
ANNUAL FINANCIAL REPORT DECATUR COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2012



**ANNUAL FINANCIAL REPORT
DECATUR COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2012**

***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, 2012

Scope

We have audited the basic financial statements of Decatur County as of and for the year ended June 30, 2012.

Results

An adverse opinion was issued on the financial statements of the aggregate discretely presented component units because the financial statements do not include the Decatur County General Hospital, a material component unit whose financial statements were not available from other auditors at the date of this report. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.

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

Findings and Best Practice

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

OFFICE OF COUNTY MAYOR

- ◆ Tax anticipation notes were not retired in compliance with state statute.
- ◆ The office did not file a Report on Debt Obligation with the state Comptroller's Office.

OFFICES OF COUNTY MAYOR AND ROAD SUPERVISOR

- ◆ Material audit adjustments were required for proper financial statement presentation.

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ Expenditures exceeded appropriations.
-

OFFICE OF TRUSTEE

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

OFFICE OF SHERIFF

- ◆ The office had accounting deficiencies in the prisoner commissary operation.
-

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

- ◆ 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, 2012

Officials

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

Board of County Commissioners

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

Mickey Mays
Tim Middleton
Ed Perry, Jr.
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

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

January 11, 2013

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Decatur County, Tennessee, as of and for the year ended June 30, 2012, which collectively comprise Decatur County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Decatur County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Decatur County Emergency Communications District, which represent 4.7 percent and 1.8 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Decatur County Emergency Communications District, is based on the report of other auditors.

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

evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

The financial statements referred to above for the aggregate discretely presented component units are materially misstated because the financial statements of the Decatur County General Hospital, a component unit requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component units financial statements referred to above do not include amounts for the Decatur County General Hospital, which should be included to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements of the aggregate discretely presented component units are not reasonably determinable.

In our opinion, based on our audit and the report of other auditors, and because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Decatur County, Tennessee, as of June 30, 2012, and the changes in financial position for the year then ended.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Decatur County, Tennessee, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2013, on our consideration of Decatur County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

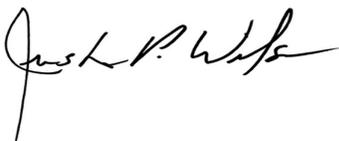
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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 budgetary comparison, pension, and other postemployment benefits information on pages 62 through 68 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Decatur County's financial statements as a whole. 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 financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Decatur County School Department (a discretely presented component unit), and the miscellaneous schedules are the responsibility of management and were derived from and relate 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 information is fairly stated in all material respects in relation to the 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.

Yours very truly,



Justin P. Wilson
Comptroller of the Treasury

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Decatur County, Tennessee
Statement of Net Assets
June 30, 2012

	Primary Government <u>Governmental</u> <u>Activities</u>	Component Units	
		<u>Decatur</u> <u>County</u> <u>School</u> <u>Department</u>	<u>Decatur County</u> <u>Emergency</u> <u>Communications</u> <u>District</u>
<u>ASSETS</u>			
Cash	\$ 923	\$ 0	\$ 403,976
Equity in Pooled Cash and Investments	2,384,390	3,484,988	0
Accounts Receivable	9,631	11,686	4,529
Due from Other Governments	472,858	442,488	9,439
Due from Component Units	71,227	0	0
Property Taxes Receivable	2,892,152	1,675,613	0
Allowance for Uncollectible Property Taxes	(96,802)	(56,084)	0
Other Current Assets	0	0	140
Deferred Charges - Debt Issuance Costs	271,556	0	0
Capital Assets:			
Assets Not Depreciated:			
Land	1,592,664	239,448	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	7,001,875	6,263,948	0
Infrastructure	2,653,191	0	0
Other Capital Assets	908,458	1,680,111	260,747
Total Assets	<u>\$ 18,162,123</u>	<u>\$ 13,742,198</u>	<u>\$ 678,831</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 23,368	\$ 4,854	\$ 0
Payroll Deductions Payable	0	233,932	0
Accrued Interest Payable	97,225	0	0
Due to Primary Government	0	71,227	0
Deferred Revenue - Current Property Taxes	2,661,024	1,541,704	0
Health Insurance Payments	0	1,718	0
Noncurrent Liabilities:			
Due Within One Year	1,361,574	61,099	0
Due in More Than One Year (net of deferred discount on debt and unamortized premium on debt)	12,328,577	466,519	0
Total Liabilities	<u>\$ 16,471,768</u>	<u>\$ 2,381,053</u>	<u>\$ 0</u>

(Continued)

Exhibit A

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

	Primary Government <u>Governmental</u> Activities	Component Units	
		<u>Decatur County School Department</u>	<u>Decatur County Emergency Communications District</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 3,536,107	\$ 8,000,209	\$ 0
Invested in Capital Assets	0	0	260,747
Restricted for:			
Public Safety	245,804	0	0
Other Operations	148,774	0	0
Highway/Public Works	388,401	0	0
Capital Outlay	55,284	0	0
Debt Service	22,947	0	0
Other Purposes	20,443	1,453	0
Unrestricted	<u>(2,727,405)</u>	<u>3,359,483</u>	<u>418,084</u>
Total Net Assets	<u>\$ 1,690,355</u>	<u>\$ 11,361,145</u>	<u>\$ 678,831</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, 2012

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets											
	Program Revenues					Primary Government					Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Total Governmental Activities	Decatur County School Department	Decatur County Emergency Communications District				
									Decatur County School Department	Decatur County Emergency Communications District		
Primary Government:												
Governmental Activities:												
General Government	\$ 583,339	\$ 61,150	\$ 15,164	\$ 0	\$ (507,025)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0		
Finance	460,020	228,631	0	0	(231,389)	0	0	0	0	0		
Administration of Justice	485,133	334,878	9,000	0	(141,255)	0	0	0	0	0		
Public Safety	2,696,678	360,890	435,036	44,768	(1,855,984)	0	0	0	0	0		
Public Health and Welfare	1,026,101	495,579	51,718	0	(478,804)	0	0	0	0	0		
Social, Cultural, and Recreational Services	430,544	173,802	47,386	0	(209,356)	0	0	0	0	0		
Agriculture and Natural Resources	55,524	0	0	0	(55,524)	0	0	0	0	0		
Other Operations	119,537	0	0	0	(119,537)	0	0	0	0	0		
Highways/Public Works	1,843,632	0	1,441,107	255,824	(146,701)	0	0	0	0	0		
Interest on Long-term Debt	605,518	0	940,986	0	335,468	0	0	0	0	0		
Other Debt Service	25,365	0	0	0	(25,365)	0	0	0	0	0		
Total Primary Government	\$ 8,331,391	\$ 1,654,930	\$ 2,940,397	\$ 300,592	\$ (3,435,472)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0		
Component Units:												
Decatur County School Department	\$ 14,696,530	\$ 99,843	\$ 2,319,812	\$ 0	\$ 0	\$ (12,276,875)	\$ 0	\$ 0	\$ 0	\$ 0		
Decatur County Emergency Communications District	194,702	81,941	124,133	0	0	0	0	0	0	11,372		
Total Component Units	\$ 14,891,232	\$ 181,784	\$ 2,443,945	\$ 0	\$ 0	\$ (12,276,875)	\$ 0	\$ 0	\$ 0	\$ 11,372		

(Continued)

Exhibit B

Decatur County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary		Component Units	
				Total Governmental Activities	Decatur County School Department	Decatur County Emergency Communications District	
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes				\$ 2,536,360	\$ 1,576,963	\$	0
Property Taxes Levied for Debt Service				175,670	0		0
Local Option Sales Taxes				276,657	1,111,717		0
Wheel Tax				378,677	152,186		0
Litigation Tax				90,493	0		0
Business Tax				87,453	0		0
Mineral Severance Tax				67,097	53,759		0
Wholesale Beer Tax				214,525	0		0
Other Local Taxes				33,262	949		0
Grants and Contributions Not Restricted to Specific Programs				598,017	8,565,710		52,278
Unrestricted Investment Income				30,838	7,084		2,020
Miscellaneous				16,214	281		0
Total General Revenues				\$ 4,505,263	\$ 11,468,649	\$	54,298
Change in Net Assets				\$ 1,069,791	\$ (808,226)	\$	65,670
Net Assets, July 1, 2011				620,564	12,169,371		613,161
Net Assets, June 30, 2012				\$ 1,690,355	\$ 11,361,145	\$	678,831

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

Decatur County, Tennessee
 Balance Sheet
 Governmental Funds
 June 30, 2012

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other	Governmental Funds	
ASSETS							
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 923	\$ 923
Equity in Pooled Cash and Investments	1,169,603	155,165	225,868	719,692	114,062	2,384,390	2,384,390
Accounts Receivable	8,624	64	919	0	24	9,631	9,631
Due from Other Governments	132,480	0	258,784	81,594	0	472,858	472,858
Due from Other Funds	947	0	0	45,952	0	46,899	46,899
Due from Component Units	0	0	0	71,227	0	71,227	71,227
Property Taxes Receivable	2,218,038	318,451	0	355,663	0	2,892,152	2,892,152
Allowance for Uncollectible Property Taxes	(77,586)	(9,989)	0	(9,227)	0	(96,802)	(96,802)
Total Assets	\$ 3,452,106	\$ 463,691	\$ 485,571	\$ 1,264,901	\$ 115,009	\$ 5,781,278	\$ 5,781,278

LIABILITIES AND FUND BALANCES

Liabilities							
Accounts Payable	\$ 23,368	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,368
Due to Other Funds	0	45,952	0	0	947	0	46,899
Deferred Revenue - Current Property Taxes	2,027,447	295,670	0	337,907	0	2,661,024	2,661,024
Deferred Revenue - Delinquent Property Taxes	105,365	11,927	0	7,952	0	125,244	125,244
Other Deferred Revenues	50,057	0	131,490	81,477	0	263,024	263,024
Total Liabilities	\$ 2,206,237	\$ 353,549	\$ 131,490	\$ 427,336	\$ 947	\$ 3,119,559	\$ 3,119,559
Fund Balances							
Restricted:							
Restricted for General Government	\$ 3,910	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,910
Restricted for Finance	143	0	0	0	0	0	143
Restricted for Administration of Justice	4,463	0	0	0	0	0	4,463
Restricted for Public Safety	187,026	0	0	0	58,778	245,804	245,804
Restricted for Other Operations	148,774	0	0	0	0	148,774	148,774
Restricted for Highways/Public Works	0	0	258,680	0	0	258,680	258,680
Restricted for Capital Outlay	0	0	0	0	55,284	55,284	55,284
Restricted for Debt Service	0	0	0	28,974	0	28,974	28,974

(Continued)

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other	Governmental Funds	
\$	0	110,142	0	0	0	0	110,142
	0	0	95,401	0	0	0	95,401
	0	0	0	808,591	0	0	808,591
	901,553	0	0	0	0	0	901,553
	\$ 1,245,869	\$ 110,142	\$ 354,081	\$ 837,565	\$ 114,062	\$ 2,661,719	
	\$ 3,452,106	\$ 463,691	\$ 485,571	\$ 1,264,901	\$ 115,009	\$ 5,781,278	

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)

Committed:
Committed for Public Health and Welfare
Committed for Highways/Public Works
Committed for Debt Service
Unassigned
Total Fund Balances

Total Liabilities and Fund Balances

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

Exhibit C-2

Decatur County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2012

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	2,661,719
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,592,664	
Add: buildings and improvements net of accumulated depreciation		7,001,875	
Add: infrastructure net of accumulated depreciation		2,653,191	
Add: other capital assets net of accumulated depreciation		<u>908,458</u>	12,156,188
(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	\$	(13,350,000)	
Less: notes payable		(172,569)	
Add: deferred charges - debt issuances costs		271,556	
Add: other deferred charges - discount on debt		5,471	
Less: other deferred revenue - premium on debt		(22,983)	
Less: compensated absences payable		(53,392)	
Less: accrued interest on bonds and notes		(97,225)	
Less: other postemployment benefits liability		<u>(96,678)</u>	(13,515,820)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>388,268</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>1,690,355</u></u>

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

Decatur County, Tennessee
Statement of Revenues, Expenditures,
 and Changes in Fund Balances
Governmental Funds
 For the Year Ended June 30, 2012

	Major Funds						Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other		Governmental Funds		
					Governmental Funds	Other			
Revenues									
Local Taxes	\$ 2,939,048	\$ 259,151	\$ 27,794	\$ 736,768	\$ 0	\$ 0	\$ 0	\$ 3,962,761	
Licenses and Permits	5,437	0	0	0	0	0	0	5,437	
Fines, Forfeitures, and Penalties	70,777	0	0	0	0	4,988	0	75,765	
Charges for Current Services	634,259	43,960	0	0	0	24,565	0	702,784	
Other Local Revenues	24,902	41,384	13,139	30,774	0	70,052	0	180,251	
Fees Received from County Officials	479,882	0	0	0	0	0	0	479,882	
State of Tennessee	1,315,106	2,980	1,434,175	27,501	0	0	0	2,779,762	
Federal Government	64,640	0	255,824	0	0	0	0	320,464	
Other Governments and Citizens Groups	97,324	0	0	971,495	0	0	0	1,068,819	
Total Revenues	\$ 5,631,375	\$ 347,475	\$ 1,730,932	\$ 1,766,538	\$ 99,605	\$ 99,605	\$ 99,605	\$ 9,575,925	
Expenditures									
Current:									
General Government	\$ 450,201	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 450,201	
Finance	353,823	0	0	0	0	0	0	353,823	
Administration of Justice	356,992	0	0	0	0	24,565	0	381,557	
Public Safety	2,221,523	0	0	0	0	41,749	0	2,263,272	
Public Health and Welfare	743,853	263,034	0	0	0	0	0	1,006,887	
Social, Cultural, and Recreational Services	341,585	0	0	0	0	0	0	341,585	
Agriculture and Natural Resources	53,937	0	0	0	0	0	0	53,937	
Other Operations	739,639	57,099	0	0	0	400	0	797,138	
Highways	0	0	1,565,396	0	0	0	0	1,565,396	
Debt Service:									
Principal on Debt	0	4,420	333,000	1,053,282	0	0	0	1,390,702	
Interest on Debt	11,897	1,859	30,557	568,492	0	0	0	612,805	
Other Debt Service	0	0	0	10,853	0	0	0	10,853	
Total Expenditures	\$ 5,273,450	\$ 326,412	\$ 1,928,953	\$ 1,632,627	\$ 66,714	\$ 66,714	\$ 66,714	\$ 9,228,156	
Excess (Deficiency) of Revenues Over Expenditures	\$ 357,925	\$ 21,063	\$ (198,021)	\$ 133,911	\$ 32,891	\$ 32,891	\$ 32,891	\$ 347,769	
Other Financing Sources (Uses)									
Insurance Recovery	\$ 62,651	\$ 0	\$ 10,037	\$ 0	\$ 0	\$ 0	\$ 0	\$ 72,688	
Total Other Financing Sources (Uses)	\$ 62,651	\$ 0	\$ 10,037	\$ 0	\$ 0	\$ 0	\$ 0	\$ 72,688	

(Continued)

Exhibit C-3

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

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General		Other Governmental Funds	Governmental Funds	
				Debt Service	Service			
Net Change in Fund Balances	\$ 420,576	\$ 21,063	\$ (187,384)	\$ 133,911	\$ 32,891	\$ 32,891	\$ 420,457	
Fund Balance, July 1, 2011	825,293	89,079	542,065	703,654	81,171	81,171	2,241,262	
Fund Balance, June 30, 2012	\$ 1,245,869	\$ 110,142	\$ 354,081	\$ 837,565	\$ 114,062	\$ 114,062	\$ 2,661,719	

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, 2012

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)		\$	420,457
(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	\$	129,251	
Less: current-year depreciation expense		<u>(652,576)</u>	(523,325)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.			
Less: proceeds received from the disposal of capital assets			(10,200)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2012	\$	388,268	
Less: deferred delinquent property taxes and other deferred June 30, 2011		<u>(443,734)</u>	(55,466)
(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the 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 deferred debt issuance costs		(14,145)	
Less: change in discount on debt issuances		(367)	
Add: principal payments on notes		24,878	
Add: principal payments on bonds		1,250,000	
Add: principal payments on capital lease		<u>5,824</u>	1,267,113
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest payable	\$	7,287	
Change in compensated absences payable		(12,940)	
Change in other postemployment benefits liability		<u>(23,135)</u>	(28,788)
Change in net assets of governmental activities (Exhibit B)		\$	<u><u>1,069,791</u></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, 2012

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 926,644
Due from Other Governments	<u>65,545</u>
Total Assets	<u>\$ 992,189</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 65,545
Due to Litigants, Heirs, and Others	<u>926,644</u>
Total Liabilities	<u>\$ 992,189</u>

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

DECATUR COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Decatur County's financial statements are presented in accordance with generally accepted accounting principles (GAAP), except for the aggregate discretely presented component units, which are materially misstated because the financial statements of the Decatur County General Hospital, a material component unit requiring discrete presentation, had not been made available by other auditors as of the date of this report. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

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

A. Reporting Entity

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

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

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

The Decatur County General Hospital provides health care and emergency medical services to the citizens of Decatur County, and the Decatur County Commission appoints its governing body. Patient charges provide the majority of the revenues for the entity. Decatur County is obligated to retire any debt issued by the Decatur County General Hospital in the event of default by the hospital. The financial statements of the Decatur County General Hospital were not available from other auditors in time for inclusion in this report.

