	47,828	
General Sessions Court Clerk	91,542	0	0	0	0	0	0	0	91,542	
Clerk and Master	42,276	0	0	0	0	0	0	0	42,276	
Register	56,211	0	0	0	0	0	0	0	56,211	
Sheriff	7,779	0	0	0	0	0	0	0	7,779	
Trustee	151,639	0	0	0	0	0	0	0	151,639	
Total Fees Received from County Officials	\$ 513,794	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 513,794	
<u>State of Tennessee</u>										
<u>General Government Grants</u>										
Juvenile Services Program	\$ 70,306	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 70,306	
Aging Programs	20,327	0	0	0	0	0	0	0	20,327	
State Reappraisal Grant	7,974	0	0	0	0	0	0	0	7,974	
Solid Waste Grants	0	5,348	0	0	0	0	0	0	5,348	
Public Safety Grants										
Law Enforcement Training Programs	6,600	0	600	0	0	0	0	0	7,200	
<u>Health and Welfare Grants</u>										
Other Health and Welfare Grants	2,234	0	0	0	0	0	0	0	2,234	
<u>Public Works Grants</u>										
Litter Program	29,121	0	0	0	0	0	0	0	29,121	
<u>Other State Revenues</u>										
Income Tax	27,302	0	0	0	0	0	0	0	27,302	
Resort District Sales Tax	198,477	0	0	0	0	0	0	0	198,477	
Beer Tax	18,701	0	0	0	0	0	0	0	18,701	
Alcoholic Beverage Tax	26,239	0	0	0	0	0	0	0	26,239	
Mixed Drink Tax	3,485	0	0	0	0	0	0	0	3,485	
State Revenue Sharing - T.V.A.	255,425	0	0	0	0	46,441	0	0	301,866	
Contracted Prisoner Boarding	143,216	0	0	0	0	0	0	0	143,216	
Gasoline and Motor Fuel Tax	0	0	0	0	1,397,316	0	0	0	1,397,316	

(Continued)

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

	Special Revenue Funds							Total
	Constituti- onal			Highway / Public Works	Fund			
	General	Solid Waste / Sanitation	Drug Control		Officers - Fees	General Debt Service	Capital Projects	
<u>State of Tennessee (Cont.)</u>								
<u>Other State Revenues (Cont.)</u>								
Petroleum Special Tax	\$ 0	\$ 0	\$ 0	\$ 9,421	\$ 0	\$ 0	\$ 0	\$ 9,421
Registrar's Salary Supplement	14,912	0	0	0	0	0	0	14,912
Other State Revenues	384,249	0	0	0	0	0	0	384,249
Total State of Tennessee	\$ 1,208,568	\$ 5,348	\$ 600	\$ 1,406,737	\$ 46,441	\$ 0	\$ 0	\$ 2,667,694
<u>Federal Government</u>								
<u>Federal Through State</u>								
Homeland Security Grants	\$ 111,689	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 111,689
Law Enforcement Grants	53,032	0	0	0	0	0	0	53,032
<u>Direct Federal Revenue</u>								
Other Direct Federal Revenue	1,309	0	0	0	0	0	0	1,309
Total Federal Government	\$ 166,030	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 166,030
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Paving and Maintenance	\$ 0	\$ 0	\$ 0	\$ 26,289	\$ 0	\$ 0	\$ 0	\$ 26,289
Contributions	101,182	0	0	0	865,407	0	0	966,589
<u>Other</u>								
Other	1,843	0	0	0	0	0	0	1,843
Total Other Governments and Citizens Groups	\$ 103,025	\$ 0	\$ 0	\$ 26,289	\$ 865,407	\$ 0	\$ 0	\$ 994,721
Total	\$ 4,362,118	\$ 207,502	\$ 26,612	\$ 1,481,800	\$ 1,493,803	\$ 5,148	\$ 0	\$ 7,595,578

Exhibit J-5

Decatur County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Decatur County School Department
For the Year Ended June 30, 2009

	General Purpose School	School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 1,382,721	\$ 0	\$ 1,382,721
Trustee's Collections - Prior Year	52,136	0	52,136
Trustee's Collections - Bankruptcy	171	0	171
Circuit/Clerk & Master Collections - Prior Years	16,518	0	16,518
Interest and Penalty	8,560	0	8,560
Payments in-Lieu-of Taxes - T.V.A.	7,461	0	7,461
Payments in-Lieu-of Taxes - Local Utilities	10,810	0	10,810
Payments in-Lieu-of Taxes - Other	2,051	0	2,051
<u>County Local Option Taxes</u>			
Local Option Sales Tax	1,011,236	0	1,011,236
Wheel Tax	144,790	0	144,790
Mineral Severance Tax	39,837	0	39,837
<u>Statutory Local Taxes</u>			
Bank Excise Tax	15,011	0	15,011
Interstate Telecommunications Tax	1,913	0	1,913
Total Local Taxes	<u>\$ 2,693,215</u>	<u>\$ 0</u>	<u>\$ 2,693,215</u>
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 789	\$ 0	\$ 789
Total Licenses and Permits	<u>\$ 789</u>	<u>\$ 0</u>	<u>\$ 789</u>
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
Receipts from Individual Schools	\$ 9,857	\$ 0	\$ 9,857
Community Service Fees - Children	82,818	0	82,818
<u>Other Charges for Services</u>			
Other Charges for Services	247,784	0	247,784
Total Charges for Current Services	<u>\$ 340,459</u>	<u>\$ 0</u>	<u>\$ 340,459</u>
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Investment Income	\$ 9,323	\$ 0	\$ 9,323
Refund of Telecommunication and Internet Fees (E-Rate)	16,518	0	16,518
Miscellaneous Refunds	19,098	0	19,098
<u>Nonrecurring Items</u>			
Damages Recovered from Individuals	130	0	130
Contributions and Gifts	3,397	0	3,397
<u>Other Local Revenues</u>			
Other Local Revenues	32,490	0	32,490
Total Other Local Revenues	<u>\$ 80,956</u>	<u>\$ 0</u>	<u>\$ 80,956</u>

(Continued)

