
ANNUAL FINANCIAL REPORT DECATUR COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2013



ANNUAL FINANCIAL REPORT
DECATUR COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2013

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

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

DECATUR COUNTY, TENNESSEE

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Audit Highlights

Annual Financial Report
Decatur County, Tennessee
For the Year Ended June 30, 2013

Scope

We have audited the basic financial statements of Decatur County as of and for the year ended June 30, 2013.

Results

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

Our audit resulted in 11 findings and recommendations, which we have reviewed with Decatur County management. Detailed findings, recommendations, and management's response are included in the Single Audit section of this report.

Findings and Best Practice

The following are summaries of the audit findings and best practice:

OFFICE OF COUNTY MAYOR

- ◆ The office had deficiencies in budget operations.

OFFICE OF ROAD SUPERVISOR

- ◆ The Highway/Public Works Fund required material audit adjustments for proper financial statement presentation.
- ◆ The office had deficiencies in budget operations.

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ Expenditures exceeded appropriations.

OFFICE OF TRUSTEE

- ◆ The trustee did not require a depository to adequately collateralize funds.
-

OFFICE OF ASSESSOR OF PROPERTY

- ◆ The assessor did not prorate new construction.
-

OFFICE OF SHERIFF

- ◆ The office had accounting deficiencies.
-

OFFICES OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, AND REGISTER OF DEEDS

- ◆ Duties were not segregated adequately.
 - ◆ Multiple employees operated from the same cash drawer.
-

DECATUR COUNTY

- ◆ Decatur County has a material recurring audit finding.
 - ◆ Certain financial activity of the Decatur County Public Library was not audited and was not subject to the budgetary control of the County Commission.
-

BEST PRACTICE

Decatur County does not have a central system of accounting, budgeting, and purchasing. The Division of Local Government Audit strongly believes that a central system of accounting, budgeting, and purchasing is a best practice that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Decatur County.

INTRODUCTORY SECTION

Decatur County Officials

June 30, 2013

Officials

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

Board of County Commissioners

Michael Smith, County Mayor, Chairman
Curtis Bond
David Boroughs
Mike Box
Don Funderburk
Billy Wayne Goodman
Ruth Ann Hearington
Tim Ivy
Joe Keeton
Jimmy Kelly

Mickey Larkins
Mickey Mays
Tim Middleton
Richard Sanders
Bryan Smith
Bobby Swindle
Mary Ella Teague
Eugene Tubbs
Carl White

Board of Education

Robert Bibbs, Chairman
Art Bawcum
Bradley Dodd
Tom Haggard
Allen Hays

Dwight Lancaster
J. Wayne Stanfill
Rebecca Stanfill
Jimmy Tate

Audit Committee

Don Funderburk
Mickey Mays
Eugene Tubbs

FINANCIAL SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 19.7 percent, 2.8 percent, and 36.5 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Also, we did not audit the financial statements of the Decatur County Emergency Communications District, which represent 4.3 percent, 6.4 percent, and 1.3 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports 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 solely 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position and the respective budgetary comparison for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

We draw attention to Note I.D.8. in the financial statements, which describes a restatement to the beginning balance of the government-wide financial statements totaling \$271,556. This restatement was necessary because prior to July 1, 2012, debt issuance costs were deferred and amortized over the life of the debt; however, with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, debt issuance costs become period costs.

As described in Note V.B., Decatur County has adopted the provisions of GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA*

Pronouncements; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*, which became effective for the year ended June 30, 2013. Decatur County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedules of funding progress – pension plans and other postemployment benefits plans on pages 84 - 86 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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 miscellaneous schedules are the responsibility

of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 miscellaneous schedules are fairly stated, in all material respects, in relation to the basic financial statements 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 do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2014, on our consideration of Decatur County's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Decatur County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 24, 2014

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Decatur County, Tennessee
Statement of Net Position
June 30, 2013

	Primary Government Governmental Activities	Component Units		
		Decatur County School Department	Decatur County General Hospital	Decatur County Emergency Communications District
<u>ASSETS</u>				
Cash	\$ 706	\$ 0	\$ 418,589	\$ 380,597
Equity in Pooled Cash and Investments	2,802,885	3,294,590	0	0
Inventories	0	0	171,119	0
Accounts Receivable	10,288	18,640	664,874	4,181
Due from Other Governments	560,937	451,252	0	5,927
Due from Component Units	205,625	0	0	0
Property Taxes Receivable	2,942,468	1,704,764	0	0
Allowance for Uncollectible Property Taxes	(91,374)	(52,939)	0	0
Prepaid Items	0	0	24,132	4,000
Other Current Assets	0	0	0	140
Capital Assets:				
Assets Not Depreciated:				
Land	1,667,664	239,448	63,196	0
Assets Net of Accumulated Depreciation:				
Buildings and Improvements	6,856,724	5,860,735	904,884	0
Infrastructure	2,422,552	0	0	0
Other Capital Assets	896,904	1,516,934	1,137,068	349,584
Total Assets	<u>\$ 18,275,379</u>	<u>\$ 13,033,424</u>	<u>\$ 3,383,862</u>	<u>\$ 744,429</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Charge on Refunding	\$ 0	\$ 0	\$ 7,205	\$ 0
Total Deferred Outflows of Resources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,205</u>	<u>\$ 0</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 26,982	\$ 7,640	\$ 1,056,105	\$ 0
Payroll Deductions Payable	10,768	259,525	0	0
Accrued Leave	0	0	194,698	0
Due to Primary Government	0	205,625	0	0
Accrued Interest Payable	88,303	0	0	0
Other Current Liabilities	0	0	165,442	0
Noncurrent Liabilities:				
Due Within One Year	1,463,088	0	687,997	0
Due in More Than One Year (net of deferred discount on debt and unamortized premium on debt)	10,995,034	450,059	955,924	0
Total Liabilities	<u>\$ 12,584,175</u>	<u>\$ 922,849</u>	<u>\$ 3,060,166</u>	<u>\$ 0</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 2,699,882	\$ 1,564,218	\$ 0	\$ 0
Total Deferred Inflows of Resources	<u>\$ 2,699,882</u>	<u>\$ 1,564,218</u>	<u>\$ 0</u>	<u>\$ 0</u>

(Continued)

Exhibit A

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

	Primary Government <u>Governmental Activities</u>	Component Units		
		<u>Decatur County School Department</u>	<u>Decatur County General Hospital</u>	<u>Decatur County Emergency Communications District</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets	\$ 3,849,594	\$ 7,617,117	\$ 806,524	\$ 349,584
Restricted for:				
General Government	3,843	0	0	0
Administration of Justice	8,009	0	0	0
Public Safety	237,664	0	0	0
Public Health and Welfare	15,556	0	0	0
Other Operations	76,746	0	0	0
Highway/Public Works	298,926	0	0	0
Education	0	1,001	0	0
Unrestricted	<u>(1,499,016)</u>	<u>2,928,239</u>	<u>(475,623)</u>	<u>394,845</u>
Total Net Position	<u>\$ 2,991,322</u>	<u>\$ 10,546,357</u>	<u>\$ 330,901</u>	<u>\$ 744,429</u>

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

Exhibit B

Decatur County, Tennessee
 Statement of Activities
 For the Year Ended June 30, 2013

Functions/Programs	Net (Expense) Revenue and Changes in Net Position									
	Program Revenues					Component Units				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Decatur County School Department	Decatur County General Hospital	Decatur County Emergency Communications District	Primary	
									Governmental Activities	Governmental Activities
Primary Government:										
Governmental Activities:										
General Government	\$ 612,414	\$ 85,328	\$ 15,164	\$ 0	\$ (511,922)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	476,467	233,942	0	0	(242,525)	0	0	0	0	0
Administration of Justice	481,909	331,723	9,000	0	(141,186)	0	0	0	0	0
Public Safety	2,725,751	260,424	652,258	28,810	(1,784,259)	0	0	0	0	0
Public Health and Welfare	1,239,594	1,059,998	44,189	0	(135,407)	0	0	0	0	0
Social, Cultural, and Recreational Services	436,328	186,512	22,608	0	(227,208)	0	0	0	0	0
Agriculture and Natural Resources	38,149	0	0	0	(38,149)	0	0	0	0	0
Other Operations	121,953	0	79,129	0	(42,824)	0	0	0	0	0
Highways/Public Works	1,548,059	0	1,433,193	0	(114,866)	0	0	0	0	0
Interest on Long-term Debt	542,563	0	804,441	0	261,878	0	0	0	0	0
Other Debt Service	10,843	0	0	0	(10,843)	0	0	0	0	0
Total Primary Government	\$ 8,234,030	\$ 2,157,927	\$ 3,059,982	\$ 28,810	\$ (2,987,311)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Component Units:										
Decatur County School Department	\$ 14,685,930	\$ 126,219	\$ 2,081,020	\$ 0	\$ 0	\$ (12,478,691)	\$ 0	\$ 0	\$ 0	\$ 0
Decatur County General Hospital	8,496,781	6,747,262	1,410,149	0	0	0	(339,370)	0	0	0
Decatur County Emergency Communications District	231,031	85,557	154,032	0	0	0	0	0	0	8,558
Total Component Units	\$ 23,413,742	\$ 6,959,038	\$ 3,645,201	\$ 0	\$ 0	\$ (12,478,691)	\$ (339,370)	\$ 0	\$ 0	\$ 8,558

(Continued)

Exhibit B

Decatur County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Units				
					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					\$ 2,389,745	\$ 1,584,288	\$ 0	\$ 0	0
Property Taxes Levied for Debt Service					345,289	0	0	0	0
Local Option Sales Taxes					316,915	1,138,974	0	0	0
Wheel Tax					367,982	164,711	0	0	0
Litigation Tax					86,611	0	0	0	0
Business Tax					92,545	0	0	0	0
Mineral Severance Tax					52,264	47,314	0	0	0
Wholesale Beer Tax					191,261	0	0	0	0
Other Local Taxes					30,723	1,311	0	0	0
Grants and Contributions Not Restricted to Specific Programs					599,404	8,719,845	0	0	56,263
Unrestricted Investment Income					13,385	4,462	101	777	0
Miscellaneous					73,710	2,998	650	0	0
Total General Revenues					\$ 4,559,834	\$ 11,663,903	\$ 751	\$ 57,040	0
Change in Net Position					\$ 1,572,523	\$ (814,788)	\$ (338,619)	\$ 65,598	0
Net Position, July 1, 2012					1,690,355	11,361,145	669,520	678,831	0
Restatement - See Note I.D.8.					(271,556)	0	0	0	0
Net Position, June 30, 2013					\$ 2,991,322	\$ 10,546,357	\$ 330,901	\$ 744,429	0

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

Exhibit C-1

Decatur County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2013

	Major Funds			Nonmajor	Total
	Highway /	General	Debt	Other	
	Public	Service		Gov- ern- mental	
General	Works		Funds	Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 706	\$ 706
Equity in Pooled Cash and Investments	1,625,916	156,279	779,257	241,433	2,802,885
Accounts Receivable	9,653	0	0	636	10,289
Due from Other Governments	204,245	264,598	85,340	6,754	560,937
Due from Other Funds	706	0	0	0	706
Due from Component Units	0	0	83,426	0	83,426
Property Taxes Receivable	2,241,881	0	417,231	283,356	2,942,468
Allowance for Uncollectible Property Taxes	(69,617)	0	(12,333)	(9,424)	(91,374)
Total Assets	\$ 4,012,784	\$ 420,877	\$ 1,352,921	\$ 523,461	\$ 6,310,043
<u>LIABILITIES</u>					
Accounts Payable	\$ 25,842	\$ 0	\$ 0	\$ 1,140	\$ 26,982
Payroll Deductions Payable	10,436	143	0	190	10,769
Due to Other Funds	0	0	0	706	706
Total Liabilities	\$ 36,278	\$ 143	\$ 0	\$ 2,036	\$ 38,457
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 2,057,054	\$ 0	\$ 385,697	\$ 257,131	\$ 2,699,882
Deferred Delinquent Property Taxes	106,671	0	17,778	15,556	140,005
Other Deferred/Unavailable Revenue	46,994	134,361	40,268	0	221,623
Total Deferred Inflows of Resources	\$ 2,210,719	\$ 134,361	\$ 443,743	\$ 272,687	\$ 3,061,510
<u>FUND BALANCES</u>					
Restricted:					
Restricted for General Government	\$ 3,843	\$ 0	\$ 0	\$ 0	\$ 3,843
Restricted for Administration of Justice	8,009	0	0	0	8,009
Restricted for Public Safety	188,555	0	0	49,109	237,664
Restricted for Other Operations	76,746	0	0	0	76,746
Restricted for Highways/Public Works	0	164,565	0	0	164,565
Committed:					
Committed for Public Health and Welfare	0	0	0	124,629	124,629
Committed for Highways/Public Works	0	121,808	0	0	121,808
Committed for Capital Outlay	0	0	0	75,000	75,000
Committed for Debt Service	0	0	909,178	0	909,178
Unassigned	1,488,634	0	0	0	1,488,634
Total Fund Balances	\$ 1,765,787	\$ 286,373	\$ 909,178	\$ 248,738	\$ 3,210,076
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,012,784	\$ 420,877	\$ 1,352,921	\$ 523,461	\$ 6,310,043

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 Position
June 30, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	3,210,076
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,667,664	
Add: buildings and improvements net of accumulated depreciation		6,856,724	
Add: infrastructure net of accumulated depreciation		2,422,552	
Add: other capital assets net of accumulated depreciation		<u>896,904</u>	11,843,844
(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	\$	(12,035,000)	
Less: notes payable		(224,493)	
Add: other deferred charges - discount on debt		5,104	
Less: other deferred revenue - premium on debt		(22,060)	
Less: compensated absences payable		(61,844)	
Less: accrued interest on bonds and note		(88,303)	
Add: due from School Department for debt retirement		122,199	
Less: other postemployment benefits liability		<u>(119,829)</u>	(12,424,226)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			
			<u>361,628</u>
Net position of governmental activities (Exhibit A)		\$	<u>2,991,322</u>

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

Exhibit C-3

Decatur County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 2,726,395	\$ 26,132	\$ 882,369	\$ 299,036	\$ 3,933,932
Licenses and Permits	4,444	0	0	0	4,444
Fines, Forfeitures, and Penalties	80,718	0	0	1,748	82,466
Charges for Current Services	1,262,045	0	0	52,604	1,314,649
Other Local Revenues	65,642	0	13,350	72,416	151,408
Fees Received from County Officials	481,833	0	0	0	481,833
State of Tennessee	1,453,388	1,430,322	27,211	2,446	2,913,367
Federal Government	41,357	79,129	0	0	120,486
Other Governments and Citizens Groups	98,521	0	902,263	0	1,000,784
Total Revenues	\$ 6,214,343	\$ 1,535,583	\$ 1,825,193	\$ 428,250	\$ 10,003,369
<u>Expenditures</u>					
Current:					
General Government	\$ 486,472	\$ 0	\$ 0	\$ 0	\$ 486,472
Finance	357,254	0	0	0	357,254
Administration of Justice	356,414	0	0	7,971	364,385
Public Safety	2,241,485	0	0	30,548	2,272,033
Public Health and Welfare	969,709	0	0	289,331	1,259,040
Social, Cultural, and Recreational Services	343,220	0	0	0	343,220
Agriculture and Natural Resources	36,611	0	0	0	36,611
Other Operations	837,176	0	0	156,168	993,344
Highways	0	1,239,333	0	0	1,239,333
Debt Service:					
Principal on Debt	0	0	1,555,969	405	1,556,374
Interest on Debt	0	0	551,368	117	551,485
Other Debt Service	0	0	10,476	0	10,476
Total Expenditures	\$ 5,628,341	\$ 1,239,333	\$ 2,117,813	\$ 484,540	\$ 9,470,027
Excess (Deficiency) of Revenues					
Over Expenditures	\$ 586,002	\$ 296,250	\$ (292,620)	\$ (56,290)	\$ 533,342
<u>Other Financing Sources (Uses)</u>					
Insurance Recovery	\$ 8,916	\$ 275	\$ 0	\$ 5,824	\$ 15,015
Transfers In	0	0	364,233	75,000	439,233
Transfers Out	(75,000)	(364,233)	0	0	(439,233)
Total Other Financing Sources (Uses)	\$ (66,084)	\$ (363,958)	\$ 364,233	\$ 80,824	\$ 15,015
Net Change in Fund Balances					
Fund Balance, July 1, 2012	\$ 1,245,869	\$ (67,708)	\$ 71,613	\$ 24,534	\$ 548,357
Fund Balance, June 30, 2013	\$ 1,765,787	\$ 286,373	\$ 909,178	\$ 248,738	\$ 3,210,076

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, 2013

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)		\$	548,357
(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:			
Add: capital assets purchased in the current period	\$	317,277	
Less: current-year depreciation expense		<u>(629,621)</u>	(312,344)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2013	\$	361,628	
Less: deferred delinquent property taxes and other deferred June 30, 2012		<u>(388,268)</u>	(26,640)
(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 position. Also, governmental funds report the effect of 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.			
Add: change in premium on debt issuances	\$	923	
Less: change in discount on debt issuances		(367)	
Add: principal payments on notes		131,374	
Add: principal payments on bonds		1,315,000	
Less: principal contribution on note from the School Department		<u>(61,099)</u>	1,385,831
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest payable	\$	8,922	
Change in compensated absences payable		(8,452)	
Change in other postemployment benefits liability		<u>(23,151)</u>	<u>(22,681)</u>
Change in net position of governmental activities (Exhibit B)			<u>\$ 1,572,523</u>