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. Although required by GAAP, the financial statements of the Decatur County General Hospital were not available in time for inclusion, as previously mentioned. 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 Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the Statement of Activities. Governmental activities are normally supported by taxes and 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, 2012.

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers

revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Decatur County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

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

Fiduciary 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.

Solid Waste/Sanitation Fund – This special revenue fund accounts for transactions relating to the disposal of Decatur County’s solid waste. Local taxes and general service charges are the foundational revenues of this 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 Fund – The Community Development/Industrial Park Fund is used to purchase land for an industrial park.

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

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Decatur County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to

the General Debt Service and General Purpose School funds. Decatur County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

All property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.79 percent of total taxes levied.

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

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for

uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

3. Capital Assets

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

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

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

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

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

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

4. Compensated Absences

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

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

The general policy of the School Department permits the unlimited accumulation of unused sick leave days for professional personnel (teachers). 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.

5. Long-term Obligations

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

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

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements.

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

6. Net Assets and Fund Equity

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

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

The government-wide Statement of Net Assets reports \$881,653 of restricted net assets, of which \$147,483 is restricted by enabling legislation.

As of June 30, 2012, Decatur County had \$4,920,000 in outstanding debt for capital purposes for the discretely presented Decatur County School Department. This debt is a liability of Decatur County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Decatur County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

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 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.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Assets

Primary Government

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Assets.

Discretely Presented Decatur County School Department

Exhibit I-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Assets.

B. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities

Primary Government

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

Discretely Presented Decatur County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

The budgetary level of control is at the major category level established by the 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 Other Debt Service – Education major appropriation category (the legal level of control) of the discretely presented General Purpose School Fund by \$7,673. Expenditures that exceed appropriations are a violation of state statutes. This expenditure in excess of appropriations was funded by greater than anticipated revenues.

C. 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, 2012, deposits at this depository exceeded FDIC coverage and collateral securities pledged by \$748,318. 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 assets as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net assets represents nonpooled amounts held separately by individual funds.

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held.

Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

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

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, Decatur County's deposits may not be returned to it. Decatur County does not have a formal policy that limits custodial credit risk for deposits. Separate disclosures concerning bank balances of pooled deposits cannot be made for Decatur County and the discretely presented Decatur County School Department since both pool their deposits and investments through the county trustee. As of June 30, 2012, bank balances of \$748,318 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 748,318</u>
--------------------------------	-------------------

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, 2012, Decatur County had the following investments carried at cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Decatur County and the discretely presented Decatur County School Department since both pool their deposits and investments through the county trustee.

Investment	Weighted Average Maturities (days)	Cost
State Treasurer's Investment Pool	6 to 164	\$ 1,200,333

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, 2012, 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, 2012, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets Not Depreciated:				
Land	\$ 1,592,664	\$ 0	\$ 0	\$ 1,592,664
Total Capital Assets				
Not Depreciated	\$ 1,592,664	\$ 0	\$ 0	\$ 1,592,664

Governmental Activities (Cont.):

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets Depreciated:				
Buildings and				
Improvements	\$ 8,852,089	\$ 0	\$ 0	\$ 8,852,089
Infrastructure	4,273,296	0	0	4,273,296
Other Capital Assets	3,218,504	129,251	109,879	3,237,876
Total Capital Assets Depreciated	<u>\$ 16,343,889</u>	<u>\$ 129,251</u>	<u>\$ 109,879</u>	<u>\$ 16,363,261</u>
Less Accumulated Depreciation For:				
Buildings and				
Improvements	\$ 1,631,625	\$ 218,589	\$ 0	\$ 1,850,214
Infrastructure	1,389,466	230,639	0	1,620,105
Other Capital Assets	2,225,749	203,348	99,679	2,329,418
Total Accumulated Depreciation	<u>\$ 5,246,840</u>	<u>\$ 652,576</u>	<u>\$ 99,679</u>	<u>\$ 5,799,737</u>
Total Capital Assets Depreciated, Net	<u>\$ 11,097,049</u>	<u>\$ (523,325)</u>	<u>\$ 10,200</u>	<u>\$ 10,563,524</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,689,713</u>	<u>\$ (523,325)</u>	<u>\$ 10,200</u>	<u>\$ 12,156,188</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	223,557
Public Health and Welfare	20,476
Social, Cultural, and Recreational Services	39,740
Agriculture and Natural Resources	984
Other Operations	157
Highways/Public Works	<u>327,574</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 652,576</u>

Discretely Presented Decatur County School Department

Governmental Activities:

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets Not Depreciated:				
Land	\$ 239,448	\$ 0	\$ 0	\$ 239,448
Construction in Progress	62,992	0	62,992	0
Total Capital Assets Not Depreciated	\$ 302,440	\$ 0	\$ 62,992	\$ 239,448
Capital Assets Depreciated:				
Buildings and Improvements	\$ 13,896,254	\$ 60,212	\$ 0	\$ 13,956,466
Other Capital Assets	2,830,498	242,996	192,414	2,881,080
Total Capital Assets Depreciated	\$ 16,726,752	\$ 303,208	\$ 192,414	\$ 16,837,546
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 7,215,830	\$ 476,688	\$ 0	\$ 7,692,518
Other Capital Assets	1,144,113	201,086	144,230	1,200,969
Total Accumulated Depreciation	\$ 8,359,943	\$ 677,774	\$ 144,230	\$ 8,893,487
Total Capital Assets Depreciated, Net	\$ 8,366,809	\$ (374,566)	\$ 48,184	\$ 7,944,059
Governmental Activities Capital Assets, Net	\$ 8,669,249	\$ (374,566)	\$ 111,176	\$ 8,183,507

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

Governmental Activities:

Instruction	\$ 435,184
Support Services	191,184
Operation of Non-Instructional Services	<u>51,406</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 677,774</u>

C. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2012, was as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 947
General Debt Service	Solid Waste/Sanitation	45,952

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

Due to/from Primary Government and Component Unit:

Receivable Fund	Payable Fund	Amount
Primary Government: General Debt Service	Component Unit: School Department - General Purpose School	\$ 71,227

D. Long-term Debt

Primary Government

General Obligation Bonds and Notes

The county issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund other general obligation bonds. 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, 2012, will be retired from the Solid Waste/Sanitation, Highway/Public Works, and General Debt Service funds.

General obligation bonds and capital outlay notes outstanding as of June 30, 2012, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-12
G.O. Improvement Bonds	2.2 to 4.14 %	5-1-37	\$ 6,520,000	\$ 5,950,000
G.O. Bonds - Refunding	1.45 to 4.25	6-1-27	14,560,000	7,400,000
Notes Payable	3.5 to 4.05	10-14-21	306,775	172,569

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2012, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2013	\$ 1,315,000	\$ 503,250	\$ 1,818,250
2014	1,360,000	458,810	1,818,810
2015	1,065,000	411,966	1,476,966
2016	1,110,000	373,738	1,483,738
2017	1,150,000	333,477	1,483,477
2018-2022	2,465,000	1,219,794	3,684,794
2023-2027	2,015,000	847,850	2,862,850
2028-2032	1,285,000	498,761	1,783,761
2033-2037	1,585,000	207,463	1,792,463
Total	\$ 13,350,000	\$ 4,855,109	\$ 18,205,109

Year Ending June 30	Notes		
	Principal	Interest	Total
2013	\$ 25,043	\$ 6,665	\$ 31,708
2014	25,208	5,671	30,879
2015	25,379	4,671	30,050
2016	25,554	3,669	29,223
2017	25,741	2,653	28,394
2018-2022	45,644	2,854	48,498
Total	\$ 172,569	\$ 26,183	\$ 198,752

There is \$837,565 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$1,135, based on the 2010 federal census. Debt per capita, including bonds and notes totaled \$1,150, based on the 2010 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Lease
Balance, July 1, 2011	\$ 14,600,000	\$ 197,447	\$ 5,824
Reductions	(1,250,000)	(24,878)	(5,824)
Balance, June 30, 2012	<u>\$ 13,350,000</u>	<u>\$ 172,569</u>	<u>\$ 0</u>
Balance Due Within One Year	<u>\$ 1,315,000</u>	<u>\$ 25,043</u>	<u>\$ 0</u>

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2011	\$ 40,452	\$ 73,543
Additions	35,222	24,819
Reductions	(22,282)	(1,684)
Balance, June 30, 2012	<u>\$ 53,392</u>	<u>\$ 96,678</u>
Balance Due Within One Year	<u>\$ 21,531</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	\$ 13,672,639
Less: Balance Due Within One Year	(1,361,574)
Add: Unamortized Premium on Debt	22,983
Less: Deferred Discount on Debt	<u>(5,471)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 12,328,577</u>

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

Discretely Presented Decatur County School Department

The county issued a capital outlay note on behalf of the School Department to provide funds for school energy efficiency improvements. Capital outlay notes are direct obligations and pledge the full faith and credit of the government. The capital outlay note was issued for original terms of up to seven years. The capital outlay note outstanding as of June 30, 2012, will be retired from the General Purpose School Fund.

The capital outlay note outstanding as of June 30, 2012, for governmental activities is as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-12
Capital Outlay Note	0%	6-1-15	\$ 427,694	\$ 183,298

The annual requirements to amortize the note outstanding as of June 30, 2012, are presented in the following table:

Year Ending June 30	Note Principal
2013	\$ 61,099
2014	61,099
2015	61,100
Total	<u>\$ 183,298</u>

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Decatur County School Department for the year ended June 30, 2012, was as follows:

Governmental Activities:

	Note	Other Postemployment Benefits
Balance, July 1, 2011	\$ 244,397	\$ 238,759
Additions	0	146,412
Reductions	(61,099)	(40,851)
Balance, June 30, 2012	<u>\$ 183,298</u>	<u>\$ 344,320</u>
Balance Due Within One Year	<u>\$ 61,099</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	\$ 527,618
Less: Balance Due Within One Year	<u>(61,099)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 466,519</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 \$5,550,816, payable semiannually through June 2018. For the current year, principal and interest paid and sales tax revenues generated by the increase were \$935,762 and \$866,472, 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, 2012, were \$26,711 and \$8,312, 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 unpaid short-term financing of \$45,952 has been reflected in the financial statements of this report as due to/from other funds.

Decatur County issued revenue anticipation notes in advance of revenue collections and deposited the proceeds in the General Fund. These notes were necessary for temporary operating funds.

Short-term debt activity for the year ended June 30, 2012, was as follows:

	Balance 7-1-11	Issued	Paid	Balance 6-30-12
Tax and Revenue				
Anticipation Notes	\$ 245,952	\$ 450,000	\$ (650,000)	\$ 45,952

V. **OTHER INFORMATION**

A. **Risk Management**

Primary Government

Liability, Property, and Casualty

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

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

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

Workers' Compensation Insurance

The county participates in the Local Government Workers' Compensation Fund (LGGWCF), 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. Subsequent Event

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

C. 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, 2012, future principal and interest requirements were \$895,000 and \$185,745, 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, 2012, future principal and interest requirements were \$936,557 and \$123,700, 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.

D. Joint Ventures

The Benton-Decatur Special Sewer District was created through a joint agreement between Benton and Decatur counties. The agreement established the Benton-Decatur Special Sewer District Management Board 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, 2012, the county appropriated an operating subsidy of \$24,000 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

Twenty-fourth Judicial District Drug Task Force
165 Mockingbird Avenue
Henry, TN 38231

E. 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. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012, was 5.65 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, 2012, Decatur County's annual pension cost of \$220,804 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2009, 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 post retirement 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, 2009, was nine years. 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
6-30-12	\$220,804	100%	\$0
6-30-11	158,366	100	0
6-30-10	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

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 salary 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, 2012, was 9.05 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, 2012, 2011, and 2010, were \$622,654 \$605,455, and \$424,445 respectively, equal to the required contributions for each year.

F. 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, 2012, Decatur County and the School Department contributed \$1,684 and \$40,851, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 147,000	\$ 25,000
Interest on the NPO	9,550	2,942
Adjustment to the ARC	(10,138)	(3,123)
Annual OPEB cost	\$ 146,412	\$ 24,819
Less: Amount of contribution	(40,851)	(1,684)
Increase/decrease in NPO	\$ 105,561	\$ 23,135
Net OPEB obligation, 7-1-11	238,759	73,543
Net OPEB obligation, 6-30-12	\$ 344,320	\$ 96,678

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-10	Local Education Group	\$ 101,290	43 %	\$ 179,614
6-30-11	"	105,427	44	238,759
6-30-12	"	146,412	28	344,320
6-30-10	Local Government Group	33,029	8	42,132
6-30-11	"	34,100	8	73,543
6-30-12	"	24,819	7	96,678

Funded Status and Funding Progress

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 Education Group and the Local Government 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 9.25 percent for fiscal year 2012. The trend will decrease to 8.75 percent in fiscal year 2013 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 June 30, 2008.

G. 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 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. GASB Conformity

The financial statements included herein are prepared in conformity with generally accepted accounting principles as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20 - "Election of a Reporting Method" - requires the Decatur County Emergency Communications District to elect either (1) all provisions of the Financial Accounting Standards Board (FASB) issued prior to 1989 for proprietary type funds, or (2) all of the provisions of FASB regardless of the issue date for proprietary type funds. The district elected to adopt only the provisions of FASB prior to 1989.

2. Measurement Focus and Basis of Accounting

The district uses the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities associated with their activities are reported.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Revenues and expenses are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

3. Receivables

Receivables consist of all revenues earned at year-end and not yet received. Balances reported at year-end are comprised of wireless charges due from the State of Tennessee.

4. Capital Assets

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

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

5. 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.

6. Fund Accounting

The accounts of the district are organized on the basis of funds. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the

means by which spending activities are controlled. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses as appropriate. The accounts in the financial statements in this report fall under one broad fund category as follows:

Proprietary Funds

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

C. Revenues

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

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 million per liability. The district has had no insurance settlements in excess of insurance coverage during the past three years.

E. Cash and Cash Equivalents

Cash and cash equivalents, as used in the Statement of Cash Flows, 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.

