



**ANNUAL FINANCIAL REPORT
DECATUR COUNTY, TENNESSEE**



FOR THE YEAR ENDED JUNE 30, 2014



**ANNUAL FINANCIAL REPORT
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FOR THE YEAR ENDED JUNE 30, 2014**

***COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON***

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

DECATUR COUNTY, TENNESSEE

TABLE OF CONTENTS

	Exhibit	Page(s)
Summary of Audit Findings		6-7
<u>INTRODUCTORY SECTION</u>		8
Decatur County Officials		9
<u>FINANCIAL SECTION</u>		10
Independent Auditor's Report		11-14
BASIC FINANCIAL STATEMENTS:		15
Government-wide Financial Statements:		
Statement of Net Position	A	16-17
Statement of Activities	B	18-19
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	20-21
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	C-2	22
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	23-24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	25
Statements of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Fund	C-5	26-27
Highway/Public Works Fund	C-6	28
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	D	29
Index and Notes to the Financial Statements		30-79
REQUIRED SUPPLEMENTARY INFORMATION:		80
Schedule of Funding Progress – Pension Plan – Primary Government and Discretely Presented Decatur County School Department	E-1	81
Schedule of Funding Progress – Other Postemployment Benefits Plans – Primary Government and Discretely Presented Decatur County School Department	E-2	82
Notes to the Required Supplementary Information		83

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		84
Nonmajor Governmental Funds:		85
Combining Balance Sheet	F-1	86
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	87
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
Solid Waste/Sanitation Fund	F-3	88
Drug Control Fund	F-4	89
Major Governmental Fund:		90
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	G	91
Fiduciary Funds:		92
Combining Statement of Fiduciary Assets and Liabilities	H-1	93
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	H-2	94
Component Unit:		
Discretely Presented Decatur County School Department:		95
Statement of Activities	I-1	96
Balance Sheet – Governmental Funds	I-2	97
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	I-3	98
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	I-4	99
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	I-5	100
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	I-6	101-102
School Federal Projects Fund	I-7	103
Miscellaneous Schedules:		104
Schedule of Changes in Long-term Notes and Bonds	J-1	105
Schedule of Long-term Debt Requirements by Year	J-2	106
Schedule of Transfers	J-3	107
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Decatur County School Department	J-4	108
Schedule of Detailed Revenues – All Governmental Fund Types	J-5	109-120
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Decatur County School Department	J-6	121-122
Schedule of Detailed Expenditures – All Governmental Fund Types	J-7	123-137
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Decatur County School Department	J-8	138-146
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	J-9	147

	Page(s)
<u>SINGLE AUDIT SECTION</u>	148
Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government</i> <i>Auditing Standards</i>	149-150
Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	151-153
Schedule of Expenditures of Federal Awards and State Grants	154-155
Schedule of Audit Findings Not Corrected	156-157
Schedule of Findings and Questioned Costs	158-166
Best Practice	167
Auditee Reporting Responsibilities	168

SUMMARY OF AUDIT FINDINGS

Annual Financial Report
Decatur County, Tennessee
For the Year Ended June 30, 2014

Scope

We have audited the basic financial statements of Decatur County as of and for the year ended June 30, 2014.

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICES OF COUNTY MAYOR AND ROAD SUPERVISOR

- ◆ The General, Highway/Public Works, and General Debt Service funds required material audit adjustments for proper financial statement presentation.
-

OFFICE OF COUNTY MAYOR

- ◆ Accounting records were not maintained on a current basis.
 - ◆ The office had deficiencies in budget operations.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ The Circuit and General Sessions Courts did not deposit some funds within three days of collection.
 - ◆ Circuit Court bank statements were not reconciled with the general ledger, and lists of outstanding checks were not prepared.
-

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

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

OFFICE OF SHERIFF

- ◆ The office had accounting deficiencies.
-

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.

INTRODUCTORY SECTION

Decatur County Officials

June 30, 2014

Officials

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

Board of County Commissioners

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

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

Board of Education

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

Dwight Lancaster
J. Wayne Stanfill
Rebecca Stanfill
Jimmy Tate

Audit Committee

Don Funderburk
Mickey Mays
Eugene Tubbs

FINANCIAL SECTION



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

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

To the County Mayor and Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Decatur County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Decatur County General Hospital, which represent 18.7 percent, .5 percent, and 36.6 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Also, we did not audit the financial statements of the Decatur County Emergency Communications District, which represent 5.9 percent, 8.9 percent, and 2.2 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion,

insofar as it relates to the amounts included for the Decatur County General Hospital and the Decatur County Emergency Communications District, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Decatur County, Tennessee, as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparisons for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note V.B., Decatur County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* and GASB Statement No. 70, *Accounting and Reporting for Nonexchange Financial Guarantees*, which have an effective date of June 30, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to

supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedules of funding progress – pension plans and other postemployment benefits plans on pages 81 - 83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Decatur County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Decatur County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Decatur County School Department (a discretely presented component unit), and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Decatur County School Department (a discretely presented component unit), and miscellaneous schedules

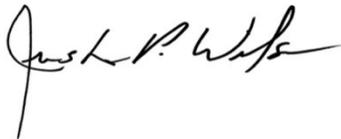
are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2015, on our consideration of Decatur County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Decatur County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

January 22, 2015

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Decatur County, Tennessee
Statement of Net Position
June 30, 2014

	Primary Government Governmental Activities	Component Units		
		Decatur County School Department	Decatur County General Hospital	Decatur County Emergency Communications District
<u>ASSETS</u>				
Cash	\$ 820	\$ 0	\$ 156,895	\$ 659,698
Equity in Pooled Cash and Investments	2,785,857	3,521,735	0	0
Inventories	0	0	173,347	0
Accounts Receivable	759,541	29,076	872,325	4,181
Allowance for Uncollectibles	(364,760)	0	0	0
Due from Other Governments	1,057,084	436,523	0	5,733
Due from Component Units	134,712	0	0	0
Property Taxes Receivable	2,953,748	1,711,299	0	0
Allowance for Uncollectible Property Taxes	(113,415)	(65,709)	0	0
Prepaid Items	0	0	29,197	8,000
Other Current Assets	0	0	0	140
Capital Assets:				
Assets Not Depreciated:				
Land	1,667,664	239,448	63,196	0
Assets Net of Accumulated Depreciation:				
Buildings and Improvements	6,785,903	5,379,877	838,530	0
Infrastructure	2,572,164	0	0	0
Other Capital Assets	1,473,700	1,336,013	978,788	309,369
Total Assets	<u>\$ 19,713,018</u>	<u>\$ 12,588,262</u>	<u>\$ 3,112,278</u>	<u>\$ 987,121</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Charge on Refunding	\$ 31,935	\$ 0	\$ 14,815	\$ 0
Total Deferred Outflows of Resources	<u>\$ 31,935</u>	<u>\$ 0</u>	<u>\$ 14,815</u>	<u>\$ 0</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 10,000	\$ 27,600	\$ 1,178,735	\$ 0
Payroll Deductions Payable	14,843	342,362	0	0
Accrued Leave	0	0	219,652	0
Accrued Interest Payable	64,371	0	0	0
Due to Primary Government	0	134,712	0	0
Due to State of Tennessee	6,981	0	0	0
Other Current Liabilities	0	0	351,481	0
Noncurrent Liabilities:				
Due Within One Year	1,215,312	0	504,741	0
Due in More Than One Year (net of deferred discount on debt and unamortized premium on debt)	9,920,963	476,517	820,971	0
Total Liabilities	<u>\$ 11,232,470</u>	<u>\$ 981,191</u>	<u>\$ 3,075,580</u>	<u>\$ 0</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 2,703,683	\$ 1,566,420	\$ 0	\$ 0
Total Deferred Inflows of Resources	<u>\$ 2,703,683</u>	<u>\$ 1,566,420</u>	<u>\$ 0</u>	<u>\$ 0</u>

(Continued)

Exhibit A

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

	Primary Government	Component Units		
		Decatur County School Department	Decatur County General Hospital	Decatur County Emergency Communications District
<u>NET POSITION</u>				
Net Investment in Capital Assets	\$ 5,106,195	\$ 6,955,338	\$ 497,291	\$ 309,369
Restricted for:				
General Government	7,276	0	0	0
Finance	5,067	0	0	0
Administration of Justice	37,542	0	0	0
Public Safety	212,650	0	0	0
Public Health and Welfare	12,304	0	0	0
Highway/Public Works	150,047	0	0	0
Education	0	7,172	0	0
Debt Service	26,034	0	0	0
Unrestricted	251,685	3,078,141	(445,778)	677,752
Total Net Position	<u>\$ 5,808,800</u>	<u>\$ 10,040,651</u>	<u>\$ 51,513</u>	<u>\$ 987,121</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, 2014

Functions/Programs	Net (Expense) Revenue and Changes in Net Position									
	Program Revenues					Component Units				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Decatur County School Department	Decatur County General Hospital	Decatur County Emergency Communications District	Primary Government	
									Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:										
Governmental Activities:										
General Government	\$ 1,068,707	\$ 59,959	\$ 33,902	\$ 0	\$ (974,846)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	512,093	245,522	0	0	(266,571)	0	0	0	0	0
Administration of Justice	493,084	422,063	9,000	0	(62,021)	0	0	0	0	0
Public Safety	2,772,760	470,512	499,778	714,192	(1,088,278)	0	0	0	0	0
Public Health and Welfare	1,920,333	1,807,120	98,249	0	(14,964)	0	0	0	0	0
Social, Cultural, and Recreational Services	457,877	182,794	30,535	0	(244,548)	0	0	0	0	0
Agriculture and Natural Resources	39,189	0	0	0	(39,189)	0	0	0	0	0
Highways/Public Works	1,389,153	0	1,442,395	266,379	319,621	0	0	0	0	0
Interest on Long-term Debt	401,498	0	836,311	0	434,813	0	0	0	0	0
Total Primary Government	\$ 9,054,694	\$ 3,187,970	\$ 2,950,170	\$ 980,571	\$ (1,935,983)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Component Units:										
Decatur County School Department	\$ 14,551,601	\$ 141,343	\$ 2,146,426	\$ 0	\$ 0	\$ (12,263,832)	\$ 0	\$ 0	\$ 0	\$ 0
Decatur County General Hospital	8,686,343	7,045,871	909,575	0	0	0	(730,897)	0	0	0
Decatur County Emergency Communications District	256,486	75,377	124,182	232,195	0	0	0	0	0	175,268
Total Component Units	\$ 23,494,430	\$ 7,262,591	\$ 3,180,183	\$ 232,195	\$ 0	\$ (12,263,832)	\$ (730,897)	\$ 0	\$ 0	\$ 175,268

(Continued)

Exhibit B

Decatur County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Component Units		
				Total Governmental Activities	Decatur County School Department	Decatur County General Hospital	Decatur County Emergency Communications District	
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes				\$ 2,393,416	\$ 1,614,221	\$ 0	\$ 0	0
Property Taxes Levied for Debt Service				393,284	0	0	0	0
Local Option Sales Taxes				331,673	1,176,469	0	0	0
Wheel Tax				365,135	203,269	0	0	0
Litigation Tax				113,330	0	0	0	0
Business Tax				75,795	0	0	0	0
Mineral Severance Tax				52,595	49,158	0	0	0
Wholesale Beer Tax				198,305	0	0	0	0
Other Local Taxes				29,640	1,619	0	0	0
Grants and Contributions Not Restricted to Specific Programs				723,154	8,693,173	450,000	66,365	0
Unrestricted Investment Income				16,310	3,409	409	1,059	0
Miscellaneous				60,824	16,808	1,100	0	0
Total General Revenues				\$ 4,753,461	\$ 11,758,126	\$ 451,509	\$ 67,424	0
Change in Net Position				\$ 2,817,478	\$ (505,706)	\$ (279,388)	\$ 242,692	0
Net Position, July 1, 2013				2,991,322	10,546,357	330,901	744,429	0
Net Position, June 30, 2014				\$ 5,808,800	\$ 10,040,651	\$ 51,513	\$ 987,121	0

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

Exhibit C-1

Decatur County, Tennessee
 Balance Sheet
 Governmental Funds
 June 30, 2014

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other	Governmental Funds	
\$	0 \$	0 \$	0 \$	820 \$	820 \$	820
Cash	1,491,811	82,152	1,024,718	187,176	2,785,857	2,785,857
Equity in Pooled Cash and Investments	758,486	0	312	743	759,541	759,541
Accounts Receivable	(364,760)	0	0	0	(364,760)	(364,760)
Allowance for Uncollectibles	685,275	265,121	83,205	23,483	1,057,084	1,057,084
Due from Other Governments	820	0	0	0	820	820
Due from Other Funds	0	0	73,612	0	73,612	73,612
Due from Component Units	2,250,475	0	421,964	281,309	2,953,748	2,953,748
Property Taxes Receivable	(86,411)	0	(16,202)	(10,802)	(113,415)	(113,415)
Allowance for Uncollectible Property Taxes						
Total Assets	4,735,696 \$	347,273 \$	1,587,609 \$	482,729 \$	7,153,307	7,153,307

ASSETS

Cash	820
Equity in Pooled Cash and Investments	2,785,857
Accounts Receivable	759,541
Allowance for Uncollectibles	(364,760)
Due from Other Governments	1,057,084
Due from Other Funds	820
Due from Component Units	73,612
Property Taxes Receivable	2,953,748
Allowance for Uncollectible Property Taxes	(113,415)

LIABILITIES

Accounts Payable	10,000 \$	0 \$	0 \$	0 \$	10,000
Payroll Deductions Payable	14,051	332	0	460	14,843
Due to Other Funds	0	0	0	820	820
Due to State of Tennessee	6,424	0	0	557	6,981
Total Liabilities	30,475 \$	332 \$	0 \$	1,837 \$	32,644