Exhibit J-5

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

	General Purpose School	School Federal Projects	Total
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
On-Behalf Contributions for OPEB	\$ 37,469	\$ 0	\$ 37,469
<u>State Education Funds</u>			
Basic Education Program	7,609,406	0	7,609,406
School Food Service	8,856	0	8,856
Driver Education	\$ 3,229	\$ 0	\$ 3,229
Other State Education Funds	56,913	0	56,913
Career Ladder Program	116,531	0	116,531
Career Ladder - Extended Contract	62,000	0	62,000
<u>Other State Revenues</u>			
Mixed Drink Tax	3,484	0	3,484
State Revenue Sharing - T.V.A.	221,112	0	221,112
Other State Grants	384,560	0	384,560
Total State of Tennessee	\$ 8,503,560	\$ 0	\$ 8,503,560
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 335,734	\$ 0	\$ 335,734
Breakfast	118,640	0	118,640
USDA - Other	20,339	0	20,339
Adult Education State Grant Program	105,098	0	105,098
Vocational Education - Basic Grants to States	0	39,442	39,442
Title I Grants to Local Education Agencies	0	538,815	538,815
Special Education - Grants to States	0	392,849	392,849
Special Education Preschool Grants	0	41,389	41,389
Safe and Drug-Free Schools - State Grants	0	146,035	146,035
Rural Education	0	10,000	10,000
Eisenhower Professional Development State Grants	0	92,943	92,943
Other Federal through State	0	7,066	7,066
Total Federal Government	\$ 579,811	\$ 1,268,539	\$ 1,848,350
Total	\$ 12,198,790	\$ 1,268,539	\$ 13,467,329

Exhibit J-6

Decatur County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2009

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	17,150	
Audit Services		3,519	
Legal Notices, Recording, and Court Costs		845	
Postal Charges		462	
Travel		722	
Other Charges		496	
Total County Commission			\$ 23,194

Board of Equalization

Board and Committee Members Fees	\$	971	
Total Board of Equalization			971

Beer Board

Board and Committee Members Fees	\$	1,450	
Total Beer Board			1,450

Other Boards and Committees

Board and Committee Members Fees	\$	1,350	
Total Other Boards and Committees			1,350

County Mayor/Executive

County Official/Administrative Officer	\$	60,350	
Accountants/Bookkeepers		48,834	
Dues and Memberships		1,250	
Maintenance and Repair Services - Office Equipment		825	
Postal Charges		1,387	
Travel		1,484	
Office Supplies		2,721	
Data Processing Equipment		449	
Total County Mayor/Executive			117,300

Personnel Office

Maintenance Agreements	\$	6,019	
Other Contracted Services		760	
Other Supplies and Materials		531	
Data Processing Equipment		750	
Total Personnel Office			8,060

County Attorney

Legal Services	\$	8,822	
Total County Attorney			8,822

(Continued)

Exhibit J-6

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

General Fund (Cont.)

General Government (Cont.)

Election Commission

County Official/Administrative Officer	\$	48,966	
Part-time Personnel		2,438	
Other Salaries and Wages		13,579	
Election Commission		4,725	
Election Workers		12,474	
Communication		5,174	
Dues and Memberships		175	
Legal Notices, Recording, and Court Costs		910	
Maintenance and Repair Services - Buildings		2,400	
Maintenance and Repair Services - Equipment		6,510	
Postal Charges		1,772	
Printing, Stationery, and Forms		13,526	
Rentals		9,260	
Travel		1,432	
Electricity		804	
Natural Gas		1,063	
Office Supplies		1,458	
Water and Sewer		359	
Other Supplies and Materials		1,243	
Office Equipment		1,253	
Total Election Commission			\$ 129,521

Register of Deeds

County Official/Administrative Officer	\$	52,251	
Secretary(ies)		23,278	
Dues and Memberships		407	
Postal Charges		298	
Office Supplies		1,152	
Data Processing Equipment		4,583	
Office Equipment		1,331	
Total Register of Deeds			83,300

County Buildings

Supervisor/Director	\$	25,579	
Custodial Personnel		9,822	
Communication		22,165	
Maintenance and Repair Services - Buildings		4,986	
Maintenance and Repair Services - Equipment		1,513	
Other Contracted Services		313	
Custodial Supplies		2,832	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Electricity	\$	38,876	
Natural Gas		5,349	
Water and Sewer		1,162	
Other Charges		361	
Heating and Air Conditioning Equipment		2,000	
Total County Buildings			\$ 114,958

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	52,251	
Deputy(ies)		23,278	
Other Salaries and Wages		23,221	
In-Service Training		240	
Data Processing Services		3,554	
Dues and Memberships		1,188	
Maintenance and Repair Services - Office Equipment		1,766	
Maintenance and Repair Services - Vehicles		24	
Postal Charges		798	
Other Contracted Services		1,625	
Data Processing Supplies		627	
Gasoline		686	
Office Supplies		796	
Total Property Assessor's Office			110,054

Reappraisal Program

Other Salaries and Wages	\$	10,476	
Data Processing Services		2,252	
Other Supplies and Materials		1,191	
Total Reappraisal Program			13,919

County Trustee's Office

County Official/Administrative Officer	\$	52,251	
Deputy(ies)		46,556	
Communication		773	
Data Processing Services		3,554	
Dues and Memberships		527	
Legal Notices, Recording, and Court Costs		53	
Postal Charges		4,008	
Travel		1,086	
Other Contracted Services		6,732	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Data Processing Supplies	\$	657	
Office Supplies		1,945	
Office Equipment		285	
Total County Trustee's Office			\$ 118,427

County Clerk's Office

County Official/Administrative Officer	\$	52,251	
Deputy(ies)		46,556	
Dues and Memberships		427	
Maintenance and Repair Services - Office Equipment		1,672	
Postal Charges		3,800	
Travel		800	
Office Supplies		1,198	
Data Processing Equipment		8,511	
Total County Clerk's Office			115,215

Administration of Justice

Circuit Court Clerk

County Official/Administrative Officer	\$	52,251	
Deputy(ies)		46,556	
Other Salaries and Wages		600	
Jury and Witness Fees		6,220	
Dues and Memberships		442	
Legal Notices, Recording, and Court Costs		3,789	
Postal Charges		2,142	
Travel		834	
Office Supplies		2,450	
Data Processing Equipment		9,866	
Office Equipment		2,734	
Total Circuit Court Clerk			127,884