F. Capital Assets

Capital assets activity for the year ended June 30, 2012, was as follows:

	Balance 7-1-11	Increases	Balance 6-30-12
Capital Assets Depreciated:			
Furniture and Fixtures	\$ 32,767	\$ 0	\$ 32,767
Communications Equipment	379,360	74,760	454,120
Office Equipment	21,115	0	21,115
Total Capital Assets Depreciated	<u>\$ 433,242</u>	<u>\$ 74,760</u>	<u>\$ 508,002</u>
Less Accumulated Depreciation For:			
Furniture and Fixtures	\$ 7,100	\$ 3,276	\$ 10,376
Communications Equipment	189,271	37,409	226,680
Office Equipment	8,600	1,599	10,199
Total Accumulated Depreciation	<u>\$ 204,971</u>	<u>\$ 42,284</u>	<u>\$ 247,255</u>
Total Capital Assets, Net	<u>\$ 228,271</u>	<u>\$ 32,476</u>	<u>\$ 260,747</u>

Depreciation expense of \$42,284 was recorded by the district.

G. Stewardship, Compliance, and Accountability

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

1. Deposits and Investments

The district's investment policies are governed by state statute. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit, and savings accounts. The district has no policy that further limits allowable investments. At June 30, 2012, investments consisted entirely of a certificate of deposit with a local bank. Investments are carried at cost, which approximates fair value.

For deposits and investments, custodial credit risk is the risk that, in the event of a bank failure, the district's deposits may not be returned to it. The district does not have a policy regarding custodial credit risk for deposits. Collateral is required for demand deposits and certificates of deposit at 105 percent of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of Tennessee and its subdivisions. The

district's deposits at year end were not exposed to custodial credit risk due to being entirely covered by federal depository insurance and pledged collateral held by the pledging financial institution's agent in the entity's name.

2. Budget Appropriations

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

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

H. Estimates and Assumptions

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Decatur County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,939,048	\$ 2,858,190	\$ 2,858,190	\$ 80,858
Licenses and Permits	5,437	6,950	6,950	(1,513)
Fines, Forfeitures, and Penalties	70,777	65,230	65,230	5,547
Charges for Current Services	634,259	1,107,328	1,107,328	(473,069)
Other Local Revenues	24,902	10,000	10,000	14,902
Fees Received from County Officials	479,882	429,500	429,500	50,382
State of Tennessee	1,315,106	1,453,600	1,453,600	(138,494)
Federal Government	64,640	10,000	10,000	54,640
Other Governments and Citizens Groups	97,324	95,000	95,000	2,324
Total Revenues	\$ 5,631,375	\$ 6,035,798	\$ 6,035,798	\$ (404,423)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 23,358	\$ 32,750	\$ 32,750	\$ 9,392
Board of Equalization	621	1,500	1,500	879
Beer Board	1,750	2,200	2,200	450
Other Boards and Committees	2,400	2,500	2,500	100
County Mayor/Executive	115,848	119,131	119,131	3,283
Personnel Office	8,309	10,810	10,810	2,501
County Attorney	7,393	12,000	12,000	4,607
Election Commission	124,021	138,109	139,159	15,138
Register of Deeds	82,404	84,101	84,101	1,697
County Buildings	84,097	102,600	102,600	18,503
<u>Finance</u>				
Property Assessor's Office	112,614	118,357	118,357	5,743
Reappraisal Program	12,315	12,300	13,300	985
County Trustee's Office	118,929	119,107	119,107	178
County Clerk's Office	109,965	114,234	115,434	5,469
<u>Administration of Justice</u>				
Circuit Court Clerk	122,366	124,967	124,967	2,601
General Sessions Judge	101,544	101,648	101,648	104
Drug Court	5,883	0	5,883	0
Chancery Court	82,243	82,154	82,499	256
Juvenile Court	31,837	32,118	32,169	332
Victims Assistance Programs	13,119	12,675	13,119	0
<u>Public Safety</u>				
Sheriff's Department	682,083	689,550	710,723	28,640
Jail	580,771	646,700	639,200	58,429
Juvenile Services	62,826	71,450	71,450	8,624
Work Release Program	423,224	447,865	447,865	24,641
Fire Prevention and Control	118,625	71,020	120,161	1,536
Civil Defense	85,581	51,006	86,569	988
Rescue Squad	10,000	10,000	10,000	0

(Continued)

Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Safety (Cont.)</u>				
Other Emergency Management	\$ 239,923	\$ 250,800	\$ 250,800	\$ 10,877
County Coroner/Medical Examiner	18,265	31,000	31,000	12,735
Other Public Safety	225	1,000	1,000	775
<u>Public Health and Welfare</u>				
Local Health Center	32,700	41,000	41,000	8,300
Ambulance/Emergency Medical Services	673,162	922,778	972,778	299,616
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	33,466	39,237	39,237	5,771
Other Public Health and Welfare	3,729	5,100	5,100	1,371
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	68,907	73,986	73,986	5,079
Libraries	63,845	64,589	64,589	744
Parks and Fair Boards	208,833	226,350	226,350	17,517
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	48,637	48,267	50,167	1,530
Forest Service	2,000	2,000	2,000	0
Soil Conservation	3,300	2,500	3,300	0
<u>Other Operations</u>				
Tourism	649	7,500	7,500	6,851
Industrial Development	15,000	15,000	15,000	0
Airport	24,000	24,000	24,000	0
Veterans' Services	10,246	10,526	10,526	280
Other Charges	203,494	210,000	230,396	26,902
Employee Benefits	470,441	494,800	494,800	24,359
Miscellaneous	15,809	20,600	20,600	4,791
<u>Principal on Debt</u>				
General Government	0	400,000	0	0
<u>Interest on Debt</u>				
General Government	11,897	8,500	11,897	0
Total Expenditures	\$ 5,273,450	\$ 6,127,181	\$ 5,912,024	\$ 638,574
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 357,925	\$ (91,383)	\$ 123,774	\$ 234,151
<u>Other Financing Sources (Uses)</u>				
Other Loans Issued	\$ 0	\$ 400,000	\$ 0	\$ 0
Insurance Recovery	62,651	5,000	67,651	(5,000)
Transfers Out	0	(200,000)	0	0
Total Other Financing Sources (Uses)	\$ 62,651	\$ 205,000	\$ 67,651	\$ (5,000)
Net Change in Fund Balance	\$ 420,576	\$ 113,617	\$ 191,425	\$ 229,151
Fund Balance, July 1, 2011	825,293	310,802	310,802	514,491
Fund Balance, June 30, 2012	\$ 1,245,869	\$ 424,419	\$ 502,227	\$ 743,642

Exhibit E-2

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 259,151	\$ 252,380	\$ 252,380	\$ 6,771
Charges for Current Services	43,960	57,500	57,500	(13,540)
Other Local Revenues	41,384	28,500	32,300	9,084
State of Tennessee	2,980	7,800	7,800	(4,820)
Total Revenues	\$ 347,475	\$ 346,180	\$ 349,980	\$ (2,505)
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 190,045	\$ 189,500	\$ 195,721	\$ 5,676
Convenience Centers	72,989	76,800	76,800	3,811
<u>Other Operations</u>				
Other Charges	32,493	38,000	38,000	5,507
Employee Benefits	24,606	25,600	25,600	994
<u>Principal on Debt</u>				
General Government	4,420	0	4,420	0
<u>Interest on Debt</u>				
General Government	1,859	0	1,859	0
Total Expenditures	\$ 326,412	\$ 329,900	\$ 342,400	\$ 15,988
Excess (Deficiency) of Revenues Over Expenditures	\$ 21,063	\$ 16,280	\$ 7,580	\$ 13,483
Net Change in Fund Balance	\$ 21,063	\$ 16,280	\$ 7,580	\$ 13,483
Fund Balance, July 1, 2011	89,079	125,496	125,496	(36,417)
Fund Balance, June 30, 2012	\$ 110,142	\$ 141,776	\$ 133,076	\$ (22,934)

Exhibit E-3

Decatur County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 27,794	\$ 29,500	\$ 29,500	\$ (1,706)
Other Local Revenues	13,139	103,255	103,255	(90,116)
State of Tennessee	1,434,175	1,810,293	1,810,293	(376,118)
Federal Government	255,824	268,000	268,000	(12,176)
Total Revenues	<u>\$ 1,730,932</u>	<u>\$ 2,211,048</u>	<u>\$ 2,211,048</u>	<u>\$ (480,116)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 136,853	\$ 136,712	\$ 136,868	\$ 15
Highway and Bridge Maintenance	479,160	609,900	479,160	0
Operation and Maintenance of Equipment	313,369	289,560	313,369	0
Other Charges	83,406	83,719	83,719	313
Employee Benefits	181,612	187,000	181,612	0
Capital Outlay	370,996	586,152	698,316	327,320
<u>Principal on Debt</u>				
Highways and Streets	333,000	333,000	333,000	0
<u>Interest on Debt</u>				
Highways and Streets	30,557	30,557	30,557	0
Total Expenditures	<u>\$ 1,928,953</u>	<u>\$ 2,256,600</u>	<u>\$ 2,256,601</u>	<u>\$ 327,648</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (198,021)</u>	<u>\$ (45,552)</u>	<u>\$ (45,553)</u>	<u>\$ (152,468)</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 10,037	\$ 1,000	\$ 1,000	\$ 9,037
Total Other Financing Sources (Uses)	<u>\$ 10,037</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 9,037</u>
Net Change in Fund Balance	\$ (187,984)	\$ (44,552)	\$ (44,553)	\$ (143,431)
Fund Balance, July 1, 2011	<u>542,065</u>	<u>390,132</u>	<u>390,132</u>	<u>151,933</u>
Fund Balance, June 30, 2012	<u><u>\$ 354,081</u></u>	<u><u>\$ 345,580</u></u>	<u><u>\$ 345,579</u></u>	<u><u>\$ 8,502</u></u>

Exhibit E-4

Decatur County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Decatur County School Department
June 30, 2012

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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-5

Decatur County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented Decatur County School Department
June 30, 2012

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a
							Percentage of Covered Payroll ((b-a)/c)
<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, 2012

BUDGETARY INFORMATION

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

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

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

**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.

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

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

Capital Projects Fund

Capital Projects Funds are used to account for 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.

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

Exhibit F-1

Decatur County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Special Revenue Funds			Total	Capital Projects Fund		Total Nonmajor Governmental Funds
	Drug Control	Constitutional Officers - Fees			Community Development/ Industrial Park		

\$	0 \$	923 \$	923 \$	0 \$	923
	58,778	0	58,778	55,284	114,062
	0	24	24	0	24
\$	58,778 \$	947 \$	59,725 \$	55,284 \$	115,009

ASSETS

Cash	
Equity in Pooled Cash and Investments	
Accounts Receivable	
Total Assets	

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>					
Due to Other Funds	0 \$	947 \$	947 \$	0 \$	947
Total Liabilities	0 \$	947 \$	947 \$	0 \$	947
<u>Fund Balances</u>					
Restricted:					
Restricted for Public Safety	58,778 \$	0 \$	58,778 \$	0 \$	58,778
Restricted for Capital Outlay	0	0	0	55,284	55,284
Total Fund Balances	58,778 \$	0 \$	58,778 \$	55,284 \$	114,062
Total Liabilities and Fund Balances	58,778 \$	947 \$	59,725 \$	55,284 \$	115,009

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, 2012

	<u>Special Revenue Funds</u>			<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
	<u>Drug</u> <u>Control</u>	<u>Constitu -</u> <u>tional</u> <u>Officers -</u> <u>Fees</u>	<u>Total</u>	<u>Community</u> <u>Development/</u> <u>Industrial</u> <u>Park</u>	
<u>Revenues</u>					
Fines, Forfeitures, and Penalties	\$ 4,988	\$ 0	\$ 4,988	\$ 0	\$ 4,988
Charges for Current Services	0	24,565	24,565	0	24,565
Other Local Revenues	70,052	0	70,052	0	70,052
Total Revenues	\$ 75,040	\$ 24,565	\$ 99,605	\$ 0	\$ 99,605
<u>Expenditures</u>					
Current:					
Administration of Justice	\$ 0	\$ 24,565	\$ 24,565	\$ 0	\$ 24,565
Public Safety	41,749	0	41,749	0	41,749
Other Operations	400	0	400	0	400
Total Expenditures	\$ 42,149	\$ 24,565	\$ 66,714	\$ 0	\$ 66,714
Excess (Deficiency) of Revenues Over Expenditures	\$ 32,891	\$ 0	\$ 32,891	\$ 0	\$ 32,891
Net Change in Fund Balances	\$ 32,891	\$ 0	\$ 32,891	\$ 0	\$ 32,891
Fund Balance, July 1, 2011	25,887	0	25,887	55,284	81,171
Fund Balance, June 30, 2012	\$ 58,778	\$ 0	\$ 58,778	\$ 55,284	\$ 114,062

Exhibit F-3

Decatur County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 4,988	\$ 5,000	\$ 5,000	\$ (12)
Other Local Revenues	70,052	0	45,897	24,155
Total Revenues	<u>\$ 75,040</u>	<u>\$ 5,000</u>	<u>\$ 50,897</u>	<u>\$ 24,143</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 41,749	\$ 3,600	\$ 42,300	\$ 551
<u>Other Operations</u>				
Employee Benefits	400	0	470	70
Total Expenditures	<u>\$ 42,149</u>	<u>\$ 3,600</u>	<u>\$ 42,770</u>	<u>\$ 621</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 32,891</u>	<u>\$ 1,400</u>	<u>\$ 8,127</u>	<u>\$ 24,764</u>
Net Change in Fund Balance	\$ 32,891	\$ 1,400	\$ 8,127	\$ 24,764
Fund Balance, July 1, 2011	<u>25,887</u>	<u>20,358</u>	<u>20,358</u>	<u>5,529</u>
Fund Balance, June 30, 2012	<u><u>\$ 58,778</u></u>	<u><u>\$ 21,758</u></u>	<u><u>\$ 28,485</u></u>	<u><u>\$ 30,293</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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 736,768	\$ 676,620	\$ 676,620	\$ 60,148
Charges for Current Services	0	340	340	(340)
Other Local Revenues	30,774	38,500	38,500	(7,726)
State of Tennessee	27,501	26,500	26,500	1,001
Other Governments and Citizens Groups	971,495	194,000	194,000	777,495
Total Revenues	<u>\$ 1,766,538</u>	<u>\$ 935,960</u>	<u>\$ 935,960</u>	<u>\$ 830,578</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 318,282	\$ 399,958	\$ 318,382	\$ 100
Education	735,000	563,000	735,000	0
<u>Interest on Debt</u>				
General Government	367,730	379,700	383,831	16,101
Education	200,762	226,000	200,900	138
<u>Other Debt Service</u>				
General Government	8,243	17,700	11,471	3,228
Education	2,610	3,700	3,700	1,090
Total Expenditures	<u>\$ 1,632,627</u>	<u>\$ 1,590,058</u>	<u>\$ 1,653,284</u>	<u>\$ 20,657</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 133,911</u>	<u>\$ (654,098)</u>	<u>\$ (717,324)</u>	<u>\$ 851,235</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 1,150,000	\$ 1,150,000	\$ (1,150,000)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 1,150,000</u>	<u>\$ 1,150,000</u>	<u>\$ (1,150,000)</u>
Net Change in Fund Balance	\$ 133,911	\$ 495,902	\$ 432,676	\$ (298,765)
Fund Balance, July 1, 2011	<u>703,654</u>	<u>30,149</u>	<u>30,149</u>	<u>673,505</u>
Fund Balance, June 30, 2012	<u>\$ 837,565</u>	<u>\$ 526,051</u>	<u>\$ 462,825</u>	<u>\$ 374,740</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, 2012