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes	2,059,950 \$	0 \$	386,240 \$	257,493 \$	2,703,683
Deferred Delinquent Property Taxes	98,437	0	18,458	12,304	129,199
Other Deferred/Unavailable Revenue	329,906	129,335	40,012	0	499,253
Total Deferred Inflows of Resources	2,488,293 \$	129,335 \$	444,710 \$	269,797 \$	3,332,135

(Continued)

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other	Governmental Funds	
\$	3,347	0	0	0	0	3,347
Restricted for General Government	5,067	0	0	0	0	5,067
Restricted for Finance	37,542	0	0	0	0	37,542
Restricted for Administration of Justice	189,755	0	0	22,895	0	212,650
Restricted for Public Safety	3,929	0	0	0	0	3,929
Restricted for Other Operations	0	20,712	0	0	0	20,712
Restricted for Highways/Public Works						
Committed:						
Committed for Public Health and Welfare	0	0	0	186,958	0	186,958
Committed for Highways/Public Works	0	196,894	0	0	0	196,894
Committed for Capital Outlay	0	0	0	1,242	0	1,242
Committed for Debt Service	0	0	1,142,899	0	0	1,142,899
Unassigned	1,977,288	0	0	0	0	1,977,288
Total Fund Balances	2,216,928	217,606	1,142,899	211,095	0	3,788,528
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	4,735,696	347,273	1,587,609	482,729	0	7,153,307

FUND BALANCES

Restricted:

- Restricted for General Government
- Restricted for Finance
- Restricted for Administration of Justice
- Restricted for Public Safety
- Restricted for Other Operations
- Restricted for Highways/Public Works

Committed:

- Committed for Public Health and Welfare
- Committed for Highways/Public Works
- Committed for Capital Outlay
- Committed for Debt Service

Unassigned

Total Fund Balances

Total Liabilities, Deferred Inflows of Resources, 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 Position
June 30, 2014

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$ 3,788,528
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 1,667,664	
Add: buildings and improvements net of accumulated depreciation	6,785,903	
Add: infrastructure net of accumulated depreciation	2,572,164	
Add: other capital assets net of accumulated depreciation	<u>1,473,700</u>	12,499,431
(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	\$ (10,725,000)	
Less: notes payable	(142,936)	
Add: debt to be contributed by the School Department	61,100	
Add: deferred amount on refunding	31,935	
Add: other deferred charges - discount on debt	4,737	
Less: other deferred revenue - premium on debt	(84,549)	
Less: compensated absences payable	(60,387)	
Less: accrued interest on bonds and note	(64,371)	
Less: other postemployment benefits liability	<u>(128,140)</u>	(11,107,611)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>628,452</u>
Net position of governmental activities (Exhibit A)		<u>\$ 5,808,800</u>

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

Exhibit C-3

Decatur County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other	Governmental Funds	
<u>Revenues</u>						
Local Taxes	\$ 2,793,766	\$ 26,697	\$ 953,678	\$ 268,997	\$ 4,043,138	
Licenses and Permits	5,203	0	0	0	5,203	
Fines, Forfeitures, and Penalties	119,937	0	0	2,257	122,194	
Charges for Current Services	1,745,325	0	0	44,443	1,789,768	
Other Local Revenues	25,545	47,922	16,310	76,039	165,816	
Fees Received from County Officials	521,812	0	0	0	521,812	
State of Tennessee	1,445,132	1,713,800	28,301	50,896	3,238,129	
Federal Government	632,702	0	0	0	632,702	
Other Governments and Citizens Groups	147,110	0	886,204	7,000	1,040,314	
Total Revenues	\$ 7,436,532	\$ 1,788,419	\$ 1,884,493	\$ 449,632	\$ 11,559,076	
<u>Expenditures</u>						
Current:						
General Government	\$ 572,992	\$ 0	\$ 0	\$ 75,000	\$ 647,992	
Finance	381,616	0	0	0	381,616	
Administration of Justice	361,042	0	0	3,489	364,531	
Public Safety	2,337,067	0	0	49,923	2,386,990	
Public Health and Welfare	2,021,405	0	0	288,602	2,310,007	
Social, Cultural, and Recreational Services	366,755	0	0	0	366,755	
Agriculture and Natural Resources	37,607	0	0	0	37,607	
Other Operations	861,688	0	0	141,503	1,003,191	
Highways	0	1,493,710	0	0	1,493,710	
Debt Service:						
Principal on Debt	0	0	1,436,557	0	1,436,557	
Interest on Debt	0	0	425,430	0	425,430	
Other Debt Service	0	0	235,941	0	235,941	
Total Expenditures	\$ 6,940,172	\$ 1,493,710	\$ 2,097,928	\$ 558,517	\$ 11,090,327	

(Continued)

Exhibit C-3

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other	Governmental Funds	
Excess (Deficiency) of Revenues Over Expenditures	\$ 496,360	\$ 294,709	\$ (213,435)	\$ (108,885)	\$	\$ 468,749
Other Financing Sources (Uses)						
Refunding Debt Issued	\$ 0	\$ 0	\$ 4,205,000	\$ 0	\$ 0	\$ 4,205,000
Premiums on Debt Issued	0	0	73,695	0	0	73,695
Insurance Recovery	26,023	467	0	0	0	26,490
Transfers In	0	0	363,943	71,242	0	435,185
Transfers Out	(71,242)	(363,943)	0	0	0	(435,185)
Payments to Refunded Debt Escrow Agent	0	0	(4,195,482)	0	0	(4,195,482)
Total Other Financing Sources (Uses)	\$ (45,219)	\$ (363,476)	\$ 447,156	\$ 71,242	\$	\$ 109,703
Net Change in Fund Balances	\$ 451,141	\$ (68,767)	\$ 233,721	\$ (37,643)	\$	\$ 578,452
Fund Balance, July 1, 2013	1,765,787	286,373	909,178	248,738		3,210,076
Fund Balance, June 30, 2014	\$ 2,216,928	\$ 217,606	\$ 1,142,899	\$ 211,095	\$	\$ 3,788,528

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, 2014

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)		\$	578,452
(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	\$	1,194,009	
Less: current-year depreciation expense		<u>(634,587)</u>	559,422
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net position.			
Add: assets donated and capitalized			96,165
(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, 2014	\$	628,452	
Less: deferred delinquent property taxes and other deferred June 30, 2013		<u>(361,628)</u>	266,824
(4) The issuance of long-term debt (e.g., bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items.			
Less: refunding bond proceeds	\$	(4,205,000)	
Less: change in premium on debt issuances		(62,489)	
Less: change in discount on debt issuances		(367)	
Add: principal payments on notes		81,557	
Add: principal payments on bonds		1,355,000	
Less: contributions from the School Department for note		(61,099)	
Add: refunded bond principal		4,160,000	
Add: change in deferred amount on refunding debt		<u>31,935</u>	1,299,537
(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	\$	23,932	
Change in compensated absences payable		1,457	
Change in other postemployment benefits liability		<u>(8,311)</u>	17,078
Change in net position of governmental activities (Exhibit B)		\$	<u><u>2,817,478</u></u>

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

Exhibit C-5

Decatur County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,793,766	\$ 2,723,610	\$ 2,723,610	\$ 70,156
Licenses and Permits	5,203	6,650	6,650	(1,447)
Fines, Forfeitures, and Penalties	119,937	72,380	72,380	47,557
Charges for Current Services	1,745,325	1,141,950	1,358,686	386,639
Other Local Revenues	25,545	13,000	34,046	(8,501)
Fees Received from County Officials	521,812	423,200	423,200	98,612
State of Tennessee	1,445,132	1,496,847	2,122,315	(677,183)
Federal Government	632,702	10,000	10,000	622,702
Other Governments and Citizens Groups	147,110	101,500	125,613	21,497
Total Revenues	\$ 7,436,532	\$ 5,989,137	\$ 6,876,500	\$ 560,032
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 27,015	\$ 32,750	\$ 32,750	\$ 5,735
Board of Equalization	754	1,500	1,500	746
Beer Board	750	2,200	2,200	1,450
Other Boards and Committees	3,100	3,500	3,500	400
County Mayor/Executive	122,231	125,765	125,765	3,534
Personnel Office	9,040	13,500	13,500	4,460
County Attorney	8,527	12,000	12,000	3,473
Election Commission	179,142	159,669	164,769	(14,373)
Register of Deeds	87,162	88,855	88,855	1,693
County Buildings	135,271	117,200	149,746	14,475
<u>Finance</u>				
Property Assessor's Office	123,644	124,778	124,778	1,134
Reappraisal Program	19,987	21,500	21,500	1,513
County Trustee's Office	127,592	126,178	127,679	87
County Clerk's Office	110,393	112,805	112,805	2,412
<u>Administration of Justice</u>				
Circuit Court Clerk	127,445	132,213	132,213	4,768
General Sessions Judge	108,482	104,006	109,416	934
Drug Court	2,249	5,000	5,000	2,751
Chancery Court	87,908	88,107	88,247	339
Juvenile Court	32,369	33,600	33,600	1,231
Victims Assistance Programs	2,589	13,120	13,120	10,531
<u>Public Safety</u>				
Sheriff's Department	689,000	740,305	750,593	61,593
Jail	627,103	662,779	662,779	35,676
Juvenile Services	65,206	74,377	74,377	9,171
Work Release Program	410,830	533,005	533,005	122,175
Fire Prevention and Control	68,376	76,624	76,624	8,248
Civil Defense	178,121	52,053	179,412	1,291
Rescue Squad	10,000	10,000	10,000	0
Other Emergency Management	261,493	261,724	279,545	18,052
County Coroner/Medical Examiner	25,938	31,000	31,000	5,062
Other Public Safety	1,000	1,000	1,000	0
<u>Public Health and Welfare</u>				
Local Health Center	32,036	41,000	41,000	8,964
Ambulance/Emergency Medical Services	1,498,532	872,215	1,537,926	39,394

(Continued)

Exhibit C-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare (Cont.)</u>				
Crippled Children Services	\$ 796	\$ 796	\$ 796	\$ 0
Other Local Health Services	450,000	0	450,000	0
General Welfare Assistance	8,000	15,000	15,000	7,000
Aid to Dependent Children	0	1,000	1,000	1,000
Sanitation Education/Information	32,041	33,700	33,700	1,659
Other Public Health and Welfare	0	5,182	5,182	5,182
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	81,444	75,986	87,186	5,742
Libraries	65,600	65,848	66,348	748
Parks and Fair Boards	219,711	226,245	235,120	15,409
<u>Agriculture and Natural Resources</u>				
Agricultural Extension Service	32,307	40,608	41,608	9,301
Forest Service	2,000	2,000	2,000	0
Soil Conservation	3,300	3,300	3,300	0
<u>Other Operations</u>				
Tourism	2,160	7,500	7,500	5,340
Industrial Development	20,000	20,000	20,000	0
Airport	27,500	28,000	28,000	500
Veterans' Services	11,079	11,096	11,496	417
Other Charges	211,030	212,500	247,368	36,338
Employee Benefits	570,756	536,758	579,320	8,564
Miscellaneous	19,163	20,600	20,600	1,437
Total Expenditures	\$ 6,940,172	\$ 5,980,447	\$ 7,395,728	\$ 455,556
Excess (Deficiency) of Revenues Over Expenditures	\$ 496,360	\$ 8,690	\$ (519,228)	\$ 1,015,588
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 26,023	\$ 7,500	\$ 13,798	\$ 12,225
Transfers Out	(71,242)	0	(671,242)	600,000
Total Other Financing Sources	\$ (45,219)	\$ 7,500	\$ (657,444)	\$ 612,225
Net Change in Fund Balance	\$ 451,141	\$ 16,190	\$ (1,176,672)	\$ 1,627,813
Fund Balance, July 1, 2013	1,765,787	554,317	554,317	1,211,470
Fund Balance, June 30, 2014	\$ 2,216,928	\$ 570,507	\$ (622,355)	\$ 2,839,283

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

Exhibit C-6

Decatur County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 26,697	\$ 32,400	\$ 29,538	\$ (2,841)
Other Local Revenues	47,922	7,000	8,000	39,922
State of Tennessee	1,713,800	1,726,769	1,726,769	(12,969)
Federal Government	0	98,000	98,000	(98,000)
Total Revenues	<u>\$ 1,788,419</u>	<u>\$ 1,864,169</u>	<u>\$ 1,862,307</u>	<u>\$ (73,888)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 146,241	\$ 143,607	\$ 148,060	\$ 1,819
Highway and Bridge Maintenance	467,585	521,600	501,934	34,349
Operation and Maintenance of Equipment	289,864	318,100	310,208	20,344
Other Charges	88,465	91,500	88,779	314
Employee Benefits	206,636	221,500	215,433	8,797
Capital Outlay	294,919	423,128	433,301	138,382
<u>Principal on Debt</u>				
Highways and Streets	0	353,000	0	0
<u>Interest on Debt</u>				
Highways and Streets	0	10,943	0	0
Total Expenditures	<u>\$ 1,493,710</u>	<u>\$ 2,083,378</u>	<u>\$ 1,697,715</u>	<u>\$ 204,005</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 294,709</u>	<u>\$ (219,209)</u>	<u>\$ 164,592</u>	<u>\$ 130,117</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 467	\$ 1,000	\$ 500	\$ (33)
Transfers Out	(363,943)	0	(363,943)	0
Total Other Financing Sources	<u>\$ (363,476)</u>	<u>\$ 1,000</u>	<u>\$ (363,443)</u>	<u>\$ (33)</u>
Net Change in Fund Balance	\$ (68,767)	\$ (218,209)	\$ (198,851)	\$ 130,084
Fund Balance, July 1, 2013	286,373	241,998	241,998	44,375
Fund Balance, June 30, 2014	<u>\$ 217,606</u>	<u>\$ 23,789</u>	<u>\$ 43,147</u>	<u>\$ 174,459</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, 2014

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 856,741
Due from Other Governments	<u>148,229</u>
Total Assets	<u>\$ 1,004,970</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 148,229
Due to Litigants, Heirs, and Others	<u>856,741</u>
Total Liabilities	<u>\$ 1,004,970</u>

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

DECATUR COUNTY, TENNESSEE
Index of Notes to the Financial Statements

Note	Page(s)
I. Summary of Significant Accounting Policies	
A. Reporting Entity	32
B. Government-wide and Fund Financial Statements	33
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	34
D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance	
1. Deposits and Investments	36
2. Receivables and Payables	37
3. Capital Assets	37
4. Deferred Outflows/Inflows of Resources	38
5. Compensated Absences	39
6. Long-term Obligations	39
7. Net Position and Fund Balance	40
8. Minimum Fund Balance Policy	41
II. Reconciliation of Government-wide and Fund Financial Statements	
A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position	42
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	42
III. Stewardship, Compliance, and Accountability	
A. Budgetary Information	42
B. Investigation	43
C. Expenditures Exceeded Appropriations	43
D. Appropriations Exceeded Estimated Available Funds	43
IV. Detailed Notes on All Funds	
A. Deposits and Investments	43
B. Capital Assets	45
C. Interfund Receivables, Payables, and Transfers	47
D. Long-term Obligations	49
E. Pledges of Future Revenues	52
F. On-Behalf Payments	52

DECATUR COUNTY, TENNESSEE
Index of Notes to the Financial Statements (Cont.)