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

Exhibit C-5

Decatur County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,726,395	\$ 2,658,290	\$ 2,658,290	\$ 68,105
Licenses and Permits	4,444	6,950	6,950	(2,506)
Fines, Forfeitures, and Penalties	80,718	67,980	67,980	12,738
Charges for Current Services	1,262,045	1,060,320	1,060,320	201,725
Other Local Revenues	65,642	10,000	59,600	6,042
Fees Received from County Officials	481,833	406,200	406,200	75,633
State of Tennessee	1,453,388	1,419,104	1,406,404	46,984
Federal Government	41,357	10,000	10,000	31,357
Other Governments and Citizens Groups	98,521	106,500	106,500	(7,979)
Total Revenues	\$ 6,214,343	\$ 5,745,344	\$ 5,782,244	\$ 432,099
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 25,619	\$ 32,750	\$ 32,750	\$ 7,131
Board of Equalization	354	1,500	1,500	1,146
Beer Board	450	2,200	2,200	1,750
Other Boards and Committees	2,450	2,500	2,500	50
County Mayor/Executive	119,265	121,377	121,202	1,937
Personnel Office	9,040	11,060	11,060	2,020
County Attorney	5,515	12,000	12,000	6,485
Election Commission	137,269	153,840	153,725	16,456
Register of Deeds	84,400	85,489	85,489	1,089
County Buildings	102,110	102,600	102,600	490
<u>Finance</u>				
Property Assessor's Office	116,285	120,289	120,289	4,004
Reappraisal Program	10,918	13,300	13,300	2,382
County Trustee's Office	121,252	120,889	121,388	136
County Clerk's Office	108,799	109,966	109,966	1,167
<u>Administration of Justice</u>				
Circuit Court Clerk	122,038	124,574	126,824	4,786
General Sessions Judge	101,744	101,913	101,913	169
Drug Court	3,712	5,000	5,000	1,288
Chancery Court	84,582	84,331	84,331	(251)
Juvenile Court	31,663	33,040	33,040	1,377
Victims Assistance Programs	12,675	12,675	12,675	0
<u>Public Safety</u>				
Sheriff's Department	646,652	706,475	713,375	66,723
Jail	613,462	664,287	664,287	50,825
Juvenile Services	64,649	72,382	73,182	8,533
Work Release Program	448,192	448,687	448,687	495
Fire Prevention and Control	71,831	71,308	74,098	2,267
Civil Defense	120,640	51,635	81,635	(39,005)
Rescue Squad	10,000	10,000	10,000	0
Other Emergency Management	242,153	256,532	256,591	14,438
County Coroner/Medical Examiner	23,906	31,000	31,000	7,094
Other Public Safety	0	1,000	1,000	1,000

(Continued)

Exhibit C-5

Decatur County, Tennessee
Statement 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 Health and Welfare</u>				
Local Health Center	\$ 34,799	\$ 41,000	\$ 41,000	\$ 6,201
Ambulance/Emergency Medical Services	890,099	829,470	915,570	25,471
Crippled Children Services	796	796	796	0
General Welfare Assistance	0	15,000	15,000	15,000
Aid to Dependent Children	0	1,000	1,000	1,000
Sanitation Education/Information	40,071	39,237	39,237	(834)
Other Public Health and Welfare	3,944	5,100	5,100	1,156
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	63,571	74,146	74,146	10,575
Libraries	62,713	64,745	64,745	2,032
Parks and Fair Boards	216,936	225,536	226,617	9,681
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	31,311	33,082	33,082	1,771
Forest Service	2,000	2,000	2,000	0
Soil Conservation	3,300	3,300	3,300	0
<u>Other Operations</u>				
Tourism	2,750	7,500	7,500	4,750
Industrial Development	20,000	20,000	20,000	0
Other Economic and Community Development	50,000	0	50,000	0
Airport	21,594	21,594	21,594	0
Veterans' Services	9,791	10,693	10,693	902
Other Charges	195,471	212,000	212,000	16,529
Employee Benefits	521,686	511,214	511,214	(10,472)
Miscellaneous	15,884	20,600	20,600	4,716
Total Expenditures	\$ 5,628,341	\$ 5,702,612	\$ 5,882,801	\$ 254,460
Excess (Deficiency) of Revenues Over Expenditures				
	\$ 586,002	\$ 42,732	\$ (100,557)	\$ 686,559
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 8,916	\$ 5,000	\$ 5,000	\$ 3,916
Transfers Out	(75,000)	0	(75,000)	0
Total Other Financing Sources	\$ (66,084)	\$ 5,000	\$ (70,000)	\$ 3,916
Net Change in Fund Balance				
Fund Balance, July 1, 2012	\$ 1,245,869	\$ 47,732	\$ (170,557)	\$ 690,475
Fund Balance, June 30, 2013	\$ 1,765,787	\$ 554,103	\$ 336,792	\$ 1,428,995

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

Exhibit C-6

Decatur County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 26,132	\$ 32,410	\$ 32,500	\$ (6,368)
Other Local Revenues	0	27,000	42,000	(42,000)
State of Tennessee	1,430,322	1,726,769	1,810,293	(379,971)
Federal Government	79,129	207,554	207,554	(128,425)
Total Revenues	<u>\$ 1,535,583</u>	<u>\$ 1,993,733</u>	<u>\$ 2,092,347</u>	<u>\$ (556,764)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 143,000	\$ 139,439	\$ 143,526	\$ 526
Highway and Bridge Maintenance	445,666	539,600	532,716	87,050
Operation and Maintenance of Equipment	304,833	319,960	304,148	(685)
Other Charges	84,446	84,911	174,116	89,670
Employee Benefits	202,878	205,432	211,832	8,954
Capital Outlay	58,510	384,628	371,138	312,628
<u>Principal on Debt</u>				
Highways and Streets	0	343,000	0	0
<u>Interest on Debt</u>				
Highways and Streets	0	21,233	0	0
Total Expenditures	<u>\$ 1,239,333</u>	<u>\$ 2,038,203</u>	<u>\$ 1,737,476</u>	<u>\$ 498,143</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 296,250</u>	<u>\$ (44,470)</u>	<u>\$ 354,871</u>	<u>\$ (58,621)</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 275	\$ 5,000	\$ 5,000	\$ (4,725)
Transfers Out	(364,233)	0	(364,233)	0
Total Other Financing Sources	<u>\$ (363,958)</u>	<u>\$ 5,000</u>	<u>\$ (359,233)</u>	<u>\$ (4,725)</u>
Net Change in Fund Balance	\$ (67,708)	\$ (39,470)	\$ (4,362)	\$ (63,346)
Fund Balance, July 1, 2012	<u>354,081</u>	<u>39,470</u>	<u>21,455</u>	<u>332,626</u>
Fund Balance, June 30, 2013	<u>\$ 286,373</u>	<u>\$ 0</u>	<u>\$ 17,093</u>	<u>\$ 269,280</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, 2013

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 929,511
Due from Other Governments	<u>152,129</u>
Total Assets	<u>\$ 1,081,640</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 152,129
Due to Litigants, Heirs, and Others	<u>929,511</u>
Total Liabilities	<u>\$ 1,081,640</u>

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

DECATUR COUNTY, TENNESSEE
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DECATUR COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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, 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
969 Tennessee Avenue South
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 Position 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 intergovernmental 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. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2013.

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 funds 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 special revenue fund accounts for transactions of the county’s Highway Department. Local and state gasoline/fuel taxes are the foundational revenues for this fund.

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.

Additionally, Decatur County reports the following fund types:

Capital Projects Funds – These funds account for the financial resources to be used for the acquisition or construction of major capital projects.

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

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

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

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

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

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.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

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 position 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 are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. 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. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. 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.

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 1.67 percent of total taxes levied.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as a deferred inflow of resources 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 as a deferred inflow of resources to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

3. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an

estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

4. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has no items that qualify for reporting in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes and various receivables for revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

5. 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). The granting of sick leave has no guaranteed payment attached, and therefore, requires no accrual or recording. There is no provision for accumulating vacation days.

6. 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 Position. Debt premiums and discounts are deferred and amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner 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.

7. Net Position and Fund Balance

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

- a. Net investment in capital assets – 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 position – Consists of net position 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 position – All other net position that does not meet the definition of restricted or net investment in capital assets.

The government-wide Statement of Net Position reports \$640,744 of restricted net position, of which \$73,481 is restricted by enabling legislation.

As of June 30, 2013, Decatur County had \$4,282,199 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 position with no corresponding increase in the county's capital assets.

It is the county's policy that restricted amounts would be reduced first followed by unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Also, it is the county's policy that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent.

These classifications may consist of the following:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the County Commission, the county's highest level of decision-making authority and the Board of Education, the School Department's highest level of decision-making authority, and shall remain binding unless removed in the same manner.

Assigned Fund Balance – includes amounts that are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The County Commission has authorized by resolution the county's Budget Committee to make assignments for the general government. The Board of Education makes assignments for the School Department.

Unassigned Fund Balance – the residual classification of the General and General Purpose School funds. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General and General Purpose School funds.

8. Restatement

Prior to July 1, 2012, debt issuance costs were deferred and amortized over the life of the debt; however, with the implementation of GASB Statement No. 65, debt issuance costs become period costs. A restatement to beginning net position totaling \$271,556 has been recognized for accumulated debt issuance costs on the government-wide financial statements.

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 Position

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 Position.

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 Position.

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 position 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 position of governmental activities reported in the government-wide Statement of Activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (special revenue fund), which is not budgeted, and the capital projects 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. Expenditures Exceeded Appropriations

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

<u>Fund/Major Appropriation Category</u>	<u>Amount Overspent</u>
Primary Government:	
General:	
Chancery Court	\$ 251
Civil Defense	39,005
Sanitation Education/Information	834
Employee Benefits	10,472
Highway/Public Works:	
Operation and Maintenance of Equipment	685
School Department:	
General Purpose School:	
Other Debt Service - Education	17,706

Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balances.

C. Appropriations Exceeded Estimated Available Funds

The budget and subsequent amendments approved by the County Commission for the Drug Control Fund resulted in appropriations exceeding estimated funding by \$17,569.

D. The County Had Deposits Exposed to Custodial Credit Risk

The trustee did not require a depository holding county funds to pledge adequate securities to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2013, deposits at this depository exceeded FDIC coverage and collateral securities pledged by \$547,053. Section 5-8-201, *Tennessee Code Annotated*, requires any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of such county funds.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with

collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the county.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, Decatur County's deposits may not be returned to it. Decatur County does not have a formal policy that limits custodial credit risk for deposits. Separate disclosures concerning bank balances of pooled deposits cannot be made for Decatur County and the discretely presented Decatur County School Department since both pool their deposits and investments through the county trustee. As of June 30, 2013, bank balances of \$547,053 were uninsured and uncollateralized and therefore exposed to custodial credit risk. Uninsured and uncollateralized deposits are a violation of state statutes.

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; 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 Comptroller's Office 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 fair value of the securities on the day of purchase.

Investment Balances. As of June 30, 2013, Decatur County had the following investments carried at fair value. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Decatur County and the discretely presented Decatur County School Department since both pool their deposits and investments through the county trustee.

Investment	Weighted Average Maturity (days)	Fair Value
State Treasurer's Investment Pool	11 to 138	\$ 1,401,974

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, 2013, 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, 2013, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	\$ 1,592,664	\$ 75,000	\$ 0	\$ 1,667,664
Total Capital Assets Not Depreciated	\$ 1,592,664	\$ 75,000	\$ 0	\$ 1,667,664
Capital Assets Depreciated:				
Buildings and Improvements	\$ 8,852,089	\$ 75,000	\$ 0	\$ 8,927,089
Infrastructure	4,273,296	0	0	4,273,296
Other Capital Assets	3,237,876	167,277	205,754	3,199,399
Total Capital Assets Depreciated	\$ 16,363,261	\$ 242,277	\$ 205,754	\$ 16,399,784

Governmental Activities (Cont.):

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,850,214	\$ 220,151	\$ 0	\$ 2,070,365
Infrastructure	1,620,105	230,639	0	1,850,744
Other Capital Assets	2,329,418	178,831	205,754	2,302,495
Total Accumulated Depreciation	<u>\$ 5,799,737</u>	<u>\$ 629,621</u>	<u>\$ 205,754</u>	<u>\$ 6,223,604</u>
Total Capital Assets Depreciated, Net	<u>\$ 10,563,524</u>	<u>\$ (387,344)</u>	<u>\$ 0</u>	<u>\$ 10,176,180</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,156,188</u>	<u>\$ (312,344)</u>	<u>\$ 0</u>	<u>\$ 11,843,844</u>

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

Governmental Activities:

General Administration	\$ 33,945
Finance	2,146
Administration of Justice	3,997
Public Safety	208,253
Public Health and Welfare	29,835
Social, Cultural, and Recreational Services	39,740
Agriculture and Natural Resources	984
Other Operations	1,720
Highways/Public Works	<u>309,001</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 629,621</u>

Discretely Presented Decatur County School Department

Governmental Activities:

	Balance 7-1-12	Increases	Balance 6-30-13
Capital Assets Not Depreciated:			
Land	\$ 239,448	\$ 0	\$ 239,448
Total Capital Assets Not Depreciated	<u>\$ 239,448</u>	<u>\$ 0</u>	<u>\$ 239,448</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 13,956,466	\$ 77,387	\$ 14,033,853
Other Capital Assets	2,881,080	34,651	2,915,731
Total Capital Assets Depreciated	<u>\$ 16,837,546</u>	<u>\$ 112,038</u>	<u>\$ 16,949,584</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 7,692,518	\$ 480,600	\$ 8,173,118
Other Capital Assets	1,200,969	197,828	1,398,797
Total Accumulated Depreciation	<u>\$ 8,893,487</u>	<u>\$ 678,428</u>	<u>\$ 9,571,915</u>
Total Capital Assets Depreciated, Net	<u>\$ 7,944,059</u>	<u>\$ (566,390)</u>	<u>\$ 7,377,669</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,183,507</u>	<u>\$ (566,390)</u>	<u>\$ 7,617,117</u>

There were no decreases in capital assets to report during the year ended June 30, 2013. Depreciation expense was charged to functions of the discretely presented Decatur County School Department as follows:

Governmental Activities:

Instruction	\$ 439,429
Support Services	187,029
Operation of Non-Instructional Services	<u>51,970</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 678,428</u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2013, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 706

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

Due to/from Primary Government and Component Unit:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government: General Debt Service	Component Unit: School Department - General Purpose School	\$ 83,426

The amount reflected as due to the primary government from the discretely presented School Department on the government-wide Statement of Net Position also includes a long-term receivable of \$122,199 for debt issued by the primary government, the principal of which is being contributed by the School Department. The amount of the receivable not expected to be received within one year is \$61,099.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2013, consisted of the following amounts:

<u>Transfers Out</u>	<u>Transfers In</u>	
	<u>General Debt Service Fund</u>	<u>Nonmajor Governmental Fund</u>
General Fund	\$ 0	\$ 75,000
Highway/Public Works Fund	364,233	0
Total	<u>\$ 364,233</u>	<u>\$ 75,000</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to

finance various programs accounted for in other funds in accordance with budgetary authorizations.

D. Long-term Obligations

Primary Government

General Obligation Bonds and Notes

Decatur County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. In addition, general obligation bonds have been issued to refund other general obligation bonds. Capital outlay notes are also issued to fund capital facilities and other capital purchases, such as equipment.

General obligation bonds 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, 2013, will be retired from the General Debt Service Fund or from contributions by the School Department's General Purpose School Fund to the General Debt Service Fund.

General obligation bonds and capital outlay notes outstanding as of June 30, 2013, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-13
G.O. Improvement Bonds	2.2 to 4.14 %	5-1-37	\$ 6,520,000	\$ 5,790,000
G.O. Bonds - Refunding	1.45 to 4.25	6-1-27	14,560,000	6,245,000
Notes Payable	0 to 4.05	10-21-17	673,194	224,493

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2013, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2019-2023	1,680,000	1,127,857	2,807,857
2024-2028	1,885,000	768,055	2,653,055
2029-2033	1,340,000	445,755	1,785,755
2034-2037	1,295,000	140,463	1,435,463
Total	\$ 12,035,000	\$ 4,351,859	\$ 16,386,859

Year Ending June 30	Notes		
	Principal	Interest	Total
2014	\$ 81,557	\$ 5,671	\$ 87,228
2015	81,558	4,671	86,229
2016	20,458	2,586	23,044
2017	20,458	1,657	22,115
2018	20,462	829	21,291
Total	\$ 224,493	\$ 15,414	\$ 239,907

There is \$909,178 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds and notes totaled \$1,043, based on the 2010 federal census.

The School Department is currently servicing some of the debt issued on its behalf by the primary government as noted in the table below. This debt is reflected in the government-wide financial statements as Due to the Primary Government in the financial statements of the School Department and as Due from Component Units in the financial statements of the primary government. In the prior year, this debt was reflected as debt of the School Department; however, this debt has been reclassified as debt of the primary government because the primary government is legally obligated to repay the debt.

<u>Description of Indebtedness</u>	<u>Outstanding 6-30-13</u>
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Notes Payable

Payable by School Department Contributions from
the General Purpose School Fund to the General Debt
Service Fund

Energy Efficiency Loan	\$ 122,199
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Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2013, was as follows:

Governmental Activities:

	<u>Bonds</u>	<u>Notes</u>
Balance, July 1, 2012	\$ 13,350,000	\$ 172,569
Reclassification of School Debt	0	183,298
Reductions	(1,315,000)	(131,374)
	\$ 12,035,000	\$ 224,493
Balance, June 30, 2013	\$ 12,035,000	\$ 224,493
	\$ 1,360,000	\$ 81,557
Balance Due Within One Year	\$ 1,360,000	\$ 81,557

	<u>Compensated Absences</u>	<u>Other Postemployment Benefits</u>
Balance, July 1, 2012	\$ 53,392	\$ 96,678
Additions	40,433	24,762
Reductions	(31,981)	(1,611)
	\$ 61,844	\$ 119,829
Balance, June 30, 2013	\$ 61,844	\$ 119,829
	\$ 21,531	\$ 0
Balance Due Within One Year	\$ 21,531	\$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 12,441,166
Less: Balance Due Within One Year	(1,463,088)
Less: Deferred Discount on Debt	(5,104)
Add: Unamortized Premium on Debt	<u>22,060</u>
 Noncurrent Liabilities - Due in More Than One Year - Exhibit A	 <u><u>\$ 10,995,034</u></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

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Decatur County School Department for the year ended June 30, 2013, was as follows:

Governmental Activities:

	Note	Other Postemployment Benefits
	<u> </u>	<u> </u>
Balance, July 1, 2012	\$ 183,298	\$ 344,320
Additions	0	147,153
Reductions	0	(41,414)
Reclassification of School Debt	<u>(183,298)</u>	<u>0</u>
 Balance, June 30, 2013	 <u>\$ 0</u>	 <u>\$ 450,059</u>
 Balance Due Within One Year	 <u>\$ 0</u>	 <u>0</u>

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

E. 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, City of Decaturville, 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 \$4,615,425, payable semiannually through June 2018. For the current year, principal and interest paid and sales tax revenues generated by the increase were \$935,191 and \$910,549, respectively.