	<u>Agency Funds</u>		
	Cities- Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 926,644	\$ 926,644
Due from Other Governments	65,545	0	65,545
Total Assets	<u>\$ 65,545</u>	<u>\$ 926,644</u>	<u>\$ 992,189</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 65,545	\$ 0	\$ 65,545
Due to Litigants, Heirs, and Others	0	926,644	926,644
Total Liabilities	<u>\$ 65,545</u>	<u>\$ 926,644</u>	<u>\$ 992,189</u>

Exhibit H-2

Decatur County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2012

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 794,574	\$ 794,574	\$ 0
Due from Other Governments	73,438	65,545	73,438	65,545
Total Assets	<u>\$ 73,438</u>	<u>\$ 860,119</u>	<u>\$ 868,012</u>	<u>\$ 65,545</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 73,438	\$ 860,119	\$ 868,012	\$ 65,545
Total Liabilities	<u>\$ 73,438</u>	<u>\$ 860,119</u>	<u>\$ 868,012</u>	<u>\$ 65,545</u>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 784,612	\$ 3,810,489	\$ 3,668,457	\$ 926,644
Total Assets	<u>\$ 784,612</u>	<u>\$ 3,810,489</u>	<u>\$ 3,668,457</u>	<u>\$ 926,644</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 784,612	\$ 3,810,489	\$ 3,668,457	\$ 926,644
Total Liabilities	<u>\$ 784,612</u>	<u>\$ 3,810,489</u>	<u>\$ 3,668,457</u>	<u>\$ 926,644</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 784,612	\$ 3,810,489	\$ 3,668,457	\$ 926,644
Equity in Pooled Cash and Investments	0	794,574	794,574	0
Due from Other Governments	73,438	65,545	73,438	65,545
Total Assets	<u>\$ 858,050</u>	<u>\$ 4,670,608</u>	<u>\$ 4,536,469</u>	<u>\$ 992,189</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 73,438	\$ 860,119	\$ 868,012	\$ 65,545
Due to Litigants, Heirs, and Others	784,612	3,810,489	3,668,457	926,644
Total Liabilities	<u>\$ 858,050</u>	<u>\$ 4,670,608</u>	<u>\$ 4,536,469</u>	<u>\$ 992,189</u>

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, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets Total Governmental Activities
Governmental Activities:				
Instruction	\$ 8,851,074	\$ 0	\$ 1,181,127	\$ (7,669,947)
Support Services	4,186,960	20,908	254,417	(3,911,635)
Operation of Non-Instructional Services	1,225,823	78,935	884,268	(262,620)
Other Debt Service	432,673	0	0	(432,673)
Total Governmental Activities	\$ 14,696,530	\$ 99,843	\$ 2,319,812	\$ (12,276,875)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 1,576,963
Local Option Sales Taxes				1,111,717
Wheel Tax				152,186
Mineral Severance Tax				53,759
Other Local Taxes				949
Grants and Contributions Not Restricted to Specific Programs				8,565,710
Unrestricted Investment Income				7,084
Miscellaneous				281
Total General Revenues				\$ 11,468,649
Change in Net Assets				\$ (808,226)
Net Assets, July 1, 2011				12,169,371
Net Assets, June 30, 2012				\$ 11,361,145

Exhibit I-2

Decatur County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Decatur County School Department
June 30, 2012

	Major Funds		Total Govern- mental Funds
	General Purpose School	School Federal Projects	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 3,387,689	\$ 97,299	\$ 3,484,988
Accounts Receivable	11,686	0	11,686
Due from Other Governments	439,287	3,201	442,488
Property Taxes Receivable	1,675,613	0	1,675,613
Allowance for Uncollectible Property Taxes	(56,084)	0	(56,084)
Total Assets	<u>\$ 5,458,191</u>	<u>\$ 100,500</u>	<u>\$ 5,558,691</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 4,854	\$ 0	\$ 4,854
Payroll Deductions Payable	233,932	0	233,932
Due to Primary Government	71,227	0	71,227
Deferred Revenue - Current Property Taxes	1,541,704	0	1,541,704
Deferred Revenue - Delinquent Property Taxes	72,564	0	72,564
Other Deferred Revenues	135,100	0	135,100
Health Insurance Payments	1,718	0	1,718
Total Liabilities	<u>\$ 2,061,099</u>	<u>\$ 0</u>	<u>\$ 2,061,099</u>
<u>Fund Balances</u>			
Restricted:			
Restricted for Education	\$ 953	\$ 500	\$ 1,453
Assigned:			
Assigned for Education	95,992	100,000	195,992
Unassigned	3,300,147	0	3,300,147
Total Fund Balances	<u>\$ 3,397,092</u>	<u>\$ 100,500</u>	<u>\$ 3,497,592</u>
Total Liabilities and Fund Balances	<u>\$ 5,458,191</u>	<u>\$ 100,500</u>	<u>\$ 5,558,691</u>

Exhibit I-3

Decatur County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
Discretely Presented Decatur County School Department
June 30, 2012

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 3,497,592	
(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	6,263,948		
Add: other capital assets net of accumulated depreciation	<u>1,680,111</u>	8,183,507	
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: note payable	\$ (183,298)		
Less: other postemployment benefits liability	<u>(344,320)</u>	(527,618)	
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>207,664</u>
Net assets of governmental activities (Exhibit A)			<u>\$ 11,361,145</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, 2012

	Major Funds		Total Governmental Funds
	General Purpose School	School Federal Projects	
<u>Revenues</u>			
Local Taxes	\$ 2,897,034	\$ 0	\$ 2,897,034
Licenses and Permits	836	0	836
Charges for Current Services	97,736	0	97,736
Other Local Revenues	27,668	0	27,668
State of Tennessee	8,811,067	0	8,811,067
Federal Government	682,744	1,402,630	2,085,374
Total Revenues	<u>\$ 12,517,085</u>	<u>\$ 1,402,630</u>	<u>\$ 13,919,715</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 7,171,421	\$ 1,161,720	\$ 8,333,141
Support Services	3,826,485	240,410	4,066,895
Operation of Non-Instructional Services	1,148,423	0	1,148,423
Capital Outlay	124,095	0	124,095
Debt Service:			
Principal on Debt	61,099	0	61,099
Other Debt Service	432,673	0	432,673
Total Expenditures	<u>\$ 12,764,196</u>	<u>\$ 1,402,130</u>	<u>\$ 14,166,326</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (247,111)</u>	<u>\$ 500</u>	<u>\$ (246,611)</u>
Net Change in Fund Balances	\$ (247,111)	\$ 500	\$ (246,611)
Fund Balance, July 1, 2011	<u>3,644,203</u>	<u>100,000</u>	<u>3,744,203</u>
Fund Balance, June 30, 2012	<u>\$ 3,397,092</u>	<u>\$ 100,500</u>	<u>\$ 3,497,592</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, 2012

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)		\$ (246,611)
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 240,216	
Less: current-year depreciation expense	<u>(677,774)</u>	(437,558)
<p>(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.</p>		
Less: proceeds received from the disposal of capital assets		(48,184)
<p>(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2012	\$ 207,664	
Less: deferred delinquent property taxes and other deferred June 30, 2011	<u>(239,075)</u>	(31,411)
<p>(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.</p>		
Add: principal payments on note		61,099
<p>(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Change in other postemployment benefits liability		<u>(105,561)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (808,226)</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, 2012

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,897,034	\$ 0	\$ 0	\$ 2,897,034	\$ 2,812,942	\$ 2,812,942	\$ 84,092
Licenses and Permits	836	0	0	836	1,500	1,500	(664)
Charges for Current Services	97,736	0	0	97,736	85,500	85,500	12,236
Other Local Revenues	27,668	0	0	27,668	31,000	31,000	(3,332)
State of Tennessee	8,811,067	0	0	8,811,067	8,665,038	8,797,706	13,361
Federal Government	682,744	0	0	682,744	645,097	759,026	(76,282)
Total Revenues	\$ 12,517,085	\$ 0	\$ 0	\$ 12,517,085	\$ 12,241,077	\$ 12,487,674	\$ 29,411
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 5,909,143	\$ (7,458)	\$ 1,925	\$ 5,903,610	\$ 6,047,900	\$ 6,219,779	\$ 316,169
Alternative Instruction Program	0	0	0	0	500	500	500
Special Education Program	866,918	0	0	866,918	894,150	894,150	27,232
Vocational Education Program	381,542	0	0	381,542	435,850	419,350	37,808
Adult Education Program	13,818	0	0	13,818	19,550	19,550	5,732
<u>Support Services</u>							
Attendance	103,796	0	0	103,796	113,396	113,396	9,600
Health Services	184,029	(830)	322	183,521	129,935	199,435	15,914
Other Student Support	442,654	0	0	442,654	482,600	478,400	35,746
Regular Instruction Program	551,967	0	0	551,967	509,120	565,741	13,774
Special Education Program	88,137	0	0	88,137	95,700	95,700	7,563
Vocational Education Program	37,631	0	0	37,631	45,645	45,645	8,014
Adult Programs	103,896	0	0	103,896	109,700	109,700	5,804
Other Programs	35,023	0	0	35,023	0	35,023	0

(Continued)

Exhibit I-6

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Board of Education	\$ 133,694	\$ 0	\$ 0	\$ 133,694	\$ 202,275	\$ 192,575	\$ 58,881
Director of Schools	134,391	0	999	135,390	154,000	149,500	14,110
Office of the Principal	329,169	0	510	329,679	335,600	336,220	6,541
Fiscal Services	74,669	0	1,273	75,942	79,055	79,055	3,113
Operation of Plant	775,915	0	1,500	777,415	931,200	919,500	142,085
Maintenance of Plant	170,843	(3,640)	61	167,264	187,150	187,150	19,886
Transportation	660,671	(2,357)	0	658,314	692,050	692,050	33,736
<u>Operation of Non-Instructional Services</u>							
Food Service	637,710	0	0	637,710	594,997	708,926	71,216
Community Services	204,010	0	0	204,010	182,200	277,825	73,815
Early Childhood Education	306,703	(18,011)	1,512	290,204	329,845	329,845	39,641
<u>Capital Outlay</u>							
Regular Capital Outlay	124,095	(9,966)	87,890	202,019	150,000	206,000	3,981
Principal on Debt	61,099	0	0	61,099	61,100	61,100	1
<u>Other Debt Service</u>							
Education	432,673	0	0	432,673	0	425,000	(7,673)
Total Expenditures	\$ 12,764,196	\$ (42,262)	\$ 95,992	\$ 12,817,926	\$ 12,783,518	\$ 13,761,115	\$ 943,189
Excess (Deficiency) of Revenues Over Expenditures	\$ (247,111)	\$ 42,262	\$ (95,992)	\$ (300,841)	\$ (542,441)	\$ (1,273,441)	\$ 972,600

(Continued)

Exhibit I-6

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ 0 \$	0 \$	0 \$	0 \$	(425,000)	\$ 0 \$	0
Total Other Financing Sources (Uses)	\$ 0 \$	0 \$	0 \$	0 \$	(425,000)	\$ 0 \$	0
Net Change in Fund Balance	\$ (247,111) \$	42,262 \$	(95,992) \$	(300,841) \$	(967,441)	\$ (1,273,441) \$	972,600
Fund Balance, July 1, 2011	3,644,203	(42,262)	0	3,601,941	3,098,801	3,098,801	503,140
Fund Balance, June 30, 2012	\$ 3,397,092 \$	0 \$	(95,992) \$	3,301,100 \$	2,131,360 \$	1,825,360 \$	1,475,740

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,402,630	\$ 1,564,305	\$ 1,520,726	\$ (118,096)
Total Revenues	\$ 1,402,630	\$ 1,564,305	\$ 1,520,726	\$ (118,096)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 718,800	\$ 757,809	\$ 748,807	\$ 30,007
Special Education Program	423,948	529,756	497,388	73,440
Vocational Education Program	18,972	16,443	18,972	0
<u>Support Services</u>				
Other Student Support	83,872	75,819	84,063	191
Regular Instruction Program	96,313	109,900	104,990	8,677
Special Education Program	23,065	30,494	25,251	2,186
Vocational Education Program	1,463	1,250	1,463	0
Transportation	35,697	42,834	39,791	4,094
Total Expenditures	\$ 1,402,130	\$ 1,564,305	\$ 1,520,725	\$ 118,595
Excess (Deficiency) of Revenues Over Expenditures	\$ 500	\$ 0	\$ 1	\$ 499
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 71,470	\$ 0	\$ 0
Transfers Out	0	(71,470)	0	0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0
Net Change in Fund Balance	\$ 500	\$ 0	\$ 1	\$ 499
Fund Balance, July 1, 2011	100,000	0	0	100,000
Fund Balance, June 30, 2012	\$ 100,500	\$ 0	\$ 1	\$ 100,499

MISCELLANEOUS SCHEDULES

Exhibit J-1

Decatur County, Tennessee
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds
Primary Government and Discretely Presented Decatur County School Department
For the Year Ended June 30, 2012

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-11	Paid and/or	
						Matured During Period	Outstanding 6-30-12
<u>PRIMARY GOVERNMENT</u>							
<u>NOTES PAYABLE</u>							
Payable through Solid Waste/Sanitation Fund							
Solid Waste Capital Outlay Note 2009	\$ 61,275	3.5 %	10-14-09	10-14-21	\$ 54,237	\$ 4,420	\$ 49,817
Payable through General Debt Service Fund							
Beech River Airport	245,500	4.05	10-28-05	10-21-17	143,210	20,458	122,752
Total Notes Payable					\$ 197,447	\$ 24,878	\$ 172,569
<u>CAPITAL LEASES PAYABLE</u>							
Payable through General Debt Service Fund							
Sheriff Department Vehicle	22,589	6.95	8-27-08	8-27-11	\$ 5,824	\$ 5,824	\$ 0
Total Capital Leases Payable					\$ 5,824	\$ 5,824	\$ 0
<u>BONDS PAYABLE</u>							
Payable through Highway/Public Fund							
General Obligation Refunding Bonds, Series 2008	1,974,000	2.2 to 4	6-5-08	6-1-27	\$ 1,029,000	\$ 333,000	\$ 696,000
Total Payable through Highway/Public Works Fund					\$ 1,029,000	\$ 333,000	\$ 696,000
Payable through General Debt Service Fund							
School Refunding Bonds, Series 2003	2,210,000	1.45 to 4.25	1-1-03	6-1-18	\$ 1,195,000	\$ 155,000	\$ 1,040,000
School Refunding Bonds, Series 2003	8,510,000	3.42	3-1-03	3-1-18	4,460,000	580,000	3,880,000
Improvement Bonds, Series 2007	6,000,000	4.14	5-9-07	5-1-37	5,640,000	130,000	5,510,000
General Obligation Refunding Bonds, Series 2008	1,866,000	2.2 to 4	6-5-08	6-1-27	1,816,000	32,000	1,784,000
General Obligation Improvement Bonds, Series 2008	520,000	2.2 to 4	6-5-08	6-1-27	460,000	20,000	440,000
Total Payable through General Debt Service Fund					\$ 13,571,000	\$ 917,000	\$ 12,654,000
Total Bonds Payable					\$ 14,600,000	\$ 1,250,000	\$ 13,350,000
<u>DISCRETELY PRESENTED DECATUR COUNTY SCHOOL DEPARTMENT</u>							
<u>NOTES PAYABLE</u>							
Payable through General Purpose School Fund							
Energy Efficiency Loan	427,694	0	4-1-08	6-1-15	\$ 244,397	\$ 61,099	\$ 183,298
Total Notes Payable					\$ 244,397	\$ 61,099	\$ 183,298