General Sessions Judge

Judge(s)	\$	79,307	
Probation Officer(s)		16,497	
Dues and Memberships		175	
Postal Charges		42	
Travel		979	
Total General Sessions Judge			97,000

(Continued)

Exhibit J-6

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	\$ 6,184	
Total Drug Court		\$ 6,184

Chancery Court

County Official/Administrative Officer	\$ 52,251	
Part-time Personnel	646	
Other Salaries and Wages	23,277	
Dues and Memberships	392	
Postal Charges	559	
Office Supplies	3,536	
Total Chancery Court		80,661

Juvenile Court

County Official/Administrative Officer	\$ 29,093	
Communication	260	
Dues and Memberships	100	
Postal Charges	42	
Travel	1,370	
Other Contracted Services	646	
Office Supplies	273	
Total Juvenile Court		31,784

Victims Assistance Programs

Other Per Diem and Fees	\$ 12,912	
Total Victims Assistance Programs		12,912

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 57,477
Deputy(ies)	269,768
Investigator(s)	30,648
Salary Supplements	6,745
Dispatchers/Radio Operators	176,619
Part-time Personnel	14,175
Overtime Pay	19,838
Other Salaries and Wages	31,311
In-Service Training	5,447
Communication	10,611
Dues and Memberships	2,285
Maintenance and Repair Services - Equipment	1,631

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Maintenance and Repair Services - Vehicles	\$	20,790	
Postal Charges		1,504	
Travel		4,148	
Remittance of Revenue Collected		100	
Other Contracted Services		19,759	
Gasoline		56,413	
Office Supplies		6,552	
Uniforms		8,822	
Other Charges		1,976	
Law Enforcement Equipment		22,693	
Motor Vehicles		27,497	
Office Equipment		3,902	
Other Equipment		99,709	
Total Sheriff's Department			\$ 900,420

Drug Enforcement

Social Security	\$	34	
Employer Medicare		8	
Total Drug Enforcement			42

Jail

Deputy(ies)	\$	23,283	
Maintenance and Repair Services - Buildings		6,052	
Medical and Dental Services		43,555	
Rentals		5,000	
Other Contracted Services		7,076	
Custodial Supplies		8,504	
Drugs and Medical Supplies		1,612	
Electricity		30,343	
Food Supplies		57,543	
Law Enforcement Supplies		1,714	
Natural Gas		9,291	
Water and Sewer		9,903	
Other Supplies and Materials		222	
Law Enforcement Equipment		2,000	
Total Jail			206,098

Juvenile Services

Assistant(s)	\$	13,700	
Supervisor/Director		25,126	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Safety (Cont.)

Juvenile Services (Cont.)

Youth Service Officer(s)	\$	11,971	
Medical Personnel		12,978	
Medical Insurance		579	
Communication		1,882	
Postal Charges		126	
Other Contracted Services		360	
Electricity		611	
Natural Gas		790	
Office Supplies		45	
Total Juvenile Services			\$ 68,168

Work Release Program

Supervisor/Director	\$	42,285	
Probation Officer(s)		138,639	
Accountants/Bookkeepers		11,335	
Secretary(ies)		20,510	
Part-time Personnel		20,323	
Other Salaries and Wages		1,200	
Other Fringe Benefits		64,127	
Communication		10,775	
Postal Charges		1,094	
Printing, Stationery, and Forms		1,164	
Rentals		10,800	
Travel		3,354	
Other Contracted Services		13,979	
Electricity		3,482	
Natural Gas		889	
Office Supplies		11,955	
Water and Sewer		341	
Building and Contents Insurance		10,060	
Other Charges		13,090	
Other Equipment		1,856	
Total Work Release Program			381,258

Fire Prevention and Control

Supervisor/Director	\$	27,995	
Contributions		2,500	
Maintenance and Repair Services - Vehicles		3,325	
Liability Insurance		41,040	
Other Equipment		1,450	
Total Fire Prevention and Control			76,310

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense

Supervisor/Director	\$	10,555	
Communication		140	
Dues and Memberships		18	
Travel		386	
Diesel Fuel		586	
Electricity		110	
Natural Gas		210	
Motor Vehicles		65,692	
Other Equipment		27,486	
Total Civil Defense			\$ 105,183

Rescue Squad

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

Other Emergency Management

Supervisor/Director	\$	34,706	
Dispatchers/Radio Operators		175,270	
Part-time Personnel		43,023	
Total Other Emergency Management			252,999

County Coroner/Medical Examiner

Contracts with Government Agencies	\$	14,080	
Total County Coroner/Medical Examiner			14,080

Public Health and Welfare

Local Health Center

Salary Supplements	\$	12,000	
Custodial Personnel		5,100	
Communication		3,683	
Maintenance and Repair Services - Buildings		617	
Postal Charges		429	
Other Contracted Services		1,218	
Custodial Supplies		800	
Drugs and Medical Supplies		713	
Electricity		4,564	
Natural Gas		1,335	
Office Supplies		718	
Water and Sewer		869	
Other Charges		60	
Total Local Health Center			32,106

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

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	\$ 1,403	
Total Aid to Dependent Children		1,403

Sanitation Education/Information

Laborers	\$ 19,706	
Instructional Supplies and Materials	4,300	
Other Supplies and Materials	4,361	
Total Sanitation Education/Information		28,367

Other Public Health and Welfare

Supervisor/Director	\$ 3,690	
Travel	437	
Total Other Public Health and Welfare		4,127

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$ 21,579	
Other Salaries and Wages	21,185	
Communication	1,009	
Contributions	2,500	
Maintenance and Repair Services - Buildings	313	
Transportation - Other than Students	10,100	
Electricity	7,106	
Natural Gas	528	
Office Supplies	199	
Water and Sewer	424	
Other Supplies and Materials	2,496	
Other Charges	2,730	
Heating and Air Conditioning Equipment	84	
Total Senior Citizens Assistance		70,253

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries

Supervisor/Director	\$	22,753	
Other Salaries and Wages		16,178	
Communication		1,600	
Dues and Memberships		100	
Maintenance and Repair Services - Buildings		364	
Maintenance and Repair Services - Office Equipment		399	
Postal Charges		325	
Travel		903	
Data Processing Supplies		2,000	
Library Books/Media		7,064	
Office Supplies		1,500	
Other Supplies and Materials		1,817	
Other Charges		2,617	
Data Processing Equipment		2,852	
Office Equipment		2,591	
Total Libraries			\$ 63,063