F. 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, 2013, were \$26,564 and \$11,980, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

G. Short-term Debt

Decatur County had unpaid short-term financing from 2008-09 that was not retired as required by state statute. The remaining balance of the unpaid short-term financing was retired during the current year. Short-term debt activity for the year ended June 30, 2013, was as follows:

	Balance 7-1-12	Paid	Balance 6-30-13
Tax and Revenue			
Anticipation Notes	\$ 45,952	\$ (45,952)	\$ 0

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 (LGWCF), 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 LGWCF for its workers' compensation insurance coverage. The LGWCF is to be self-sustaining through member premiums. The LGWCF reinsures through commercial insurance companies for claims exceeding \$300,000.

Discretely Presented Decatur County School Department

Liability, Property, Casualty, and Workers' Compensation Insurance

The School Department participates in the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability 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. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. Decatur County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

GASB Statement No. 60 provides accounting and financial reporting guidance related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The standard establishes criteria for determining whether a SCA exists, how to account for SCAs, and requires certain disclosures associated with a SCA.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66 resolves conflicting guidance by removing the provision that limits fund based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. Under Statement No. 66 decisions about fund type classifications are based on the nature of the activity to be reported as required by Statements No. 54 and No. 34. This statement also modifies guidance on operating lease payments, purchased loans, and servicing fees related to mortgage loans.

C. Subsequent Event

Subsequent to June 30, 2013, the county's General Fund issued revenue anticipation notes totaling \$450,000 to the Decatur County General Hospital for temporary operating funds.

D. Contingent Liabilities

Decatur County is contingently liable for certain Hospital Revenue and Tax Refunding Bonds, Series 1999, of the Decatur County General Hospital. Decatur County would become liable for these bonds and the interest thereon in the event of default by the hospital. The principal of these revenue bonds is reflected on the financial statements of the Decatur County General Hospital. As of June 30, 2013, future principal and interest requirements were \$785,000 and \$142,675, 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, 2013, future principal and interest requirements were \$888,233 and \$110,262, respectively.

The county attorney has advised of several pending lawsuits involving Decatur County. Any potential claims against the county not covered by insurance resulting from such litigation should not materially affect the county's financial statements.

E. Change in Administration

On August 31, 2012, Randy Smith left the Office of Assessor of Property and was succeeded by Steve Glass.

F. Joint Ventures

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

The Beech River Regional Airport was established through a joint operations agreement between Decatur County, Henderson County, the City of Parsons, and the City of Lexington. The agreement created the Beech River Regional Airport Board to plan, develop, and maintain a regional airport that will economically benefit all residents of the two-county area. The board comprises nine members, two from each governmental unit and one appointed by the governmental entities on a yearly rotation basis. Each participant retains a 25 percent ownership in the airport. During the year ended June 30, 2013, the county appropriated an operating subsidy of \$21,594 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, 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 594
Parsons, TN 38363

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

Office of District Attorney General
Twenty-fourth Judicial District Drug Task Force
P.O. Box 686
Huntingdon, TN 38344

G. Retirement Commitments

Plan Description

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

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

Funding Policy

Decatur County requires employees to contribute five percent of their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2013, was 5.54 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2013, Decatur County's annual pension cost of \$234,503 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2011, 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 three percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected postretirement increases of 2.5 percent annually. 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 ten-year period. The 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, 2011, was one year. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-13	\$234,503	100%	\$0
6-30-12	220,804	100	0
6-30-11	196,417	100	0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 98.42 percent funded. The actuarial accrued liability for benefits was \$4.19 million, and the actuarial value of assets was \$4.12 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.07 million. The covered payroll (annual payroll of active employees covered by the plan) was

\$3.44 million, and the ratio of the UAAL to the covered payroll was 1.92 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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/Schools.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer

rate for the fiscal year ended June 30, 2013, was 8.88 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2013, 2012, and 2011, were \$609,636, \$622,654, and \$605,455, respectively, equal to the required contributions for each year.

H. Other Postemployment Benefits (OPEB)

Plan Description

Decatur County (excluding the Highway Department) and the Decatur County School Department participate in the state-administered Local Government Group Insurance Plan and the 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 8-27-207, *Tennessee Code Annotated (TCA)*, for local governments and Section 8-27-302, *TCA*, for local education employees. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) 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, 2013, Decatur County and the School Department contributed \$1,611 and \$41,414, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 148,000	\$ 25,000
Interest on the NOPEBO	13,773	3,867
Adjustment to the ARC	(14,620)	(4,105)
Annual OPEB cost	\$ 147,153	\$ 24,762
Less: Amount of contribution	(41,414)	(1,611)
Increase/decrease in NOPEBO	\$ 105,739	\$ 23,151
Net OPEB obligation, 7-1-12	344,320	96,678
Net OPEB obligation, 6-30-13	\$ 450,059	\$ 119,829

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-11	Local Education Group	\$ 105,427	44 %	\$ 238,759
6-30-12	"	146,412	28	344,320
6-30-13	"	147,153	28	450,059
6-30-11	Local Government Group	34,100	8	73,543
6-30-12	"	24,819	7	96,678
6-30-13	"	24,762	7	119,829

The funded status of the plan as of July 1, 2011, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-11	7-1-11
Actuarial accrued liability (AAL)	\$ 1,314,000	\$ 160,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,314,000	\$ 160,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 7,141,901	\$ 2,253,678
UAAL as a % of covered payroll	18%	7%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and

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

Actuarial Methods and Assumptions

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

In the July 1, 2011, actuarial valuation for the Local Government Group and the Local Education Group plans, the projected unit credit actuarial cost method was used and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.75 percent for fiscal year 2013. The trend will decrease to 8.25 percent in fiscal year 2014 and then be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both rates include a 2.5 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 July 1, 2007.

I. Purchasing Laws

Office of County Mayor

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

Office of Road Supervisor

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

Office of Director of Schools

Purchasing procedures for the discretely presented Decatur County School Department are governed by purchasing laws applicable to schools as set

forth in Section 49-2-203, *TCA*, which provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$10,000.

VI. OTHER NOTES – DISCRETELY PRESENTED DECATUR COUNTY GENERAL HOSPITAL

A. Summary of Significant Accounting Policies

1. Reporting Entity

Decatur County General Hospital is a political subdivision of Decatur County, Tennessee. The hospital is a 40-bed community hospital located in Parsons, Tennessee, which 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 included 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 and also has financial responsibility of the hospital such as approval for the issuance of any bonds. Under accounting principles generally accepted in the United States of America, the hospital constitutes a component unit of the county for financial reporting purposes.

2. Basis of Accounting

The financial statements of the hospital have been prepared using the economic resources measurement focus and the accrual basis of accounting.

3. 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

4. Net Patient Service Revenue

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the

period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Patient service revenue is net of contractual adjustments and policy discounts of approximately \$8,100,000 for the year ended June 30, 2013.

Revenue from the Medicare and Medicaid programs accounted for approximately 51 percent and seven percent for the year ended June 30, 2013, of the hospital's net patient service revenue. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

5. Charity Care

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. The hospital estimates that the cost of providing the supplies and services under the charity care policy was approximately \$46,000 for the year ended June 30, 2013, based on applying an average cost to charge ratio to the charges for charity care.

6. Operating Revenues and Expenses

The hospital's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the hospital's principal activity. Nonexchange revenues, including interest, grants, and contributions, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

7. Income Taxes

The hospital, as a component unit of Decatur County, Tennessee, is exempt from federal and state income taxes.

8. Inventories

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

9. Accounts Receivable

Accounts receivable are stated at the amount the hospital expects to collect. The hospital maintains allowances for doubtful accounts for estimated losses resulting from the inability of its patients to make required payments. Management considers the following factors when determining the collectability of specific patient accounts: payor credit-worthiness, past transaction history with the payor, current economic industry trends, and changes in payor payment terms. If the financial condition of the hospital's payors or patients were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the hospital provides for estimated uncollectible amounts through a charge to earnings and a credit to an allowance. Balances that remain outstanding after the hospital has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable.

10. Capital Assets

Assets with a useful life of greater than one year and a cost of greater than \$1,500 are recorded as capital assets and are stated at cost. Depreciation is calculated over the estimated useful lives using the straight-line method. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. Expenditures for maintenance, repairs, renewals and betterments that do not significantly extend the useful lives of the assets are expensed as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the books, and any resulting gain or loss is reflected in income for the period. A summary of estimated useful lives follows:

<u>Assets</u>	<u>Estimated Useful Lives Years</u>
Land Improvements	5 - 15
Buildings and Improvements	15 - 42
Machinery and Equipment	3 - 38

Except for capital assets acquired through gifts, contributions, or capital grants, the hospital capitalizes interest costs as a component of construction in progress based on interest costs of borrowing specifically for the project and net of interest earned on investments acquired with the proceeds of the borrowing. There was no interest capitalized and incurred at June 30, 2013.

11. Cash

The hospital considers currency on hand and demand deposits with financial institutions to be cash. The hospital considers all highly liquid investments with original maturities of three months or less to be cash equivalents. State statutes authorize the hospital to invest in obligations of the U.S. Treasury, bank certificates of deposit, state approved repurchase agreements, pooled investment funds, and state or local bonds, rated A or higher by a nationally recognized rating service. There were no cash equivalents at June 30, 2013.

12. Risk Management

The hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three proceeding years.

13. Net Position

Net position of the hospital is classified in four components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the hospital. Restricted nonexpendable net position equals the principal portion of permanent endowments. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted. There were no restricted assets at June 30, 2013.

The hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

	<u>June 30, 2013</u>
Capital Assets, Net	\$ 2,105,148
Less:	
Current Portion of Long-term Debt Relating to the Acquisition of Capital Assets	(349,905)
Long-term Debt, Excluding Current Portion Relating to the Acquisition of Capital Assets	<u>(948,719)</u>
Net Investment in Capital Assets	<u>\$ 806,524</u>

14. Deferred Outflows/Inflows of Resources

During the current year, the hospital adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*. Under this statement, GASB has defined deferred outflows of resources and deferred inflows of resources as follows:

- a. Deferred outflows of resources – a consumption of net assets by the government that is applicable to a future reporting period.
- b. Deferred inflows of resources – an acquisition of net assets by the government that is applicable to a future reporting period.

As of June 30, 2013, the hospital had \$7,205 of deferred outflows of resources from a deferred loss on bond refunding and did not have any deferred inflows of resources. This statement had no significant impact on the hospital.

B. Cash

For deposits, custodial risk is the risk that, in the event of a bank failure, the hospital's deposits may not be returned to it. Collateral is required for demand deposits and certificates of deposit at 105 percent of all amounts not covered by a 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 or collateralized by securities held by the financial institutions' trust department in the hospital's name.

The hospital currently has no formal policy addressing custodial risk, except to comply with state statutes.

C. Net Patient Service Revenue

The hospital received 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 and 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.

1. Medicare

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates-per-discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services, certain outpatient services, and medical education costs related to Medicare beneficiaries are paid based upon a cost reimbursement methodology. The hospital is reimbursed for Medicare outpatient services under a Prospective Payment System based on clinical, diagnostic, and other factors. The hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the hospital and review by the Medicare fiscal intermediary.

2. TennCare

Under the program, the hospital enters into agreements with state contracted managed care organizations which reimburse the hospital using various payment methodologies, such as prospectively determined rates per discharge, prospectively determined daily rates, and discounts from established charges.

3. Others

The hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

D. Electronic Health Records Incentive Payments

The hospital receives electronic health records (EHR) incentive payments under the Medicare and Medicaid programs. To qualify for the EHR incentive payments, the hospital must meet "meaningful use" criteria that becomes more stringent over time. The hospital periodically submits and attests to its use of certified EHR technology, satisfaction of meaningful use objectives,

and various patient data. These submissions generally include performance measures for each annual EHR reporting period (federal fiscal year ending September 30th). The related EHR incentive payments are paid out over a four-year transition schedule and are based upon an initial amount as adjusted for discharges, Medicare and Medicaid utilization using inpatient days multiplied by a factor of total charges excluding charity care to total charges, and a transitional factor that ranges from 100 percent in the first payment year and thereby decreasing by 25 percent each payment year until it is completely phased out in the fifth year.

The hospital recognizes EHR incentive payments as grant income when there is a reasonable assurance that the hospital will comply with the conditions of the meaningful use objectives and any other specific grant requirements. In addition, the financial statement effects of the grants must be both recognizable and measureable. During 2013, the hospital recognized \$1,182,450 in EHR incentive payments as grant income using the cliff recognition method. Under the cliff recognition method, the hospital recognizes income all at once, when the EHR reporting period has ended and compliance requirements have been met.

EHR incentive income is included in other revenue in the statements of revenues, expenses and changes in net position. EHR incentive income is subject to retrospective adjustment upon final settlement of the applicable cost report from which payments were initially calculated.

Receipt of these funds is subject to the fulfillment of certain obligations by the hospital as prescribed by the program, subject to future audits and may be subject to repayment upon a determination of noncompliance.

E. Inventories

Inventories on June 30, 2013, consist of the following:

Pharmacy	\$ 119,222
General supplies	25,541
Dietary	4,744
Laboratory	<u>21,612</u>
Total	<u><u>\$ 171,119</u></u>

F. Capital Assets

A summary of changes in capital assets follows:

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets				
Not Depreciated:				
Land	\$ 63,196	\$ 0	\$ 0	\$ 63,196
Construction in Progress	17,632	0	17,632	0
Total Capital Assets Not Depreciated	<u>\$ 80,828</u>	<u>\$ 0</u>	<u>\$ 17,632</u>	<u>\$ 63,196</u>
Capital Assets Depreciated:				
Land Improvements	\$ 153,221	\$ 0	\$ 0	\$ 153,221
Buildings	2,739,218	4,083	0	2,743,301
Machinery and Equipment	6,218,568	346,844	77,946	6,487,466
Total Capital Assets Depreciated	<u>\$ 9,111,007</u>	<u>\$ 350,927</u>	<u>\$ 77,946</u>	<u>\$ 9,383,988</u>
Less Accumulated Depreciation For:				
Land Improvements	\$ 153,221	\$ 0	\$ 0	\$ 153,221
Buildings	1,749,666	88,751	0	1,838,417
Machinery and Equipment	5,060,010	368,334	77,946	5,350,398
Total Accumulated Depreciation	<u>\$ 6,962,897</u>	<u>\$ 457,085</u>	<u>\$ 77,946</u>	<u>\$ 7,342,036</u>
Total Capital Assets Depreciated, Net	<u>\$ 2,148,110</u>	<u>\$ (106,158)</u>	<u>\$ 0</u>	<u>\$ 2,041,952</u>
Total Capital Assets, Net	<u><u>\$ 2,228,938</u></u>	<u><u>\$ (106,158)</u></u>	<u><u>\$ 17,632</u></u>	<u><u>\$ 2,105,148</u></u>

Amortization of assets acquired under capital lease obligations is included in depreciation expense.

G. Long-term Debt

Bonds payable \$ 895,000

Note payable by bank, payable in various monthly installments including various interest rates that increase each year, with final payment equal to entire remaining unpaid principal balance and interest, until July 2014, secured by accounts receivable and certain equipment 374,377

Capital lease obligation payable in monthly installments of \$1,833 including zero percent interest until June 2017, collateralized by leased equipment	\$ 88,000
Capital lease obligation payable in monthly installments of \$1,165 including computed interest at 11.199 percent until December 2014, collateralized by leased equipment	19,224
Capital lease obligation payable in monthly installments of \$5,632 including computed interest at 5.608 percent until November 2017, collateralized by leased equipment	<u>267,320</u>
	\$ 1,643,921
Less: current maturities	<u>(687,997)</u>
Total	<u><u>\$ 955,924</u></u>

Hospital Revenue and Tax Refunding and Improvement Bonds Series 1999, dated April 1, 1999, were issued for the purpose of (a) advance refunding of Series 1994 bonds, and (b) financing the construction of additions to and equipping of the hospital. They are due in annual principal installments through 2019 and semiannual installments of interest ranging from 4.4 to 5.4 percent. Hospital revenues are the source of payment. The hospital is responsible to remit 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 had a balance of \$7,205 as of June 30, 2013.

The capital leased asset has a cost of \$492,307 and a carrying value of \$384,757 at June 30, 2013.

Scheduled payments on long-term debt are as follows:

Year Ending June 30	Bonds and Notes Payable		
	Principal	Interest	Total
2014	\$ 599,377	\$ 63,390	\$ 662,767
2015	120,000	32,888	152,888
2016	125,000	27,308	152,308
2017	135,000	21,370	156,370
2018	140,000	14,890	154,890
2019	150,000	8,100	158,100
Total	<u>\$ 1,269,377</u>	<u>\$ 167,946</u>	<u>\$ 1,437,323</u>

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2014	\$ 88,620	\$ 14,946	\$ 103,566
2015	86,051	10,526	96,577
2016	82,578	7,006	89,584
2017	86,062	3,522	89,584
2018	31,233	391	31,624
Total	\$ 374,544	\$ 36,391	\$ 410,935

Activity for long-term debt follows:

	Balance 7-1-12	Additions	Deductions	Balance 6-30-13	Amount Due Within One Year
Bonds Payable	\$ 895,000	\$ 0	\$ 0	\$ 895,000	\$ 225,000
Notes Payable	491,833	0	117,456	374,377	374,377
Capital Leases	131,909	319,030	76,395	374,544	88,620
Total Long-term Debt	\$ 1,518,742	\$ 319,030	\$ 193,851	\$ 1,643,921	\$ 687,997

H. Compensated Absences

The hospital provides its full-time and part-time employees with paid days off for holiday, vacation, sick leave, and bereavement absences. The paid days off begin accruing immediately; however, they are not available to the employee until after a six-month probationary period. If an employee terminates employment before one year, the paid days off are forfeited. Paid days off are based on the schedule that follows. Such days may be taken only after the employee has earned them. 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 balance sheet. A summary of accruing rates follows:

Years of Service	Full-time Employees	Part-time Employees
	Hours Earned Per Year	Hours Earned Per Hour Worked
0-1	160	0.07712
2-4	194	0.09347
5-14	235	0.11300
15 or more	254	0.12200

I. Pension 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 more complete description of the plan's provisions.

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

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.