Exhibit J-2

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

PRIMARY GOVERNMENT

Year Ending June 30	Notes		
	Principal	Interest	Total
2013	\$ 25,043	\$ 6,665	\$ 31,708
2014	25,208	5,671	30,879
2015	25,379	4,671	30,050
2016	25,554	3,669	29,223
2017	25,741	2,653	28,394
2018	25,935	1,634	27,569
2019	5,671	608	6,279
2020	5,874	404	6,278
2021	6,087	192	6,279
2022	2,077	16	2,093
Total	\$ 172,569	\$ 26,183	\$ 198,752

Year Ending June 30	Bonds		
	Principal	Interest	Total
2013	\$ 1,315,000	\$ 503,250	\$ 1,818,250
2014	1,360,000	458,810	1,818,810
2015	1,065,000	411,966	1,476,966
2016	1,110,000	373,738	1,483,738
2017	1,150,000	333,477	1,483,477
2018	1,150,000	291,738	1,441,738
2019	305,000	249,929	554,929
2020	325,000	238,569	563,569
2021	335,000	226,169	561,169
2022	350,000	213,389	563,389
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	\$ 13,350,000	\$ 4,855,109	\$ 18,205,109

(Continued)

Exhibit J-2

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

DISCRETELY PRESENTED DECATUR
COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Notes		
	Principal	Interest	Total
2013	\$ 61,099	\$ 0	\$ 61,099
2014	61,099	0	61,099
2015	61,100	0	61,100
Total	\$ 183,298	\$ 0	\$ 183,298

Exhibit J-3

Decatur County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Decatur County School Department
For the Year Ended June 30, 2012

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 60,350	\$ 25,000	Auto Owners Insurance Company
Road Supervisor	Section 8-24-102, TCA	57,477	100,000	"
Director of Schools	State Board of Education and County Board of Education	93,900 (1)	50,000	Ohio Casualty Insurance Company
Trustee	Section 8-24-102, TCA	52,251	512,900	Auto Owners Insurance Company
Assessor of Property	Section 8-24-102, TCA	52,251	10,000	Ohio Casualty Insurance Company
County Clerk	Section 8-24-102, TCA	52,251	25,000	Auto Owners Insurance Company
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	52,251	30,000	"
Clerk and Master	Section 8-24-102, TCA and Chancery Court Judge	52,251 (2)	35,000	Ohio Casualty Insurance Company
Register	Section 8-24-102, TCA	52,251	15,000	Auto Owners Insurance Company
Sheriff	Section 8-24-102, TCA	58,077 (3)	25,000	"
Employee Blanket Bonds:				
Office:				
County Mayor - All Employees			150,000	Local Government Property and Casualty Fund
Road Supervisor - All Employees			150,000	"
Director of Schools - All Employees			150,000	Tennessee Risk Management Trust

(1) Includes a chief executive officer training supplement of \$800.

(2) Does not include special commissioner fees of \$24,565.

(3) Includes a law enforcement training supplement of \$600.

Decatur County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2012

	Special Revenue Funds						Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 2,111,443	\$ 239,034	\$ 0	\$ 0	\$ 0	\$ 159,352	\$ 2,509,829
Trustee's Collections - Prior Year	102,135	12,677	0	0	0	18,295	133,107
Trustee's Collections - Bankruptcy	10	1	0	0	0	1	12
Circuit/Clerk & Master Collections - Prior Years	42,153	5,323	0	0	0	5,934	53,410
Interest and Penalty	16,672	2,116	0	0	0	2,886	21,674
Payments in-Lieu-of Taxes - T.V.A.	1,720	0	0	0	0	3,095	4,815
Payments in-Lieu-of Taxes - Local Utilities	52,367	0	0	0	0	10,474	62,841
Payments in-Lieu-of Taxes - Other	166	0	0	0	0	0	166
<u>County Local Option Taxes</u>							
Local Option Sales Tax	183,794	0	0	0	0	122,529	306,323
Hotel/Motel Tax	32,098	0	0	0	0	0	32,098
Wheel Tax	0	0	0	0	0	378,677	378,677
Litigation Tax - General	51,955	0	0	0	0	0	51,955
Litigation Tax - Special Purpose	700	0	0	0	0	0	700
Litigation Tax - Jail, Workhouse, or Courthouse	2,408	0	0	0	0	35,430	37,838
Business Tax	87,453	0	0	0	0	0	87,453
Mineral Severance Tax	39,303	0	0	0	27,794	0	67,097
<u>Statutory Local Taxes</u>							
Wholesale Beer Tax	214,525	0	0	0	0	0	214,525
Interstate Telecommunications Tax	146	0	0	0	0	95	241
Total Local Taxes	\$ 2,939,048	\$ 259,151	\$ 0	\$ 0	\$ 27,794	\$ 736,768	\$ 3,962,761
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Cable TV Franchise	\$ 3,369	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,369
<u>Permits</u>							
Beer Permits	1,938	0	0	0	0	0	1,938
Other Permits	130	0	0	0	0	0	130
Total Licenses and Permits	\$ 5,437	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,437

(Continued)

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

	Special Revenue Funds							Total
	Constituti-				Highway / Public Works	Debt		
	General	Solid Waste / Sanitation	Drug Control	tional Officers - Fees		General Debt Service	Service Fund	
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 1,439	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,439
Officers Costs	1,843	0	0	0	0	0	0	1,843
Drug Control Fines	0	0	1,029	0	0	0	0	1,029
Drug Court Fees	525	0	0	0	0	0	0	525
DUI Treatment Fines	95	0	0	0	0	0	0	95
Data Entry Fee - Circuit Court	1,121	0	0	0	0	0	0	1,121
Victims Assistance Assessments	462	0	0	0	0	0	0	462
<u>General Sessions Court</u>								
Fines	25,384	0	0	0	0	0	0	25,384
Officers Costs	12,314	0	0	0	0	0	0	12,314
Game and Fish Fines	196	0	0	0	0	0	0	196
Drug Control Fines	0	0	3,959	0	0	0	0	3,959
Drug Court Fees	3,187	0	0	0	0	0	0	3,187
Jail Fees	2,174	0	0	0	0	0	0	2,174
DUI Treatment Fines	4,241	0	0	0	0	0	0	4,241
Data Entry Fee - General Sessions Court	2,520	0	0	0	0	0	0	2,520
Courtroom Security Fee	38	0	0	0	0	0	0	38
Victims Assistance Assessments	11,830	0	0	0	0	0	0	11,830
<u>Juvenile Court</u>								
Fines	1,784	0	0	0	0	0	0	1,784
<u>Chancery Court</u>								
Officers Costs	842	0	0	0	0	0	0	842
Data Entry Fee - Chancery Court	776	0	0	0	0	0	0	776
Courtroom Security Fee	6	0	0	0	0	0	0	6
Total Fines, Forfeitures, and Penalties	\$ 70,777	\$ 0	\$ 4,988	\$ 0	\$ 0	\$ 0	\$ 0	\$ 75,765
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Surcharge - Host Agency	\$ 0	\$ 43,444	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 43,444
Solid Waste Disposal Fees	0	516	0	0	0	0	0	516

(Continued)

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

	Special Revenue Funds							Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Debt Service Fund		
						General Debt	Service	
<u>Charges for Current Services (Cont.)</u>								
<u>General Service Charges (Cont.)</u>								
Patient Charges	\$ 399,199	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 399,199
Fees								
Recreation Fees	143,949	0	0	0	0	0	0	143,949
Copy Fees	100	0	0	0	0	0	0	100
Telephone Commissions	4,417	0	0	0	0	0	0	4,417
Vending Machine Collections	6,797	0	0	0	0	0	0	6,797
Special Commissioner Fees/Special Master Fees	0	0	0	24,565	0	0	0	24,565
Data Processing Fee - Register	4,620	0	0	0	0	0	0	4,620
Probation Fees	15,430	0	0	0	0	0	0	15,430
Data Processing Fee - Sheriff	1,440	0	0	0	0	0	0	1,440
Sexual Offender Registration Fees - Sheriff	1,530	0	0	0	0	0	0	1,530
Data Processing Fee - County Clerk	124	0	0	0	0	0	0	124
<u>Education Charges</u>								
Community Service Fees - Adults	29,853	0	0	0	0	0	0	29,853
<u>Other Charges for Services</u>								
Other Charges for Current Services	26,800	0	0	0	0	0	0	26,800
Total Charges for Current Services	\$ 634,259	\$ 43,960	\$ 0	\$ 24,565	\$ 0	\$ 0	\$ 0	\$ 702,784
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 64	\$ 0	\$ 0	\$ 0	\$ 0	\$ 30,774	\$ 0	\$ 30,838
Sale of Recycled Materials	0	41,384	0	0	11,036	0	0	52,420
Miscellaneous Refunds	11,306	0	0	0	443	0	0	11,749
<u>Nonrecurring Items</u>								
Sale of Equipment	13,005	0	0	0	1,660	0	0	14,665
Contributions and Gifts	0	0	70,052	0	0	0	0	70,052
<u>Other Local Revenues</u>								
Other Local Revenues	527	0	0	0	0	0	0	527
Total Other Local Revenues	\$ 24,902	\$ 41,384	\$ 70,052	\$ 0	\$ 13,139	\$ 30,774	\$ 0	\$ 180,251

(Continued)

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

	Special Revenue Funds							Total
	Constituti -				Highway / Public Works	Debt Service Fund		
	General	Solid Waste / Sanitation	Drug Control	Constituti - Officers - Fees		General Debt Service		
<u>Fees Received from County Officials</u>								
<u>Fees in-Lieu-of Salary</u>								
County Clerk	\$ 122,314	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	122,314
Circuit Court Clerk	54,876	0	0	0	0	0	0	54,876
General Sessions Court Clerk	97,751	0	0	0	0	0	0	97,751
Clerk and Master	39,615	0	0	0	0	0	0	39,615
Register	50,981	0	0	0	0	0	0	50,981
Sheriff	8,028	0	0	0	0	0	0	8,028
Trustee	106,317	0	0	0	0	0	0	106,317
Total Fees Received from County Officials	\$ 479,882	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 479,882
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 66,978	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	66,978
Aging Programs	20,440	0	0	0	0	0	0	20,440
Solid Waste Grants	0	2,980	0	0	0	0	0	2,980
<u>Public Safety Grants</u>								
Law Enforcement Training Programs	7,800	0	0	0	0	0	0	7,800
Health and Welfare Grants								
Other Health and Welfare Grants	3,947	0	0	0	0	0	0	3,947
<u>Public Works Grants</u>								
Litter Program	44,791	0	0	0	0	0	0	44,791
<u>Other State Revenues</u>								
Income Tax	24,126	0	0	0	0	0	0	24,126
Resort District Sales Tax	197,672	0	0	0	0	0	0	197,672
Alcoholic Beverage Tax	47,248	0	0	0	0	0	0	47,248
Mixed Drink Tax	2,738	0	0	0	0	0	0	2,738
State Revenue Sharing - T.V.A.	337,280	0	0	0	0	0	27,501	364,781
Contracted Prisoner Boarding	170,590	0	0	0	0	0	0	170,590
Gasoline and Motor Fuel Tax	0	0	0	0	1,425,692	0	0	1,425,692
Petroleum Special Tax	0	0	0	0	8,483	0	0	8,483
Registrar's Salary Supplement	15,164	0	0	0	0	0	0	15,164

(Continued)

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

	Special Revenue Funds							Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitit- tional Officers - Fees	Highway / Public Works	General		
						Debt	Total	
<u>State of Tennessee (Cont.)</u>								
<u>Other State Revenues (Cont.)</u>								
Other State Grants	31,074	0	0	0	0	0	0	31,074
Other State Revenues	345,258	0	0	0	0	0	0	345,258
Total State of Tennessee	\$ 1,315,106	\$ 2,980	\$ 0	\$ 0	\$ 1,434,175	\$ 27,501	\$ 0	\$ 2,779,762
<u>Federal Government</u>								
<u>Federal Through State</u>								
Disaster Relief	0	0	0	0	255,824	0	0	255,824
Homeland Security Grants	26,578	0	0	0	0	0	0	26,578
Law Enforcement Grants	18,190	0	0	0	0	0	0	18,190
Other Federal through State	19,872	0	0	0	0	0	0	19,872
Total Federal Government	\$ 64,640	\$ 0	\$ 0	\$ 0	\$ 255,824	\$ 0	\$ 0	\$ 320,464
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Contributions	97,324	0	0	0	0	0	971,495	1,068,819
Total Other Governments and Citizens Groups	\$ 97,324	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 971,495	\$ 1,068,819
<u>Total</u>	\$ 5,631,375	\$ 347,475	\$ 75,040	\$ 24,565	\$ 1,730,932	\$ 1,766,538	\$ 0	\$ 9,575,925

Exhibit J-5

Decatur County, Tennessee
 Schedule of Detailed Revenues -
All Governmental Fund Types
 Discretely Presented Decatur County School Department
 For the Year Ended June 30, 2012

	General Purpose School	School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 1,454,106	\$ 0	\$ 1,454,106
Trustee's Collections - Prior Year	77,117	0	77,117
Trustee's Collections - Bankruptcy	11	0	11
Circuit/Clerk & Master Collections - Prior Years	36,322	0	36,322
Interest and Penalty	12,882	0	12,882
Payments in-Lieu-of Taxes - T.V.A.	4,540	0	4,540
Payments in-Lieu-of Taxes - Local Utilities	8,284	0	8,284
Payments in-Lieu-of Taxes - Other	762	0	762
<u>County Local Option Taxes</u>			
Local Option Sales Tax	1,092,972	0	1,092,972
Wheel Tax	152,186	0	152,186
Mineral Severance Tax	56,974	0	56,974
<u>Statutory Local Taxes</u>			
Interstate Telecommunications Tax	878	0	878
Total Local Taxes	\$ 2,897,034	\$ 0	\$ 2,897,034
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 836	\$ 0	\$ 836
Total Licenses and Permits	\$ 836	\$ 0	\$ 836
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
Receipts from Individual Schools	\$ 7,384	\$ 0	\$ 7,384
Community Service Fees - Children	76,828	0	76,828
<u>Other Charges for Services</u>			
Other Charges for Services	13,524	0	13,524
Total Charges for Current Services	\$ 97,736	\$ 0	\$ 97,736
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Investment Income	\$ 7,084	\$ 0	\$ 7,084
Refund of Telecommunication & Internet Fees (E-Rate)	16,954	0	16,954
Miscellaneous Refunds	71	0	71
<u>Nonrecurring Items</u>			
Sale of Equipment	130	0	130
Damages Recovered from Individuals	80	0	80
Contributions and Gifts	3,349	0	3,349
Total Other Local Revenues	\$ 27,668	\$ 0	\$ 27,668
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
On-Behalf Contributions for OPEB	\$ 35,023	\$ 0	\$ 35,023
<u>State Education Funds</u>			
Basic Education Program	7,825,000	0	7,825,000
Early Childhood Education	287,791	0	287,791
School Food Service	8,696	0	8,696
Other State Education Funds	74,933	0	74,933

(Continued)

Exhibit J-5

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

	General Purpose School	School Federal Projects	Total
<u>State of Tennessee (Cont.)</u>			
<u>State Education Funds (Cont.)</u>			
Coordinated School Health - ARRA	\$ 93,000	\$ 0	\$ 93,000
Family Resource Centers - ARRA	28,992	0	28,992
Statewide Student Management System (SSMS) - ARRA	4,309	0	4,309
Career Ladder Program	92,100	0	92,100
Career Ladder - Extended Contract	44,200	0	44,200
Career Ladder - Extended Contract - ARRA	44,667	0	44,667
<u>Other State Revenues</u>			
Mixed Drink Tax	2,795	0	2,795
State Revenue Sharing - T.V.A.	259,909	0	259,909
Safe Schools - ARRA	8,800	0	8,800
Other State Revenues	852	0	852
Total State of Tennessee	\$ 8,811,067	\$ 0	\$ 8,811,067
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 391,291	\$ 0	\$ 391,291
USDA - Commodities	31,429	0	31,429
Breakfast	151,145	0	151,145
USDA - Other	13,916	0	13,916
Adult Education State Grant Program	94,963	0	94,963
Vocational Education - Basic Grants to States	0	29,293	29,293
Title I Grants to Local Education Agencies	0	460,372	460,372
Special Education - Grants to States	0	446,458	446,458
Special Education Preschool Grants	0	36,752	36,752
English Language Acquisition Grants	0	14,863	14,863
Rural Education	0	26,632	26,632
Eisenhower Professional Development State Grants	0	66,474	66,474
Race-to-the-Top - ARRA	0	91,017	91,017
Other Federal through State	0	230,769	230,769
Total Federal Government	\$ 682,744	\$ 1,402,630	\$ 2,085,374
Total	\$ 12,517,085	\$ 1,402,630	\$ 13,919,715

Exhibit J-6

Decatur County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2012

General FundGeneral GovernmentCounty Commission

Board and Committee Members Fees	\$ 18,900	
Audit Services	3,527	
Legal Notices, Recording, and Court Costs	846	
Postal Charges	35	
Other Charges	50	
Total County Commission		\$ 23,358

Board of Equalization

Board and Committee Members Fees	\$ 621	
Total Board of Equalization		621

Beer Board

Board and Committee Members Fees	\$ 1,750	
Total Beer Board		1,750

Other Boards and Committees

Board and Committee Members Fees	\$ 2,400	
Total Other Boards and Committees		2,400

County Mayor/Executive

County Official/Administrative Officer	\$ 60,350	
Accountants/Bookkeepers	50,255	
Postal Charges	849	
Travel	529	
Office Supplies	3,035	
Data Processing Equipment	830	
Total County Mayor/Executive		115,848

Personnel Office

Maintenance Agreements	\$ 6,384	
Postal Charges	250	
Travel	457	
Office Supplies	242	
Other Supplies and Materials	573	
Data Processing Equipment	403	
Total Personnel Office		8,309

County Attorney

Legal Services	\$ 7,393	
Total County Attorney		7,393

(Continued)

Exhibit J-6

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

General Fund (Cont.)