Note	Page(s)
V. Other Information	
A. Risk Management	53
B. Accounting Changes	54
C. Subsequent Events	54
D. Contingent Liabilities	55
E. Joint Ventures	55
F. Retirement Commitments	56
G. Other Postemployment Benefits (OPEB)	59
H. Purchasing Laws	62
VI. Other Notes - Discretely Presented Decatur County General Hospital	62
VII. Other Notes - Discretely Presented Decatur County Emergency Communications District	75

DECATUR COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

The Decatur County School Department operates the public school system in the county, and the voters of Decatur County elect its board. The School Department is fiscally dependent on the county because it may not issue debt, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

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

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

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

Administrative Offices:

Decatur County General Hospital
969 Tennessee Avenue South
Parsons, TN 38363

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

B. Government-wide and Fund Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Decatur County issues all debt for the discretely presented Decatur County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2014.

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Decatur County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

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

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

Decatur County reports the following major governmental funds:

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

Highway/Public Works Fund – This special revenue fund accounts for transactions of the county’s Highway Department. Local and state gasoline/fuel taxes are the foundational revenues for this fund.

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

Additionally, Decatur County reports the following fund types:

Capital Projects Fund – The General Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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

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

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

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

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

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

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

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Decatur County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service and General Purpose School funds. Decatur County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other

funds invested by the state treasurer. All other investments are reported at fair value.

2. Receivables and Payables

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

All ambulance and property taxes receivable are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 2.05 percent of total taxes levied.

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

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

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

3. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide

financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

4. **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental

funds balance sheet. These revenues are from the following sources: current and delinquent property taxes and various receivables for revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

5. Compensated Absences

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

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

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

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Debt premiums and discounts are deferred and amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

7. Net Position and Fund Balance

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

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

The government-wide Statement of Net Position reports \$450,920 of restricted net position, of which \$3,929 is restricted by enabling legislation.

As of June 30, 2014, Decatur County had \$3,491,100 in outstanding debt for capital purposes for the discretely presented Decatur County School Department. This debt is a liability of Decatur County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Decatur County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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

which amounts in any of these unrestricted fund balance classifications could be used.

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

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

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

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

Assigned Fund Balance – includes amounts that are constrained by the county’s intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The County Commission has by resolution 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.

8. Minimum Fund Balance Policy

To provide management with appropriate guidelines and direction to assist in making sound decisions related to managing the fund balance of certain governmental funds, the County Commission has adopted a minimum fund balance policy of 20 percent of expenditures for the General Fund. This minimum fund balance consists of the sum of committed, assigned, and unassigned fund balance.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Decatur County School Department

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

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

Primary Government

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

Discretely Presented Decatur County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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 General 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. Investigation

On December 10, 2014, a fraud reporting form was filed with our office advising of potential irregularities in the payment of compensatory time and accrued leave to some former employees. The state Comptroller's Division of Investigations is currently reviewing this matter and their findings, if any, will be reported in subsequent communications.

C. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the Election Commission major appropriation category (the legal level of control) of the General Fund by \$14,373. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balances.

D. Appropriations Exceeded Estimated Available Funds

The budget and subsequent amendments approved by the County Commission for the General and Drug Control funds resulted in appropriations exceeding estimated funding by \$622,355 and \$8,881, respectively.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Decatur County and the Decatur County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for

receiving, disbursing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net position represents nonpooled amounts held separately by individual funds.

Deposits

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

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

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, 2014, Decatur County had the following investments carried at fair value. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Decatur County and the discretely presented Decatur County School Department since both pool their deposits and investments through the county trustee.

Investment	Weighted Average Maturity (days)		Fair Value
State Treasurer's Investment Pool	109	\$	1,403,236

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, 2014, 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, 2014, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Capital Assets Not Depreciated:				
Land	\$ 1,667,664	\$ 0	\$ 0	\$ 1,667,664
Total Capital Assets Not Depreciated	\$ 1,667,664	\$ 0	\$ 0	\$ 1,667,664

Governmental Activities (Cont.):

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Capital Assets Depreciated:				
Buildings and				
Improvements	\$ 8,927,089	\$ 149,500	\$ 0	\$ 9,076,589
Infrastructure	4,273,296	388,342	0	4,661,638
Other Capital Assets	3,199,399	752,332	13,000	3,938,731
Total Capital Assets				
Depreciated	\$ 16,399,784	\$ 1,290,174	\$ 13,000	\$ 17,676,958
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 2,070,365	\$ 220,321	\$ 0	\$ 2,290,686
Infrastructure	1,850,744	238,730	0	2,089,474
Other Capital Assets	2,302,495	175,536	13,000	2,465,031
Total Accumulated				
Depreciation	\$ 6,223,604	\$ 634,587	\$ 13,000	\$ 6,845,191
Total Capital Assets				
Depreciated, Net	\$ 10,176,180	\$ 655,587	\$ 0	\$ 10,831,767
Governmental Activities				
Capital Assets, Net	\$ 11,843,844	\$ 655,587	\$ 0	\$ 12,499,431

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

Governmental Activities:

General Administration	\$ 36,338
Finance	1,378
Administration of Justice	2,742
Public Safety	207,329
Public Health and Welfare	50,655
Social, Cultural, and Recreational Services	39,814
Agriculture and Natural Resources	984
Other Operations	1,095
Highways/Public Works	<u>294,252</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 634,587</u></u>

Discretely Presented Decatur County School Department

Governmental Activities:

	Balance 7-1-13	Increases	Balance 6-30-14
Capital Assets Not Depreciated:			
Land	\$ 239,448	\$ 0	\$ 239,448
Total Capital Assets Not Depreciated	<u>\$ 239,448</u>	<u>\$ 0</u>	<u>\$ 239,448</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 14,033,853	\$ 0	\$ 14,033,853
Other Capital Assets	2,915,731	10,900	2,926,631
Total Capital Assets Depreciated	<u>\$ 16,949,584</u>	<u>\$ 10,900</u>	<u>\$ 16,960,484</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 8,173,118	\$ 480,858	\$ 8,653,976
Other Capital Assets	1,398,797	191,821	1,590,618
Total Accumulated Depreciation	<u>\$ 9,571,915</u>	<u>\$ 672,679</u>	<u>\$ 10,244,594</u>
Total Capital Assets Depreciated, Net	<u>\$ 7,377,669</u>	<u>\$ (661,779)</u>	<u>\$ 6,715,890</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,617,117</u>	<u>\$ (661,779)</u>	<u>\$ 6,955,338</u>

There were no decreases in capital assets to report during the year ended June 30, 2014. Depreciation expense was charged to functions of the discretely presented Decatur County School Department as follows:

Governmental Activities:

Instruction	\$ 434,108
Support Services	186,339
Operation of Non-instructional Services	<u>52,232</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 672,679</u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2014, was as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 820

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

Due to/from Primary Government and Component Unit:

Receivable Fund	Payable Fund	Amount
Primary Government:	Component Unit:	
Governmental Activities	School Department:	
General Debt Service	Governmental Activities	\$ 61,100
	General Purpose School	73,612

The amount reflected in governmental activities as due to the primary government from the discretely presented School Department is the balance of the note payable issued by the county for the School Department as discussed in Note IV.D. The School Department has agreed to contribute the funds necessary to retire the debt.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2014, consisted of the following amounts:

Transfers Out	Transfers In	
	General Debt Service Fund	Nonmajor Governmental Fund
General Fund	\$ 0	\$ 71,242
Highway/Public Works Fund	363,943	0
Total	<u>\$ 363,943</u>	<u>\$ 71,242</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

D. Long-term Obligations

Primary Government

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 30 years for bonds and up to 12 years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2014, will be retired from the General Debt Service Fund.

General obligation bonds and capital outlay notes outstanding as of June 30, 2014, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-14
G.O. Improvement Bonds	2.2 to 4.14 %	5-1-37	\$ 6,520,000	\$ 5,625,000
G.O. Bonds - Refunding	1 to 4	6-1-27	8,045,000	5,100,000
Notes Payable	0 to 4.05	10-21-17	673,194	142,936

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2014, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2015	\$ 1,095,000	\$ 350,944	\$ 1,445,944
2016	1,125,000	328,803	1,453,803
2017	1,155,000	305,899	1,460,899
2018	1,150,000	277,948	1,427,948
2019	305,000	249,929	554,929
2020-2024	1,760,000	1,063,552	2,823,552
2025-2029	1,745,000	692,742	2,437,742
2030-2034	1,400,000	390,482	1,790,482
2035-2037	990,000	85,426	1,075,426
Total	\$ 10,725,000	\$ 3,745,725	\$ 14,470,725

Year Ending June 30	Notes		
	Principal	Interest	Total
2015	\$ 81,558	\$ 3,314	\$ 84,872
2016	20,458	2,486	22,944
2017	20,458	1,657	22,115
2018	20,462	829	21,291
Total	<u>\$ 142,936</u>	<u>\$ 8,286</u>	<u>\$ 151,222</u>

There is \$1,142,899 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds and notes totaled \$924, based on the 2010 federal census.

The School Department is currently contributing funds to service some of the debt issued on its behalf by the primary government as noted in the table below. This debt is reflected in the government-wide financial statements as Due to the Primary Government in the financial statements of the School Department and as Due from Component Units in the financial statements of the primary government.

Description of Indebtedness	Outstanding 6-30-14
<u>Notes Payable</u>	
<u>Contributions from the General Purpose School Fund</u>	
Energy Efficiency Loan	\$ 61,100

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2014, was as follows:

Governmental Activities:

	Bonds	Notes
Balance, July 1, 2013	\$ 12,035,000	\$ 224,493
Additions	4,205,000	0
Reductions	(5,515,000)	(81,557)
Balance, June 30, 2014	<u>\$ 10,725,000</u>	<u>\$ 142,936</u>
Balance Due Within One Year	<u>\$ 1,095,000</u>	<u>\$ 81,558</u>

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2013	\$ 61,844	\$ 119,829
Additions	37,716	9,123
Reductions	(39,173)	(812)
Balance, June 30, 2014	<u>\$ 60,387</u>	<u>\$ 128,140</u>
Balance Due Within One Year	<u>\$ 38,754</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2014	\$ 11,056,463
Less: Balance Due Within One Year	(1,215,312)
Less: Deferred Discount on Debt	(4,737)
Add: Unamortized Premium on Debt	<u>84,549</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 9,920,963</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.

Current Refunding

On November 27, 2013, Decatur County issued \$4,205,000 in general obligation school refunding bonds for a current refunding of \$880,000 and \$3,280,000 in Series 2003 school refunding bonds. As a result, the refunded bonds are considered defeased, and the liability has been removed from the county's long-term debt. Also, as a result of the refunding, total debt service payments over the next four years will be reduced by \$162,734, and an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$157,982 was obtained.

Discretely Presented Decatur County School Department

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Decatur County School Department for the year ended June 30, 2014, was as follows:

Governmental Activities:

	Other Postemployment Benefits
Balance, July 1, 2013	\$ 450,059
Additions	71,463
Reductions	(45,005)
Balance, June 30, 2014	<u>\$ 476,517</u>
Balance Due Within One Year	<u>\$ 0</u>

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

E. Pledges of Future Revenues

Local Option Sales Tax Revenues Pledged

In 1997, the citizens of Decatur County voted to increase the local option sales tax rate from 1.5 percent to 2.5 percent. Decatur County, the City of Parsons, City of Decaturville, City of Scotts Hill, and the Decatur County School Department have pledged their additional sales tax collections generated from the one percent increase to repay \$10 million in general obligation bonds issued in June 1998 to finance the construction of new school buildings. The bonds are also guaranteed by the county in the event the additional sales tax revenues are insufficient to meet the debt service requirements on the bonds. Total principal and interest requirements for the bonds are \$3,589,550, payable semiannually through March 2018. For the current year, principal and interest paid and sales tax revenues generated by the increase were \$867,099 and \$957,161, 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, 2014, were \$46,040 and \$10,744, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

Primary Government

Liability, Property, and Casualty

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

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

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

Workers' Compensation Insurance

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

Discretely Presented Decatur County School Department

Liability, Property, Casualty, and Workers' Compensation Insurance

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

Employee Health Insurance

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

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* became effective for the year ended June 30, 2014.