To participate, employees must make a minimum contribution of one percent of compensation. Participant contributions are permitted up to 100 percent of compensation.

The plan is administered by Avintus. 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 ending June 30, 2013. Hospital contributions for the year ended June 30, 2013, were \$71,156. 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.

J. Related-party Transactions

The county has an understanding with the hospital to remit funds to the county that will pay all amounts required to service the 1999 bonds. At June 30, 2013, the hospital was in arrears with the June 1, 2013, principal and interest payment of \$131,535.

The county approved in May 2013 for the hospital to borrow up to \$600,000 with no terms defined on repayment. As of June 30, 2013, the hospital had not borrowed any of this money.

K. Commitments and Contingencies

1. Operating Leases

Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred.

The hospital leases various equipment under operating lease agreements. Rent expense was approximately \$98,089 in 2013.

A summary of future minimum payments under these leases as of June 30, 2013, is as follows:

Year Ending June 30	Amount
2014	\$ 32,832
2015	16,932
2016	11,785
2017	<u>1,964</u>
Total	<u><u>\$ 63,513</u></u>

2. Professional Liability and Worker's Compensation Insurance

The hospital insures for medical malpractice losses through a claims-made policy with coverage of \$300,000 per each medical incident and \$700,000 in the aggregate. Coverage for workers' compensation insurance is provided on an occurrence base policy with a primary level of coverage of \$500,000 per accident, \$500,000 per employee, and \$500,000 in the aggregate. Hospital management is unaware of any claims or incidents, which would result in a loss in excess of insured amounts. As such, no accrual for estimated losses related to medical malpractice or workers' compensation have been made.

3. Management Agreement

A management agreement between the hospital and Quorum Health Resources, Inc., (Quorum) was signed on August 23, 2011, with effective dates of August 25, 2011, through August 24, 2013. The annual fee is \$120,000 for the contract year beginning August 25, 2011. The fee increases annually by a factor equal to the greater of five percent or the percentage increase in the Consumer Price Index, and is payable in equal monthly installments. Management services in addition to the fixed fee services are provided by Quorum as needed at varying rates. The total management fees paid to Quorum were \$126,548 in 2013.

The management services provided pursuant to the fixed fee include budget assistance, accounting supervision, human resources consultations, and access to a Quorum sponsored volume purchasing program. Certain “administrative fees” may be paid to Quorum by outside vendors that sell goods and services to the hospital. The administrative fee payable to Quorum by these outside vendors is equal to three percent or less of the purchase price of the goods or services purchased from the vendor by the hospital. The contract provides that these fees shall be disclosed to the hospital annually in writing.

The hospital did not renew management services of this agreement on August 24, 2013. The hospital only renewed access to Quorum’s sponsored volume purchasing program for an additional three years. The annual fees for this program will be \$12,000 for the contract year beginning August 25, 2013. The fee increases annually by a factor equal to the greater of five percent or the percentage increase in the Consumer Price Index, and is payable in equal monthly installments.

4. Litigation

The hospital is subject to claims and suits which arise in the ordinary course of business. In the opinion of management, the ultimate resolution of such pending legal proceedings has been adequately provided for in its financial statement, and will not have a material effect on the hospital’s results of operations or financial position.

L. Concentrations of Credit Risk

The hospital is located in Decatur County, Tennessee. The hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2013 follows:

Medicare	31 %
Medicaid/TennCare	8
Blue Cross/Commercial	17
Private Pay	44

M. Going Concern Matters

As indicated in the accompanying financial statements, the hospital has incurred losses from operations and current liabilities exceed its current assets. As of June 30, 2013, the operating loss included \$1,182,450 of EHR incentive payments (as discussed in Note VI.D.). These factors create an uncertainty about the hospital’s ability to continue as a going concern. Management of the hospital is working to increase patient occupancy, assessing the feasibility of instituting new ancillary services, and working to

reduce expenses through reduction of workforce. The ability of the hospital to continue as a going concern is dependent on the success of these plans. The financial statements do not include any adjustments that might be necessary if the hospital is unable to continue as a going concern.

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

A. General Information

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 per hour per district employee (as well as an additional \$.84 per 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 Presentation

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 purposes 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.

2. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

3. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

Cash and Cash Equivalents

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

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Balances reported at year-end include telephone wireless charges due from the State of Tennessee, and grant receivables due from the Tennessee Emergency Communications Board.

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. Any related interest cost is also added to the cost of the asset as appropriate.

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.

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The district does not have any items that qualify for reporting in this category as of June 30, 2013.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The district does not have any items that qualify for reporting in this category as of June 30, 2013.

Net Position Flow Assumption

Sometimes the district will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the district's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Net Position

In the district's financial statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – 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 position – Consists of net position with constraints place 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 position – All other net position that does not meet the definition of restricted or net investment in capital assets.

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. Capital Assets

Capital assets activity for the year ended June 30, 2013, was as follows:

	Balance		Balance
	7-1-12	Increases	6-30-13
Capital Assets Depreciated:			
Furniture and Fixtures	\$ 32,767	\$ 0	\$ 32,767
Communications Equipment	454,120	151,929	606,049
Office Equipment	21,115	0	21,115
Total Capital Assets Depreciated	\$ 508,002	\$ 151,929	\$ 659,931

	Balance 7-1-12	Increases	Balance 6-30-13
Less Accumulated Depreciation For:			
Furniture and Fixtures	\$ 10,376	\$ 3,277	\$ 13,653
Communications Equipment	226,680	58,218	284,898
Office Equipment	10,199	1,597	11,796
Total Accumulated Depreciation	<u>\$ 247,255</u>	<u>\$ 63,092</u>	<u>\$ 310,347</u>
 Total Capital Assets, Net	 <u>\$ 260,747</u>	 <u>\$ 88,837</u>	 <u>\$ 349,584</u>

Depreciation expense of \$63,092 was recorded by the district.

F. 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 Laws and Regulations

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, 2013, 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. As of June 30, 2013, \$28,451 of the district's deposits were exposed to custodial credit risk due to being uninsured and uncollateralized.

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.

G. 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.

H. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. The district early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which has an effective date of June 30, 2014.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organization for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and

liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Net Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Decatur County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Decatur County School Department
June 30, 2013

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Frozen Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-11	\$ 4,120	\$ 4,186	\$ 66	98.42 %	\$ 3,436	1.92 %
7-1-09	2,939	3,019	79	97.37	3,241	2.45
7-1-07	2,549	2,640	91	96.55	2,766	3.29

Exhibit E-2

Decatur County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented Decatur County School Department
June 30, 2013

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Projected Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a
							Percentage of Covered Payroll ((b-a)/c)
<u>PRIMARY GOVERNMENT</u>							
Local Government Group	7-1-09	\$ 0	\$ 193	\$ 193	0 %	\$ 2,220	9 %
"	7-1-10	0	208	208	0	2,282	9
"	7-1-11	0	160	160	0	2,254	7
<u>DISCRETELY PRESENTED DECATUR COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-09	0	948	948	0	6,063	16
"	7-1-10	0	988	988	0	6,964	14
"	7-1-11	0	1,314	1,314	0	7,142	18

DECATUR COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2013

BUDGETARY INFORMATION

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

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

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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 and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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

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

Exhibit F-1

Decatur County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2013

	Special Revenue Funds				Capital Projects Fund		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	General Capital Projects		
\$	0 \$	0 \$	706 \$	706 \$	0 \$	0 \$	706
Equity in Pooled Cash and Investments	117,324	49,109	0	166,433	75,000	0	241,433
Accounts Receivable	636	0	0	636	0	0	636
Due from Other Governments	6,754	0	0	6,754	0	0	6,754
Property Taxes Receivable	283,356	0	0	283,356	0	0	283,356
Allowance for Uncollectible Property Taxes	(9,424)	0	0	(9,424)	0	0	(9,424)
Total Assets	398,646 \$	49,109 \$	706 \$	448,461 \$	75,000 \$	0 \$	523,461
<u>LIABILITIES</u>							
Accounts Payable	1,140	0	0	1,140	0	0	1,140
Payroll Deductions Payable	190	0	0	190	0	0	190
Due to Other Funds	0	0	706	706	0	0	706
Total Liabilities	1,330 \$	0 \$	706 \$	2,036 \$	0 \$	0 \$	2,036
<u>DEFERRED INFLOWS OF RESOURCES</u>							
Deferred Current Property Taxes	257,131	0	0	257,131	0	0	257,131
Deferred Delinquent Property Taxes	15,556	0	0	15,556	0	0	15,556
Total Deferred Inflows of Resources	272,687 \$	0 \$	0 \$	272,687 \$	0 \$	0 \$	272,687
<u>FUND BALANCES</u>							
Restricted:	0	49,109	0	49,109	0	0	49,109
Committed:							
Restricted for Public Safety							
Committed for Public Health and Welfare	124,629	0	0	124,629	0	0	124,629
Committed for Capital Outlay	0	0	0	0	75,000	0	75,000
Total Fund Balances	124,629 \$	49,109 \$	0 \$	173,738 \$	75,000 \$	0 \$	248,738
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	398,646 \$	49,109 \$	706 \$	448,461 \$	75,000 \$	0 \$	523,461

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, 2013

	Special Revenue Funds			Capital Projects Funds				Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Total	General Capital Projects	Community Development/ Industrial Park	Total	
Revenues								
Local Taxes	\$ 299,036	\$ 0	\$ 0	\$ 299,036	\$ 0	\$ 0	\$ 0	\$ 299,036
Fines, Forfeitures, and Penalties	0	1,748	0	1,748	0	0	0	1,748
Charges for Current Services	44,633	0	7,971	52,604	0	0	0	52,604
Other Local Revenues	53,021	19,395	0	72,416	0	0	0	72,416
State of Tennessee	2,446	0	0	2,446	0	0	0	2,446
Total Revenues	\$ 399,136	\$ 21,143	\$ 7,971	\$ 428,250	\$ 0	\$ 0	\$ 0	\$ 428,250
Expenditures								
Current:								
Administration of Justice	\$ 0	\$ 0	\$ 7,971	\$ 7,971	\$ 0	\$ 0	\$ 0	\$ 7,971
Public Safety	0	30,548	0	30,548	0	0	0	30,548
Public Health and Welfare	289,331	0	0	289,331	0	0	0	289,331
Other Operations	100,620	264	0	100,884	0	55,284	55,284	156,168
Debt Service:								
Principal on Debt	405	0	0	405	0	0	0	405
Interest on Debt	117	0	0	117	0	0	0	117
Total Expenditures	\$ 390,473	\$ 30,812	\$ 7,971	\$ 429,256	\$ 0	\$ 55,284	\$ 55,284	\$ 484,540
Excess (Deficiency) of Revenues Over Expenditures	\$ 8,663	\$ (9,669)	\$ 0	\$ (1,006)	\$ 0	\$ (55,284)	\$ (55,284)	\$ (56,290)
Other Financing Sources (Uses)								
Insurance Recovery	\$ 5,824	\$ 0	\$ 0	\$ 5,824	\$ 0	\$ 0	\$ 0	\$ 5,824
Transfers In	0	0	0	0	75,000	0	75,000	75,000
Total Other Financing Sources (Uses)	\$ 5,824	\$ 0	\$ 0	\$ 5,824	\$ 75,000	\$ 0	\$ 75,000	\$ 80,824
Net Change in Fund Balances Fund Balance, July 1, 2012	\$ 14,487	\$ (9,669)	\$ 0	\$ 4,818	\$ 75,000	\$ (55,284)	\$ 19,716	\$ 24,534
Fund Balance, June 30, 2013	\$ 110,142	\$ 58,778	\$ 0	\$ 168,920	\$ 0	\$ 55,284	\$ 55,284	\$ 224,204
Fund Balance, June 30, 2013	\$ 124,629	\$ 49,109	\$ 0	\$ 173,738	\$ 75,000	\$ 0	\$ 75,000	\$ 248,738

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 299,036	\$ 294,360	\$ 294,360	\$ 4,676
Charges for Current Services	44,633	48,500	48,500	(3,867)
Other Local Revenues	53,021	36,000	36,000	17,021
State of Tennessee	2,446	7,800	7,800	(5,354)
Total Revenues	<u>\$ 399,136</u>	<u>\$ 386,660</u>	<u>\$ 386,660</u>	<u>\$ 12,476</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 216,012	\$ 190,530	\$ 225,008	\$ 8,996
Convenience Centers	73,319	77,950	77,950	4,631
<u>Other Operations</u>				
Other Economic and Community Development	44,716	0	44,716	0
Other Charges	32,126	38,600	38,600	6,474
Employee Benefits	23,778	26,700	26,700	2,922
<u>Principal on Debt</u>				
General Government	405	0	405	0
<u>Interest on Debt</u>				
General Government	117	0	117	0
Total Expenditures	<u>\$ 390,473</u>	<u>\$ 333,780</u>	<u>\$ 413,496</u>	<u>\$ 23,023</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 8,663</u>	<u>\$ 52,880</u>	<u>\$ (26,836)</u>	<u>\$ 35,499</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 5,824	\$ 0	\$ 0	\$ 5,824
Transfers Out	0	(45,952)	0	0
Total Other Financing Sources	<u>\$ 5,824</u>	<u>\$ (45,952)</u>	<u>\$ 0</u>	<u>\$ 5,824</u>
Net Change in Fund Balance	\$ 14,487	\$ 6,928	\$ (26,836)	\$ 41,323
Fund Balance, July 1, 2012	110,142	141,776	141,776	(31,634)
Fund Balance, June 30, 2013	<u>\$ 124,629</u>	<u>\$ 148,704</u>	<u>\$ 114,940</u>	<u>\$ 9,689</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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 1,748	\$ 5,000	\$ 5,000	\$ (3,252)
Other Local Revenues	19,395	0	0	19,395
Total Revenues	<u>\$ 21,143</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 16,143</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 30,548	\$ 3,600	\$ 32,200	\$ 1,652
<u>Other Operations</u>				
Employee Benefits	264	475	475	211
Total Expenditures	<u>\$ 30,812</u>	<u>\$ 4,075</u>	<u>\$ 32,675</u>	<u>\$ 1,863</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (9,669)</u>	<u>\$ 925</u>	<u>\$ (27,675)</u>	<u>\$ 18,006</u>
Net Change in Fund Balance	\$ (9,669)	\$ 925	\$ (27,675)	\$ 18,006
Fund Balance, July 1, 2012	<u>58,778</u>	<u>10,106</u>	<u>10,106</u>	<u>48,672</u>
Fund Balance, June 30, 2013	<u><u>\$ 49,109</u></u>	<u><u>\$ 11,031</u></u>	<u><u>\$ (17,569)</u></u>	<u><u>\$ 66,678</u></u>

Major Governmental Fund

General Debt Service Fund

The General Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 882,369	\$ 812,540	\$ 812,540	\$ 69,829
Other Local Revenues	13,350	29,500	29,500	(16,150)
State of Tennessee	27,211	26,500	26,500	711
Other Governments and Citizens Groups	902,263	194,000	685,731	216,532
Total Revenues	<u>\$ 1,825,193</u>	<u>\$ 1,062,540</u>	<u>\$ 1,554,271</u>	<u>\$ 270,922</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 734,870	\$ 685,458	\$ 734,870	\$ 0
Education	821,099	760,000	821,099	0
<u>Interest on Debt</u>				
General Government	376,177	376,100	376,177	0
Education	175,191	175,191	175,191	0
<u>Other Debt Service</u>				
General Government	7,857	1,175	10,549	2,692
Education	2,619	2,611	2,619	0
Total Expenditures	<u>\$ 2,117,813</u>	<u>\$ 2,000,535</u>	<u>\$ 2,120,505</u>	<u>\$ 2,692</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (292,620)</u>	<u>\$ (937,995)</u>	<u>\$ (566,234)</u>	<u>\$ 273,614</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 364,233	\$ 1,038,738	\$ 608,106	\$ (243,873)
Total Other Financing Sources	<u>\$ 364,233</u>	<u>\$ 1,038,738</u>	<u>\$ 608,106</u>	<u>\$ (243,873)</u>
Net Change in Fund Balance	\$ 71,613	\$ 100,743	\$ 41,872	\$ 29,741
Fund Balance, July 1, 2012	<u>837,565</u>	<u>526,051</u>	<u>526,051</u>	<u>311,514</u>
Fund Balance, June 30, 2013	<u>\$ 909,178</u>	<u>\$ 626,794</u>	<u>\$ 567,923</u>	<u>\$ 341,255</u>

Fiduciary Funds

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

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

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

Exhibit H-1

Decatur County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2013

	<u>Agency Funds</u>		
	Cities- Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 929,511	\$ 929,511
Due from Other Governments	152,129	0	152,129
Total Assets	<u>\$ 152,129</u>	<u>\$ 929,511</u>	<u>\$ 1,081,640</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 152,129	\$ 0	\$ 152,129
Due to Litigants, Heirs, and Others	0	929,511	929,511
Total Liabilities	<u>\$ 152,129</u>	<u>\$ 929,511</u>	<u>\$ 1,081,640</u>

Exhibit H-2

Decatur County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2013

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 813,792	\$ 813,792	\$ 0
Due from Other Governments	65,545	152,129	65,545	152,129
Total Assets	\$ 65,545	\$ 965,921	\$ 879,337	\$ 152,129
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 65,545	\$ 965,921	\$ 879,337	\$ 152,129
Total Liabilities	\$ 65,545	\$ 965,921	\$ 879,337	\$ 152,129
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 926,644	\$ 3,059,838	\$ 3,056,971	\$ 929,511
Total Assets	\$ 926,644	\$ 3,059,838	\$ 3,056,971	\$ 929,511
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 926,644	\$ 3,059,838	\$ 3,056,971	\$ 929,511
Total Liabilities	\$ 926,644	\$ 3,059,838	\$ 3,056,971	\$ 929,511
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 926,644	\$ 3,059,838	\$ 3,056,971	\$ 929,511
Equity in Pooled Cash and Investments	0	813,792	813,792	0
Due from Other Governments	65,545	152,129	65,545	152,129
Total Assets	\$ 992,189	\$ 4,025,759	\$ 3,936,308	\$ 1,081,640
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 65,545	\$ 965,921	\$ 879,337	\$ 152,129
Due to Litigants, Heirs, and Others	926,644	3,059,838	3,056,971	929,511
Total Liabilities	\$ 992,189	\$ 4,025,759	\$ 3,936,308	\$ 1,081,640