General Government (Cont.)

Election Commission

County Official/Administrative Officer	\$ 47,026	
Part-time Personnel	628	
Other Salaries and Wages	23,278	
Election Commission	2,645	
Election Workers	6,340	
Communication	1,250	
Dues and Memberships	175	
Legal Notices, Recording, and Court Costs	1,889	
Maintenance and Repair Services - Buildings	2,400	
Maintenance and Repair Services - Equipment	7,537	
Maintenance and Repair Services - Office Equipment	150	
Postal Charges	1,336	
Printing, Stationery, and Forms	10,307	
Rentals	9,580	
Travel	1,128	
Electricity	944	
Natural Gas	428	
Office Supplies	2,492	
Water and Sewer	438	
Other Supplies and Materials	3,864	
Office Equipment	186	
Total Election Commission		\$ 124,021

Register of Deeds

County Official/Administrative Officer	\$ 52,251	
Secretary(ies)	23,278	
Dues and Memberships	422	
Maintenance Agreements	780	
Postal Charges	270	
Office Supplies	465	
Data Processing Equipment	4,938	
Total Register of Deeds		82,404

County Buildings

Custodial Personnel	\$ 9,600
Communication	21,995
Maintenance and Repair Services - Buildings	4,079
Maintenance and Repair Services - Equipment	2,372
Other Contracted Services	436
Custodial Supplies	2,701

(Continued)

Exhibit J-6

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Electricity	\$ 36,105	
Natural Gas	1,949	
Water and Sewer	1,781	
Other Charges	579	
Building Improvements	<u>2,500</u>	
Total County Buildings		\$ 84,097

Finance

Property Assessor's Office

County Official/Administrative Officer	\$ 52,251	
Deputy(ies)	23,278	
Other Salaries and Wages	23,278	
In-Service Training	175	
Data Processing Services	3,920	
Dues and Memberships	900	
Maintenance Agreements	1,537	
Maintenance and Repair Services - Vehicles	25	
Postal Charges	792	
Other Contracted Services	4,115	
Data Processing Supplies	643	
Gasoline	1,010	
Office Supplies	<u>690</u>	
Total Property Assessor's Office		112,614

Reappraisal Program

Other Salaries and Wages	\$ 8,916	
Data Processing Services	2,726	
Other Supplies and Materials	<u>673</u>	
Total Reappraisal Program		12,315

County Trustee's Office

County Official/Administrative Officer	\$ 52,251
Deputy(ies)	46,556
Communication	843
Data Processing Services	4,400
Dues and Memberships	527
Legal Notices, Recording, and Court Costs	43
Maintenance Agreements	6,704
Postal Charges	3,625
Travel	1,000

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Data Processing Supplies	\$ 453	
Office Supplies	988	
Data Processing Equipment	1,039	
Office Equipment	500	
Total County Trustee's Office		\$ 118,929

County Clerk's Office

County Official/Administrative Officer	\$ 52,251	
Deputy(ies)	46,556	
Dues and Memberships	427	
Maintenance Agreements	1,669	
Postal Charges	3,500	
Travel	914	
Office Supplies	2,668	
Data Processing Equipment	1,980	
Total County Clerk's Office		109,965

Administration of Justice

Circuit Court Clerk

County Official/Administrative Officer	\$ 52,251	
Deputy(ies)	46,556	
Other Salaries and Wages	390	
Jury and Witness Expense	2,325	
Dues and Memberships	392	
Legal Notices, Recording, and Court Costs	1,353	
Maintenance Agreements	12,310	
Postal Charges	2,220	
Travel	1,185	
Office Supplies	3,384	
Total Circuit Court Clerk		122,366

General Sessions Judge

Judge(s)	\$ 83,638	
Probation Officer(s)	16,510	
Dues and Memberships	200	
Travel	1,000	
Office Supplies	196	
Total General Sessions Judge		101,544

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Drug Court

Remittance of Revenue Collected	\$ 5,883	
Total Drug Court		\$ 5,883

Chancery Court

County Official/Administrative Officer	\$ 52,251	
Part-time Personnel	270	
Other Salaries and Wages	23,278	
Dues and Memberships	392	
Maintenance Agreements	3,743	
Postal Charges	485	
Office Supplies	1,824	
Total Chancery Court		82,243

Juvenile Court

County Official/Administrative Officer	\$ 29,093	
Communication	529	
Dues and Memberships	190	
Maintenance Agreements	358	
Postal Charges	45	
Travel	954	
Other Contracted Services	100	
Office Supplies	443	
Other Charges	125	
Total Juvenile Court		31,837

Victims Assistance Programs

Other Per Diem and Fees	\$ 13,119	
Total Victims Assistance Programs		13,119

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 57,477
Deputy(ies)	307,803
Investigator(s)	44,623
Salary Supplements	7,800
Part-time Personnel	34,992
Overtime Pay	20,123
Other Salaries and Wages	31,928
In-Service Training	3,834
Communication	13,523

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Dues and Memberships	\$ 1,645	
Maintenance Agreements	4,322	
Maintenance and Repair Services - Buildings	939	
Maintenance and Repair Services - Equipment	1,493	
Maintenance and Repair Services - Vehicles	20,146	
Postal Charges	1,535	
Tow-in Services	360	
Travel	3,267	
Other Contracted Services	17,459	
Gasoline	61,095	
Office Supplies	5,869	
Uniforms	4,236	
Other Charges	991	
Law Enforcement Equipment	5,418	
Motor Vehicles	19,993	
Office Equipment	4,232	
Other Equipment	6,980	
Total Sheriff's Department		\$ 682,083

Jail

Supervisor/Director	\$ 24,161	
Deputy(ies)	364,005	
Maintenance and Repair Services - Buildings	7,414	
Medical and Dental Services	42,499	
Other Contracted Services	7,322	
Custodial Supplies	14,777	
Drugs and Medical Supplies	2,500	
Electricity	48,984	
Food Supplies	49,851	
Law Enforcement Supplies	385	
Natural Gas	7,811	
Water and Sewer	7,576	
Other Supplies and Materials	1,465	
Law Enforcement Equipment	1,176	
Other Construction	845	
Total Jail		580,771

Juvenile Services

Assistant(s)	\$ 13,700
Supervisor/Director	20,000

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Safety (Cont.)

Juvenile Services (Cont.)

Youth Service Officer(s)	\$ 11,971	
Medical Personnel	12,978	
Communication	1,824	
Maintenance Agreements	358	
Postal Charges	90	
Travel	772	
Other Contracted Services	769	
Office Supplies	364	
Total Juvenile Services		\$ 62,826

Work Release Program

Supervisor/Director	\$ 43,123	
Probation Officer(s)	172,285	
Accountants/Bookkeepers	11,315	
Secretary(ies)	3,255	
Part-time Personnel	26,683	
Other Salaries and Wages	3,425	
Other Fringe Benefits	48,202	
Communication	9,556	
Maintenance and Repair Services - Equipment	934	
Postal Charges	490	
Printing, Stationery, and Forms	1,467	
Rentals	18,600	
Travel	11,059	
Other Contracted Services	9,960	
Electricity	4,381	
Natural Gas	2,271	
Office Supplies	14,138	
Water and Sewer	1,171	
Building and Contents Insurance	7,719	
Other Charges	9,440	
Motor Vehicles	23,750	
Total Work Release Program		423,224

Fire Prevention and Control

Supervisor/Director	\$ 17,995
Contributions	5,000
Maintenance and Repair Services - Vehicles	1,500
Other Supplies and Materials	22
Liability Insurance	44,967

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Other Equipment	\$ 49,141	
Total Fire Prevention and Control		\$ 118,625

Civil Defense

Supervisor/Director	\$ 20,555	
Communication	3,043	
Travel	147	
Diesel Fuel	5,009	
Electricity	1,750	
Natural Gas	1,375	
Office Supplies	36	
Motor Vehicles	6,000	
Other Equipment	<u>47,666</u>	
Total Civil Defense		85,581

Rescue Squad

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

Other Emergency Management

Supervisor/Director	\$ 34,800	
Dispatchers/Radio Operators	171,186	
Part-time Personnel	<u>33,937</u>	
Total Other Emergency Management		239,923

County Coroner/Medical Examiner

Contracts with Government Agencies	\$ 17,825	
Other Supplies and Materials	<u>440</u>	
Total County Coroner/Medical Examiner		18,265

Other Public Safety

Supervisor/Director	\$ 225	
Total Other Public Safety		225

Public Health and Welfare

Local Health Center

Salary Supplements	\$ 12,382	
Custodial Personnel	5,100	
Communication	2,717	
Maintenance and Repair Services - Buildings	949	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Postal Charges	\$	132	
Other Contracted Services		990	
Custodial Supplies		528	
Drugs and Medical Supplies		790	
Electricity		5,444	
Natural Gas		677	
Office Supplies		901	
Water and Sewer		1,090	
Other Charges		1,000	
Total Local Health Center			\$ 32,700

Ambulance/Emergency Medical Services

Supervisor/Director	\$	34,335
Medical Personnel		216,289
Part-time Personnel		50,808
Overtime Pay		69,161
In-Service Training		2,000
Social Security		13,975
State Retirement		6,467
Medical Insurance		22,500
Unemployment Compensation		4,291
Employer Medicare		4,688
Communication		4,189
Contracts with Private Agencies		331
Dues and Memberships		165
Evaluation and Testing		2,452
Licenses		1,768
Maintenance and Repair Services - Buildings		4,613
Maintenance and Repair Services - Equipment		4,494
Maintenance and Repair Services - Vehicles		28,643
Postal Charges		53
Travel		61
Other Contracted Services		26,322
Custodial Supplies		2,120
Diesel Fuel		30,954
Drugs and Medical Supplies		25,461
Electricity		2,598
Gasoline		1,496
Natural Gas		1,501
Office Supplies		2,738

(Continued)

Exhibit J-6

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.)

Water and Sewer	\$	778	
Other Supplies and Materials		2,590	
Building and Contents Insurance		9,074	
Liability Insurance		2,125	
Vehicle and Equipment Insurance		7,722	
Workers' Compensation Insurance		32,878	
Other Charges		548	
Communication Equipment		1,161	
Data Processing Equipment		1,258	
Motor Vehicles		49,944	
Office Equipment		268	
Other Equipment		343	
Total Ambulance/Emergency Medical Services			\$ 673,162

Crippled Children Services

Contributions	\$	796	
Total Crippled Children Services			796

Sanitation Education/Information

Laborers	\$	21,258	
Instructional Supplies and Materials		3,476	
Other Supplies and Materials		8,732	
Total Sanitation Education/Information			33,466

Other Public Health and Welfare

Supervisor/Director	\$	3,200	
Travel		529	
Total Other Public Health and Welfare			3,729

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$	21,566	
Other Salaries and Wages		16,629	
Communication		1,445	
Contributions		2,500	
Maintenance and Repair Services - Buildings		4,870	
Maintenance and Repair Services - Vehicles		456	
Transportation - Other than Students		11,960	
Electricity		7,339	
Natural Gas		1,222	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Senior Citizens Assistance (Cont.)

Office Supplies	\$	60	
Water and Sewer		360	
Other Supplies and Materials		500	
Total Senior Citizens Assistance			\$ 68,907

Libraries

Supervisor/Director	\$	22,753	
Other Salaries and Wages		22,619	
Communication		1,068	
Dues and Memberships		165	
Maintenance Agreements		2,235	
Maintenance and Repair Services - Buildings		231	
Maintenance and Repair Services - Equipment		105	
Postal Charges		702	
Travel		468	
Data Processing Supplies		1,600	
Library Books/Media		3,468	
Office Supplies		1,454	
Other Supplies and Materials		1,510	
Other Charges		4,567	
Data Processing Equipment		900	
Total Libraries			63,845

Parks and Fair Boards

Supervisor/Director	\$	31,815	
Part-time Personnel		27,409	
Communication		3,103	
Maintenance and Repair Services - Buildings		3,732	
Maintenance and Repair Services - Equipment		7,102	
Maintenance and Repair Services - Vehicles		88	
Postal Charges		62	
Other Contracted Services		22,112	
Custodial Supplies		6,500	
Electricity		70,580	
Fertilizer, Lime, and Seed		177	
Natural Gas		7,306	
Water and Sewer		10,867	
Other Supplies and Materials		1,578	
Other Charges		6,015	
Other Equipment		1,347	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Parks and Fair Boards (Cont.)

Other Construction	\$ 9,040	
Total Parks and Fair Boards		\$ 208,833

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$ 36,719	
Other Fringe Benefits	3,264	
Communication	1,433	
Maintenance Agreements	363	
Electricity	4,262	
Natural Gas	1,840	
Water and Sewer	619	
Office Equipment	137	
Total Agriculture Extension Service		48,637

Forest Service

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

Soil Conservation

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

Other Operations

Tourism

Advertising	\$ 649	
Total Tourism		649

Industrial Development

Contributions	\$ 15,000	
Total Industrial Development		15,000

Airport

Contributions	\$ 24,000	
Total Airport		24,000

Veterans' Services

Supervisor/Director	\$ 8,743	
Maintenance Agreements	483	
Postal Charges	89	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services (Cont.)

Travel	\$ 691	
Office Equipment	240	
Total Veterans' Services		\$ 10,246

Other Charges

Instructional Supplies and Materials	\$ 15,896	
Road Signs	975	
Liability Insurance	60,300	
Trustee's Commission	30,762	
Vehicle and Equipment Insurance	20,600	
Workers' Compensation Insurance	71,099	
Other Charges	3,862	
Total Other Charges		203,494

Employee Benefits

Social Security	\$ 163,038	
State Retirement	121,477	
Medical Insurance	129,811	
Unemployment Compensation	19,420	
Employer Medicare	36,695	
Total Employee Benefits		470,441

Miscellaneous

Contributions	\$ 9,150	
Dues and Memberships	6,659	
Total Miscellaneous		15,809

Interest on Debt

General Government

Interest on Notes	\$ 11,897	
Total General Government		11,897

Total General Fund \$ 5,273,450

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$ 27,825
Truck Drivers	17,626
Laborers	25,930

(Continued)

Exhibit J-6

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Management (Cont.)