GASB Statement No. 67 replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts or equivalent arrangements.

GASB Statement No. 70 relates to accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

C. Subsequent Events

On August 31, 2014, Michael Smith left the Office of County Mayor and was succeeded by Mike Creasy, David Keeton left the Office of Road Supervisor and was succeeded by Robert Montgomery, and Roy Wyatt left the Office of Sheriff and was succeeded by Keith Byrd.

On October 11, 2014, Dr. Michael Price left the Office of Director of Schools and was succeeded by Branson Townsend.

D. Contingent Liabilities

Decatur County is contingently liable for certain General Obligation Refunding Bonds, Series 2013, 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 bonds is reflected on the financial statements of the Decatur County General Hospital. As of June 30, 2014, future principal and interest requirements were \$650,000 and \$32,488, 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, 2014, future principal and interest requirements were \$839,201 and \$97,530, respectively.

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

E. 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, which plans, constructs, and manages a public sewer system for residents of Benton and Decatur counties. The management board includes six members, three of whom are appointed by the mayor of Benton County and three are appointed by the mayor of Decatur County. Decatur County has control over budgeting and financing 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, 2014, the county appropriated an operating subsidy of \$27,500 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, Benton, Carroll, Decatur, Hardin, and Henry 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 made no contributions to the DTF during the year ended June 30, 2014.

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

Administrative Offices:

Benton-Decatur Special Sewer District
P.O. Box 594
Parsons, TN 38363

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

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

F. Retirement Commitments

Plan Description

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

amended by the Tennessee General Assembly. Political subdivisions such as Decatur County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Decatur County requires employees to contribute five percent of their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2014, was 5.54 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2014, Decatur County's annual pension cost of \$243,078 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected three percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected postretirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The county's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was one year. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-14	\$243,078	100%	\$0
6-30-13	234,503	100	0
6-30-12	220,804	100	0

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 97.38 percent funded. The actuarial accrued liability for benefits was \$5.43 million, and the actuarial value of assets was \$5.28 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.14 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.22 million, and the ratio of the UAAL to the covered payroll was 3.36 percent.

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

SCHOOL TEACHERS

Plan Description

The Decatur County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by

the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2014, was 8.88 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2014, 2013, and 2012, were \$597,266, \$609,636, and \$622,654, respectively, equal to the required contributions for each year.

G. Other Postemployment Benefits (OPEB)

Plan Description

Decatur County (excluding the Highway Department) and the School Department participate in the state-administered Local Government Group Insurance Plan and 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 plans are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year ended June 30, 2014, Decatur County and the School Department contributed \$812 and \$45,005, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 71,000	\$ 9,000
Interest on the NOPEBO	18,002	4,793
Adjustment to the ARC	(17,539)	(4,670)
Annual OPEB cost	\$ 71,463	\$ 9,123
Less: Amount of contribution	(45,005)	(812)
Increase/decrease in NOPEBO	\$ 26,458	\$ 8,311
Net OPEB obligation, 7-1-13	450,059	119,829
Net OPEB obligation, 6-30-14	\$ 476,517	\$ 128,140

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-12	Local Education Group	\$ 146,412	28 %	\$ 344,320
6-30-13	"	147,153	28	450,059
6-30-14	"	71,463	63	476,517
6-30-12	Local Government Group	24,819	7	96,678
6-30-13	"	24,762	7	119,829
6-30-14	"	9,123	9	128,140

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-13	7-1-13
Actuarial accrued liability (AAL)	\$ 784,000	\$ 48,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 784,000	\$ 48,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 7,160,167	\$ 3,557,970
UAAL as a % of covered payroll	11%	1%

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, 2013, actuarial valuation for the Local Government Group and the Local Education Group plans, the projected unit credit actuarial cost method was used and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.5 percent for fiscal year 2014. The trend will decrease to seven percent in fiscal year 2015 and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. Both rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007.

H. Purchasing Laws

Office of County Mayor

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

Office of Road Supervisor

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

Office of Director of Schools

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

VI. OTHER NOTES – DISCRETELY PRESENTED DECATUR COUNTY GENERAL HOSPITAL

A. Summary of Significant Accounting Policies

1. Reporting Entity

Decatur County General Hospital is a political subdivision of Decatur County, Tennessee. The hospital is a 40-bed community hospital located in Parsons, Tennessee, which provides health care services to patients primarily in the Decatur County area. The hospital is governed by a Board of Trustees under the authority of the Board of Commissioners of the county. The Board of County Commissioners appoints the Board of Trustees of the hospital and also has financial responsibility of the hospital such as approval for the issuance of any bonds. Under accounting principles generally accepted in the United States of America, the hospital constitutes a component unit of Decatur County for financial reporting purposes.

2. **Basis of Accounting**

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

3. **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

4. **Net Patient Service Revenue**

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Patient service revenue is net of contractual adjustments and policy discounts of approximately \$9,600,000 for the year ended June 30, 2014.

Revenue from the Medicare and TennCare programs accounted for approximately 51 percent and seven percent for the year ended June 30, 2014, of the hospital's net patient service revenue. Laws and regulations governing the Medicare and TennCare programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

5. **Charity Care**

The hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The hospital estimates that the cost of providing the supplies and services under the charity care policy was approximately \$24,000 for the year ended June 30, 2014, based on applying an average cost to charge ratio to the charges for charity care.

6. Operating Revenues and Expenses

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

7. Income Taxes

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

8. Inventories

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

9. Accounts Receivable

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

10. Bond Premiums, Discounts, and Issuance Costs

Bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums and discounts are presented as a reduction of the face amount of the bonds. Issuance costs are expensed in the period in which they are incurred.

11. **Capital Assets**

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

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

Except for capital assets acquired through gifts, contributions, or capital grants, the hospital capitalizes interest costs as a component of construction in progress based on interest costs of borrowing specifically for the project and net of interest earned on investments acquired with the proceeds of the borrowing. There was no interest capitalized and incurred at June 30, 2014.

12. **Cash**

The hospital considers currency on hand and demand deposits with financial institutions to be cash. The hospital considers all highly liquid investments with original maturities of three months or less to be cash equivalents. State statutes authorize the hospital to invest in obligations of the U.S. Treasury, bank certificates of deposit, state approved repurchase agreements, pooled investment funds, and state or local bonds, rated A or higher by a nationally recognized rating service. There were no cash equivalents at June 30, 2014.

13. **Risk Management**

The hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have

not exceeded this commercial coverage in any of the three proceeding years.

14. Net Position

Net position of the hospital is classified in four components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the hospital. Restricted nonexpendable net position equals the principal portion of permanent endowments. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted. There were no restricted assets at June 30, 2014.

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

	June 30, 2014
Capital Assets, Net	\$ 1,880,514
Less:	
Current Portion of Long-term Debt Relating to the Acquisition of Capital Assets	(577,067)
Long-term Debt, Excluding Current Portion Relating to the Acquisition of Capital Assets	(806,156)
Net Investment in Capital Assets	\$ 497,291

15. Deferred Outflows/Inflows of Resources

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

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

As of June 30, 2014, the hospital had \$14,815 of deferred outflows of resources from a deferred amount on a bond refunding and did not have any deferred inflows of resources.

B. Cash

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

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

C. Net Patient Service Revenue

The hospital received revenue under various third-party reimbursement programs, which include Medicare, TennCare, and other third-party payors. Contractual adjustments under third-party reimbursement programs represent the difference between the hospital's billings and its established rates and the amounts reimbursed by third-party payors. They also include any differences between estimated third-party reimbursement settlements for prior years and subsequent tentative or final settlements.

1. Medicare

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

2. TennCare

Under the program, the hospital enters into agreements with state contracted managed care organizations, which reimburse the hospital using various payment methodologies, such as prospectively

determined rates per discharge, prospectively determined daily rates, and discounts from established charges.

3. Others

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

D. Electronic Health Records Incentive Payments

The hospital receives electronic health records (EHR) incentive payments under the Medicare and Medicaid programs. To qualify for the EHR incentive payments, the hospital must meet “meaningful use” criteria that becomes more stringent over time. The hospital periodically submits and attests to its use of certified EHR technology, satisfaction of meaningful use objectives, and various patient data. These submissions generally include performance measures for each annual EHR reporting period (federal fiscal year ending September 30th). The related EHR incentive payments are paid out over a four-year transition schedule and are based upon an initial amount as adjusted for discharges, Medicare and Medicaid utilization using inpatient days multiplied by a factor of total charges excluding charity care to total charges, and a transitional factor that ranges from 100 percent in the first payment year and thereby decreasing by 25 percent each payment year until it is completely phased out in the fifth year.

The hospital recognizes EHR incentive payments as grant income when there is a reasonable assurance that the hospital will comply with the conditions of the meaningful use objectives and any other specific grant requirements. In addition, the financial statement effects of the grants must be both recognizable and measureable. During 2014, the hospital recognized \$735,334 in EHR incentive payments as grant income using the cliff recognition method. Under the cliff recognition method, the hospital recognizes income all at once, when the EHR reporting period has ended and compliance requirements have been met.

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

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

E. Inventories

Inventories on June 30, 2014, consist of the following:

Pharmacy	\$	118,137
General Supplies		29,336
Dietary		4,750
Laboratory		<u>21,124</u>
Total	\$	<u><u>173,347</u></u>

F. Capital Assets

A summary of changes in capital assets follows:

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Capital Assets				
Not Depreciated:				
Land	\$ 63,196	\$ 0	\$ 0	\$ 63,196
Total Capital Assets Not Depreciated	<u>\$ 63,196</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 63,196</u>
Capital Assets Depreciated:				
Land Improvements	\$ 153,221	\$ 0	\$ 0	\$ 153,221
Buildings	2,743,301	14,794	0	2,758,095
Machinery and Equipment	6,487,466	244,868	13,726	6,718,608
Total Capital Assets Depreciated	<u>\$ 9,383,988</u>	<u>\$ 259,662</u>	<u>\$ 13,726</u>	<u>\$ 9,629,924</u>
Less Accumulated Depreciation For:				
Land Improvements	\$ 153,221	\$ 0	\$ 0	\$ 153,221
Buildings	1,838,417	81,148	0	1,919,565
Machinery and Equipment	5,350,398	403,148	13,726	5,739,820
Total Accumulated Depreciation	<u>\$ 7,342,036</u>	<u>\$ 484,296</u>	<u>\$ 13,726</u>	<u>\$ 7,812,606</u>
Total Capital Assets Depreciated, Net	<u>\$ 2,041,952</u>	<u>\$ (224,634)</u>	<u>\$ 0</u>	<u>\$ 1,817,318</u>
Total Capital Assets, Net	<u><u>\$ 2,105,148</u></u>	<u><u>\$ (224,634)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 1,880,514</u></u>

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

G. Long-term Debt

Bonds payable	\$ 650,000
Bond premium	10,649
Note payable by bank, payable in various monthly installments including various interest rates that increase each year, with final payment equal to entire remaining unpaid principal balance and interest, until July 2015, secured by accounts receivable and certain equipment	241,878
Capital lease obligation payable in monthly installments of \$1,833 including zero percent interest until June 2017, collateralized by leased equipment	64,167
Capital lease obligation payable in monthly installments of \$1,165 including computed interest at 11.199 percent until December 2014, collateralized by leased equipment	6,240
Capital lease obligation payable in monthly installments of \$5,632 including computed interest at 5.608 percent until November 2017, collateralized by leased equipment	214,195
Capital lease obligation payable in monthly installments of \$3,161 including computed interest at 4.513 percent until July 2018, collateralized by leased equipment	<u>138,583</u>
	\$ 1,325,712
Less: current maturities	<u>(504,741)</u>
Total	<u><u>\$ 820,971</u></u>

Hospital Refunding Bonds Series 2013, dated November 27, 2013, were issued for the purpose of refunding the Series 1999 bonds. They are due in annual principal installments through 2019 and semiannual installments of interest ranging from one to two percent. Hospital revenues are the source of payment. The hospital is responsible to remit funds to the county in amounts that are sufficient to cover the scheduled debt service payments, see Note VI.J. The hospital incurred a bond premium and a deferred charge on refunding related to these bonds that will be amortized over the life of the bonds. The bond premium and deferred charge on refunding had balances of \$10,649 and \$14,815, respectively, at June 30, 2014.

The capital leased assets have a cost of \$661,807 and a carrying value of \$493,874 at June 30, 2014.

Scheduled payments on long-term debt are as follows:

Year Ending June 30	Bonds and Notes Payable		
	Principal	Interest	Total
2015	\$ 386,878	\$ 27,714	\$ 414,592
2016	150,000	9,213	159,213
2017	150,000	6,963	156,963
2018	150,000	3,963	153,963
2019	55,000	963	55,963
Total	\$ 891,878	\$ 48,816	\$ 940,694

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2015	\$ 117,863	\$ 16,238	\$ 134,101
2016	116,409	11,233	127,642
2017	119,631	6,196	125,827
2018	69,282	1,453	70,735
Total	\$ 423,185	\$ 35,120	\$ 458,305

Activity for long-term debt follows:

	Balance			Amount	
	7-1-13	Additions	Deductions	Balance 6-30-14	Due Within One Year
Bonds Payable	\$ 895,000	\$ 790,000	\$ 1,035,000	\$ 650,000	\$ 145,000
Bond Premium	0	12,779	2,130	10,649	0
Notes Payable	374,377	0	132,499	241,878	241,878
Capital Leases	374,544	169,500	120,859	423,185	117,863
Total Long-term Debt	\$ 1,643,921	\$ 972,279	\$ 1,290,488	\$ 1,325,712	\$ 504,741

H. Compensated Absences

The hospital provides its full-time employees with paid days off for holiday, vacation, sick leave, and bereavement absences. The hospital stopped providing paid days off to part-time employees and cut hours earned per year to full-time employees during the 2013-14 fiscal year. The paid days off begin accruing immediately; however, they are not available to the employee until after a six-month probationary period. If an employee terminates employment before one year, the paid days off are forfeited. Paid days off are

based on the schedule that follows. Such days may be taken only after the employee has earned them. An employee may carry forward up to 240 hours with less than five years of employment and up to 320 hours with five or more years of employment. Such liabilities have been accrued in the accompanying balance sheet. A summary of accruing rates for full-time employees follows:

Years of Service	Hours Earned Per Year
0-1	80
2-4	97
5-14	117.5
15 or more	127

I. Pension Plan

The hospital established an employee retirement plan effective January 1, 1988. The plan has been amended at various times since 1988 and is maintained on a calendar year basis. The following description of the Decatur County General Hospital Retirement Matching Plan provides only general information. Participants should refer to the plan agreement for a more complete description of the plan’s provisions.