Parks and Fair Boards

Supervisor/Director	\$	35,350	
Laborers		11,466	
Part-time Personnel		8,909	
Communication		3,068	
Contributions		1,500	
Dues and Memberships		300	
Maintenance and Repair Services - Buildings		3,691	
Maintenance and Repair Services - Equipment		6,326	
Postal Charges		58	
Other Contracted Services		20,506	
Custodial Supplies		6,560	
Electricity		56,251	
Fertilizer, Lime, and Seed		250	
Natural Gas		9,986	
Water and Sewer		14,847	
Other Supplies and Materials		7,499	
Other Charges		5,446	
Other Equipment		3,514	
Other Construction		2,983	
Total Parks and Fair Boards			198,510

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	33,813	
Other Fringe Benefits		5,523	
Communication		1,329	
Electricity		3,406	
Natural Gas		1,842	
Water and Sewer		411	
Office Equipment		670	
Total Agriculture Extension Service			\$ 46,994

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	\$	1,809	
Other Charges		477	
Total Tourism			2,286

Industrial Development

Supervisor/Director	\$	35,000	
Secretary(ies)		350	
Total Industrial Development			35,350

Airport

Contributions	\$	29,125	
Total Airport			29,125

Veterans' Services

Supervisor/Director	\$	8,743	
Dues and Memberships		25	
Maintenance and Repair Services - Equipment		41	
Postal Charges		42	
Travel		844	
Office Equipment		240	
Total Veterans' Services			9,935

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Other Operations (Cont.)

Other Charges

Road Signs	\$	482	
Liability Insurance		54,992	
Premiums on Corporate Surety Bonds		525	
Trustee's Commission		49,625	
Vehicle and Equipment Insurance		9,380	
Workers' Compensation Insurance		63,055	
Other Charges		625	
Total Other Charges			\$ 178,684

Employee Benefits

Social Security	\$	138,382	
State Retirement		79,130	
Medical Insurance		114,743	
Unemployment Compensation		12,351	
Employer Medicare		32,363	
Total Employee Benefits			376,969

Miscellaneous

Contributions	\$	14,965	
Dues and Memberships		8,966	
Other Charges		483	
Total Miscellaneous			24,414

Principal on Debt

General Government

Principal on Capital Leases	\$	6,229	
Total General Government			6,229

Total General Fund \$ 4,336,435

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$	27,825	
Truck Drivers		23,437	
Laborers		20,027	
Communication		611	
Maintenance and Repair Services - Buildings		258	
Maintenance and Repair Services - Equipment		3,492	
Maintenance and Repair Services - Vehicles		10,283	

(Continued)

Exhibit J-6

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Management (Cont.)

Other Contracted Services	\$	9,256	
Diesel Fuel		21,973	
Electricity		2,297	
Gasoline		18,244	
Natural Gas		2,161	
Tires and Tubes		2,127	
Water and Sewer		368	
Other Charges		10,815	
Solid Waste Equipment		770	
Total Sanitation Management			\$ 153,944

Convenience Centers

Laborers	\$	51,477	
Communication		420	
Maintenance and Repair Services - Buildings		339	
Maintenance and Repair Services - Equipment		146	
Electricity		3,554	
Water and Sewer		2,107	
Other Supplies and Materials		90	
Other Charges		367	
Building Improvements		25	
Total Convenience Centers			58,525

Other Operations

Other Charges

Liability Insurance	\$	8,695	
Trustee's Commission		3,053	
Vehicle and Equipment Insurance		3,216	
Workers' Compensation Insurance		10,305	
Surcharge		5,091	
Total Other Charges			30,360

Employee Benefits

Social Security	\$	7,515	
State Retirement		3,320	
Medical Insurance		11,923	
Unemployment Compensation		1,428	
Employer Medicare		1,686	
Total Employee Benefits			25,872

Total Solid Waste/Sanitation Fund \$ 268,701

(Continued)

Exhibit J-6

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

Drug Control Fund

Public Safety

Drug Enforcement

Salary Supplements	\$	3,750	
Other Salaries and Wages		28,775	
Social Security		1,797	
Medical Insurance		3,850	
Unemployment Compensation		119	
Employer Medicare		420	
Communication		583	
Animal Food and Supplies		411	
Trustee's Commission		105	
Total Drug Enforcement			\$ 39,810

Other Operations

Employee Benefits

State Retirement	\$	1,514	
Total Employee Benefits			1,514

Total Drug Control Fund \$ 41,324

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	18,595	
Total Chancery Court			\$ 18,595

Total Constitutional Officers - Fees Fund 18,595

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	57,477	
Assistant(s)		27,531	
Accountants/Bookkeepers		27,531	
Advertising		129	
Communication		5,181	
Dues and Memberships		2,228	
Evaluation and Testing		380	
Legal Services		4	
Postal Charges		462	
Printing, Stationery, and Forms		69	
Travel		1,769	

(Continued)

Exhibit J-6

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

Highway/Public Works Fund (Cont.)Highways (Cont.)Administration (Cont.)

Other Contracted Services	\$	6,548	
Electricity		4,401	
Natural Gas		575	
Office Supplies		1,601	
Water and Sewer		705	
Total Administration			\$ 136,591

Highway and Bridge Maintenance

Laborers	\$	277,743	
Overtime Pay		23,072	
Rentals		6,000	
Asphalt - Cold Mix		26,150	
Asphalt - Liquid		89,020	
Crushed Stone		73,888	
Custodial Supplies		160	
Pipe		36,718	
Road Signs		408	
Wood Products		740	
Total Highway and Bridge Maintenance			533,899

Operation and Maintenance of Equipment

Mechanic(s)	\$	85,680	
Overtime Pay		2,155	
Diesel Fuel		70,822	
Equipment and Machinery Parts		46,741	
Gasoline		28,462	
Lubricants		1,290	
Tires and Tubes		12,406	
Total Operation and Maintenance of Equipment			247,556

Other Charges

Liability Insurance	\$	36,295	
Trustee's Commission		14,314	
Workers' Compensation Insurance		38,815	
Total Other Charges			89,424

Employee Benefits

Social Security	\$	46,013	
State Retirement		20,636	
Medical Insurance		88,871	
Total Employee Benefits			155,520