Overtime Pay	\$ 5,251	
Communication	1,275	
Legal Notices, Recording, and Court Costs	98	
Maintenance and Repair Services - Buildings	552	
Maintenance and Repair Services - Equipment	5,293	
Maintenance and Repair Services - Vehicles	13,425	
Other Contracted Services	7,913	
Diesel Fuel	19,912	
Electricity	3,240	
Gasoline	20,500	
Natural Gas	2,091	
Tires and Tubes	4,195	
Water and Sewer	459	
Other Supplies and Materials	5,301	
Other Charges	1,081	
Motor Vehicles	4,428	
Solid Waste Equipment	23,650	
Total Sanitation Management		\$ 190,045

Convenience Centers

Laborers	\$ 61,000	
Communication	554	
Maintenance and Repair Services - Buildings	1,153	
Maintenance and Repair Services - Equipment	496	
Electricity	3,795	
Water and Sewer	1,313	
Gravel and Chert	752	
Other Supplies and Materials	458	
Other Charges	38	
Building Improvements	355	
Solid Waste Equipment	3,075	
Total Convenience Centers		72,989

Other Operations

Other Charges

Liability Insurance	\$ 10,062	
Trustee's Commission	985	
Vehicle and Equipment Insurance	3,354	
Workers' Compensation Insurance	11,864	
Surcharge	6,228	
Total Other Charges		32,493

(Continued)

Exhibit J-6

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

Solid Waste/Sanitation Fund (Cont.)

Other Operations (Cont.)

Employee Benefits

Social Security	\$ 7,999	
State Retirement	3,167	
Medical Insurance	9,591	
Unemployment Compensation	1,886	
Employer Medicare	<u>1,963</u>	
Total Employee Benefits		\$ 24,606

Principal on Debt

General Government

Principal on Notes	\$ <u>4,420</u>	
Total General Government		4,420

Interest on Debt

General Government

Interest on Notes	\$ <u>1,859</u>	
Total General Government		<u>1,859</u>

Total Solid Waste/Sanitation Fund \$ 326,412

Drug Control Fund

Public Safety

Drug Enforcement

Salary Supplements	\$ 3,000	
Trustee's Commission	49	
Motor Vehicles	<u>38,700</u>	
Total Drug Enforcement		\$ 41,749

Other Operations

Employee Benefits

Social Security	\$ 186	
State Retirement	170	
Employer Medicare	<u>44</u>	
Total Employee Benefits		<u>400</u>

Total Drug Control Fund 42,149

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$ <u>24,565</u>	
Total Chancery Court		\$ <u>24,565</u>

Total Constitutional Officers - Fees Fund 24,565

(Continued)

Exhibit J-6

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 57,477	
Assistant(s)	27,531	
Accountants/Bookkeepers	27,531	
Communication	5,488	
Dues and Memberships	2,278	
Evaluation and Testing	969	
Postal Charges	149	
Printing, Stationery, and Forms	222	
Travel	1,087	
Other Contracted Services	6,475	
Electricity	5,275	
Natural Gas	650	
Office Supplies	883	
Water and Sewer	838	
Total Administration		\$ 136,853

Highway and Bridge Maintenance

Laborers	\$ 280,438	
Overtime Pay	5,806	
Handling Charges and Administrative Costs	476	
Rentals	4,812	
Crushed Stone	132,456	
Pipe	53,786	
Road Signs	264	
Wood Products	1,122	
Total Highway and Bridge Maintenance		479,160

Operation and Maintenance of Equipment

Mechanic(s)	\$ 87,360	
Overtime Pay	11,230	
Diesel Fuel	88,450	
Equipment and Machinery Parts	59,551	
Gasoline	42,789	
Lubricants	2,521	
Tires and Tubes	21,468	
Total Operation and Maintenance of Equipment		313,369

Other Charges

Liability Insurance	\$ 32,975
Trustee's Commission	14,687

(Continued)

Exhibit J-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges (Cont.)

Workers' Compensation Insurance	\$ 35,744	
Total Other Charges		\$ 83,406

Employee Benefits

Social Security	\$ 37,194	
State Retirement	24,144	
Medical Insurance	<u>120,274</u>	
Total Employee Benefits		181,612

Capital Outlay

Other Contracted Services	\$ 350,496	
Highway Equipment	<u>20,500</u>	
Total Capital Outlay		370,996

Principal on Debt

Highways and Streets

Principal on Bonds	\$ 333,000	
Total Highways and Streets		333,000

Interest on Debt

Highways and Streets

Interest on Bonds	\$ 30,557	
Total Highways and Streets		<u>30,557</u>

Total Highway/Public Works Fund		\$ 1,928,953
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General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 292,000	
Principal on Notes	20,458	
Principal on Capital Leases	<u>5,824</u>	
Total General Government		\$ 318,282

Education

Principal on Bonds	\$ 735,000	
Total Education		735,000

(Continued)

Exhibit J-6

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

General Debt Service Fund (Cont.)

Interest on Debt

General Government

Interest on Bonds	\$ 361,447	
Interest on Notes	5,878	
Interest on Capital Leases	<u>405</u>	
Total General Government		\$ 367,730

Education

Interest on Bonds	\$ <u>200,762</u>	
Total Education		200,762

Other Debt Service

General Government

Trustee's Commission	\$ 6,729	
Other Debt Service	<u>1,514</u>	
Total General Government		8,243

Education

Other Debt Service	\$ <u>2,610</u>	
Total Education		<u>2,610</u>

Total General Debt Service Fund \$ 1,632,627

Total Governmental Funds - Primary Government \$ 9,228,156

Exhibit J-7

Decatur County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Decatur County School Department
For the Year Ended June 30, 2012

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 3,959,577	
Career Ladder Program	50,500	
Career Ladder Extended Contracts	29,350	
Homebound Teachers	2,990	
Educational Assistants	111,824	
Other Salaries and Wages	10,000	
Non-certified Substitute Teachers	91,353	
Social Security	239,097	
State Retirement	358,812	
Medical Insurance	322,920	
Unemployment Compensation	7,000	
Employer Medicare	57,421	
Maintenance and Repair Services - Equipment	10,249	
Other Contracted Services	49,491	
Instructional Supplies and Materials	73,277	
Textbooks	121,000	
Other Supplies and Materials	26,034	
Other Charges	39,902	
Regular Instruction Equipment	348,346	
Total Regular Instruction Program		\$ 5,909,143

Special Education Program

Teachers	\$ 533,184	
Career Ladder Program	10,000	
Homebound Teachers	4,340	
Speech Pathologist	100,754	
Non-certified Substitute Teachers	15,300	
Social Security	37,623	
State Retirement	58,669	
Medical Insurance	54,620	
Unemployment Compensation	750	
Employer Medicare	8,801	
Maintenance and Repair Services - Equipment	675	
Other Contracted Services	38,879	
Instructional Supplies and Materials	1,315	
Other Supplies and Materials	2,008	
Total Special Education Program		866,918

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Teachers	\$	300,540	
Career Ladder Program		2,000	
Social Security		18,312	
State Retirement		25,501	
Medical Insurance		12,672	
Unemployment Compensation		350	
Employer Medicare		4,283	
Instructional Supplies and Materials		13,135	
Textbooks		4,122	
Vocational Instruction Equipment		627	
Total Vocational Education Program			\$ 381,542

Adult Education Program

Teachers	\$	10,494	
Unemployment Compensation		50	
Employer Medicare		152	
Instructional Supplies and Materials		2,042	
Other Equipment		1,080	
Total Adult Education Program			13,818

Support Services

Attendance

Supervisor/Director	\$	79,668	
Clerical Personnel		1,214	
Social Security		3,329	
State Retirement		5,069	
Medical Insurance		3,350	
Unemployment Compensation		100	
Employer Medicare		1,133	
Maintenance and Repair Services - Equipment		1,497	
Travel		165	
Other Contracted Services		4,309	
Other Supplies and Materials		1,941	
Attendance Equipment		2,021	
Total Attendance			103,796

Health Services

Other Salaries and Wages	\$	64,793
Social Security		3,984

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services (Cont.)

State Retirement	\$	5,615	
Medical Insurance		7,066	
Unemployment Compensation		200	
Employer Medicare		932	
Postal Charges		550	
Travel		4,426	
Other Contracted Services		72,881	
Drugs and Medical Supplies		50	
Other Supplies and Materials		21,132	
Health Equipment		2,400	
Total Health Services			\$ 184,029

Other Student Support

Career Ladder Program	\$	3,050	
Guidance Personnel		103,618	
Social Security		6,686	
State Retirement		9,654	
Medical Insurance		3,321	
Employer Medicare		1,511	
Contracts with Other School Systems		303,800	
Evaluation and Testing		6,290	
Travel		182	
Other Supplies and Materials		600	
Other Charges		3,942	
Total Other Student Support			442,654

Regular Instruction Program

Supervisor/Director	\$	142,621
Career Ladder Program		5,800
Librarians		185,244
Instructional Computer Personnel		25,266
Secretary(ies)		100,395
Social Security		24,975
State Retirement		32,990
Medical Insurance		15,711
Unemployment Compensation		720
Employer Medicare		6,375
Travel		1,827
Library Books/Media		8,031

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Other Supplies and Materials	\$	500	
In Service/Staff Development		1,512	
Total Regular Instruction Program			\$ 551,967

Special Education Program

Supervisor/Director	\$	58,154	
Career Ladder Program		1,000	
Clerical Personnel		9,650	
Social Security		4,257	
State Retirement		5,899	
Unemployment Compensation		100	
Employer Medicare		996	
Communication		2,500	
Travel		5,581	
Total Special Education Program			88,137

Vocational Education Program

Supervisor/Director	\$	28,824	
Social Security		1,730	
State Retirement		2,563	
Unemployment Compensation		75	
Employer Medicare		405	
Travel		3,258	
Other Supplies and Materials		676	
In Service/Staff Development		100	
Total Vocational Education Program			37,631

Adult Programs

Supervisor/Director	\$	60,486	
Career Ladder Program		2,000	
Career Ladder Extended Contracts		2,000	
Other Salaries and Wages		20,700	
Social Security		4,735	
State Retirement		7,005	
Medical Insurance		5,538	
Unemployment Compensation		100	
Employer Medicare		1,107	
Travel		179	
In Service/Staff Development		46	
Total Adult Programs			103,896

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Programs

On-Behalf Payments to OPEB	\$ 35,023	
Total Other Programs		\$ 35,023

Board of Education

Board and Committee Members Fees	\$ 12,000	
Social Security	744	
Employer Medicare	174	
Audit Services	12,000	
Dues and Memberships	6,329	
Legal Services	780	
Trustee's Commission	44,551	
Workers' Compensation Insurance	47,462	
Refund to Applicant for Criminal Investigation	432	
Other Charges	9,222	
Total Board of Education		133,694

Director of Schools

County Official/Administrative Officer	\$ 93,100	
Career Ladder Program	400	
Career Ladder Extended Contracts	400	
Social Security	5,641	
State Retirement	8,498	
Medical Insurance	3,132	
Unemployment Compensation	100	
Employer Medicare	1,319	
Communication	13,932	
Maintenance and Repair Services - Equipment	365	
Postal Charges	1,039	
Travel	1,721	
Other Contracted Services	1,623	
Office Supplies	2,456	
Other Charges	664	
Administration Equipment	1	
Total Director of Schools		134,391

Office of the Principal

Principals	\$ 255,461
Career Ladder Program	4,000
Social Security	14,583

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

State Retirement	\$	23,481	
Medical Insurance		22,782	
Unemployment Compensation		150	
Employer Medicare		3,411	
Communication		4,800	
Other Charges		500	
Administration Equipment		<u>1</u>	
Total Office of the Principal	\$		329,169

Fiscal Services

Accountants/Bookkeepers	\$	54,570	
Social Security		3,385	
State Retirement		3,140	
Unemployment Compensation		100	
Employer Medicare		792	
Travel		1,500	
Other Contracted Services		7,755	
Office Supplies		2,700	
Administration Equipment		<u>727</u>	
Total Fiscal Services			74,669

Operation of Plant

Custodial Personnel	\$	184,408	
Social Security		11,371	
State Retirement		9,595	
Unemployment Compensation		500	
Employer Medicare		2,659	
Custodial Supplies		45,982	
Electricity		299,199	
Natural Gas		67,574	
Water and Sewer		45,155	
Building and Contents Insurance		88,234	
Other Charges		900	
Plant Operation Equipment		<u>20,338</u>	
Total Operation of Plant			775,915

Maintenance of Plant

Maintenance Personnel	\$	62,680	
Social Security		3,886	

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

State Retirement	\$	1,334	
Unemployment Compensation		300	
Employer Medicare		909	
Maintenance and Repair Services - Buildings		61,561	
Maintenance and Repair Services - Equipment		556	
Other Contracted Services		16,000	
Gasoline		4,664	
Other Charges		2,459	
Maintenance Equipment		16,494	
Total Maintenance of Plant			\$ 170,843

Transportation

Supervisor/Director	\$	38,280	
Mechanic(s)		18,280	
Bus Drivers		245,409	
Social Security		18,485	
State Retirement		7,620	
Medical Insurance		3,172	
Unemployment Compensation		800	
Employer Medicare		4,323	
Communication		6,759	
Maintenance and Repair Services - Vehicles		41,192	
Medical and Dental Services		3,645	
Travel		723	
Diesel Fuel		123,807	
Garage Supplies		522	
Gasoline		5,887	
Tires and Tubes		7,990	
Vehicle Parts		1,500	
Other Charges		911	
Transportation Equipment		131,366	
Total Transportation			660,671

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	27,078
Clerical Personnel		6,490
Other Salaries and Wages		280
Social Security		2,095

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

State Retirement	\$	2,874	
Unemployment Compensation		100	
Employer Medicare		490	
Payments to Schools - Breakfast		151,145	
Payments to Schools - Lunch		391,291	
Payments to Schools - Other		13,916	
Travel		1,500	
USDA - Commodities		31,429	
In Service/Staff Development		847	
Food Service Equipment		8,175	
Total Food Service			\$ 637,710

Community Services

Supervisor/Director	\$	50,493	
Other Salaries and Wages		111,939	
Social Security		9,196	
State Retirement		10,758	
Medical Insurance		8,115	
Unemployment Compensation		400	
Employer Medicare		2,151	
Travel		1,292	
Food Supplies		1,604	
Other Supplies and Materials		5,976	
Other Equipment		2,086	
Total Community Services			204,010

Early Childhood Education

Supervisor/Director	\$	4,575	
Teachers		119,805	
Clerical Personnel		2,000	
Other Salaries and Wages		48,852	
Social Security		10,126	
State Retirement		13,774	
Medical Insurance		11,409	
Unemployment Compensation		350	
Employer Medicare		2,368	
Maintenance and Repair Services - Equipment		5,398	
Travel		3,213	
Food Supplies		2,500	

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

Other Supplies and Materials	\$ 67,317	
In Service/Staff Development	156	
Other Equipment	<u>14,860</u>	
Total Early Childhood Education		\$ 306,703