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

Participants may voluntarily make qualified retirement contributions to the plan, which are deductible by the participants for federal income tax purposes under Section 457(f) of the Internal Revenue Code.

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

The plan is administered by Avintus. The hospital may make matching contributions equal to a discretionary percentage, as determined annually by the hospital’s Retirement Trust Committee. The hospital made a matching contribution of three percent for the year ending June 30, 2014. Hospital contributions for the year ended June 30, 2014, were \$36,892.

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

J. Related-party Transactions

The county has an understanding with the hospital to remit funds to the county that will pay all amounts required to service the bonds payable. At June 30, 2014, the hospital was in arrears with principal and interest payments of \$290,762.

The hospital received a contribution from the county of \$450,000 during 2014 to be used as needed during the course of operations. At June 30, 2014, all proceeds had been used.

K. Commitments and Contingencies

1. Operating Leases

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

The hospital leases various equipment under operating lease agreements. Rent expense was \$95,279 in 2014.

A summary of future minimum payments under these leases as of June 30, 2014, is as follows:

Year Ending June 30	Amount
2015	\$ 87,221
2016	82,073
2017	60,933
2018	25,012
2019	<u>25,012</u>
Total	<u>\$ 280,251</u>

2. Professional Liability and Worker's Compensation Insurance

The hospital insures for medical malpractice losses through a claims-made policy with coverage of \$300,000 per each medical incident and \$700,000 in the aggregate with a \$25,000 deductible per each medical incident. Coverage for workers' compensation insurance is provided on an occurrence base policy with a primary level of coverage of \$500,000 per accident, \$500,000 per employee, and \$500,000 in the aggregate. Hospital management is unaware of any claims or incidents, which would result in a loss in excess of insured amounts. As such, no accrual for estimated losses related to medical malpractice or workers' compensation have been made.

3. Agreement

The hospital has a three-year agreement with Quorum Health Resources, Inc., (Quorum) for access to Quorum’s sponsored volume purchasing program. The annual fee is \$12,000 for the contract year beginning August 25, 2013, increasing annually by a factor equal to the greater of five percent or the percentage increase in the Consumer Price Index, and is payable in equal monthly installments. The total management fees paid to Quorum were \$19,613 in 2014.

4. Litigation

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

L. Concentrations of Credit Risk

The hospital is located in Decatur County, Tennessee. The hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2014 follows:

Medicare	29 %
TennCare	12
Blue Cross/Commercial	19
Private Pay	40

M. Going Concern Matters

As indicated in the accompanying financial statements, the hospital has incurred losses from operations, and current liabilities exceed its current assets. As of June 30, 2014, the operating loss included \$735,334 of EHR incentive payments (as discussed in Note VI.D.). These factors create an uncertainty about the hospital’s ability to continue as a going concern. Management of the hospital is working to increase patient occupancy, assessing the feasibility of instituting new ancillary services, and working to reduce expenses through reduction of workforce and employee benefits. The ability of the hospital to continue as a going concern is dependent on the success of these plans. The financial statements do not include any adjustments that might be necessary if the hospital is unable to continue as a going concern.

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

A. General Information

Component Unit

The district provides 911-emergency assistance to persons living in Decatur County. The district is a component unit of Decatur County. Accordingly, this financial data is incorporated into the county's financial statements. The district is governed by nine members who serve staggered four-year terms. Board members are appointed by the county mayor and ratified by the Decatur County Commission. The County Commission pays for dispatchers' salaries and benefits and furnishes the district's operating headquarters. The district pays the County Commission \$4 per hour per district employee (as well as an additional \$.84 per hour for the assistant director's salary) and pays all of the salary of one employee, which is shown as contracts with governmental agencies expense.

B. Summary of Significant Accounting Policies

1. Basis of Presentation

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

Proprietary Funds

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

2. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting.

Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

Cash and Cash Equivalents

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

Receivables

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

Capital Assets

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

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

Operating Revenues and Expenses

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The district does not have any items that qualify for reporting in this category as of June 30, 2014.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The district does not have any items that qualify for reporting in this category as of June 30, 2014.

Net Position Flow Assumption

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

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

Net Position

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

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors,

grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

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

C. Revenues

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

D. Risk Management

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

E. Capital Assets

Capital assets activity for the year ended June 30, 2014, was as follows:

	Balance		Balance
	7-1-13	Increases	6-30-14
Capital Assets Depreciated:			
Furniture and Fixtures	\$ 32,767	\$ 0	\$ 32,767
Communications Equipment	606,049	25,705	631,754
Office Equipment	21,115	0	21,115
Total Capital Assets Depreciated	<u>\$ 659,931</u>	<u>\$ 25,705</u>	<u>\$ 685,636</u>
Less Accumulated Depreciation For:			
Furniture and Fixtures	\$ 13,653	\$ 3,277	\$ 16,930
Communications Equipment	284,898	61,045	345,943
Office Equipment	11,796	1,598	13,394
Total Accumulated Depreciation	<u>\$ 310,347</u>	<u>\$ 65,920</u>	<u>\$ 376,267</u>
Total Capital Assets, Net	<u>\$ 349,584</u>	<u>\$ (40,215)</u>	<u>\$ 309,369</u>

Depreciation expense of \$65,920 was recorded by the district.

F. Stewardship, Compliance, and Accountability

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

1. Deposits and Investments Laws and Regulations

The district's investment policies are governed by state statute. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit, and savings accounts. The district has no policy that further limits allowable investments. At June 30, 2014, investments consisted entirely of a certificate of deposit with a local bank. Investments are carried at cost, which approximates fair value.

For deposits and investments, custodial credit risk is the risk that, in the event of a bank failure, the district's deposits may not be returned to it. The district does not have a policy regarding custodial credit risk for deposits. Collateral is required for demand deposits and certificates of deposit at 105 percent of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of Tennessee and its subdivisions. As of June 30, 2014, district deposits were not exposed to custodial credit risk due to being insured and collateralized.

2. Budget Appropriations

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

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

G. Estimates and Assumptions

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Decatur County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Decatur County School Department
June 30, 2014

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Liability (AAL) Frozen Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-13	\$ 5,283	\$ 5,425	\$ 142	97.38 %	\$ 4,224	3.36 %
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

Exhibit E-2

Decatur County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented Decatur County School Department
June 30, 2014

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Projected Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>PRIMARY GOVERNMENT</u>							
Local Government Group	7-1-10	\$ 0	\$ 208	\$ 208	0 %	\$ 2,282	9 %
"	7-1-11	0	160	160	0	2,254	7
"	7-1-13	0	48	48	0	3,558	1
<u>DISCRETELY PRESENTED DECATUR COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-10	0	988	988	0	6,964	14
"	7-1-11	0	1,314	1,314	0	7,142	18
"	7-1-13	0	784	784	0	7,160	11

DECATUR COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2014

NONE

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

Exhibit F-1

Decatur County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2014

	Special Revenue Funds			Capital Projects Fund		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	General Capital Projects		
Cash	0 \$	0 \$	820 \$	820 \$	0 \$	820
Equity in Pooled Cash and Investments	163,039	22,895	0	185,934	1,242	187,176
Accounts Receivable	743	0	0	743	0	743
Due from Other Governments	23,483	0	0	23,483	0	23,483
Property Taxes Receivable	281,309	0	0	281,309	0	281,309
Allowance for Uncollectible Property Taxes	(10,802)	0	0	(10,802)	0	(10,802)
Total Assets	457,772 \$	22,895 \$	820 \$	481,487 \$	1,242 \$	482,729

ASSETS

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

LIABILITIES

Payroll Deductions Payable
 Due to Other Funds
 Due to State of Tennessee
 Total Liabilities

Payroll Deductions Payable	460 \$	0 \$	0 \$	460 \$	0 \$	460
Due to Other Funds	0	0	820	820	0	820
Due to State of Tennessee	557	0	0	557	0	557
Total Liabilities	1,017 \$	0 \$	820 \$	1,837 \$	0 \$	1,837

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes
 Deferred Delinquent Property Taxes
 Total Deferred Inflows of Resources

Deferred Current Property Taxes	257,493 \$	0 \$	0 \$	257,493 \$	0 \$	257,493
Deferred Delinquent Property Taxes	12,304	0	0	12,304	0	12,304
Total Deferred Inflows of Resources	269,797 \$	0 \$	0 \$	269,797 \$	0 \$	269,797

FUND BALANCES

Restricted:
 Restricted for Public Safety
 Committed:
 Committed for Public Health and Welfare
 Committed for Capital Outlay
 Total Fund Balances

Restricted for Public Safety	0 \$	22,895 \$	0 \$	22,895 \$	0 \$	22,895
Committed for Public Health and Welfare	186,958	0	0	186,958	0	186,958
Committed for Capital Outlay	0	0	0	0	1,242	1,242
Total Fund Balances	186,958 \$	22,895 \$	0 \$	209,853 \$	1,242 \$	211,095

Total Liabilities, Deferred Inflows of Resources, and Fund Balances

Total Liabilities, Deferred Inflows of Resources, and Fund Balances	457,772 \$	22,895 \$	820 \$	481,487 \$	1,242 \$	482,729
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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, 2014

	Special Revenue Funds				Capital		Total
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	Projects Fund		
					General Capital	Projects	
<u>Revenues</u>							
Local Taxes	\$ 268,997	\$ 0	\$ 0	\$ 268,997	\$ 0	\$ 0	\$ 268,997
Fines, Forfeitures, and Penalties	0	2,257	0	2,257	0	0	2,257
Charges for Current Services	40,954	0	3,489	44,443	0	0	44,443
Other Local Revenues	53,928	22,111	0	76,039	0	0	76,039
State of Tennessee	50,896	0	0	50,896	0	0	50,896
Other Governments and Citizens Groups	0	0	0	0	7,000	0	7,000
Total Revenues	\$ 414,775	\$ 24,368	\$ 3,489	\$ 442,632	\$ 7,000	\$ 0	\$ 449,632
<u>Expenditures</u>							
Current:							
General Government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 75,000	\$ 0	\$ 75,000
Administration of Justice	0	0	3,489	3,489	0	0	3,489
Public Safety	0	49,923	0	49,923	0	0	49,923
Public Health and Welfare	288,602	0	0	288,602	0	0	288,602
Other Operations	63,844	659	0	64,503	77,000	0	141,503
Total Expenditures	\$ 352,446	\$ 50,582	\$ 3,489	\$ 406,517	\$ 152,000	\$ 0	\$ 558,517
Excess (Deficiency) of Revenues Over Expenditures	\$ 62,329	\$ (26,214)	\$ 0	\$ 36,115	\$ (145,000)	\$ 0	\$ (108,885)
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 71,242	\$ 0	\$ 71,242
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 71,242	\$ 0	\$ 71,242
Net Change in Fund Balances	\$ 62,329	\$ (26,214)	\$ 0	\$ 36,115	\$ (73,758)	\$ 0	\$ (37,643)
Fund Balance, July 1, 2013	124,629	49,109	0	173,738	75,000	0	248,738
Fund Balance, June 30, 2014	\$ 186,958	\$ 22,895	\$ 0	\$ 209,853	\$ 1,242	\$ 0	\$ 211,095

Exhibit F-3

Decatur County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 268,997	\$ 257,120	\$ 257,120	\$ 11,877
Charges for Current Services	40,954	49,500	49,500	(8,546)
Other Local Revenues	53,928	38,500	38,500	15,428
State of Tennessee	50,896	7,800	31,086	19,810
Total Revenues	<u>\$ 414,775</u>	<u>\$ 352,920</u>	<u>\$ 376,206</u>	<u>\$ 38,569</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 212,924	\$ 193,266	\$ 236,009	\$ 23,085
Convenience Centers	75,678	80,200	83,200	7,522
<u>Other Operations</u>				
Other Charges	36,807	42,200	42,200	5,393
Employee Benefits	27,037	27,986	27,986	949
Total Expenditures	<u>\$ 352,446</u>	<u>\$ 343,652</u>	<u>\$ 389,395</u>	<u>\$ 36,949</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 62,329</u>	<u>\$ 9,268</u>	<u>\$ (13,189)</u>	<u>\$ 75,518</u>
Net Change in Fund Balance	\$ 62,329	9,268	(13,189)	75,518
Fund Balance, July 1, 2013	<u>124,629</u>	<u>148,704</u>	<u>148,704</u>	<u>(24,075)</u>
Fund Balance, June 30, 2014	<u>\$ 186,958</u>	<u>\$ 157,972</u>	<u>\$ 135,515</u>	<u>\$ 51,443</u>