(Continued)

Exhibit J-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay

Other Contracted Services	\$	17,513	
Highway Equipment		<u>17,200</u>	
Total Capital Outlay			\$ 34,713

Principal on Debt

Highways and Streets

Principal on Bonds	\$	<u>306,000</u>	
Total Highways and Streets			306,000

Interest on Debt

Highways and Streets

Interest on Bonds	\$	<u>66,798</u>	
Total Highways and Streets			<u>66,798</u>

Total Highway/Public Works Fund \$ 1,570,501

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	240,070	
Principal on Notes		20,458	
Principal on Capital Leases		<u>28,319</u>	
Total General Government			\$ 288,847

Education

Principal on Bonds	\$	<u>713,930</u>	
Total Education			713,930

Interest on Debt

General Government

Interest on Bonds	\$	389,478	
Interest on Notes		21,761	
Interest on Capital Leases		<u>3,741</u>	
Total General Government			414,980

Education

Interest on Bonds	\$	<u>273,870</u>	
Total Education			273,870

(Continued)

Exhibit J-6

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

General Debt Service Fund (Cont.)

Other Debt Service

General Government

Trustee's Commission	\$	7,894	
Other Debt Service		<u>1,641</u>	
Total General Government	\$		9,535

Education

Other Debt Service	\$	<u>3,600</u>	
Total Education			3,600

Capital Projects

Public Safety Projects

Building Construction	\$	<u>125,753</u>	
Total Public Safety Projects			125,753

Social, Cultural, and Recreation Projects

Building Improvements	\$	<u>38,900</u>	
Total Social, Cultural, and Recreation Projects			<u>38,900</u>

Total General Debt Service Fund \$ 1,869,415

General Capital Projects Fund

Capital Projects

Public Safety Projects

Engineering Services	\$	538	
Other Contracted Services		115,091	
Building Construction		3,792,162	
Land		<u>30,000</u>	
Total Public Safety Projects	\$		<u>3,937,791</u>

Total General Capital Projects Fund 3,937,791

Total Governmental Funds - Primary Government \$ 12,042,762

Exhibit J-7

Decatur County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Decatur County School Department
For the Year Ended June 30, 2009

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	3,587,708	
Career Ladder Program		61,000	
Career Ladder Extended Contracts		48,352	
Homebound Teachers		4,146	
Educational Assistants		33,034	
Other Salaries and Wages		9,968	
Non-certified Substitute Teachers		74,658	
Social Security		212,615	
State Retirement		231,538	
Medical Insurance		283,310	
Unemployment Compensation		3,054	
Employer Medicare		51,260	
Maintenance and Repair Services - Equipment		9,859	
Other Contracted Services		52,467	
Instructional Supplies and Materials		66,943	
Textbooks		112,102	
Other Supplies and Materials		10,683	
Other Charges		35,581	
Regular Instruction Equipment		98,200	
Transportation Equipment		92	
Total Regular Instruction Program			\$ 4,986,570

Alternative Instruction Program

Other Supplies and Materials	\$	162	
Total Alternative Instruction Program			162

Special Education Program

Teachers	\$	463,484	
Career Ladder Program		10,000	
Homebound Teachers		8,328	
Speech Pathologist		93,305	
Non-certified Substitute Teachers		11,300	
Social Security		33,669	
State Retirement		36,910	
Medical Insurance		41,099	
Unemployment Compensation		402	
Employer Medicare		7,879	
Maintenance and Repair Services - Equipment		1,284	
Other Contracted Services		54,275	

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Instructional Supplies and Materials	\$	2,930	
Other Supplies and Materials		4,340	
Other Charges		473	
Special Education Equipment		258	
Total Special Education Program			\$ 769,936

Vocational Education Program

Teachers	\$	328,241	
Career Ladder Program		4,000	
Social Security		20,281	
State Retirement		21,763	
Medical Insurance		14,430	
Unemployment Compensation		209	
Employer Medicare		4,743	
Instructional Supplies and Materials		13,137	
Textbooks		4,141	
Vocational Instruction Equipment		1,830	
Total Vocational Education Program			412,775

Adult Education Program

Teachers	\$	13,293	
Social Security		824	
State Retirement		49	
Unemployment Compensation		29	
Employer Medicare		193	
Instructional Supplies and Materials		9,129	
Other Supplies and Materials		1,922	
Other Charges		25	
Total Adult Education Program			25,464

Support Services

Attendance

Supervisor/Director	\$	59,114	
Clerical Personnel		1,200	
Social Security		3,135	
State Retirement		3,396	
Medical Insurance		3,181	
Unemployment Compensation		30	
Employer Medicare		836	

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

Travel	\$	454	
Other Supplies and Materials		1,942	
Attendance Equipment		3,837	
Total Attendance			\$ 77,125

Health Services

Other Salaries and Wages	\$	67,560	
Social Security		4,159	
State Retirement		4,099	
Medical Insurance		5,630	
Unemployment Compensation		57	
Employer Medicare		973	
Postal Charges		800	
Travel		4,251	
Other Contracted Services		26,520	
Other Supplies and Materials		17,710	
Health Equipment		1,754	
Total Health Services			133,513

Other Student Support

Career Ladder Program	\$	5,000	
Guidance Personnel		174,081	
Secretary(ies)		3,133	
Social Security		10,894	
State Retirement		11,614	
Medical Insurance		6,165	
Unemployment Compensation		155	
Employer Medicare		2,548	
Evaluation and Testing		3,926	
Other Supplies and Materials		297	
Other Charges		12,960	
Total Other Student Support			230,773

Regular Instruction Program

Supervisor/Director	\$	83,670	
Career Ladder Program		7,500	
Librarians		181,145	
Instructional Computer Personnel		24,400	
Secretary(ies)		92,577	

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Social Security	\$	20,340	
State Retirement		19,307	
Medical Insurance		15,949	
Unemployment Compensation		347	
Employer Medicare		5,279	
Maintenance and Repair Services - Equipment		800	
Travel		1,375	
Library Books/Media		15,617	
Other Supplies and Materials		282	
In Service/Staff Development		642	
Total Regular Instruction Program			\$ 469,230

Special Education Program

Supervisor/Director	\$	53,895	
Career Ladder Program		1,000	
Clerical Personnel		6,406	
Social Security		3,412	
State Retirement		3,835	
Medical Insurance		6,200	
Unemployment Compensation		29	
Employer Medicare		798	
Travel		6,381	
Total Special Education Program			81,956

Vocational Education Program

Supervisor/Director	\$	29,380	
Social Security		1,912	
State Retirement		2,013	
Unemployment Compensation		15	
Employer Medicare		447	
Travel		6,703	
Other Supplies and Materials		25	
In Service/Staff Development		452	
Total Vocational Education Program			40,947

Adult Programs

Supervisor/Director	\$	58,727	
Career Ladder Program		2,000	
Career Ladder Extended Contracts		2,000	

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs (Cont.)