Capital Outlay

Regular Capital Outlay

Building Improvements	\$ <u>124,095</u>	
Total Regular Capital Outlay		124,095

Principal on Debt

Education

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

Other Debt Service

Education

Contributions	\$ <u>432,673</u>	
Total Education		<u>432,673</u>

Total General Purpose School Fund \$ 12,764,196

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 535,553	
Other Salaries and Wages	1,500	
Social Security	31,890	
State Retirement	48,604	
Medical Insurance	24,260	
Unemployment Compensation	374	
Employer Medicare	7,457	
Other Contracted Services	16,180	
Instructional Supplies and Materials	19,572	
Regular Instruction Equipment	<u>33,410</u>	
Total Regular Instruction Program		\$ 718,800

Special Education Program

Teachers	\$ 39,196	
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(Continued)

Exhibit J-7

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Educational Assistants	\$ 257,845	
Other Salaries and Wages	46,479	
Social Security	20,892	
State Retirement	19,303	
Medical Insurance	6,264	
Unemployment Compensation	330	
Employer Medicare	4,886	
Maintenance and Repair Services - Equipment	3,538	
Other Contracted Services	10,000	
Instructional Supplies and Materials	2,646	
Other Supplies and Materials	6,087	
Special Education Equipment	6,482	
Total Special Education Program		\$ 423,948

Vocational Education Program

Vocational Instruction Equipment	\$ 18,972	
Total Vocational Education Program		18,972

Support Services

Other Student Support

Guidance Personnel	\$ 33,888	
Other Salaries and Wages	17,700	
Social Security	2,920	
State Retirement	4,068	
Employer Medicare	735	
Contracts with Other School Systems	11,963	
Travel	8,138	
Other Contracted Services	790	
Other Supplies and Materials	919	
In Service/Staff Development	720	
Other Charges	2,031	
Total Other Student Support		83,872

Regular Instruction Program

Supervisor/Director	\$ 60,424
In-Service Training	13,200
Social Security	4,502
State Retirement	6,663
Unemployment Compensation	50

(Continued)

Exhibit J-7

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Employer Medicare	\$	1,053	
Travel		5,539	
Library Books/Media		505	
Other Supplies and Materials		1,167	
In Service/Staff Development		3,210	
Total Regular Instruction Program			\$ 96,313

Special Education Program

Clerical Personnel	\$	9,636	
Social Security		597	
State Retirement		544	
Unemployment Compensation		35	
Employer Medicare		140	
Travel		6,026	
Other Supplies and Materials		6,087	
Total Special Education Program			23,065

Vocational Education Program

Supervisor/Director	\$	1,254	
Social Security		78	
State Retirement		113	
Employer Medicare		18	
Total Vocational Education Program			1,463

Transportation

Bus Drivers	\$	32,504	
Social Security		2,014	
State Retirement		633	
Unemployment Compensation		75	
Employer Medicare		471	
Total Transportation			35,697

Total School Federal Projects Fund \$ 1,402,130

Total Governmental Funds - Decatur County School Department \$ 14,166,326

Exhibit J-8

Decatur County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2012

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 794,574
Total Cash Receipts	<u>\$ 794,574</u>
<u>Cash Disbursements</u>	
Remittance of Revenue Collected	\$ 471,612
Trustee's Commission	8,554
Contributions	<u>314,408</u>
Total Cash Disbursements	<u>\$ 794,574</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2011	<u>0</u>
Cash Balance, June 30, 2012	<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
PHONE (615) 401-7841

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

January 11, 2013

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Decatur County, Tennessee, as of and for the year ended June 30, 2012, which collectively comprise Decatur County's basic financial statements and have issued our report thereon dated January 11, 2013. Our report on the aggregate discretely presented component units expresses an adverse opinion because the financial statements do not include the Decatur County General Hospital, a material component unit whose financial statements were not available from other auditors at the date of this report. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented Decatur County 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

The management of Decatur County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Decatur County's internal control over financial reporting as a basis for

designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Decatur County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Decatur County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be 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 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 following deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness: 12.03.

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 following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 12.06, 12.07, and 12.08.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Decatur County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items 12.01, 12.02, 12.04, 12.05, 12.09, and 12.10.

We also noted certain matters that we reported to management of Decatur County in separate communications.

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

Very truly yours,

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

Justin P. Wilson
Comptroller of the Treasury

JPW/yu



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
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PHONE (615) 401-7841

INDEPENDENT AUDITOR'S REPORT
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
IN ACCORDANCE WITH OMB CIRCULAR A-133

January 11, 2013

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying Schedule of Expenditures of Federal Awards of Decatur County, Tennessee, for the year ended June 30, 2012. The schedule is the responsibility of Decatur County's management. Our responsibility is to express an opinion on the Decatur County's Schedule of Expenditures of Federal Awards based on our audit.

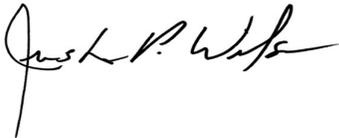
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, 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 the Schedule of Expenditures of Federal Awards is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Expenditures of Federal Awards. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall presentation of the schedule. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Schedule of Expenditures of Federal Awards presents fairly, in all material respects, the expenditures of federal awards of Decatur County in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2013, on our consideration of Decatur County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent vertical stroke at the beginning.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
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DIVISION OF LOCAL GOVERNMENT AUDIT
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REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditor's Report

January 11, 2013

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited Decatur County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Decatur County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Decatur County's management. Our responsibility is to express an opinion on Decatur County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and*

Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Decatur County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Decatur County's compliance with those requirements.

In our opinion, Decatur County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Decatur County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Decatur County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Yours very truly,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent vertical stroke at the beginning.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

Decatur County, Tennessee
Schedule of Expenditures and Federal Awards and State Grants (1)
For the Year Ended June 30, 2012

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	\$ 151,145
National School Lunch Program	10.555	N/A	391,291 (3)
Special Milk Program for Children	10.556	N/A	13,916
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	31,429 (3)
Total U.S. Department of Agriculture			<u>\$ 587,781</u>
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			<u>\$ 9,000</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	Z-12-GHS0083	\$ 18,190
Total U.S. Department of Transportation			<u>\$ 18,190</u>
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	\$ 94,963
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	473,575
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	446,458
Special Education - Preschool Grants	84.173	N/A	36,251
Career and Technical Education - Basic Grants to States	84.048	N/A	29,293
State Grants for Innovative Programs	84.298	N/A	25,269
Educational Technology State Grants Cluster:			
Educational Technology State Grants	84.318	N/A	482
Educational Technology State Grants, Recovery Act	84.386	N/A	681
English Language Acquisition State Grants	84.365	N/A	14,835
Improving Teacher Quality State Grants	84.367	N/A	54,662
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	(2)	91,017
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	(2)	179,768
Education Jobs Fund	84.410	(2)	229,606
Total U.S. Department of Education			<u>\$ 1,676,860</u>
U.S. Department of Health and Human Services:			
Passed-through Southwest Tennessee Development District:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	(2)	\$ 20,440
Total U.S. Department of Health and Human Services			<u>\$ 20,440</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(2)	\$ 255,824
Emergency Management Performance Grants	97.042	(2)	24,000
Homeland Security Grant Program	97.067	DHS-2009-HSGP-Z-2581	26,578
Total U.S. Department of Homeland Security			<u>\$ 306,402</u>
Total Expenditures of Federal Awards			<u>\$ 2,618,673</u>

(Continued)

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

Federal/Pass Through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Voting Equipment Grant - Tennessee Secretary of State	N/A	(2)	\$ 1,270
Juvenile Justice and Delinquency Prevention - State Department of Children's Services	N/A	(2)	57,978
Library Grant - State Library and Archives	N/A	(2)	5,804
Waste Tire Option Grant - State Department of Environment and Conservation	N/A	(2)	2,980
Preventive Health and Human Services - State Department of Health	N/A	(2)	3,947
Litter Grant - State Department of Transportation	N/A	(2)	44,791
Early Childhood Education - State Department of Education	N/A	(2)	287,791
ACT/Explore - State Department of Education	N/A	(2)	3,548
LEAPS Program - State Department of Education	N/A	(2)	70,765
Alternative Punishment Program - State Department of Correction	N/A	(2)	<u>345,258</u>
 Total State Grants			 <u>\$ 824,132</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) Total for CFDA No. 10.555 is \$422,720.

Decatur County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2012

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, 2011, which have not been corrected.

OFFICE OF COUNTY MAYOR

Finding Number	Page Number	Subject
11.01	152	Tax anticipation notes were not retired in compliance with state statute

OFFICES OF COUNTY MAYOR AND ROAD SUPERVISOR

Finding Number	Page Number	Subject
11.03	153	Material audit adjustments were required for proper financial statement presentation

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

Finding Number	Page Number	Subject
11.04	153	Duties were not segregated adequately
11.05	154	Multiple employees operated from the same cash drawer

DECATUR COUNTY

Finding Number	Page Number	Subject
11.06	154	Decatur County has a material recurring audit finding
11.07	155	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, 2012

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the aggregate discretely presented component units expresses an adverse opinion. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Decatur County disclosed significant deficiencies in internal control. One of these deficiencies was considered to be a material weakness.
3. The audit disclosed two 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 unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, and Special Milk Program for Children (CFDA Nos. 10.553, 10.555, and 10.556); Title I Grants to Local Educational Agencies (CFDA No. 84.010); the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Decatur County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response; however, management did not provide responses for inclusion in this report.

OFFICE OF COUNTY MAYOR

FINDING 12.01 **TAX ANTICIPATION NOTES WERE NOT RETIRED IN COMPLIANCE WITH STATE STATUTE**

(Material Noncompliance Under *Government Auditing Standards*)

During the 2008-09 year, the General and Solid Waste/Sanitation funds borrowed \$200,000 and \$75,952, respectively, from the General Debt Service Fund to provide cash for operations. These notes were not retired by June 30, 2009, as required by state statute. On May 25, 2010, the Solid Waste/Sanitation Fund repaid \$30,000 to the General Debt Service Fund. On March 29, 2012, the General Fund repaid \$200,000 to the General Debt Service Fund. As of June 30 2012, the Solid Waste/Sanitation Fund still owed the General Debt Service Fund \$45,952. This note was not retired by June 30, 2012, because of cash flow problems and has not been retired as of the date of this report.

Section 9-21-801, *Tennessee Code Annotated*, authorizes the County Commission to issue tax anticipation notes with the approval of the state Comptroller's Office provided the notes are retired by the end of the fiscal year issued. This note has been reflected in the financial statements of this report as Due from Other Funds in the General Debt Service Fund and Due to Other Funds in the Solid Waste/Sanitation Fund.

RECOMMENDATION

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

FINDING 12.02 **THE OFFICE DID NOT FILE A REPORT ON DEBT OBLIGATION WITH THE STATE COMPTROLLER'S OFFICE**

(Noncompliance Under *Government Auditing Standards*)

The office did not file a Report on Debt Obligation with the state Comptroller's Office for a \$450,000 tax anticipation note that was issued September 19, 2011. Section 9-21-151, *Tennessee Code Annotated*, requires that within 45 days following the issuance of debt, a county must provide to the state Comptroller's Office certain information, such as a description of the purchase for which the debt is issued, a description of the debt obligation, and an itemized description of the cost of issuance. This deficiency was the result of a lack of management oversight. The report was filed on September 26, 2012, after it was brought to their attention by the state Comptroller's Office.

RECOMMENDATION

The office should file a Report on Debt Obligation with the state Comptroller's Office within 45 days for each debt issuance.

OFFICES OF COUNTY MAYOR AND ROAD SUPERVISOR

FINDING 12.03 **MATERIAL AUDIT ADJUSTMENTS WERE REQUIRED FOR PROPER FINANCIAL STATEMENT PRESENTATION**
(Internal Control – Material Weakness Under *Government Auditing Standards*)

At June 30, 2012, various general ledger account balances of the General, Highway/Public Works, and General Debt Service funds were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Decatur County to have adequate internal controls over the maintenance of its accounting records. Material audit adjustments were required because the county's and the Highway Department's financial reporting systems did not prevent, detect, or correct potential misstatements in their accounting records. It is a strong indicator of a material weakness in internal controls if the county and Highway Department have ineffective controls over the maintenance of their accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. 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 and posted to properly present the financial statements in this report.

RECOMMENDATION

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

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 12.04 **EXPENDITURES EXCEEDED APPROPRIATIONS**
(Noncompliance Under *Government Auditing Standards*)

Expenditures exceeded appropriations approved by the County Commission in the Other Debt Service – Education major appropriation category (the legal level of control) of the General Purpose School Fund by \$7,673. 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.

RECOMMENDATION

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

OFFICE OF TRUSTEE

FINDING 12.05 **THE TRUSTEE DID NOT REQUIRE A DEPOSITORY TO ADEQUATELY COLLATERALIZE FUNDS**
(Noncompliance Under *Government Auditing Standards*)

The trustee did not require a depository holding county funds to pledge adequate securities to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2012, deposits at one depository exceeded FDIC coverage and collateral securities by \$748,318. 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 an oversight by management. 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 SHERIFF

FINDING 12.06 **THE OFFICE HAD ACCOUNTING DEFICIENCIES IN THE PRISONER COMMISSARY OPERATION**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The following deficiencies were noted during our examination of the office’s accounting records. These deficiencies can be attributed to a lack of understanding of internal controls and sound business practices.

- A. The office did not include activity involving commissary funds in its annual financial report.
- B. The office did not deposit collections to the commissary bank account on a timely basis. During the period under examination, some commissary funds were held for over two weeks before being deposited to the bank. Sound business practices require funds to be promptly deposited to the official bank

account. In addition, deposit slips were not itemized, and as a result, it was difficult to determine if all receipts were deposited. Failure to itemize deposit slips and to deposit collections on a timely basis weakens internal controls over funds and increases the risks for loss or theft.

- C. The office used manual generic receipts for commissary collections and in some instances failed to date these receipts. Sound business practices dictate that receipts contain all pertinent information. The commissary software used by the office has the capability to produce official prenumbered receipts.

RECOMMENDATION

The annual financial report should accurately reflect all operations of the Sheriff's Department. Commissary funds should be promptly deposited to the office bank account, and deposit slips should be itemized. The office should discontinue use of the manual receipts and utilize the official receipts provided by the software application.

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

FINDING 12.07 **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. 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 12.08 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. 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 12.09 DECATUR COUNTY HAS A MATERIAL RECURRING AUDIT FINDING
(Material Noncompliance Under *Government Auditing Standards*)

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

12.01, 11.01, 10.04	Tax anticipation notes were not retired in compliance with state statutes
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The recurring nature of the above-noted finding indicates that management is either unwilling or unable to address the deficiency. The Local Government Modernization Act of 2005 in Section 9-3-405, *Tennessee Code Annotated (TCA)*, encourages local governments to consider establishing an Audit Committee and further provides that the Comptroller may require that an Audit Committee be established in any local government that (1) is in noncompliance with the accounting and financial reporting standards required by the Governmental Accounting Standards Board, or (2) has recurring findings from the annual audit for three or more consecutive years as determined by the Comptroller to be a material weakness in internal control or material noncompliance under Government Auditing Standards. The responsibilities and duties of an Audit Committee are to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics.

RECOMMENDATION

Decatur County should establish an Audit Committee to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics. This Audit Committee should provide management with guidance to correct all reported material weaknesses in internal control and material noncompliance. If these findings continue to recur, Decatur County may be required to establish an Audit Committee under the provisions of Section 9-3-405, *TCA*.

FINDING 12.10 **CERTAIN FINANCIAL ACTIVITY OF THE DECATUR COUNTY PUBLIC LIBRARY WAS NOT AUDITED AND WAS NOT SUBJECT TO THE BUDGETARY CONTROL OF THE COUNTY COMMISSION**

(Noncompliance Under *Government Auditing Standards*)

The Decatur County Public Library operates as a department within the county's General Fund. A significant portion of the library's expenditures for the year was paid through the county's General Fund (\$63,845), 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 \$113,017 at June 30, 2012. 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, 2012**

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