Exhibit F-4

Decatur County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 2,257	\$ 5,000	\$ 5,000	\$ (2,743)
Other Local Revenues	22,111	0	0	22,111
Total Revenues	<u>\$ 24,368</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 19,368</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 49,923	\$ 3,600	\$ 51,450	\$ 1,527
<u>Other Operations</u>				
Employee Benefits	659	475	660	1
Total Expenditures	<u>\$ 50,582</u>	<u>\$ 4,075</u>	<u>\$ 52,110</u>	<u>\$ 1,528</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (26,214)</u>	<u>\$ 925</u>	<u>\$ (47,110)</u>	<u>\$ 20,896</u>
Net Change in Fund Balance	\$ (26,214)	\$ 925	\$ (47,110)	\$ 20,896
Fund Balance, July 1, 2013	49,109	38,229	38,229	10,880
Fund Balance, June 30, 2014	<u>\$ 22,895</u>	<u>\$ 39,154</u>	<u>\$ (8,881)</u>	<u>\$ 31,776</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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 953,678	\$ 852,880	\$ 852,880	\$ 100,798
Other Local Revenues	16,310	34,500	39,203	(22,893)
State of Tennessee	28,301	28,500	28,500	(199)
Other Governments and Citizens Groups	886,204	242,500	303,599	582,605
Total Revenues	<u>\$ 1,884,493</u>	<u>\$ 1,158,380</u>	<u>\$ 1,224,182</u>	<u>\$ 660,311</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 575,458	\$ 715,459	\$ 575,459	\$ 1
Education	861,099	780,000	866,099	5,000
<u>Interest on Debt</u>				
General Government	333,332	352,392	348,892	15,560
Education	92,098	148,751	123,751	31,653
<u>Other Debt Service</u>				
General Government	151,228	9,515	153,135	1,907
Education	84,713	2,628	85,841	1,128
Total Expenditures	<u>\$ 2,097,928</u>	<u>\$ 2,008,745</u>	<u>\$ 2,153,177</u>	<u>\$ 55,249</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (213,435)</u>	<u>\$ (850,365)</u>	<u>\$ (928,995)</u>	<u>\$ 715,560</u>
<u>Other Financing Sources (Uses)</u>				
Refunding Debt Issued	\$ 4,205,000	\$ 0	\$ 4,205,000	\$ 0
Premiums on Debt Issued	73,695	0	73,695	0
Transfers In	363,943	957,935	957,935	(593,992)
Payments to Refunded Debt Escrow Agent	(4,195,482)	0	(4,195,482)	0
Total Other Financing Sources	<u>\$ 447,156</u>	<u>\$ 957,935</u>	<u>\$ 1,041,148</u>	<u>\$ (593,992)</u>
Net Change in Fund Balance	\$ 233,721	\$ 107,570	\$ 112,153	\$ 121,568
Fund Balance, July 1, 2013	<u>909,178</u>	<u>626,454</u>	<u>626,454</u>	<u>282,724</u>
Fund Balance, June 30, 2014	<u>\$ 1,142,899</u>	<u>\$ 734,024</u>	<u>\$ 738,607</u>	<u>\$ 404,292</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 of deeds, 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, 2014

	<u>Agency Funds</u>		
	Cities- Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 856,741	\$ 856,741
Due from Other Governments	148,229	0	148,229
Total Assets	<u>\$ 148,229</u>	<u>\$ 856,741</u>	<u>\$ 1,004,970</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 148,229	\$ 0	\$ 148,229
Due to Litigants, Heirs, and Others	0	856,741	856,741
Total Liabilities	<u>\$ 148,229</u>	<u>\$ 856,741</u>	<u>\$ 1,004,970</u>

Exhibit H-2

Decatur County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2014

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 884,356	\$ 884,356	\$ 0
Due from Other Governments	152,129	148,229	152,129	148,229
Total Assets	\$ 152,129	\$ 1,032,585	\$ 1,036,485	\$ 148,229
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 152,129	\$ 1,032,585	\$ 1,036,485	\$ 148,229
Total Liabilities	\$ 152,129	\$ 1,032,585	\$ 1,036,485	\$ 148,229
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 929,511	\$ 3,004,014	\$ 3,076,784	\$ 856,741
Total Assets	\$ 929,511	\$ 3,004,014	\$ 3,076,784	\$ 856,741
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 929,511	\$ 3,004,014	\$ 3,076,784	\$ 856,741
Total Liabilities	\$ 929,511	\$ 3,004,014	\$ 3,076,784	\$ 856,741
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 929,511	\$ 3,004,014	\$ 3,076,784	\$ 856,741
Equity in Pooled Cash and Investments	0	884,356	884,356	0
Due from Other Governments	152,129	148,229	152,129	148,229
Total Assets	\$ 1,081,640	\$ 4,036,599	\$ 4,113,269	\$ 1,004,970
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 152,129	\$ 1,032,585	\$ 1,036,485	\$ 148,229
Due to Litigants, Heirs, and Others	929,511	3,004,014	3,076,784	856,741
Total Liabilities	\$ 1,081,640	\$ 4,036,599	\$ 4,113,269	\$ 1,004,970

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, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Total Governmental Activities
Governmental Activities:				
Instruction	\$ 8,949,549	\$ 0	\$ 1,041,501	\$ (7,908,048)
Support Services	4,381,585	91,190	212,869	(4,077,526)
Operation of Non-instructional Services	1,220,467	50,153	892,056	(278,258)
Total Governmental Activities	\$ 14,551,601	\$ 141,343	\$ 2,146,426	\$ (12,263,832)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 1,614,221
Local Option Sales Taxes				1,176,469
Wheel Tax				203,269
Mineral Severance Tax				49,158
Other Local Taxes				1,619
Grants and Contributions Not Restricted to Specific Programs				8,693,173
Unrestricted Investment Income				3,409
Miscellaneous				16,808
Total General Revenues				\$ 11,758,126
Change in Net Position				\$ (505,706)
Net Position, July 1, 2013				10,546,357
Net Position, June 30, 2014				\$ 10,040,651

Exhibit I-2

Decatur County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Decatur County School Department
June 30, 2014

	<u>Major Fund</u>	<u>Nonmajor Fund</u>	<u>Total</u>
	General Purpose School	School Federal Projects	Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 3,453,813	\$ 67,922	\$ 3,521,735
Accounts Receivable	29,076	0	29,076
Due from Other Governments	397,106	39,417	436,523
Property Taxes Receivable	1,711,299	0	1,711,299
Allowance for Uncollectible Property Taxes	(65,709)	0	(65,709)
Total Assets	<u>\$ 5,525,585</u>	<u>\$ 107,339</u>	<u>\$ 5,632,924</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 27,600	\$ 0	\$ 27,600
Payroll Deductions Payable	335,023	7,339	342,362
Due to Primary Government	73,612	0	73,612
Total Liabilities	<u>\$ 436,235</u>	<u>\$ 7,339</u>	<u>\$ 443,574</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 1,566,420	\$ 0	\$ 1,566,420
Deferred Delinquent Property Taxes	74,853	0	74,853
Other Deferred/Unavailable Revenue	121,332	0	121,332
Total Deferred Inflows of Resources	<u>\$ 1,762,605</u>	<u>\$ 0</u>	<u>\$ 1,762,605</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 7,172	\$ 0	\$ 7,172
Assigned:			
Assigned for Education	76,669	100,000	176,669
Unassigned	3,242,904	0	3,242,904
Total Fund Balances	<u>\$ 3,326,745</u>	<u>\$ 100,000</u>	<u>\$ 3,426,745</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,525,585</u>	<u>\$ 107,339</u>	<u>\$ 5,632,924</u>

Exhibit I-3

Decatur County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
Discretely Presented Decatur County School Department
June 30, 2014

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 3,426,745	
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$ 239,448		
Add: buildings and improvements net of accumulated depreciation	5,379,877		
Add: other capital assets net of accumulated depreciation	<u>1,336,013</u>	6,955,338	
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: contributions due on the primary government debt for note	\$ (61,100)		
Less: other postemployment benefits liability	<u>(476,517)</u>	(537,617)	
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>196,185</u>
Net position of governmental activities (Exhibit A)			<u>\$ 10,040,651</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, 2014

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Fund</u>	<u>Total</u>
	General Purpose School	School Federal Projects	Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 3,081,712	\$ 0	\$ 3,081,712
Licenses and Permits	864	0	864
Charges for Current Services	141,343	0	141,343
Other Local Revenues	32,609	0	32,609
State of Tennessee	9,016,889	0	9,016,889
Federal Government	588,517	1,173,811	1,762,328
Total Revenues	<u>\$ 12,861,934</u>	<u>\$ 1,173,811</u>	<u>\$ 14,035,745</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 7,051,564	\$ 848,132	\$ 7,899,696
Support Services	3,924,872	325,709	4,250,581
Operation of Non-instructional Services	1,162,791	0	1,162,791
Capital Outlay	75,296	0	75,296
Debt Service:			
Other Debt Service	536,099	0	536,099
Total Expenditures	<u>\$ 12,750,622</u>	<u>\$ 1,173,841</u>	<u>\$ 13,924,463</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 111,312</u>	<u>\$ (30)</u>	<u>\$ 111,282</u>
Net Change in Fund Balances	\$ 111,312	\$ (30)	\$ 111,282
Fund Balance, July 1, 2013	<u>3,215,433</u>	<u>100,030</u>	<u>3,315,463</u>
Fund Balance, June 30, 2014	<u>\$ 3,326,745</u>	<u>\$ 100,000</u>	<u>\$ 3,426,745</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, 2014

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)		\$ 111,282
(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	\$ 10,900	
Less: current-year depreciation expense	<u>(672,679)</u>	(661,779)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2014	\$ 196,185	
Less: deferred delinquent property taxes and other deferred June 30, 2013	<u>(186,035)</u>	10,150
(3) The contributions of long-term debt (e.g., notes) by the primary government provides current financial resources to governmental funds, while the contributions by the School Department of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Add: principal contribution on note to primary government		61,099
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in other postemployment benefits liability		<u>(26,458)</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ (505,706)</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, 2014

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 3,081,712	\$ 0	\$ 0	\$ 3,081,712	\$ 2,890,352	\$ 2,890,352	\$ 191,360
Licenses and Permits	864	0	0	864	1,500	1,500	(636)
Charges for Current Services	141,343	0	0	141,343	121,000	137,000	4,343
Other Local Revenues	32,609	0	0	32,609	31,000	34,000	(1,391)
State of Tennessee	9,016,889	0	0	9,016,889	9,024,335	9,096,939	(80,050)
Federal Government	588,517	0	0	588,517	629,700	688,913	(100,396)
Total Revenues	\$ 12,861,934	\$ 0	\$ 0	\$ 12,861,934	\$ 12,697,887	\$ 12,848,704	\$ 13,230
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 5,853,882	\$ (8,279)	\$ 1,620	\$ 5,847,223	\$ 6,018,961	\$ 6,118,961	\$ 271,738
Alternative Instruction Program	0	0	0	0	500	500	500
Special Education Program	805,227	(1,150)	2,896	806,973	897,600	897,600	90,627
Vocational Education Program	392,455	0	0	392,455	447,250	447,250	54,795
<u>Support Services</u>							
Attendance	112,721	0	0	112,721	116,000	116,000	3,279
Health Services	205,569	(677)	6,112	211,004	212,085	221,499	10,495
Other Student Support	480,975	0	9,700	490,675	566,100	530,275	39,600
Regular Instruction Program	706,964	0	0	706,964	723,045	748,045	41,081
Special Education Program	144,080	0	0	144,080	128,130	144,130	50
Vocational Education Program	37,463	0	0	37,463	50,475	50,475	13,012
Other Programs	56,784	0	0	56,784	0	56,784	0
Board of Education	156,740	0	179	156,919	184,275	184,275	27,356
Director of Schools	140,167	0	0	140,167	151,350	151,350	11,183
Office of the Principal	366,197	0	0	366,197	355,620	366,445	248
Fiscal Services	80,038	0	0	80,038	84,200	84,200	4,162
Operation of Plant	787,805	0	0	787,805	942,100	942,100	154,295
Maintenance of Plant	175,482	(304)	209	175,387	188,300	198,300	22,913
Transportation	473,887	(1,450)	19,372	491,809	580,000	580,000	88,191

(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 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Operation of Non-instructional Services</u>							
Food Service	\$ 642,552	\$ 0	\$ 0	\$ 642,552	\$ 687,097	\$ 746,310	\$ 103,758
Community Services	198,220	(7,136)	0	191,084	282,857	276,443	85,359
Early Childhood Education	322,019	(1,150)	0	320,869	324,150	329,970	9,101
<u>Capital Outlay</u>							
Regular Capital Outlay	75,296	0	36,581	111,877	200,000	200,000	88,123
Principal on Debt	0	0	0	0	61,100	0	0
Education							
Other Debt Service							
Education	536,099	0	0	536,099	0	536,100	1
Total Expenditures	\$ 12,750,622	\$ (20,146)	\$ 76,669	\$ 12,807,145	\$ 13,201,195	\$ 13,927,012	\$ 1,119,867
Excess (Deficiency) of Revenues Over Expenditures	\$ 111,312	\$ 20,146	\$ (76,669)	\$ 54,789	\$ (503,308)	\$ (1,078,308)	\$ 1,133,097
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ 0	\$ 0	\$ 0	\$ 0	\$ (475,000)	\$ 0	\$ 0
Total Other Financing Sources	\$ 0	\$ 0	\$ 0	\$ 0	\$ (475,000)	\$ 0	\$ 0
Net Change in Fund Balance Fund Balance, July 1, 2013	\$ 111,312	\$ 20,146	\$ (76,669)	\$ 54,789	\$ (978,308)	\$ (1,078,308)	\$ 1,133,097
	3,215,433	(20,146)	0	3,195,287	2,144,142	2,144,142	1,051,145
Fund Balance, June 30, 2014	\$ 3,326,745	\$ 0	\$ (76,669)	\$ 3,250,076	\$ 1,165,834	\$ 1,065,834	\$ 2,184,242