Other Salaries and Wages	\$	18,560	
Social Security		4,522	
State Retirement		4,903	
Medical Insurance		6,284	
Unemployment Compensation		57	
Employer Medicare		1,058	
Travel		878	
Other Supplies and Materials		2,578	
In Service/Staff Development		753	
Total Adult Programs			\$ 102,320

Other Programs

On-Behalf Payments to OPEB	\$	37,469	
Total Other Programs			37,469

Board of Education

Board and Committee Members Fees	\$	12,000	
Social Security		744	
Unemployment Compensation		49	
Employer Medicare		174	
Audit Services		12,000	
Contracts with Other School Systems		96,000	
Dues and Memberships		6,388	
Trustee's Commission		69,205	
Workers' Compensation Insurance		46,162	
Refund to Applicant for Criminal Investigation		192	
Other Charges		10,133	
Total Board of Education			253,047

Director of Schools

County Official/Administrative Officer	\$	91,600	
Career Ladder Program		600	
Social Security		5,481	
State Retirement		5,919	
Medical Insurance		3,105	
Unemployment Compensation		41	
Employer Medicare		1,282	
Communication		11,296	
Postal Charges		2,420	

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Travel	\$	1,326	
Other Contracted Services		1,638	
Office Supplies		2,392	
Other Charges		95	
Total Director of Schools			\$ 127,195

Office of the Principal

Principals	\$	224,228	
Career Ladder Program		6,000	
Career Ladder Extended Contracts		4,000	
Social Security		13,536	
State Retirement		15,037	
Medical Insurance		16,935	
Unemployment Compensation		114	
Employer Medicare		3,166	
Communication		4,800	
Administration Equipment		4,775	
Total Office of the Principal			292,591

Fiscal Services

Accountants/Bookkeepers	\$	53,430	
Social Security		3,273	
State Retirement		2,522	
Unemployment Compensation		49	
Employer Medicare		765	
Travel		1,458	
Other Contracted Services		7,931	
Office Supplies		1,762	
Administration Equipment		6,450	
Total Fiscal Services			77,640

Operation of Plant

Custodial Personnel	\$	159,068	
Social Security		9,832	
State Retirement		5,533	
Unemployment Compensation		340	
Employer Medicare		2,300	
Custodial Supplies		40,380	
Electricity		279,481	

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Natural Gas	\$	132,487	
Water and Sewer		43,340	
Building and Contents Insurance		79,789	
Other Charges		425	
Plant Operation Equipment		11,710	
Total Operation of Plant			\$ 764,685

Maintenance of Plant

Maintenance Personnel	\$	62,021	
Social Security		3,842	
State Retirement		1,351	
Unemployment Compensation		101	
Employer Medicare		899	
Maintenance and Repair Services - Buildings		49,198	
Maintenance and Repair Services - Equipment		612	
Other Contracted Services		14,700	
Gasoline		3,216	
Other Charges		1,672	
Maintenance Equipment		6,496	
Total Maintenance of Plant			144,108

Transportation

Supervisor/Director	\$	37,400	
Mechanic(s)		17,180	
Bus Drivers		222,030	
Social Security		16,959	
State Retirement		6,780	
Medical Insurance		3,000	
Unemployment Compensation		527	
Employer Medicare		3,966	
Communication		6,594	
Maintenance and Repair Services - Vehicles		17,891	
Medical and Dental Services		2,266	
Travel		1,152	
Diesel Fuel		84,268	
Garage Supplies		122	
Gasoline		3,961	
Tires and Tubes		8,740	
Other Charges		489	

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Transportation Equipment	\$ 12,493	
Total Transportation	<u> </u>	\$ 445,818

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 26,798	
Clerical Personnel	6,199	
Other Salaries and Wages	81	
Social Security	2,038	
State Retirement	2,032	
Unemployment Compensation	23	
Employer Medicare	477	
Payments to Schools - Breakfast	118,640	
Payments to Schools - Lunch	335,734	
Payments to Schools - Other	20,339	
Travel	915	
In Service/Staff Development	268	
Food Service Equipment	<u>2,709</u>	
Total Food Service		516,253

Community Services

Supervisor/Director	\$ 69,717	
Clerical Personnel	2,051	
Other Salaries and Wages	58,129	
Social Security	6,078	
State Retirement	3,241	
Medical Insurance	6,801	
Unemployment Compensation	212	
Employer Medicare	1,756	
Travel	121	
Food Supplies	1,861	
Other Supplies and Materials	6,554	
Other Charges	<u>1,496</u>	
Total Community Services		158,017

Early Childhood Education

Supervisor/Director	\$ 4,575	
Teachers	111,790	
Clerical Personnel	2,000	

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

Other Salaries and Wages	\$	43,300	
Social Security		9,630	
State Retirement		9,609	
Medical Insurance		9,370	
Unemployment Compensation		169	
Employer Medicare		2,252	
Travel		2,262	
Food Supplies		965	
Other Supplies and Materials		72,142	
In Service/Staff Development		750	
Other Equipment		<u>33,536</u>	
Total Early Childhood Education			\$ 302,350

Capital Outlay

Regular Capital Outlay

Architects	\$	6,914	
Building Improvements		<u>461,680</u>	
Total Regular Capital Outlay			468,594

Principal on Debt

Education

Principal on Notes	\$	<u>61,099</u>	
Total Education			61,099

Other Debt Service

Education

Contributions	\$	<u>400,642</u>	
Total Education			<u>400,642</u>

Total General Purpose School Fund \$ 11,380,279

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	463,980	
Educational Assistants		12,000	
Other Salaries and Wages		750	
Social Security		29,557	
State Retirement		30,402	