Decatur County School Department

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

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

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

Exhibit I-1

Decatur County, Tennessee
Statement of Activities
Discretely Presented Decatur County School Department
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Total Governmental Activities
Governmental Activities:				
Instruction	\$ 8,595,092	\$ 0	\$ 1,143,614	\$ (7,451,478)
Support Services	4,421,156	64,326	51,626	(4,305,204)
Operation of Non-Instructional Services	1,214,975	61,893	885,780	(267,302)
Other Debt Service	454,707	0	0	(454,707)
Total Governmental Activities	\$ 14,685,930	\$ 126,219	\$ 2,081,020	\$ (12,478,691)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 1,584,288
Local Option Sales Taxes				1,138,974
Wheel Tax				164,711
Mineral Severance Tax				47,314
Other Local Taxes				1,311
Grants and Contributions Not Restricted to Specific Programs				8,719,845
Unrestricted Investment Income				4,462
Miscellaneous				2,998
Total General Revenues				\$ 11,663,903
Change in Net Position				\$ (814,788)
Net Position, July 1, 2012				11,361,145
Net Position, June 30, 2013				\$ 10,546,357

Exhibit I-2

Decatur County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Decatur County School Department
June 30, 2013

	<u>Major Fund</u>	<u>Nonmajor Fund</u>	<u>Total</u>
	General Purpose School	School Federal Projects	Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 3,223,691	\$ 70,899	\$ 3,294,590
Accounts Receivable	18,640	0	18,640
Due from Other Governments	422,121	29,131	451,252
Property Taxes Receivable	1,704,764	0	1,704,764
Allowance for Uncollectible Property Taxes	(52,939)	0	(52,939)
Total Assets	<u>\$ 5,316,277</u>	<u>\$ 100,030</u>	<u>\$ 5,416,307</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 7,640	\$ 0	\$ 7,640
Payroll Deductions Payable	259,525	0	259,525
Due to Primary Government	83,426	0	83,426
Total Liabilities	<u>\$ 350,591</u>	<u>\$ 0</u>	<u>\$ 350,591</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 1,564,218	\$ 0	\$ 1,564,218
Deferred Delinquent Property Taxes	81,114	0	81,114
Other Deferred/Unavailable Revenue	104,921	0	104,921
Total Deferred Inflows of Resources	<u>\$ 1,750,253</u>	<u>\$ 0</u>	<u>\$ 1,750,253</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 971	\$ 30	\$ 1,001
Assigned:			
Assigned for Education	20,146	100,000	120,146
Unassigned	3,194,316	0	3,194,316
Total Fund Balances	<u>\$ 3,215,433</u>	<u>\$ 100,030</u>	<u>\$ 3,315,463</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,316,277</u>	<u>\$ 100,030</u>	<u>\$ 5,416,307</u>

Exhibit I-3

Decatur County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
Discretely Presented Decatur County School Department
June 30, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 3,315,463	
(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	5,860,735		
Add: other capital assets net of accumulated depreciation	<u>1,516,934</u>	7,617,117	
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: contributions due to primary government for note payable	\$ (122,199)		
Less: other postemployment benefits liability	<u>(450,059)</u>	(572,258)	
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>186,035</u>
Net position of governmental activities (Exhibit A)			<u>\$ 10,546,357</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, 2013

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Fund</u>	<u>Total</u>
	General Purpose School	School Federal Projects	Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 2,953,667	\$ 0	\$ 2,953,667
Licenses and Permits	845	0	845
Charges for Current Services	128,326	0	128,326
Other Local Revenues	28,206	0	28,206
State of Tennessee	8,870,205	0	8,870,205
Federal Government	656,548	1,254,974	1,911,522
Total Revenues	<u>\$ 12,637,797</u>	<u>\$ 1,254,974</u>	<u>\$ 13,892,771</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 6,971,611	\$ 936,730	\$ 7,908,341
Support Services	3,960,978	318,714	4,279,692
Operation of Non-Instructional Services	1,147,905	0	1,147,905
Capital Outlay	223,156	0	223,156
Debt Service:			
Other Debt Service	515,806	0	515,806
Total Expenditures	<u>\$ 12,819,456</u>	<u>\$ 1,255,444</u>	<u>\$ 14,074,900</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (181,659)</u>	<u>\$ (470)</u>	<u>\$ (182,129)</u>
Net Change in Fund Balances	\$ (181,659)	\$ (470)	\$ (182,129)
Fund Balance, July 1, 2012	<u>3,397,092</u>	<u>100,500</u>	<u>3,497,592</u>
Fund Balance, June 30, 2013	<u>\$ 3,215,433</u>	<u>\$ 100,030</u>	<u>\$ 3,315,463</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, 2013

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)		\$ (182,129)
(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:		
Add: capital assets purchased in the current period	\$ 112,038	
Less: current-year depreciation expense	<u>(678,428)</u>	(566,390)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2013	\$ 186,035	
Less: deferred delinquent property taxes and other deferred June 30, 2012	<u>(207,664)</u>	(21,629)
(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 position.		
Add: principal contribution on note for primary government		61,099
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in other postemployment benefits liability		<u>(105,739)</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ (814,788)</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, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,953,667	\$ 0	\$ 0	\$ 2,953,667	\$ 2,842,942	\$ 2,842,942	\$ 110,725
Licenses and Permits	845	0	0	845	1,500	1,500	(655)
Charges for Current Services	128,326	0	0	128,326	85,500	121,500	6,826
Other Local Revenues	28,206	0	0	28,206	31,000	33,000	(4,794)
State of Tennessee	8,870,205	0	0	8,870,205	8,872,335	8,910,879	(40,674)
Federal Government	656,548	0	0	656,548	721,050	769,171	(112,623)
Total Revenues	\$ 12,637,797	\$ 0	\$ 0	\$ 12,637,797	\$ 12,554,327	\$ 12,678,992	\$ (41,195)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 5,716,535	\$ (1,925)	\$ 8,279	\$ 5,722,889	\$ 6,232,350	\$ 6,214,195	\$ 491,306
Alternative Instruction Program	277	0	0	277	500	500	223
Special Education Program	818,870	0	1,150	820,020	911,000	878,090	58,070
Vocational Education Program	425,723	0	0	425,723	475,100	475,100	49,377
Adult Education Program	10,206	0	0	10,206	19,550	19,550	9,344
<u>Support Services</u>							
Attendance	104,838	0	0	104,838	115,360	115,360	10,522
Health Services	203,605	(322)	677	203,960	211,085	213,085	9,125
Other Student Support	486,615	0	0	486,615	518,100	518,100	31,485
Regular Instruction Program	623,964	0	0	623,964	624,150	642,305	18,341
Special Education Program	154,339	0	0	154,339	98,130	155,040	701
Vocational Education Program	41,182	0	0	41,182	50,725	50,725	9,543
Adult Programs	85,163	0	0	85,163	112,650	112,650	27,487
Other Programs	38,544	0	0	38,544	0	38,544	0
Board of Education	155,790	0	0	155,790	202,275	202,275	46,485
Director of Schools	139,063	(999)	0	138,064	149,700	149,700	11,636
Office of the Principal	347,022	(510)	0	346,512	343,620	355,620	9,108
Fiscal Services	78,916	(1,274)	0	77,642	82,160	82,160	4,518

(Continued)

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 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Operation of Plant	\$ 776,809	\$ (1,500)	\$ 0	\$ 775,309	\$ 935,820	\$ 935,820	\$ 160,511
Maintenance of Plant	170,697	(61)	304	170,940	188,300	188,300	17,360
Transportation	554,431	0	1,450	555,881	600,000	600,000	44,119
<u>Operation of Non-Instructional Services</u>							
Food Service	630,923	0	0	630,923	686,097	734,218	103,295
Community Services	203,038	0	7,136	210,174	279,375	279,375	69,201
Early Childhood Education	313,944	(1,512)	1,150	313,582	323,645	323,645	10,063
Capital Outlay							
Regular Capital Outlay	223,156	(87,889)	0	135,267	150,000	150,000	14,733
Principal on Debt							
Education	0	0	0	0	61,100	0	0
Other Debt Service							
Education	515,806	0	0	515,806	0	498,100	(17,706)
Total Expenditures	\$ 12,819,456	\$ (95,992)	\$ 20,146	\$ 12,743,610	\$ 13,370,792	\$ 13,932,457	\$ 1,188,847
<u>Excess (Deficiency) of Revenues</u> <u>Over Expenditures</u>	\$ (181,659)	\$ 95,992	\$ (20,146)	\$ (105,813)	\$ (816,465)	\$ (1,253,465)	\$ 1,147,652
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ 0	\$ 0	\$ 0	\$ 0	\$ (437,000)	\$ 0	\$ 0
Total Other Financing Sources	\$ 0	\$ 0	\$ 0	\$ 0	\$ (437,000)	\$ 0	\$ 0
Net Change in Fund Balance Fund Balance, July 1, 2012	\$ (181,659)	\$ 95,992	\$ (20,146)	\$ (105,813)	\$ (1,253,465)	\$ (1,253,465)	\$ 1,147,652
Fund Balance, July 1, 2012	3,397,092	(95,992)	0	3,301,100	2,426,762	2,426,762	874,338
Fund Balance, June 30, 2013	\$ 3,215,433	\$ 0	\$ (20,146)	\$ 3,195,287	\$ 1,173,297	\$ 1,173,297	\$ 2,021,990

Exhibit I-7

Decatur County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Decatur County School Department
School Federal Projects Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,254,974	\$ 1,401,474	\$ 1,401,474	\$ (146,500)
Total Revenues	\$ 1,254,974	\$ 1,401,474	\$ 1,401,474	\$ (146,500)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 577,599	\$ 614,234	\$ 614,223	\$ 36,624
Special Education Program	340,163	417,563	417,564	77,401
Vocational Education Program	18,968	18,968	18,968	0
<u>Support Services</u>				
Other Student Support	96,885	97,017	97,017	132
Regular Instruction Program	99,016	127,192	127,202	28,186
Special Education Program	81,704	84,245	84,245	2,541
Vocational Education Program	1,464	1,464	1,464	0
Transportation	39,645	41,291	41,291	1,646
Total Expenditures	\$ 1,255,444	\$ 1,401,974	\$ 1,401,974	\$ 146,530
Excess (Deficiency) of Revenues Over Expenditures	\$ (470)	\$ (500)	\$ (500)	\$ 30
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 75,575	\$ 75,575	\$ (75,575)
Transfers Out	0	(75,575)	(75,575)	75,575
Total Other Financing Sources	\$ 0	\$ 0	\$ 0	\$ 0
Net Change in Fund Balance	\$ (470)	\$ (500)	\$ (500)	\$ 30
Fund Balance, July 1, 2012	100,500	500	500	100,000
Fund Balance, June 30, 2013	\$ 100,030	\$ 0	\$ 0	\$ 100,030

MISCELLANEOUS SCHEDULES

Exhibit J-1

Decatur County, Tennessee
 Schedule of Changes in Long-term Notes and Bonds
 For the Year Ended June 30, 2013

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-12	Paid and/or Matured During Period	Outstanding 6-30-13
NOTES PAYABLE							
<u>Payable through Solid Waste/Sanitation and General Debt Service Funds</u>							
Solid Waste Capital Outlay Note 2009	\$ 61,275	3.5 %	10-14-09	7-25-12	\$ 49,817	\$ 49,817	\$ 0
Total Payable through Solid Waste/Sanitation and General Debt Service Funds					\$ 49,817	\$ 49,817	\$ 0
<u>Payable through General Debt Service Fund</u>							
Beech River Airport	245,500	4.05	10-28-05	10-21-17	\$ 122,752	\$ 20,458	\$ 102,294
Total Payable through General Debt Service Fund					\$ 122,752	\$ 20,458	\$ 102,294
<u>Payable by School Department Contributions from the General Purpose School Fund to the General Debt Service Fund</u>							
Energy Efficiency Loan	427,694	0	4-1-08	6-1-15	\$ 183,298	\$ 61,099	\$ 122,199
Total Payable by School Department Contributions from the General Purpose School Fund to the General Debt Service Fund					\$ 183,298	\$ 61,099	\$ 122,199
Total Notes Payable					\$ 355,867	\$ 131,374	\$ 224,493
BONDS PAYABLE							
<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	\$ 1,040,000	\$ 160,000	\$ 880,000
School Refunding Bonds, Series 2003	8,510,000	3.42	3-1-03	3-1-18	3,880,000	600,000	3,280,000
Improvement Bonds, Series 2007	6,000,000	4.14	5-9-07	5-1-37	5,510,000	1,350,000	5,375,000
General Obligation Refunding Bonds, Series 2008	3,840,000	2.2 to 4	6-5-08	6-1-27	2,480,000	395,000	2,085,000
General Obligation Improvement Bonds, Series 2008	520,000	2.2 to 4	6-5-08	6-1-27	440,000	25,000	415,000
Total Bonds Payable					\$ 13,350,000	\$ 1,315,000	\$ 12,035,000

Exhibit J-2

Decatur County, Tennessee
Schedule of Long-term Debt Requirements by Year

Year Ending June 30	Notes		
	Principal	Interest	Total
2014	\$ 81,557	\$ 5,671	\$ 87,228
2015	81,558	4,671	86,229
2016	20,458	2,586	23,044
2017	20,458	1,657	22,115
2018	20,462	829	21,291
Total	\$ 224,493	\$ 15,414	\$ 239,907

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
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	\$ 12,035,000	\$ 4,351,859	\$ 16,386,859

Exhibit J-3

Decatur County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2013

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Highway/Public Works	General Capital Projects General Debt Service	Building construction Debt retirement	\$ 75,000 364,233
Total Transfers			<u>\$ 439,233</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, 2013

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 61,491	\$ 25,000	Auto Owners Insurance Company
Road Supervisor	Section 8-24-102, TCA	58,563	100,000	"
Director of Schools	State Board of Education and County Board of Education	95,400	50,000	Ohio Casualty Insurance Company
Trustee	Section 8-24-102, TCA	53,239	512,900	Auto Owners Insurance Company
Assessor of Property:				
Randy Smith (7-1-12 through 8-31-12)	Section 8-24-102, TCA	8,873	10,000	Ohio Casualty Insurance Company
Steve Glass (9-1-12 through 6-30-13)	Section 8-24-102, TCA	44,366	50,000	Auto Owners Insurance Company
County Clerk	Section 8-24-102, TCA	53,239	25,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	53,239	30,000	"
Clerk and Master	Section 8-24-102, TCA and Chancery Court Judge	53,239 (1)	35,000	Ohio Casualty Insurance Company
Register of Deeds	Section 8-24-102, TCA	53,239	15,000	Auto Owners Insurance Company
Sheriff	Section 8-24-102, TCA	58,563 (2)	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) Does not include special commissioner fees of \$7,971.

(2) Does not include a law enforcement training supplement of \$600.

Exhibit J-5

Decatur County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2013

	Special Revenue Funds							Debt Service Fund		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service				
						General Debt	Service			
Local Taxes										
<u>County Property Taxes</u>										
Current Property Tax	\$ 1,908,905	\$ 278,377	\$ 0	\$ 0	\$ 0	\$ 0	\$ 318,133	\$ 2,505,415		
Trustee's Collections - Prior Year	114,132	13,199	0	0	0	0	9,390	136,721		
Circuit/Clerk & Master Collections - Prior Years	43,597	5,256	0	0	0	0	6,335	55,188		
Interest and Penalty	19,147	2,197	0	0	0	0	1,605	22,949		
Payments in-Lieu-of Taxes - T.V.A.	1,720	0	0	0	0	0	3,095	4,815		
Payments in-Lieu-of Taxes - Local Utilities	53,546	0	0	0	0	0	10,908	64,454		
Payments in-Lieu-of Taxes - Other	444	7	0	0	0	0	7	458		
<u>County Local Option Taxes</u>										
Local Option Sales Tax	193,103	0	0	0	0	0	128,735	321,838		
Hotel/Motel Tax	31,098	0	0	0	0	0	0	31,098		
Wheel Tax	0	0	0	0	0	0	367,982	367,982		
Litigation Tax - General	49,834	0	0	0	0	0	0	49,834		
Litigation Tax - Special Purpose	694	0	0	0	0	0	0	694		
Litigation Tax - Jail, Workhouse, or Courthouse	28	0	0	0	0	0	36,055	36,083		
Business Tax	92,545	0	0	0	0	0	0	92,545		
Mineral Severance Tax	26,132	0	0	0	26,132	0	0	52,264		
<u>Statutory Local Taxes</u>										
Wholesale Beer Tax	191,261	0	0	0	0	0	0	191,261		
Interstate Telecommunications Tax	209	0	0	0	0	0	124	333		
Total Local Taxes	\$ 2,726,395	\$ 299,036	\$ 0	\$ 0	\$ 26,132	\$ 0	\$ 882,369	\$ 3,933,932		
<u>Licenses and Permits</u>										
Cable TV Franchise	3,572	0	0	0	0	0	0	3,572		
Permits										
Beer Permits	712	0	0	0	0	0	0	712		
Other Permits	160	0	0	0	0	0	0	160		
Total Licenses and Permits	\$ 4,444	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,444		
<u>Fines, Forfeitures, and Penalties</u>										
Circuit Court										
Fines	1,837	0	0	0	0	0	0	1,837		
Officers Costs	1,503	0	0	0	0	0	0	1,503		
Drug Control Fines	0	0	142	0	0	0	0	142		
Drug Court Fees	200	0	0	0	0	0	0	200		
DUI Treatment Fines	48	0	0	0	0	0	0	48		

(Continued)