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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,173,811	\$ 1,334,466	\$ 1,334,862	\$ (161,051)
Total Revenues	\$ 1,173,811	\$ 1,334,466	\$ 1,334,862	\$ (161,051)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 508,754	\$ 564,277	\$ 564,661	\$ 55,907
Special Education Program	322,115	395,725	396,043	73,928
Vocational Education Program	17,263	17,263	17,263	0
<u>Support Services</u>				
Other Student Support	119,155	124,167	124,167	5,012
Regular Instruction Program	87,711	99,299	98,994	11,283
Special Education Program	77,964	89,675	89,675	11,711
Vocational Education Program	1,418	1,418	1,418	0
Transportation	39,461	42,642	42,642	3,181
Total Expenditures	\$ 1,173,841	\$ 1,334,466	\$ 1,334,863	\$ 161,022
Excess (Deficiency) of Revenues Over Expenditures	\$ (30)	\$ 0	\$ (1)	\$ (29)
Net Change in Fund Balance	\$ (30)	\$ 0	\$ (1)	\$ (29)
Fund Balance, July 1, 2013	100,030	30	30	100,000
Fund Balance, June 30, 2014	\$ 100,000	\$ 30	\$ 29	\$ 99,971

MISCELLANEOUS SCHEDULES

Exhibit J-1

Decatur County, Tennessee
Schedule of Changes in Long-term Notes and Bonds
For the Year Ended June 30, 2014

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-13	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-14
NOTES PAYABLE									
<u>Payable through General Debt Service Fund</u>									
Beech River Airport	\$ 245,500	4.05	% 10-28-05	10-21-17	\$ 102,294	\$ 0	\$ 20,458	\$ 0	\$ 81,836
Contributions Due by the School Department from the									
<u>General Purpose School Fund to the General Debt Service Fund</u>									
Energy Efficiency Loan	427,694	0	4-1-08	6-1-15	\$ 122,199	\$ 0	\$ 61,099	\$ 0	\$ 61,100
Total Notes Payable					\$ 224,493	\$ 0	\$ 81,557	\$ 0	\$ 142,936

BONDS PAYABLE

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-13	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-14
<u>Payable through General Debt Service Fund</u>									
School Refunding Bonds, Series 2003	2,210,000	1.45 to 4.25	1-1-03	11-27-13	\$ 880,000	\$ 0	\$ 0	\$ 880,000	\$ 0
School Refunding Bonds, Series 2003	8,510,000	3.42	3-1-03	11-27-13	3,280,000	0	0	3,280,000	0
Improvement Bonds, Series 2007	6,000,000	4.14	5-9-07	5-1-37	5,375,000	0	140,000	0	5,235,000
General Obligation Refunding Bonds, Series 2008	3,840,000	2.2 to 4	6-5-08	6-1-27	2,085,000	0	415,000	0	1,670,000
General Obligation Improvement Bonds, Series 2008	520,000	2.2 to 4	6-5-08	6-1-27	415,000	0	25,000	0	390,000
School Refunding Bonds, Series 2013	4,205,000	1 to 2	11-27-13	3-1-18	0	4,205,000	775,000	0	3,430,000
Total Bonds Payable					\$ 12,035,000	\$ 4,205,000	\$ 1,355,000	\$ 4,160,000	\$ 10,725,000

Exhibit J-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2015	\$ 81,558	\$ 3,314	\$ 84,872
2016	20,458	2,486	22,944
2017	20,458	1,657	22,115
2018	20,462	829	21,291
Total	\$ 142,936	\$ 8,286	\$ 151,222

Year Ending June 30	Bonds		
	Principal	Interest	Total
2015	\$ 1,095,000	\$ 350,944	\$ 1,445,944
2016	1,125,000	328,803	1,453,803
2017	1,155,000	305,899	1,460,899
2018	1,150,000	277,948	1,427,948
2019	305,000	249,929	554,929
2020	325,000	238,568	563,568
2021	335,000	226,169	561,169
2022	350,000	213,388	563,388
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	110,313	355,313
2030	255,000	100,206	355,206
2031	270,000	89,688	359,688
2032	280,000	78,550	358,550
2033	290,000	67,000	357,000
2034	305,000	55,038	360,038
2035	315,000	42,075	357,075
2036	330,000	28,688	358,688
2037	345,000	14,663	359,663
Total	\$ 10,725,000	\$ 3,745,725	\$ 14,470,725

Exhibit J-3

Decatur County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2014

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Highway/Public Works	General Capital Projects General Debt Service	Capital project Debt retirement	\$ 71,242 363,943
Total Transfers			<u>\$ 435,185</u>

Decatur County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Decatur County School Department
For the Year Ended June 30, 2014

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 64,832	\$ 25,000	Auto Owners Insurance Company
Road Supervisor	Section 8-24-102, TCA	61,745	100,000	"
Director of Schools	State Board of Education and County Board of Education	97,300 (1)	50,000	Ohio Casualty Insurance Company
Trustee	Section 8-24-102, TCA	56,132	512,900	Auto Owners Insurance Company
Assessor of Property	Section 8-24-102, TCA	56,132	50,000	"
County Clerk	Section 8-24-102, TCA	56,132	25,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	56,132	30,000	"
Clerk and Master	Section 8-24-102, TCA and Chancery Court Judge	56,132 (2)	35,000	Ohio Casualty Insurance Company
Register of Deeds	Section 8-24-102, TCA	56,132	15,000	Auto Owners Insurance Company
Sheriff	Section 8-24-102, TCA	61,745	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 career ladder supplement of \$500.

(2) Does not include special commissioner fees of \$3,489.

Exhibit J-5

Decatur County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2014

	Special Revenue Funds					Debt Service Fund	
	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	\$ 1,958,172	\$ 244,798	\$ 0	\$ 0	\$ 0	\$ 367,132	
Trustee's Collections - Prior Year	104,006	15,094	0	0	0	17,505	
Circuit/Clerk and Master Collections - Prior Years	56,654	6,662	0	0	0	4,964	
Interest and Penalty	17,077	2,439	0	0	0	3,003	
Payments in-Lieu-of Taxes - T.V.A.	1,720	0	0	0	0	3,095	
Payments in-Lieu-of Taxes - Local Utilities	56,278	0	0	0	0	12,506	
Payments in-Lieu-of Taxes - Other	464	4	0	0	0	6	
<u>County Local Option Taxes</u>							
Local Option Sales Tax	198,084	0	0	0	0	132,056	
Hotel/Motel Tax	30,179	0	0	0	0	0	
Wheel Tax	0	0	0	0	0	365,135	
Litigation Tax - General	65,654	0	0	0	0	0	
Litigation Tax - Special Purpose	605	0	0	0	0	0	
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	47,071	
Business Tax	75,795	0	0	0	0	0	
Mixed Drink Tax	574	0	0	0	0	0	
Mineral Severance Tax	26,314	0	0	0	26,281	0	
<u>Statutory Local Taxes</u>							
Bank Excise Tax	3,636	0	0	0	416	1,039	
Wholesale Beer Tax	198,305	0	0	0	0	0	
Interstate Telecommunications Tax	249	0	0	0	0	166	
Total Local Taxes	\$ 2,793,766	\$ 268,997	\$ 0	\$ 0	\$ 26,697	\$ 953,678	

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	3,893	0	0	0	0	0
<u>Permits</u>						
Beer Permits	950	0	0	0	0	0
Other Permits	360	0	0	0	0	0
Total Licenses and Permits	\$ 5,203	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	8,655	0	0	0	0	0
Officers Costs	1,004	0	0	0	0	0
Drug Control Fines	0	0	2	0	0	0
Drug Court Fees	579	0	0	0	0	0
DUI Treatment Fines	190	0	0	0	0	0
Data Entry Fee - Circuit Court	1,436	0	0	0	0	0
Victims Assistance Assessments	631	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	43,053	0	0	0	0	0
Officers Costs	15,098	0	0	0	0	0
Game and Fish Fines	250	0	0	0	0	0
Drug Control Fines	0	0	2,255	0	0	0
Drug Court Fees	2,825	0	0	0	0	0
Jail Fees	3,411	0	0	0	0	0
DUI Treatment Fines	10,267	0	0	0	0	0
Data Entry Fee - General Sessions Court	7,743	0	0	0	0	0
Courtroom Security Fee	130	0	0	0	0	0
Victims Assistance Assessments	20,353	0	0	0	0	0

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Juvenile Court</u>						
Fines	\$ 1,540	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Chancery Court</u>						
Officers Costs	1,778	0	0	0	0	0
Data Entry Fee - Chancery Court	994	0	0	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 119,937	\$ 0	\$ 2,257	\$ 0	\$ 0	\$ 0
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Surcharge - Host Agency	\$ 0	\$ 40,954	\$ 0	\$ 0	\$ 0	\$ 0
Patient Charges	1,427,957	0	0	0	0	0
Other General Service Charges	33,500	0	0	0	0	0
<u>Fees</u>						
Recreation Fees	151,781	0	0	0	0	0
Copy Fees	262	0	0	0	0	0
Telephone Commissions	9,200	0	0	0	0	0
Vending Machine Collections	8,383	0	0	0	0	0
Special Commissioner Fees/Special Master Fees	0	0	0	3,489	0	0
Data Processing Fee - Register	4,455	0	0	0	0	0
Probation Fees	29,600	0	0	0	0	0
Data Processing Fee - Sheriff	1,095	0	0	0	0	0
Sexual Offender Registration Fee - Sheriff	1,200	0	0	0	0	0
Data Processing Fee - County Clerk	4,579	0	0	0	0	0
<u>Education Charges</u>						
Community Service Fees - Adults	31,013	0	0	0	0	0

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>Charges for Current Services (Cont.)</u>						
<u>Other Charges for Services</u>						
Other Charges for Services	\$ 42,300	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Charges for Current Services	\$ 1,745,325	\$ 40,954	\$ 0	\$ 3,489	\$ 0	\$ 0
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 16,310
Sale of Recycled Materials	0	49,183	0	0	0	0
Miscellaneous Refunds	14,866	0	0	0	0	0
<u>Nonrecurring Items</u>						
Sale of Equipment	6,304	4,745	0	0	47,922	0
Damages Recovered from Individuals	70	0	0	0	0	0
Contributions and Gifts	0	0	22,111	0	0	0
<u>Other Local Revenues</u>						
Other Local Revenues	4,305	0	0	0	0	0
Total Other Local Revenues	\$ 25,545	\$ 53,928	\$ 22,111	\$ 0	\$ 47,922	\$ 16,310
<u>Fees Received from County Officials</u>						
<u>Fees in-Lieu-of Salary</u>						
County Clerk	\$ 123,144	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	50,019	0	0	0	0	0
General Sessions Court Clerk	137,753	0	0	0	0	0
Clerk and Master	36,692	0	0	0	0	0
Register	50,039	0	0	0	0	0
Sheriff	6,454	0	0	0	0	0
Trustee	117,711	0	0	0	0	0
Total Fees Received from County Officials	\$ 521,812	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit J-5

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

	Special Revenue Funds						Debt Service Fund	
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt	Service	
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	51,420 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0	0
Aging Programs	30,535	0	0	0	0	0	0	0
Solid Waste Grants	0	50,896	0	0	0	0	0	0
<u>Public Safety Grants</u>								
Law Enforcement Training Programs	9,600	0	0	0	0	0	0	0
<u>Public Works Grants</u>								
State Aid Program	0	0	0	0	266,379	0	0	0
Litter Program	32,119	0	0	0	0	0	0	0
<u>Other State Revenues</u>								
Income Tax	18,448	0	0	0	0	0	0	0
Resort District Sales Tax	221,033	0	0	0	0	0	0	0
Beer Tax	17,806	0	0	0	0	0	0	0
Vehicle Certificate of Title Fees	488	0	0	0	0	0	0	0
Alcoholic Beverage Tax	31,079	0	0	0	0	0	0	0
Mixed Drink Tax	2,539	0	0	0	0	0	0	0
State Revenue Sharing - T.V.A.	324,717	0	0	0	0	0	28,301	0
Contracted Prisoner Boarding	259,185	0	0	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	1,438,938	0	0	0
Petroleum Special Tax	0	0	0	0	8,483	0	0	0
Registrar's Salary Supplement	15,164	0	0	0	0	0	0	0
Other State Grants	2,940	0	0	0	0	0	0	0
Other State Revenues	428,059	0	0	0	0	0	0	0
Total State of Tennessee	\$ 1,445,132 \$	50,896 \$	0 \$	0 \$	1,713,800 \$	28,301	0	0

(Continued)

Exhibit J-5

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

	Special Revenue Funds						Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Federal Government</u>							
<u>Federal Through State</u>							
Community Development	\$ 467,800	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Homeland Security Grants	150,227	0	0	0	0	0	0
Law Enforcement Grants	14,675	0	0	0	0	0	0
Total Federal Government	\$ 632,702	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Governments and Citizens Groups</u>							
<u>Other Governments</u>							
Contributions	\$ 138,810	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 886,204
<u>Other</u>	8,300	0	0	0	0	0	0
Total Other Governments and Citizens Groups	\$ 147,110	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 886,204
Total	\$ 7,436,532	\$ 414,775	\$ 24,368	\$ 3,489	\$ 1,788,419	\$ 1,884,493	

(Continued)