(Continued)

Exhibit J-7

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Medical Insurance	\$	27,910	
Unemployment Compensation		313	
Employer Medicare		6,913	
Instructional Supplies and Materials		25,950	
Other Supplies and Materials		734	
Total Regular Instruction Program			\$ 598,509

Special Education Program

Teachers	\$	29,960	
Educational Assistants		230,955	
Other Salaries and Wages		45,018	
Social Security		18,345	
State Retirement		13,700	
Medical Insurance		7,134	
Unemployment Compensation		501	
Employer Medicare		4,290	
Maintenance and Repair Services - Equipment		4,969	
Other Contracted Services		38,112	
Instructional Supplies and Materials		2,866	
Other Supplies and Materials		987	
Other Charges		336	
Special Education Equipment		1,702	
Total Special Education Program			398,875

Vocational Education Program

Vocational Instruction Equipment	\$	23,382	
Total Vocational Education Program			23,382

Support Services

Other Student Support

Other Salaries and Wages	\$	118,621	
Social Security		7,255	
State Retirement		6,739	
Unemployment Compensation		64	
Employer Medicare		1,715	
Communication		400	
Postal Charges		300	
Travel		10,995	
Other Supplies and Materials		13,850	

(Continued)

Exhibit J-7

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

In Service/Staff Development	\$	5,378	
Other Charges		38	
Total Other Student Support			\$ 165,355

Regular Instruction Program

Supervisor/Director	\$	27,050	
Social Security		1,677	
State Retirement		1,737	
Unemployment Compensation		10	
Employer Medicare		392	
Travel		4,697	
Library Books/Media		4,351	
Other Supplies and Materials		1,203	
In Service/Staff Development		6,945	
Total Regular Instruction Program			48,062

Special Education Program

Clerical Personnel	\$	12,094	
Social Security		749	
State Retirement		563	
Unemployment Compensation		29	
Employer Medicare		175	
Total Special Education Program			13,610

Vocational Education Program

Supervisor/Director	\$	1,972	
Total Vocational Education Program			1,972

Transportation

Bus Drivers	\$	19,490	
Social Security		1,208	
State Retirement		448	
Unemployment Compensation		26	
Employer Medicare		283	
Total Transportation			21,455

Total School Federal Projects Fund \$ 1,271,220

Total Governmental Funds - Decatur County School Department \$ 12,651,499

Exhibit J-8

Decatur County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2009

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	<u>\$ 744,264</u>
Total Cash Receipts	<u>\$ 744,264</u>
<u>Cash Disbursements</u>	
Remittance of Revenue Collected	\$ 442,093
Trustee's Commission	7,442
Contributions	<u>294,729</u>
Total Cash Disbursements	<u>\$ 744,264</u>
 Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2008	<u>0</u>
 Cash Balance, June 30, 2009	<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

January 6, 2010

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, 2009, which collectively comprise Decatur County's basic financial statements and have issued our report thereon dated January 6, 2010. 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: 09.01, 09.02, 09.03, 09.04(B), 09.06, and 09.10.

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 09.01, 09.02, and 09.03 to be material weaknesses.

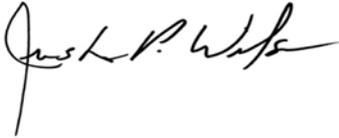
Compliance and Other Matters

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 09.04(A), 09.05, 09.07, and 09.08.

We consider item 09.09 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 of the name.

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

January 6, 2010

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, 2009. 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, 2009.

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.

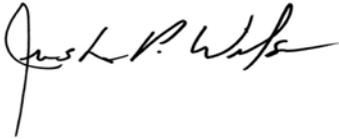
Schedule of Expenditures of Federal Awards

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, 2009, and have issued our report thereon dated January 6, 2010. 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 prominent vertical stroke at 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, 2009

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	\$ 61,628 (4)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	118,640
National School Lunch Program	10.555	N/A	335,734 (4)
USDA Other	10.556	N/A	20,339
Total U.S. Department of Agriculture			<u>\$ 536,341</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	(2)	<u>\$ 28,868</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 28,868</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-09-022844-00	<u>\$ 9,000</u>
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	Z-08-023985-00	<u>\$ 53,032</u>
Total U.S. Department of Transportation			<u>\$ 53,032</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	(3)	\$ 105,098
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	540,264
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	394,497
Special Education - Preschool Grants	84.173	N/A	39,445
Career and Technical Education - Basic Grants to States	84.048	N/A	39,442
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	5,816
Twenty-first Century Community Learning Centers	84.287	(2)	138,409
State Grants for Innovative Programs	84.298	N/A	9,911
Education Technology State Grants	84.318	N/A	4,317
English Language Acquisition Grants	84.365A	N/A	1,725
Improving Teacher Quality State Grants	84.367	N/A	97,394
Total U.S. Department of Education			<u>\$ 1,376,318</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)	<u>\$ 20,327</u>
Total U.S. Department of Health and Human Services			<u>\$ 20,327</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	GG-08-24737-00	\$ 55,985
Homeland Security Grant Program	97.067	GG-08-24136-00	55,704
Total U.S. Department of Homeland Security			<u>\$ 111,689</u>
Total Expenditures of Federal Awards			<u>\$ 2,135,575</u>

State Grants

		<u>Contract Number</u>	
Juvenile Justice and Delinquency Prevention - State			
Department of Children's Services	N/A	GG-09-26191-00	\$ 61,306
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	7,974
Waste Tire Options Grant - State Department of Environment and Conservation	N/A	(2)	5,348
Preventive Health and Human Services - State Department of Health	N/A	Z-09-213719-00	2,234
Litter Grant - State Department of Transportation	N/A	Z-09-212738-00	29,121
Early Childhood Education - State Department of Education	N/A	(2)	253,260
ACT-EXP - Internet Connectivity - State Department of Education	N/A	(2)	1,661
Coordinated School Health - State Department of Education	N/A	(2)	98,000
Family Resource Center - State Department of Education	N/A	(2)	33,300
Safe Schools Act of 2008 - State Department of Education	N/A	(2)	9,300
Alternative Punishment Program - State Department of Corrections	N/A	Z-08-021326-00	381,109
Total State Grants			<u>\$ 882,613</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: \$9,616; Z0921345600: \$91,915; Z0921685300: \$3,567.
- (4) Total for CFDA No. 10.555 is \$397,362.