Exhibit J-5

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

	Special Revenue Funds						Debt Service Fund		Total
	General	Solid Waste/ Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Fund		
							General	Debt Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>									
<u>Circuit Court (Cont.)</u>									
Data Entry Fee - Circuit Court	1,233	0	0	0	0	0	0	0	1,233
Victims Assistance Assessments	672	0	0	0	0	0	0	0	672
<u>General Sessions Court</u>									
Fines	28,936	0	0	0	0	0	0	0	28,936
Officers Costs	13,111	0	0	0	0	0	0	0	13,111
Game and Fish Fines	192	0	0	0	0	0	0	0	192
Drug Control Fines	0	0	1,606	0	0	0	0	0	1,606
Drug Court Fees	2,049	0	0	0	0	0	0	0	2,049
Jail Fees	2,398	0	0	0	0	0	0	0	2,398
DUI/Treatment Fines	6,324	0	0	0	0	0	0	0	6,324
Data Entry Fee - General Sessions Court	4,903	0	0	0	0	0	0	0	4,903
Courtroom Security Fee	38	0	0	0	0	0	0	0	38
Victims Assistance Assessments	13,977	0	0	0	0	0	0	0	13,977
<u>Juvenile Court</u>									
Fines	1,152	0	0	0	0	0	0	0	1,152
<u>Chancery Court</u>									
Officers Costs	1,123	0	0	0	0	0	0	0	1,123
Data Entry Fee - Chancery Court	1,022	0	0	0	0	0	0	0	1,022
Total Fines, Forfeitures, and Penalties	\$ 80,718	\$ 0	\$ 1,748	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 82,466
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Surcharge - Host Agency	0	44,591	0	0	0	0	0	0	44,591
Solid Waste Disposal Fees	0	42	0	0	0	0	0	0	42
Patient Charges	974,196	0	0	0	0	0	0	0	974,196
Other General Service Charges	19,092	0	0	0	0	0	0	0	19,092
<u>Fees</u>									
Recreation Fees	150,355	0	0	0	0	0	0	0	150,355
Copy Fees	32	0	0	0	0	0	0	0	32
Telephone Commissions	10,501	0	0	0	0	0	0	0	10,501
Vending Machine Collections	3,353	0	0	0	0	0	0	0	3,353
Special Commissioner Fees/Special Master Fees	0	0	0	7,971	0	0	0	0	7,971
Data Processing Fee - Register	4,966	0	0	0	0	0	0	0	4,966
Probation Fees	21,945	0	0	0	0	0	0	0	21,945
Data Processing Fee - Sheriff	1,254	0	0	0	0	0	0	0	1,254
Sexual Offender Registration Fees - Sheriff	1,500	0	0	0	0	0	0	0	1,500
Data Processing Fee - County Clerk	94	0	0	0	0	0	0	0	94

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund		Total
	General	Solid Waste/ Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt	Service	
<u>Charges for Current Services (Cont.)</u>								
<u>Education Charges</u>								
Community Service Fees - Adults	\$ 36,157	0	0	0	0	0	0	36,157
Other Charges for Services	38,600	0	0	0	0	0	0	38,600
Total Charges for Current Services	\$ 1,262,045	\$ 44,633	0	7,971	0	0	0	\$ 1,314,649
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	35	0	0	0	0	0	13,350	13,385
Sale of Recycled Materials	0	41,169	0	0	0	0	0	41,169
Miscellaneous Refunds	60,314	5,000	0	0	0	0	0	65,314
<u>Nonrecurring Items</u>								
Sale of Equipment	0	6,852	0	0	0	0	0	6,852
Damages Recovered from Individuals	2,153	0	0	0	0	0	0	2,153
Contributions and Gifts	0	0	19,395	0	0	0	0	19,395
Other Local Revenues	3,140	0	0	0	0	0	0	3,140
Total Other Local Revenues	\$ 65,642	\$ 53,021	19,395	0	0	0	13,350	\$ 151,408
<u>Fees Received from County Officials</u>								
<u>Fees in-Lieu-of Salary</u>								
County Clerk	122,854	0	0	0	0	0	0	122,854
Circuit Court Clerk	49,915	0	0	0	0	0	0	49,915
General Sessions Court Clerk	97,852	0	0	0	0	0	0	97,852
Clerk and Master	33,191	0	0	0	0	0	0	33,191
Register	56,818	0	0	0	0	0	0	56,818
Sheriff	10,209	0	0	0	0	0	0	10,209
Trustee	110,994	0	0	0	0	0	0	110,994
Total Fees Received from County Officials	\$ 481,833	0	0	0	0	0	0	\$ 481,833
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	63,817	0	0	0	0	0	0	63,817
Aging Programs	21,708	0	0	0	0	0	0	21,708
Solid Waste Grants	0	2,446	0	0	0	0	0	2,446
Public Safety Grants								
Law Enforcement Training Programs	6,000	0	0	0	0	0	0	6,000

(Continued)

Exhibit J-5

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

	Special Revenue Funds						Debt Service Fund		Total
	General	Solid Waste/ Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service			
<u>State of Tennessee (Cont.)</u>									
Health and Welfare Grants									
Other Health and Welfare Grants	\$ 4,198	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	4,198
Public Works Grants									
Litter Program	37,545	0	0	0	0	0	0	0	37,545
Other State Revenues									
Income Tax	20,818	0	0	0	0	0	0	0	20,818
Resort District Sales Tax	207,769	0	0	0	0	0	0	0	207,769
Beer Tax	18,586	0	0	0	0	0	0	0	18,586
Alcoholic Beverage Tax	29,806	0	0	0	0	0	0	0	29,806
Mixed Drink Tax	2,526	0	0	0	0	0	0	0	2,526
State Revenue Sharing - T.V.A.	333,715	0	0	0	0	0	27,211	0	360,926
Contracted Prisoner Boarding	129,793	0	0	0	0	0	0	0	129,793
Gasoline and Motor Fuel Tax	0	0	0	0	1,421,839	0	0	0	1,421,839
Petroleum Special Tax	0	0	0	0	8,483	0	0	0	8,483
Registrar's Salary Supplement	15,164	0	0	0	0	0	0	0	15,164
Other State Grants	26,113	0	0	0	0	0	0	0	26,113
Other State Revenues	535,830	0	0	0	0	0	0	0	535,830
Total State of Tennessee	\$ 1,453,388	\$ 2,446	\$ 0	\$ 0	\$ 1,430,322	\$ 0	\$ 27,211	\$ 0	\$ 2,913,367
<u>Federal Government</u>									
Federal Through State									
USDA - Other	0	0	0	0	79,129	0	0	0	79,129
Homeland Security Grants	28,810	0	0	0	0	0	0	0	28,810
Law Enforcement Grants	11,647	0	0	0	0	0	0	0	11,647
Direct Federal Revenue									
Other Direct Federal Revenue	900	0	0	0	0	0	0	0	900
Total Federal Government	\$ 41,357	\$ 0	\$ 0	\$ 0	\$ 79,129	\$ 0	\$ 0	\$ 0	\$ 120,486
<u>Other Governments and Citizens Groups</u>									
Other Governments									
Contributions	98,521	0	0	0	0	0	902,263	0	1,000,784
Total Other Governments and Citizens Groups	\$ 98,521	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 902,263	\$ 0	\$ 1,000,784
Total	\$ 6,214,343	\$ 399,136	\$ 21,143	\$ 7,971	\$ 1,535,583	\$ 1,825,193	\$ 10,003,369	\$ 0	\$ 10,003,369

Exhibit J-6

Decatur County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Decatur County School Department
For the Year Ended June 30, 2013

	General Purpose School	Special Revenue Fund School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 1,451,548	\$ 0	\$ 1,451,548
Trustee's Collections - Prior Year	79,211	0	79,211
Circuit/Clerk & Master Collections - Prior Years	31,974	0	31,974
Interest and Penalty	13,005	0	13,005
Payments in-Lieu-of Taxes - T.V.A.	4,540	0	4,540
Payments in-Lieu-of Taxes - Local Utilities	8,627	0	8,627
Payments in-Lieu-of Taxes - Other	1,823	0	1,823
<u>County Local Option Taxes</u>			
Local Option Sales Tax	1,147,984	0	1,147,984
Wheel Tax	164,711	0	164,711
Mineral Severance Tax	48,998	0	48,998
<u>Statutory Local Taxes</u>			
Interstate Telecommunications Tax	1,246	0	1,246
Total Local Taxes	\$ 2,953,667	\$ 0	\$ 2,953,667
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 845	\$ 0	\$ 845
Total Licenses and Permits	\$ 845	\$ 0	\$ 845
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
Receipts from Individual Schools	\$ 19,040	\$ 0	\$ 19,040
Community Service Fees - Children	64,000	0	64,000
<u>Other Charges for Services</u>			
Other Charges for Services	45,286	0	45,286
Total Charges for Current Services	\$ 128,326	\$ 0	\$ 128,326
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Investment Income	\$ 4,462	\$ 0	\$ 4,462
Sale of Materials and Supplies	138	0	138
Refund of Telecommunication and Internet Fees (E-Rate)	17,413	0	17,413
<u>Nonrecurring Items</u>			
Sale of Equipment	608	0	608
Sale of Property	240	0	240
Damages Recovered from Individuals	12	0	12
Contributions and Gifts	3,333	0	3,333
<u>Other Local Revenues</u>			
Other Local Revenues	2,000	0	2,000
Total Other Local Revenues	\$ 28,206	\$ 0	\$ 28,206

(Continued)

Exhibit J-6

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

	General Purpose School	Special Revenue Fund School Federal Projects	Total
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
On-Behalf Contributions for OPEB	\$ 38,544	\$ 0	\$ 38,544
<u>State Education Funds</u>			
Basic Education Program	7,965,736	0	7,965,736
Early Childhood Education	290,961	0	290,961
School Food Service	9,087	0	9,087
Other State Education Funds	203,631	0	203,631
Career Ladder Program	74,558	0	74,558
Career Ladder - Extended Contract	28,000	0	28,000
<u>Other State Revenues</u>			
Mixed Drink Tax	2,526	0	2,526
State Revenue Sharing - T.V.A.	257,162	0	257,162
Total State of Tennessee	\$ 8,870,205	\$ 0	\$ 8,870,205
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 381,637	\$ 0	\$ 381,637
USDA - Commodities	48,121	0	48,121
Breakfast	142,718	0	142,718
USDA - Other	13,256	0	13,256
Adult Education State Grant Program	70,816	0	70,816
Vocational Education - Basic Grants to States	0	29,289	29,289
Title I Grants to Local Education Agencies	0	475,284	475,284
Special Education - Grants to States	0	423,177	423,177
Special Education Preschool Grants	0	37,836	37,836
English Language Acquisition Grants	0	3,684	3,684
Safe and Drug-free Schools - State Grants	0	84,000	84,000
Rural Education	0	39,806	39,806
Eisenhower Professional Development State Grants	0	72,261	72,261
Race-to-the-Top - ARRA	0	89,637	89,637
Total Federal Government	\$ 656,548	\$ 1,254,974	\$ 1,911,522
Total	\$ 12,637,797	\$ 1,254,974	\$ 13,892,771

Exhibit J-7

Decatur County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2013

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	20,950	
Audit Services		3,527	
Legal Notices, Recording, and Court Costs		410	
Postal Charges		460	
Other Charges		272	
Total County Commission			\$ 25,619

Board of Equalization

Board and Committee Members Fees	\$	354	
Total Board of Equalization			354

Beer Board

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

Other Boards and Committees

Board and Committee Members Fees	\$	2,450	
Total Other Boards and Committees			2,450

County Mayor/Executive

County Official/Administrative Officer	\$	61,491	
Accountants/Bookkeepers		51,058	
Dues and Memberships		1,200	
Postal Charges		844	
Travel		308	
Office Supplies		3,434	
Data Processing Equipment		930	
Total County Mayor/Executive			119,265

Personnel Office

Maintenance Agreements	\$	7,160	
Postal Charges		464	
Travel		270	
Other Contracted Services		85	
Office Supplies		233	
Other Supplies and Materials		59	
Data Processing Equipment		769	
Total Personnel Office			9,040

County Attorney

Legal Services	\$	5,515	
Total County Attorney			5,515

Election Commission

County Official/Administrative Officer	\$	47,915	
Part-time Personnel		1,544	
Other Salaries and Wages		23,650	
Election Commission		3,750	
Election Workers		11,970	
Communication		1,249	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Dues and Memberships	\$	175	
Legal Notices, Recording, and Court Costs		1,643	
Maintenance and Repair Services - Buildings		2,400	
Maintenance and Repair Services - Equipment		7,696	
Maintenance and Repair Services - Office Equipment		250	
Postal Charges		1,427	
Printing, Stationery, and Forms		9,829	
Rentals		10,250	
Travel		1,635	
Electricity		907	
Natural Gas		589	
Office Supplies		1,238	
Water and Sewer		442	
Other Supplies and Materials		2,630	
Voting Machines		6,080	
Total Election Commission			\$ 137,269

Register of Deeds

County Official/Administrative Officer	\$	53,239	
Secretary(ies)		23,650	
Dues and Memberships		432	
Maintenance Agreements		937	
Postal Charges		230	
Office Supplies		879	
Data Processing Equipment		5,033	
Total Register of Deeds			84,400

County Buildings

Custodial Personnel	\$	9,600	
Communication		23,300	
Maintenance and Repair Services - Buildings		6,845	
Maintenance and Repair Services - Equipment		4,771	
Other Contracted Services		248	
Custodial Supplies		2,433	
Electricity		43,363	
Natural Gas		6,611	
Water and Sewer		2,419	
Other Charges		401	
Building Improvements		2,119	
Total County Buildings			102,110

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	53,239	
Deputy(ies)		23,650	
Other Salaries and Wages		23,650	
In-Service Training		313	
Data Processing Services		3,933	
Dues and Memberships		1,230	
Maintenance Agreements		1,749	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Maintenance and Repair Services - Vehicles	\$	57	
Postal Charges		765	
Other Contracted Services		6,007	
Gasoline		1,024	
Office Supplies		668	
Total Property Assessor's Office			\$ 116,285

Reappraisal Program

Other Salaries and Wages	\$	6,974	
Data Processing Services		3,500	
Other Supplies and Materials		444	
Total Reappraisal Program			10,918

County Trustee's Office

County Official/Administrative Officer	\$	53,239	
Deputy(ies)		47,300	
Communication		769	
Data Processing Services		3,933	
Dues and Memberships		537	
Legal Notices, Recording, and Court Costs		15	
Maintenance Agreements		6,887	
Postal Charges		4,797	
Travel		807	
Data Processing Supplies		233	
Office Supplies		936	
Data Processing Equipment		1,629	
Office Equipment		170	
Total County Trustee's Office			121,252

County Clerk's Office

County Official/Administrative Officer	\$	53,239	
Deputy(ies)		47,300	
Dues and Memberships		337	
Maintenance Agreements		1,840	
Postal Charges		3,000	
Travel		1,173	
Office Supplies		1,410	
Data Processing Equipment		500	
Total County Clerk's Office			108,799

Administration of Justice

Circuit Court Clerk

County Official/Administrative Officer	\$	53,239	
Deputy(ies)		47,300	
Other Salaries and Wages		420	
Jury and Witness Expense		2,106	
Dues and Memberships		337	
Legal Notices, Recording, and Court Costs		1,758	
Maintenance Agreements		11,436	
Postal Charges		2,157	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court Clerk (Cont.)

Travel	\$	979	
Office Supplies		2,306	
Total Circuit Court Clerk			\$ 122,038

General Sessions Judge

Judge(s)	\$	83,638	
Probation Officer(s)		16,774	
Dues and Memberships		175	
Travel		961	
Office Supplies		196	
Total General Sessions Judge			101,744

Drug Court

Remittance of Revenue Collected	\$	3,712	
Total Drug Court			3,712

Chancery Court

County Official/Administrative Officer	\$	53,239	
Part-time Personnel		480	
Other Salaries and Wages		23,650	
Dues and Memberships		402	
Maintenance Agreements		4,000	
Postal Charges		494	
Office Supplies		2,317	
Total Chancery Court			84,582

Juvenile Court

County Official/Administrative Officer	\$	29,558	
Communication		479	
Dues and Memberships		90	
Postal Charges		183	
Travel		613	
Office Supplies		620	
Other Charges		120	
Total Juvenile Court			31,663

Victims Assistance Programs

Other Per Diem and Fees	\$	12,675	
Total Victims Assistance Programs			12,675

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	58,563	
Deputy(ies)		303,415	
Investigator(s)		58,144	
Salary Supplements		6,000	
Part-time Personnel		7,625	
Overtime Pay		25,442	
Other Salaries and Wages		31,237	
In-Service Training		4,914	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Communication	\$	14,776	
Dues and Memberships		1,500	
Maintenance Agreements		5,449	
Maintenance and Repair Services - Buildings		835	
Maintenance and Repair Services - Equipment		1,218	
Maintenance and Repair Services - Vehicles		16,257	
Postal Charges		1,706	
Towing Services		585	
Travel		2,753	
Other Contracted Services		17,805	
Gasoline		65,687	
Office Supplies		5,696	
Uniforms		1,922	
Other Charges		809	
Law Enforcement Equipment		2,802	
Office Equipment		6,935	
Other Equipment		4,577	
Total Sheriff's Department			\$ 646,652

Jail

Supervisor/Director	\$	23,639	
Deputy(ies)		355,745	
Part-time Personnel		5,288	
Overtime Pay		5,077	
In-Service Training		654	
Maintenance and Repair Services - Buildings		15,079	
Medical and Dental Services		41,474	
Travel		603	
Other Contracted Services		9,000	
Custodial Supplies		13,926	
Drugs and Medical Supplies		2,397	
Electricity		52,690	
Food Supplies		65,926	
Law Enforcement Supplies		1,049	
Natural Gas		7,243	
Uniforms		2,500	
Water and Sewer		7,872	
Other Supplies and Materials		1,475	
Law Enforcement Equipment		1,145	
Other Construction		680	
Total Jail			613,462

Juvenile Services

Assistant(s)	\$	13,919
Supervisor/Director		20,320
Youth Service Officer(s)		12,163
Medical Personnel		13,186
Communication		2,612
Maintenance Agreements		773
Postal Charges		137

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Juvenile Services (Cont.)