Decatur County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2009

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, 2008, which have not been corrected.

DECATUR COUNTY AND DECATUR COUNTY SCHOOL DEPARTMENT

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
08.01	180	Decatur County and the Decatur County School Department do not have the resources to produce financial statements and notes to the financial statements
08.02	181	The General Debt Service Fund required material audit adjustments for proper financial statement presentation

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
08.03	181	The office had deficiencies in budget operations
08.04	183	The office failed to comply with state statutes when issuing debt
08.05	184	The office had deficiencies accounting for payroll taxes and deductions

OFFICE OF SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
08.09	186	Funds were not deposited within three days of collection

OTHER FINDINGS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
08.10	187	Financial activity of the Decatur County Library was not audited, and the library was not subject to budgetary control of the County Commission
08.11	187	A central system of accounting, budgeting, and purchasing had not been adopted
08.12	188	Duties were not segregated adequately in the Offices of County Mayor, Circuit and General Sessions Courts Clerk, Clerk and Master, and Register

DECATUR COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2009

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. Three 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) was determined to be a major program.
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; however, management did not provide responses for inclusion in this report.

DECATUR COUNTY AND DECATUR COUNTY SCHOOL DEPARTMENT

FINDING 09.01 **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. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. 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.

OFFICE OF COUNTY MAYOR

FINDING 09.02 **THE GENERAL AND SOLID WASTE/SANITATION FUNDS HAD DEFICITS IN UNRESERVED FUND BALANCE**
(Internal Control – Material Weakness Under Government Auditing Standards)

The General and Solid Waste/Sanitation funds had deficits in unreserved fund balance of \$68,458 and \$42,335, respectively, at June 30, 2009. Sound business practices dictate that expenditures be held within available resources. These deficits resulted from management’s failure to reduce expenditures while revenues failed to meet projections.

RECOMMENDATION

Management should liquidate the fund deficits in the General and Solid Waste/Sanitation funds. Expenditures should be closely monitored when revenue estimates are below projections.

FINDING 09.03 **THE GENERAL DEBT SERVICE FUND REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION**
(Internal Control – Material Weakness Under Government Auditing Standards)

At June 30, 2009, certain general ledger account balances in the General Debt Service, Fund 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 to have adequate internal controls over the maintenance of its accounting records. Material audit adjustments were required because the county’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 has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. This deficiency is the result of management’s failure to correct the finding noted in the prior-year audit report. We presented audit adjustments to management, which they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

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

FINDING 09.04

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 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 \$134,954 and \$619, respectively. Expenditures exceeded appropriations in the General Debt Service Fund because appropriations for certain capital expenditures were appropriated in the 2009-10 budget instead of the 2008-09 budget year for certain capital expenditures.
 2. Expenditures of the General Fund exceeded appropriations in 11 of the 51 major appropriation categories (the legal level of control) by amounts ranging from \$42 to \$35,547.
 3. Salaries exceeded line-item appropriations approved in the budget document in the General Fund by amounts ranging from \$2,157 to \$15,472.

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-year 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 by \$179,137. Subsequently, the state Division of Local Finance rejected the budget for the Solid Waste/Sanitation Fund in a letter dated September 19, 2008. On September 25, 2008, the County Commission approved the reallocation of two cents on the property tax rate to the Solid Waste/Sanitation Fund originally allocated to the General Debt Service Fund and increased projected revenues so revenues would be sufficient to fund appropriations. Sound budgetary principles dictate that appropriations not be approved in excess of estimated available funding. This deficiency exists due to management's failure to correct the finding noted in the prior-year audit report.

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 09.05 **TAX ANTICIPATION NOTES WERE NOT RETIRED IN COMPLIANCE WITH STATE STATUTES** (Material Noncompliance Under Government Auditing Standards)

Our examination of the County Mayor's Office revealed the following deficiencies in the retirement of tax anticipation notes:

- A. In the prior 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. These notes should have been retired by June 30, 2008, but were still outstanding as of June 30, 2009. This deficiency was noted in the prior-year audit report, and management has not taken corrective action.
- B. During 2008-09, the General and Solid Waste/Sanitation funds borrowed \$200,000 and \$75,952, respectively, from the General Debt Service Fund to provide cash for operations. These notes should have been retired by June 30, 2009, but were still outstanding on that date.

The above-mentioned notes were not retired by June 30, 2009, because of cash flow problems. It should be noted that these notes have not been retired as of January 6, 2010.

Section 9-21-801, Tennessee Code Annotated, authorizes the County Commission to issue tax anticipation notes with the approval of the state director of Local Finance provided the notes are retired by the end of the current fiscal year. 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.

RECOMMENDATION

Tax anticipation notes should be retired prior to the end of the fiscal year issued as required by state statute.

FINDING 09.06 **INSURANCE PAYROLL LIABILITY ACCOUNTS WERE NOT RECONCILED MONTHLY**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

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. This deficiency is the result of management’s failure to correct the finding noted in the prior-year audit report. The failure to regularly reconcile insurance payroll liability accounts with insurance payments and invoices allows errors to remain undiscovered and uncorrected.

RECOMMENDATION

Insurance payroll liability accounts should be reconciled monthly with insurance invoices and payments, and any errors should be corrected promptly.

OFFICE OF SHERIFF

FINDING 09.07 **SOME 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 53 days elapsed between the date funds were received and the date funds were deposited to the bank. This deficiency is the result of management’s failure to correct the finding noted in the prior-year audit report. 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 09.08 **CERTAIN FINANCIAL ACTIVITY OF THE DECATUR COUNTY PUBLIC LIBRARY WAS NOT AUDITED AND WAS NOT 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 (\$63,063), which is included in the financial statements of this report. However, the Library Board maintained two checking accounts and one certificate of deposit outside of the county's control to deposit various revenues and to pay certain operating expenses. The balance of the two checking accounts and the certificate of deposit totaled \$117,095 at June 30, 2009. 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 09.09 **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. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. 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 09.10 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY MAYOR, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, AND REGISTER**

(Internal Control – Significant Deficiency Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Offices of County Mayor, Circuit and General Sessions Courts Clerk, Clerk and Master, and Register. 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. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

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, 2009**

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