Travel	\$	772	
Other Contracted Services		595	
Office Supplies		172	
Total Juvenile Services			\$ 64,649

Work Release Program

Supervisor/Director	\$	45,150	
Probation Officer(s)		198,628	
Accountants/Bookkeepers		11,496	
Part-time Personnel		19,631	
Other Fringe Benefits		55,304	
Communication		9,976	
Maintenance and Repair Services - Equipment		2,472	
Postal Charges		1,054	
Printing, Stationery, and Forms		1,312	
Rentals		9,900	
Travel		9,582	
Other Contracted Services		8,490	
Electricity		4,153	
Natural Gas		1,163	
Office Supplies		14,477	
Water and Sewer		1,045	
Building and Contents Insurance		10,272	
Other Charges		16,981	
Motor Vehicles		26,000	
Other Equipment		1,106	
Total Work Release Program			448,192

Fire Prevention and Control

Supervisor/Director	\$	18,283	
Contributions		6,223	
Maintenance and Repair Services - Vehicles		750	
Liability Insurance		46,575	
Total Fire Prevention and Control			71,831

Civil Defense

Supervisor/Director	\$	20,884	
Communication		2,243	
Diesel Fuel		2,940	
Electricity		1,788	
Natural Gas		1,239	
Office Supplies		273	
Other Equipment		91,273	
Total Civil Defense			120,640

Rescue Squad

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

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management

Supervisor/Director	\$	35,131	
Dispatchers/Radio Operators		171,892	
Part-time Personnel		35,130	
Total Other Emergency Management	\$		242,153

County Coroner/Medical Examiner

Contracts with Government Agencies	\$	23,355	
Other Supplies and Materials		551	
Total County Coroner/Medical Examiner			23,906

Public Health and Welfare

Local Health Center

Salary Supplements	\$	12,704	
Custodial Personnel		5,100	
Communication		2,594	
Maintenance and Repair Services - Buildings		456	
Postal Charges		202	
Other Contracted Services		839	
Custodial Supplies		426	
Drugs and Medical Supplies		920	
Electricity		5,482	
Natural Gas		1,116	
Office Supplies		727	
Water and Sewer		1,186	
Other Charges		1,598	
Other Equipment		1,449	
Total Local Health Center			34,799

Ambulance/Emergency Medical Services

Supervisor/Director	\$	45,720	
Medical Personnel		342,079	
Part-time Personnel		50,438	
Overtime Pay		90,193	
In-Service Training		4,033	
Medical Insurance		23,800	
Communication		3,256	
Dues and Memberships		305	
Evaluation and Testing		560	
Licenses		1,788	
Maintenance Agreements		960	
Maintenance and Repair Services - Buildings		7,267	
Maintenance and Repair Services - Equipment		2,789	
Maintenance and Repair Services - Vehicles		25,372	
Postal Charges		37	
Travel		52	
Other Contracted Services		47,127	
Custodial Supplies		2,078	
Diesel Fuel		42,008	
Drugs and Medical Supplies		44,117	
Electricity		4,182	

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Gasoline	\$	976	
Natural Gas		2,196	
Office Supplies		1,378	
Water and Sewer		828	
Other Supplies and Materials		1,322	
Building and Contents Insurance		11,494	
Vehicle and Equipment Insurance		8,288	
Workers' Compensation Insurance		44,860	
Other Charges		2,976	
Communication Equipment		867	
Data Processing Equipment		150	
Motor Vehicles		76,034	
Office Equipment		372	
Other Equipment		197	
Total Ambulance/Emergency Medical Services			\$ 890,099

Crippled Children Services

Contributions	\$	796	
Total Crippled Children Services			796

Sanitation Education/Information

Laborers	\$	25,986	
Instructional Supplies and Materials		5,191	
Other Supplies and Materials		8,894	
Total Sanitation Education/Information			40,071

Other Public Health and Welfare

Supervisor/Director	\$	3,322	
Travel		622	
Total Other Public Health and Welfare			3,944

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$	21,911	
Other Salaries and Wages		16,520	
Communication		1,450	
Contributions		2,500	
Maintenance and Repair Services - Buildings		903	
Transportation - Other than Students		11,697	
Electricity		5,693	
Natural Gas		1,991	
Water and Sewer		406	
Other Supplies and Materials		500	
Total Senior Citizens Assistance			63,571

Libraries

Supervisor/Director	\$	23,117	
Other Salaries and Wages		23,246	
Communication		1,079	
Dues and Memberships		100	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Maintenance Agreements	\$	2,195	
Maintenance and Repair Services - Equipment		250	
Postal Charges		76	
Travel		1,106	
Library Books/Media		1,656	
Office Supplies		1,433	
Other Supplies and Materials		1,510	
Other Charges		5,945	
Data Processing Equipment		1,000	
Total Libraries			\$ 62,713

Parks and Fair Boards

Supervisor/Director	\$	32,325	
Part-time Personnel		28,590	
Communication		3,471	
Maintenance and Repair Services - Buildings		1,980	
Maintenance and Repair Services - Equipment		4,988	
Maintenance and Repair Services - Vehicles		48	
Postal Charges		64	
Other Contracted Services		22,500	
Custodial Supplies		6,500	
Electricity		72,495	
Fertilizer, Lime, and Seed		241	
Gasoline		1,701	
Natural Gas		8,356	
Water and Sewer		14,411	
Other Supplies and Materials		2,516	
Other Charges		1,624	
Building Construction		2,823	
Other Equipment		1,734	
Other Construction		10,569	
Total Parks and Fair Boards			216,936

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	18,025	
Other Fringe Benefits		3,567	
Communication		1,454	
Maintenance Agreements		363	
Electricity		4,242	
Natural Gas		2,392	
Water and Sewer		808	
Office Equipment		460	
Total Agriculture Extension Service			31,311

Forest Service

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

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Soil Conservation

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

Other Operations

Tourism

Advertising	\$ 2,750	
Total Tourism		2,750

Industrial Development

Contributions	\$ 20,000	
Total Industrial Development		20,000

Other Economic and Community Development

Building Purchases	\$ 50,000	
Total Other Economic and Community Development		50,000

Airport

Contributions	\$ 21,594	
Total Airport		21,594

Veterans' Services

Supervisor/Director	\$ 8,882	
Maintenance Agreements	496	
Postal Charges	45	
Travel	68	
Office Equipment	300	
Total Veterans' Services		9,791

Other Charges

Instructional Supplies and Materials	\$ 4,929	
Road Signs	2,460	
Liability Insurance	55,419	
Premiums on Corporate Surety Bonds	1,031	
Trustee's Commission	35,970	
Vehicle and Equipment Insurance	19,615	
Workers' Compensation Insurance	72,741	
Other Charges	3,306	
Total Other Charges		195,471

Employee Benefits

Social Security	\$ 187,638	
State Retirement	144,028	
Medical Insurance	123,308	
Unemployment Compensation	22,829	
Employer Medicare	43,883	
Total Employee Benefits		521,686

Miscellaneous

Contributions	\$ 9,150	
Dues and Memberships	6,659	
Other Charges	75	
Total Miscellaneous		15,884

Total General Fund		\$ 5,628,341
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(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$	28,448	
Truck Drivers		17,498	
Laborers		27,397	
Overtime Pay		6,639	
Communication		1,284	
Legal Notices, Recording, and Court Costs		46	
Maintenance and Repair Services - Buildings		5,955	
Maintenance and Repair Services - Equipment		5,488	
Maintenance and Repair Services - Vehicles		12,466	
Other Contracted Services		9,968	
Diesel Fuel		23,245	
Electricity		3,500	
Gasoline		17,722	
Natural Gas		1,348	
Tires and Tubes		3,885	
Water and Sewer		704	
Other Supplies and Materials		1,775	
Other Charges		827	
Motor Vehicles		4,340	
Solid Waste Equipment		43,477	
Total Sanitation Management			\$ 216,012

Convenience Centers

Laborers	\$	65,351	
Communication		275	
Maintenance and Repair Services - Buildings		863	
Electricity		4,346	
Water and Sewer		1,128	
Gravel and Chert		527	
Other Supplies and Materials		63	
Other Charges		76	
Solid Waste Equipment		690	
Total Convenience Centers			73,319

Other Operations

Other Economic and Community Development

Building Purchases	\$	44,716	
Total Other Economic and Community Development			44,716

Other Charges

Liability Insurance	\$	10,506	
Trustee's Commission		881	
Vehicle and Equipment Insurance		3,502	
Workers' Compensation Insurance		11,410	
Surcharge		5,827	
Total Other Charges			32,126

Employee Benefits

Social Security	\$	8,772	
State Retirement		3,204	

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Other Operations (Cont.)

Employee Benefits (Cont.)

Medical Insurance	\$	7,796	
Unemployment Compensation		1,954	
Employer Medicare		2,052	
Total Employee Benefits			\$ 23,778

Principal on Debt

General Government

Principal on Notes	\$	405	
Total General Government			405

Interest on Debt

General Government

Interest on Notes	\$	117	
Total General Government			117

Total Solid Waste/Sanitation Fund \$ 390,473

Drug Control Fund

Public Safety

Drug Enforcement

Salary Supplements	\$	2,000	
Trustee's Commission		20	
Motor Vehicles		28,528	
Total Drug Enforcement			\$ 30,548

Other Operations

Employee Benefits

Social Security	\$	124	
State Retirement		111	
Employer Medicare		29	
Total Employee Benefits			264

Total Drug Control Fund 30,812

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$	7,971	
Total Chancery Court			\$ 7,971

Total Constitutional Officers - Fees Fund 7,971

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	58,563	
Assistant(s)		27,531	
Accountants/Bookkeepers		27,531	
Advertising		70	
Communication		8,060	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Dues and Memberships	\$	2,228	
Evaluation and Testing		510	
Postal Charges		370	
Printing, Stationery, and Forms		268	
Travel		1,413	
Other Contracted Services		7,892	
Electricity		6,016	
Natural Gas		512	
Office Supplies		962	
Water and Sewer		1,074	
Total Administration			\$ 143,000

Highway and Bridge Maintenance

Laborers	\$	270,716	
Overtime Pay		9,730	
Handling Charges and Administrative Costs		863	
Rentals		21,225	
Asphalt - Cold Mix		35,118	
Asphalt - Liquid		19,942	
Crushed Stone		65,821	
Pipe		17,835	
Road Signs		596	
Wood Products		3,820	
Total Highway and Bridge Maintenance			445,666

Operation and Maintenance of Equipment

Mechanic(s)	\$	84,000	
Overtime Pay		15,550	
Diesel Fuel		76,571	
Equipment and Machinery Parts		64,156	
Gasoline		46,636	
Lubricants		496	
Tires and Tubes		16,932	
Chemicals		492	
Total Operation and Maintenance of Equipment			304,833

Other Charges

Liability Insurance	\$	32,136	
Trustee's Commission		14,535	
Workers' Compensation Insurance		37,775	
Total Other Charges			84,446

Employee Benefits

Social Security	\$	36,955	
State Retirement		23,481	
Medical Insurance		136,117	
Unemployment Compensation		6,325	
Total Employee Benefits			202,878

(Continued)

Exhibit J-7

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

<u>Highway/Public Works Fund (Cont.)</u>			
<u>Highways (Cont.)</u>			
<u>Capital Outlay</u>			
Other Contracted Services	\$	58,510	
Total Capital Outlay			\$ 58,510
Total Highway/Public Works Fund			\$ 1,239,333
<u>General Debt Service Fund</u>			
<u>Principal on Debt</u>			
<u>General Government</u>			
Principal on Bonds	\$	665,000	
Principal on Notes		69,870	
Total General Government			\$ 734,870
<u>Education</u>			
Principal on Bonds	\$	760,000	
Principal on Notes		61,099	
Total Education			821,099
<u>Interest on Debt</u>			
<u>General Government</u>			
Interest on Bonds	\$	371,129	
Interest on Notes		5,048	
Total General Government			376,177
<u>Education</u>			
Interest on Bonds	\$	175,191	
Total Education			175,191
<u>Other Debt Service</u>			
<u>General Government</u>			
Fiscal Agent Charges	\$	1,217	
Trustee's Commission		6,301	
Other Debt Service		339	
Total General Government			7,857
<u>Education</u>			
Other Debt Service	\$	2,619	
Total Education			2,619
Total General Debt Service Fund			2,117,813
<u>Community Development/Industrial Park Fund</u>			
<u>Other Operations</u>			
<u>Other Economic and Community Development</u>			
Building Purchases	\$	55,284	
Total Other Economic and Community Development			\$ 55,284
Total Community Development/Industrial Park Fund			55,284
Total Governmental Funds - Primary Government			\$ 9,470,027

Decatur County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Decatur County School Department
For the Year Ended June 30, 2013

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	3,975,535	
Career Ladder Program		38,700	
Career Ladder Extended Contracts		27,347	
Homebound Teachers		1,085	
Educational Assistants		69,525	
Other Salaries and Wages		10,768	
Non-certified Substitute Teachers		86,430	
Social Security		235,683	
State Retirement		348,505	
Medical Insurance		325,915	
Unemployment Compensation		8,250	
Employer Medicare		56,691	
Maintenance and Repair Services - Equipment		10,567	
Other Contracted Services		49,292	
Instructional Supplies and Materials		138,146	
Textbooks		119,991	
Other Supplies and Materials		24,300	
Other Charges		48,964	
Regular Instruction Equipment		140,841	
Total Regular Instruction Program			\$ 5,716,535

Alternative Instruction Program

Other Supplies and Materials	\$	277	
Total Alternative Instruction Program			277

Special Education Program

Teachers	\$	504,159	
Career Ladder Program		8,000	
Homebound Teachers		5,685	
Educational Assistants		14,040	
Speech Pathologist		103,526	
Non-certified Substitute Teachers		15,023	
Social Security		35,665	
State Retirement		54,132	
Medical Insurance		53,344	
Unemployment Compensation		900	
Employer Medicare		8,639	
Maintenance and Repair Services - Equipment		2,648	
Instructional Supplies and Materials		6,227	
Other Supplies and Materials		3,729	
Other Charges		1,000	
Special Education Equipment		2,153	
Total Special Education Program			818,870

Vocational Education Program

Teachers	\$	337,045	
Career Ladder Program		2,000	
Social Security		20,476	
State Retirement		29,680	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Medical Insurance	\$	14,007	
Unemployment Compensation		73	
Employer Medicare		4,789	
Instructional Supplies and Materials		11,832	
Textbooks		4,081	
Vocational Instruction Equipment		1,740	
Total Vocational Education Program			\$ 425,723

Adult Education Program

Teachers	\$	9,954	
Employer Medicare		144	
Instructional Supplies and Materials		108	
Total Adult Education Program			10,206

Support Services

Attendance

Supervisor/Director	\$	81,647	
Clerical Personnel		1,242	
Social Security		3,401	
State Retirement		5,097	
Medical Insurance		3,523	
Employer Medicare		1,158	
Travel		486	
Other Contracted Services		4,367	
Other Supplies and Materials		1,913	
Attendance Equipment		2,004	
Total Attendance			104,838

Health Services

Other Salaries and Wages	\$	87,227	
Social Security		5,375	
State Retirement		6,784	
Medical Insurance		7,515	
Employer Medicare		1,257	
Postal Charges		800	
Travel		3,587	
Other Contracted Services		73,676	
Drugs and Medical Supplies		1,475	
Other Supplies and Materials		13,948	
Health Equipment		1,961	
Total Health Services			203,605

Other Student Support

Career Ladder Program	\$	3,000	
Guidance Personnel		135,683	
Social Security		8,377	
State Retirement		12,315	
Medical Insurance		3,536	
Employer Medicare		1,959	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Contracts with Other School Systems	\$	306,900	
Evaluation and Testing		5,232	
Travel		164	
Other Supplies and Materials		745	
In Service/Staff Development		3,000	
Other Charges		5,704	
Total Other Student Support			\$ 486,615

Regular Instruction Program

Supervisor/Director	\$	145,999	
Career Ladder Program		5,500	
Librarians		196,605	
Instructional Computer Personnel		25,758	
Secretary(ies)		105,020	
In-Service Training		35,220	
Social Security		27,956	
State Retirement		36,854	
Medical Insurance		18,801	
Employer Medicare		7,099	
Travel		1,900	
Library Books/Media		7,949	
Other Supplies and Materials		911	
In Service/Staff Development		8,392	
Total Regular Instruction Program			623,964

Special Education Program

Supervisor/Director	\$	64,567	
Career Ladder Program		1,000	
Clerical Personnel		10,050	
Social Security		4,679	
State Retirement		6,379	
Employer Medicare		1,094	
Communication		2,495	
Travel		6,507	
Other Contracted Services		56,537	
Other Supplies and Materials		1,031	
Total Special Education Program			154,339

Vocational Education Program

Supervisor/Director	\$	29,000	
Social Security		1,756	
State Retirement		2,654	
Employer Medicare		411	
Travel		5,501	
Other Supplies and Materials		731	
In Service/Staff Development		1,129	
Total Vocational Education Program			41,182

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs

Supervisor/Director	\$	61,967	
Career Ladder Program		2,000	
Career Ladder Extended Contracts		2,000	
Other Salaries and Wages		710	
Social Security		3,627	
State Retirement		5,858	
Medical Insurance		5,848	
Employer Medicare		848	
Travel		726	
In Service/Staff Development		1,579	
Total Adult Programs	\$		85,163

Other Programs

On-Behalf Payments to OPEB	\$	38,544	
Total Other Programs			38,544

Board of Education

Board and Committee Members Fees	\$	12,000	
Social Security		744	
Employer Medicare		174	
Audit Services		12,000	
Dues and Memberships		4,683	
Legal Services		12,677	
Trustee's Commission		45,149	
Workers' Compensation Insurance		58,645	
Refund to Applicant for Criminal Investigation		306	
Other Charges		9,412	
Total Board of Education			155,790

Director of Schools

County Official/Administrative Officer	\$	95,400	
Social Security		5,721	
State Retirement		8,472	
Medical Insurance		3,307	
Employer Medicare		1,338	
Communication		13,714	
Dues and Memberships		500	
Maintenance and Repair Services - Equipment		311	
Postal Charges		2,844	
Travel		1,367	
Other Contracted Services		2,083	
Office Supplies		1,909	
Other Charges		251	
Administration Equipment		1,846	
Total Director of Schools			139,063

Office of the Principal

Principals	\$	261,481	
Career Ladder Program		4,000	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Social Security	\$	14,839	
State Retirement		23,575	
Medical Insurance		24,338	
Employer Medicare		3,470	
Communication		14,809	
Administration Equipment		510	
Total Office of the Principal			\$ 347,022

Fiscal Services

Accountants/Bookkeepers	\$	55,560	
Social Security		3,375	
State Retirement		3,071	
Employer Medicare		789	
Travel		1,406	
Other Contracted Services		9,957	
Office Supplies		2,316	
Administration Equipment		2,442	
Total Fiscal Services			78,916

Operation of Plant

Custodial Personnel	\$	183,901	
Social Security		11,357	
State Retirement		9,913	
Employer Medicare		2,656	
Custodial Supplies		38,547	
Electricity		295,744	
Natural Gas		82,212	
Water and Sewer		46,727	
Building and Contents Insurance		95,900	
Plant Operation Equipment		9,852	
Total Operation of Plant			776,809

Maintenance of Plant

Maintenance Personnel	\$	73,496	
Social Security		4,555	
State Retirement		2,602	
Employer Medicare		1,065	
Maintenance and Repair Services - Buildings		54,454	
Maintenance and Repair Services - Equipment		748	
Other Contracted Services		13,982	
Gasoline		5,994	
Other Charges		1,050	
Maintenance Equipment		12,751	
Total Maintenance of Plant			170,697

Transportation

Supervisor/Director	\$	38,800	
Mechanic(s)		18,580	
Bus Drivers		255,287	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Social Security	\$	19,128	
State Retirement		7,920	
Medical Insurance		3,200	
Employer Medicare		4,473	
Communication		6,871	
Maintenance and Repair Services - Vehicles		23,747	
Medical and Dental Services		3,470	
Travel		1,295	
Diesel Fuel		143,259	
Garage Supplies		505	
Gasoline		7,717	
Tires and Tubes		18,159	
Other Charges		2,020	
Total Transportation			\$ 554,431

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	28,222	
Clerical Personnel		6,700	
Other Salaries and Wages		65	
Social Security		2,266	
State Retirement		2,898	
Employer Medicare		530	
Payments to Schools - Breakfast		142,718	
Payments to Schools - Lunch		382,446	
Payments to Schools - Other		13,256	
Travel		1,500	
USDA - Commodities		48,121	
In Service/Staff Development		592	
Food Service Equipment		1,609	
Total Food Service			630,923

Community Services

Supervisor/Director	\$	51,827	
Other Salaries and Wages		98,215	
Social Security		8,807	
State Retirement		10,448	
Medical Insurance		7,779	
Employer Medicare		2,060	
Travel		1,792	
Food Supplies		1,248	
Other Supplies and Materials		19,717	
Other Equipment		1,145	
Total Community Services			203,038

Early Childhood Education

Supervisor/Director	\$	4,575	
Teachers		127,872	
Clerical Personnel		2,000	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

Other Salaries and Wages	\$	67,370	
Social Security		11,276	
State Retirement		15,067	
Medical Insurance		12,802	
Employer Medicare		2,637	
Maintenance and Repair Services - Equipment		5,851	
Travel		2,049	
Food Supplies		2,451	
Other Supplies and Materials		59,921	
In Service/Staff Development		73	
Total Early Childhood Education			\$ 313,944

Capital Outlay

Regular Capital Outlay

Architects	\$	6,000	
Building Improvements		217,156	
Total Regular Capital Outlay			223,156

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	515,806	
Total Education			515,806

Total General Purpose School Fund \$ 12,819,456

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	416,078	
Social Security		23,070	
State Retirement		35,125	
Medical Insurance		21,094	
Employer Medicare		5,688	
Other Contracted Services		13,330	
Instructional Supplies and Materials		26,227	
Regular Instruction Equipment		36,987	
Total Regular Instruction Program			\$ 577,599

Special Education Program

Teachers	\$	37,148	
Educational Assistants		253,798	
Social Security		17,782	
State Retirement		15,173	
Medical Insurance		2,964	
Employer Medicare		4,159	
Other Supplies and Materials		5,565	
Special Education Equipment		3,574	
Total Special Education Program			340,163

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Maintenance and Repair Services - Equipment	\$	373	
Vocational Instruction Equipment		18,595	
Total Vocational Education Program			\$ 18,968

Support Services

Other Student Support

Other Salaries and Wages	\$	67,551	
Social Security		4,240	
State Retirement		6,085	
Employer Medicare		991	
Travel		9,463	
Other Contracted Services		890	
Other Supplies and Materials		5,986	
Other Charges		1,679	
Total Other Student Support			96,885

Regular Instruction Program

Supervisor/Director	\$	61,911	
Other Salaries and Wages		1,438	
In-Service Training		10,980	
Social Security		4,545	
State Retirement		6,530	
Employer Medicare		1,063	
Travel		6,372	
Other Supplies and Materials		2,442	
In Service/Staff Development		3,735	
Total Regular Instruction Program			99,016

Special Education Program

Assessment Personnel	\$	47,641	
Clerical Personnel		9,800	
Social Security		3,384	
State Retirement		4,774	
Medical Insurance		3,307	
Employer Medicare		791	
Travel		2,107	
Other Contracted Services		9,900	
Total Special Education Program			81,704

Vocational Education Program

Supervisor/Director	\$	1,222	
Social Security		91	
State Retirement		130	
Employer Medicare		21	
Total Vocational Education Program			1,464

Transportation

Bus Drivers	\$	35,866	
Social Security		2,215	

(Continued)

Exhibit J-8

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

<u>School Federal Projects Fund (Cont.)</u>			
<u>Support Services (Cont.)</u>			
<u>Transportation (Cont.)</u>			
State Retirement	\$	1,046	
Employer Medicare		<u>518</u>	
Total Transportation			<u>\$ 39,645</u>
Total School Federal Projects Fund			<u>\$ 1,255,444</u>
Total Governmental Funds - Decatur County School Department			<u><u>\$ 14,074,900</u></u>

Exhibit J-9

Decatur County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2013

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 813,792
Total Cash Receipts	<u>\$ 813,792</u>
<u>Cash Disbursements</u>	
Remittance of Revenue Collected	\$ 483,392
Trustee's Commission	8,138
Contributions	<u>322,262</u>
Total Cash Disbursements	<u>\$ 813,792</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2012	<u>0</u>
Cash Balance, June 30, 2013	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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**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***

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2013, and the related notes to the financial statements, which collectively comprise Decatur County's basic financial statements, and have issued our report thereon dated February 24, 2014. Our report includes a reference to other auditors who audited the financial statements of the Decatur County General Hospital and the 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 of the financial statements, we considered Decatur County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Decatur County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 2013-002 and 2013-010.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 2013-001(A), 2013-003(B), 2013-007, 2013-008, and 2013-009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Decatur County's financial statements are free from 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: 2013-001(B,C,D), 2013-003(A), 2013-004, 2013-005, 2013-006, and 2013-011.

Decatur County's Response to Findings

Decatur County's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Decatur County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering

Decatur County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,

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 beginning.

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 24, 2014

JPW/yu



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
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NASHVILLE, TENNESSEE 37243-1402
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Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Decatur County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Decatur County's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Decatur County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Decatur County's compliance.

Opinion on Each Major Federal Program

In our opinion, Decatur County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Decatur County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Decatur County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

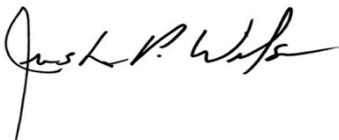
consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2013, and the related notes to the financial statements, which collectively comprise Decatur County's basic financial statements. We issued our report thereon dated February 24, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 24, 2014

JPW/yu

Decatur County, Tennessee
Schedule of Expenditures and Federal Awards and State Grants (1)
For the Year Ended June 30, 2013

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 Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 142,718
National School Lunch Program	10.555	N/A	381,637 (5)
Special Milk Program for Children	10.556	N/A	13,256
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	48,121 (5)
Direct Program:			
Community Facilities Loans and Grants	10.766	N/A	900
Emergency Watershed Protection Program, Recovery Act	10.923	68-4741-2-064	79,129
Total U.S. Department of Agriculture			\$ 665,761
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	GG-10-29433-00	\$ 9,000
Total U.S. Department of Justice			\$ 9,000
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	Z-13-GHSO088	\$ 11,647
Total U.S. Department of Transportation			\$ 11,647
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	DG-11-31220-00	\$ 70,816
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	475,253
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	423,177
Special Education - Preschool Grants	84.173	N/A	38,335
Career and Technical Education - Basic Grants to States	84.048	N/A	29,289
Twenty-first Century Community Learning Centers	84.287	(2)	84,000
Rural Education	84.358	N/A	39,806
English Language Acquisition State Grants	84.365	N/A	3,684
Improving Teacher Quality State Grants	84.367	N/A	72,261
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	(2)	89,637
Total U.S. Department of Education			\$ 1,326,258
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)	\$ 21,708
Total U.S. Department of Health and Human Services			\$ 21,708
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	(3)	\$ 26,113
Homeland Security Grant Program	97.067	(4)	28,810
Total U.S. Department of Homeland Security			\$ 54,923
Total Expenditures of Federal Awards			\$ 2,089,297

(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	Contract Number	Expenditures
<u>State Grants</u>			
Juvenile Justice and Delinquency Prevention - State Department of Children's Services	N/A	(2)	\$ 54,817
Waste Tire Grant - State Department of Environment and Conservation	N/A	DG-13-37817-00	2,446
Preventive Health and Human Services - State Department of Health	N/A	GG-13-39673-00	4,198
Litter Grant - State Department of Transportation	N/A	Z-13-LIT020	37,545
Early Childhood Education - State Department of Education	N/A	(2)	290,961
Safe Schools - State Department of Education	N/A	(2)	9,000
Statewide Student Management System - State Department of Education	N/A	(2)	4,367
ConnectTenn - State Department of Education	N/A	(2)	5,277
Family Resource Center - State Department of Education	N/A	(2)	29,612
Coordinated School Health - State Department of Education	N/A	(2)	69,345
Lottery for Education: Afterschool Programs - State Department of Education	N/A	(2)	86,030
Alternative Punishment Program - State Department of Correction	N/A	(2)	<u>534,286</u>
Total State Grants			<u>\$ 1,127,884</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) FEMA-1978-DR-TN: \$113; 34101-00513: \$26,000.
- (4) 2010-HSGP-Z-5696: \$5,850; 34101-98420: \$13,164; 34101-12680: \$9,796.
- (5) Total for CFDA No. 10.555 is \$429,758.

Decatur County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2013

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report of Decatur County, Tennessee, for the year ended June 30, 2012, which have not been corrected.

OFFICE OF ROAD SUPERVISOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.03	145	Material audit adjustments were required for proper financial statement presentation

OFFICE OF DIRECTOR OF SCHOOLS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.04	145	Expenditures exceeded appropriations

OFFICE OF TRUSTEE

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.05	146	The trustee did not require a depository to adequately collateralize funds

OFFICE OF SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.06 (A)	146	The office had accounting deficiencies in the prisoner commissary operation

OFFICES OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, AND REGISTER OF DEEDS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.07	147	Duties were not segregated adequately
12.08	148	Multiple employees operated from the same cash drawer

DECATUR COUNTY

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.09	148	Decatur County has a material recurring audit finding
12.10	149	Certain financial activity of the Decatur County Public Library was not audited and was not subject to the budgetary control of the County Commission

DECATUR COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2013

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Decatur County is unmodified.
2. The audit of the financial statements of Decatur County disclosed significant deficiencies in internal control. Two of these deficiencies were considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Decatur County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unmodified 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 Special Milk Program for Children (CFDA Nos. 10.553, 10.555, and 10.556) and Title I Grants to Local Educational Agencies (CFDA No. 84.010) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Decatur County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination and the annual monitoring of assessors of property by the state Division of Property Assessments, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The county mayor provided a written response on one finding, which is paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

OFFICE OF COUNTY MAYOR

FINDING 2013-001 **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS**

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

Our examination revealed the following deficiencies in budget operations. These deficiencies exist due to an oversight by management concerning the proper approval of the budget and subsequent amendments.

- A. Several budget amendments were posted in the General Fund that were not approved by the County Commission. Accurate budgetary statements are necessary to provide county officials and departments with available spending limits. We have recognized only those budget amendments approved by the County Commission in the financial statements of this report.
- B. Expenditures exceeded appropriations in four of 52 major appropriation categories (the legal level of control) of the General Fund as reflected in the following table:

Major Appropriation Category	Amount Overspent
Chancery Court	\$ 251
Civil Defense	39,005
Sanitation Education/Information	834
Employee Benefits	10,472

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

- C. Salaries in five of 77 line-items in the General Fund exceeded appropriations by amounts ranging from \$115 to \$56,140. 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 appropriations that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the County Commission.
- D. Amendments submitted to and approved by the County Commission resulted in appropriations of the Drug Control Fund exceeding estimated funding by \$17,569. Sound budgetary principles dictate that appropriations be held within estimated available funding.

RECOMMENDATION

Only those budget amendments approved by the County Commission should be posted to the accounting records. Expenditures should be held within appropriations approved by the County Commission. Appropriations that exceed estimated available funding should not be submitted to the County Commission, and the County Commission should not approve such appropriations.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

The amendments in question were presented and passed by the Budget Committee prior to posting to the General Fund, but were not considered to be in a category that required approval by the full County Commission. Our policies have been corrected to prevent this deficiency with future amendments.

OFFICE OF ROAD SUPERVISOR

FINDING 2013-002

THE HIGHWAY/PUBLIC WORKS FUND REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION

(Internal Control – Material Weakness Under *Government Auditing Standards*)

At June 30, 2013, certain general ledger account balances in the Highway/Public Works Fund were not materially correct. Audit adjustments totaling \$261,930 were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require the Highway Department to have adequate internal controls over the maintenance of its accounting records. Material audit adjustments were required because the department's financial reporting system 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 department 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 that they approved to properly present the financial statements in this report.

RECOMMENDATION

The Highway Department should have appropriate processes in place to ensure that its general ledgers are materially correct.

FINDING 2013-003

THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS

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

Our examination revealed the following deficiencies in budget operations:

- A. Expenditures exceeded appropriations approved by the County Commission in one of seven major appropriation categories (the legal level of control) of the Highway/Public Works Fund: Operation and Maintenance of Equipment by \$685. Section 5-9-401, *Tennessee Code Annotated*, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.” This deficiency exists because management failed to hold spending to the limits authorized by the County Commission, which resulted in unauthorized expenditures.

- B. The budget posted to the accounting records was not the same as the budget approved by the County Commission. This deficiency was due to an oversight by management. Accurate budgetary statements are necessary to provide county officials and departments with available spending limits. We have recognized only the original budget and amendments approved by the County Commission in the financial statements of this report.

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission. The budget should be accurately posted to the accounting records after approval by the County Commission.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 2013-004

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

Expenditures exceeded appropriations approved by the County Commission in one of 25 major appropriation categories (the legal level of control) of the General Purpose School Fund: Other Debt Service – Education by \$17,706. Section 5-9-401, *Tennessee Code Annotated*, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.” This deficiency exists because management failed to hold spending to the limits authorized by the County Commission, which resulted in unauthorized expenditures, and management failed to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

OFFICE OF TRUSTEE

FINDING 2013-005

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

The trustee did not require a depository holding county funds to pledge sufficient securities to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2013, deposits at one depository exceeded FDIC coverage and collateral securities pledged by \$547,053. Section 5-8-201, *Tennessee Code Annotated*, provides for county officials to require any bank that is a depository of county funds to deposit collateral security equal to 105 percent of funds exceeding FDIC coverage into an escrow account in a second bank. This deficiency is the result of management’s failure to correct the finding noted in the prior-year audit report. The failure to adequately collateralize funds could result in a loss for the county.

RECOMMENDATION

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

OFFICE OF ASSESSOR OF PROPERTY

FINDING 2013-006 **THE ASSESSOR DID NOT PRORATE NEW CONSTRUCTION**
(Noncompliance Under *Government Auditing Standards*)

The assessor did not prorate new construction. Section 67-5-603(b)(1), *Tennessee Code Annotated*, provides that assessors are to pick up new construction or improvements and prorate their values for the portion of the year following their date of completion. This deficiency can be attributed to management’s failure to properly comply with this statute and resulted in an incorrect assessed value to the affected properties.

RECOMMENDATION

The assessor should prorate new construction and improvements as required by state statute.

OFFICE OF SHERIFF

FINDING 2013-007 **THE OFFICE HAD ACCOUNTING DEFICIENCIES**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The sheriff’s annual financial report did not properly reflect the operations of the office. Receipts (\$31,554) and disbursements (\$29,082) for commissary operations were not included in the report. The annual financial report should reflect all financial activity of the office. These operations were determined by substantive testing and alternative auditing procedures and have been included in the financial statements of this report. This deficiency is the result of management’s failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

The annual financial report should accurately reflect all operations of the Sheriff’s Department.

OFFICES OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, AND REGISTER OF DEEDS

FINDING 2013-008 **DUTIES WERE NOT SEGREGATED ADEQUATELY**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Duties were not segregated adequately among the officials and employees in the Offices of Circuit and General Sessions Courts Clerk, Clerk and Master, and Register of Deeds.

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 in 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.

FINDING 2013-009

MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Multiple employees operated from the same cash drawer in the Offices of Circuit and General Sessions Courts Clerk, Clerk and Master, and Register of Deeds. Good internal controls dictate that each employee have their own cash drawer, start the day with a standard fixed amount of cash, and remove all but the beginning amount at the end of the day. This amount should be verified to the employee's receipts at the end of each day. Failure to adhere to this control regime greatly increases the risk that a cash shortage may not be detected in a timely manner. Furthermore, in the event of a cash shortage, the official would not be able to determine who was responsible for the shortage because multiple employees were working from one cash drawer. This deficiency has been a management decision resulting in a loss of control over assets. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

Officials should assign each employee their own cash drawer.

DECATUR COUNTY

FINDING 2013-010

DECATUR COUNTY HAS A MATERIAL RECURRING AUDIT FINDING

(Internal Control – Material Weakness Under *Government Auditing Standards*)

Decatur County has a material audit finding that has been reported in its Annual Financial Reports for three or more consecutive years. This recurring material finding is listed below:

Finding Numbers	Description
2013-002, 12.03, 11.03	Several funds required material audit adjustments for proper financial statement presentation

The recurring nature of the above-noted finding indicates that management is either unwilling or unable to address the deficiency. Decatur County has established an Audit Committee to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics.

RECOMMENDATION

Decatur County should work with its Audit Committee to correct the above-noted material weakness in internal control.

FINDING 2013-011

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 (\$62,713), 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 \$114,371 at June 30, 2013. 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.

BEST PRACTICE

**DECATUR COUNTY SHOULD ADOPT A CENTRAL SYSTEM
OF ACCOUNTING, BUDGETING, AND PURCHASING**

Decatur County does not have a central system of accounting, budgeting, and purchasing. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort. The Division of Local Government Audit strongly believes that the adoption of a central system of accounting, budgeting, and purchasing is a best practice that would significantly improve accountability and the quality of services provided to the citizens of Decatur County. Therefore, we recommend the adoption of 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.

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

There were no findings and questioned costs for federal awards.

**DECATUR COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2013**

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