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

	<u>Capital</u>		
	<u>Projects Fund</u>		
	<u>General</u>	<u>Capital</u>	<u>Total</u>
	<u>Projects</u>	<u>Projects</u>	<u>Projects</u>
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	0	\$	2,570,102
Trustee's Collections - Prior Year	0		136,605
Circuit/Clerk and Master Collections - Prior Years	0		68,280
Interest and Penalty	0		22,519
Payments in-Lieu-of Taxes - T.V.A.	0		4,815
Payments in-Lieu-of Taxes - Local Utilities	0		68,784
Payments in-Lieu-of Taxes - Other	0		474
<u>County Local Option Taxes</u>			
Local Option Sales Tax	0		330,140
Hotel/Motel Tax	0		30,179
Wheel Tax	0		365,135
Litigation Tax - General	0		65,654
Litigation Tax - Special Purpose	0		605
Litigation Tax - Jail, Workhouse, or Courthouse	0		47,071
Business Tax	0		75,795
Mixed Drink Tax	0		574
Mineral Severance Tax	0		52,595
<u>Statutory Local Taxes</u>			
Bank Excise Tax	0		5,091
Wholesale Beer Tax	0		198,305
Interstate Telecommunications Tax	0		415
Total Local Taxes	0	\$	4,043,138

(Continued)

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

	<u>Capital</u>		
	<u>Projects Fund</u>		
	<u>General</u>	<u>Capital</u>	<u>Total</u>
	<u>Projects</u>	<u>Projects</u>	<u>Projects</u>
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Cable TV Franchise	0	\$ 3,893	3,893
<u>Permits</u>			
Beer Permits	0	950	950
Other Permits	0	360	360
Total Licenses and Permits	0	\$ 5,203	5,203
<u>Fines, Forfeitures, and Penalties</u>			
<u>Circuit Court</u>			
Fines	0	\$ 8,655	8,655
Officers Costs	0	1,004	1,004
Drug Control Fines	0	2	2
Drug Court Fees	0	579	579
DUI Treatment Fines	0	190	190
Data Entry Fee - Circuit Court	0	1,436	1,436
Victims Assistance Assessments	0	631	631
<u>General Sessions Court</u>			
Fines	0	43,053	43,053
Officers Costs	0	15,098	15,098
Game and Fish Fines	0	250	250
Drug Control Fines	0	2,255	2,255
Drug Court Fees	0	2,825	2,825
Jail Fees	0	3,411	3,411
DUI Treatment Fines	0	10,267	10,267
Data Entry Fee - General Sessions Court	0	7,743	7,743
Courtroom Security Fee	0	130	130
Victims Assistance Assessments	0	20,353	20,353

(Continued)

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

	<u>Capital</u>		
	<u>Projects Fund</u>		
	<u>General</u>	<u>Capital</u>	<u>Total</u>
	<u>Projects</u>		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>			
<u>Juvenile Court</u>			
Fines	0	\$ 1,540	
<u>Chancery Court</u>			
Officers Costs	0	1,778	
Data Entry Fee - Chancery Court	0	994	
Total Fines, Forfeitures, and Penalties	0	\$ 122,194	
<u>Charges for Current Services</u>			
<u>General Service Charges</u>			
Surcharge - Host Agency	0	\$ 40,954	
Patient Charges	0	1,427,957	
Other General Service Charges	0	33,500	
<u>Fees</u>			
Recreation Fees	0	151,781	
Copy Fees	0	262	
Telephone Commissions	0	9,200	
Vending Machine Collections	0	8,383	
Special Commissioner Fees/Special Master Fees	0	3,489	
Data Processing Fee - Register	0	4,455	
Probation Fees	0	29,600	
Data Processing Fee - Sheriff	0	1,095	
Sexual Offender Registration Fee - Sheriff	0	1,200	
Data Processing Fee - County Clerk	0	4,579	
<u>Education Charges</u>			
Community Service Fees - Adults	0	31,013	

(Continued)

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

	<u>Capital</u>		
	<u>Projects Fund</u>		
	<u>General</u>	<u>Capital</u>	<u>Total</u>
	<u>Projects</u>		
<u>Charges for Current Services (Cont.)</u>			
<u>Other Charges for Services</u>			
Other Charges for Services	0	\$ 42,300	
Total Charges for Current Services	0	\$ 1,789,768	
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Investment Income	0	\$ 16,310	
Sale of Recycled Materials	0	49,183	
Miscellaneous Refunds	0	14,866	
<u>Nonrecurring Items</u>			
Sale of Equipment	0	58,971	
Damages Recovered from Individuals	0	70	
Contributions and Gifts	0	22,111	
<u>Other Local Revenues</u>			
Other Local Revenues	0	4,305	
Total Other Local Revenues	0	\$ 165,816	
<u>Fees Received from County Officials</u>			
<u>Fees in-Lieu-of Salary</u>			
County Clerk	0	\$ 123,144	
Circuit Court Clerk	0	50,019	
General Sessions Court Clerk	0	137,753	
Clerk and Master	0	36,692	
Register	0	50,039	
Sheriff	0	6,454	
Trustee	0	117,711	
Total Fees Received from County Officials	0	\$ 521,812	

(Continued)

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

	<u>Capital</u>		
	<u>Projects Fund</u>		
	<u>General</u>	<u>Capital</u>	<u>Total</u>
	<u>Projects</u>	<u>Projects</u>	<u>Projects</u>
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
Juvenile Services Program	0	\$	51,420
Aging Programs	0		30,535
Solid Waste Grants	0		50,896
Public Safety Grants			
Law Enforcement Training Programs	0		9,600
<u>Public Works Grants</u>			
State Aid Program	0		266,379
Litter Program	0		32,119
<u>Other State Revenues</u>			
Income Tax	0		18,448
Resort District Sales Tax	0		221,033
Beer Tax	0		17,806
Vehicle Certificate of Title Fees	0		488
Alcoholic Beverage Tax	0		31,079
Mixed Drink Tax	0		2,539
State Revenue Sharing - T.V.A.	0		353,018
Contracted Prisoner Boarding	0		259,185
Gasoline and Motor Fuel Tax	0		1,438,938
Petroleum Special Tax	0		8,483
Registrar's Salary Supplement	0		15,164
Other State Grants	0		2,940
Other State Revenues	0		428,059
Total State of Tennessee	\$	0	\$ 3,238,129

(Continued)

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

	Capital Projects Fund		
	General Capital Projects		Total
<u>Federal Government</u>			
<u>Federal Through State</u>			
Community Development	0	\$	467,800
Homeland Security Grants	0		150,227
Law Enforcement Grants	0		14,675
Total Federal Government	0	\$	632,702
<u>Other Governments and Citizens Groups</u>			
<u>Other Governments</u>			
Contributions	7,000	\$	1,032,014
Other	0		8,300
Total Other Governments and Citizens Groups	7,000	\$	1,040,314
Total	7,000	\$	11,559,076

Exhibit J-6

Decatur County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Decatur County School Department
For the Year Ended June 30, 2014

	General Purpose School	Special Revenue Fund School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 1,489,026	\$ 0	\$ 1,489,026
Trustee's Collections - Prior Year	79,030	0	79,030
Circuit/Clerk and Master Collections - Prior Years	39,440	0	39,440
Interest and Penalty	12,986	0	12,986
Payments in-Lieu-of Taxes - T.V.A.	4,540	0	4,540
Payments in-Lieu-of Taxes - Local Utilities	9,067	0	9,067
Payments in-Lieu-of Taxes - Other	1,248	0	1,248
<u>County Local Option Taxes</u>			
Local Option Sales Tax	1,177,147	0	1,177,147
Wheel Tax	203,269	0	203,269
Mixed Drink Tax	2,539	0	2,539
Mineral Severance Tax	49,339	0	49,339
<u>Statutory Local Taxes</u>			
Bank Excise Tax	12,467	0	12,467
Interstate Telecommunications Tax	1,614	0	1,614
Total Local Taxes	<u>\$ 3,081,712</u>	<u>\$ 0</u>	<u>\$ 3,081,712</u>
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 864	\$ 0	\$ 864
Total Licenses and Permits	<u>\$ 864</u>	<u>\$ 0</u>	<u>\$ 864</u>
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
Receipts from Individual Schools	\$ 28,399	\$ 0	\$ 28,399
Community Service Fees - Children	50,153	0	50,153
<u>Other Charges for Services</u>			
Other Charges for Services	62,791	0	62,791
Total Charges for Current Services	<u>\$ 141,343</u>	<u>\$ 0</u>	<u>\$ 141,343</u>
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Investment Income	\$ 3,409	\$ 0	\$ 3,409
Sale of Recycled Materials	88	0	88
E-Rate Funding	16,566	0	16,566
<u>Nonrecurring Items</u>			
Damages Recovered from Individuals	154	0	154
Contributions and Gifts	12,392	0	12,392
Total Other Local Revenues	<u>\$ 32,609</u>	<u>\$ 0</u>	<u>\$ 32,609</u>

(Continued)

Exhibit J-6

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

	General Purpose School	Special Revenue Fund School Federal Projects	Total
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
On-behalf Contributions for OPEB	\$ 56,784	\$ 0	\$ 56,784
<u>State Education Funds</u>			
Basic Education Program	7,975,000	0	7,975,000
Early Childhood Education	290,961	0	290,961
School Food Service	9,078	0	9,078
Energy Efficient School Initiative	3,500	0	3,500
Other State Education Funds	216,990	0	216,990
Career Ladder Program	66,966	0	66,966
Career Ladder - Extended Contract	22,120	0	22,120
<u>Other State Revenues</u>			
State Revenue Sharing - T.V.A.	248,697	0	248,697
Other State Revenues	126,793	0	126,793
Total State of Tennessee	\$ 9,016,889	\$ 0	\$ 9,016,889
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 371,329	\$ 0	\$ 371,329
USDA - Commodities	59,213	0	59,213
Breakfast	143,097	0	143,097
USDA - Other	14,878	0	14,878
Vocational Education - Basic Grants to States	0	28,351	28,351
Title I Grants to Local Education Agencies	0	426,559	426,559
Special Education - Grants to States	0	403,003	403,003
Special Education Preschool Grants	0	36,537	36,537
English Language Acquisition Grants	0	2,692	2,692
Safe and Drug-free Schools - State Grants	0	89,000	89,000
Rural Education	0	22,775	22,775
Eisenhower Professional Development State Grants	0	69,674	69,674
Race-to-the-Top - ARRA	0	95,220	95,220
Total Federal Government	\$ 588,517	\$ 1,173,811	\$ 1,762,328
Total	\$ 12,861,934	\$ 1,173,811	\$ 14,035,745

Exhibit J-7

Decatur County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2014

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	21,980	
Audit Services		3,527	
Legal Notices, Recording, and Court Costs		493	
Postal Charges		495	
Travel		100	
Other Charges		420	
Total County Commission			\$ 27,015

Board of Equalization

Board and Committee Members Fees	\$	754	
Total Board of Equalization			754

Beer Board

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

Other Boards and Committees

Board and Committee Members Fees	\$	3,100	
Total Other Boards and Committees			3,100

County Mayor/Executive

County Official/Administrative Officer	\$	64,832	
Accountants/Bookkeepers		52,080	
Dues and Memberships		1,200	
Postal Charges		848	
Travel		420	
Office Supplies		2,851	
Total County Mayor/Executive			122,231

Personnel Office

Maintenance Agreements	\$	7,097	
Postal Charges		460	
Other Contracted Services		310	
Office Supplies		211	
Other Supplies and Materials		475	
Data Processing Equipment		487	
Total Personnel Office			9,040

County Attorney

Legal Services	\$	8,527	
Total County Attorney			8,527

Election Commission

County Official/Administrative Officer	\$	50,519	
Part-time Personnel		130	
Other Salaries and Wages		24,123	
Election Commission		1,050	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Communication	\$	1,887	
Dues and Memberships		175	
Legal Notices, Recording, and Court Costs		117	
Maintenance Agreements		210	
Maintenance and Repair Services - Buildings		2,400	
Maintenance and Repair Services - Equipment		9,263	
Maintenance and Repair Services - Office Equipment		44	
Postal Charges		858	
Printing, Stationery, and Forms		1,136	
Rentals		4,325	
Travel		1,552	
Electricity		1,127	
Natural Gas		1,134	
Office Supplies		2,000	
Water and Sewer		417	
Other Supplies and Materials		1,151	
Building Construction		74,500	
Office Equipment		1,024	
Total Election Commission	\$		179,142

Register of Deeds

County Official/Administrative Officer	\$	56,132	
Secretary(ies)		24,123	
Dues and Memberships		337	
Maintenance Agreements		999	
Postal Charges		184	
Office Supplies		436	
Data Processing Equipment		4,951	
Total Register of Deeds			87,162

County Buildings

Custodial Personnel	\$	9,600	
Communication		22,259	
Maintenance and Repair Services - Buildings		5,910	
Maintenance and Repair Services - Equipment		5,000	
Other Contracted Services		482	
Custodial Supplies		2,982	
Electricity		55,037	
Natural Gas		14,363	
Water and Sewer		1,901	
Other Charges		416	
Building Improvements		15,445	
Heating and Air Conditioning Equipment		1,876	
Total County Buildings			135,271

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	56,132	
Deputy(ies)		24,123	
Other Salaries and Wages		24,123	
In-service Training		287	
Data Processing Services		3,931	
Dues and Memberships		1,215	
Maintenance Agreements		1,651	
Maintenance and Repair Services - Vehicles		400	
Postal Charges		789	
Other Contracted Services		8,813	
Data Processing Supplies		346	
Gasoline		1,096	
Office Supplies		738	
Total Property Assessor's Office			\$ 123,644

Reappraisal Program

Other Salaries and Wages	\$	15,637	
Data Processing Services		3,071	
Other Supplies and Materials		1,279	
Total Reappraisal Program			19,987

County Trustee's Office

County Official/Administrative Officer	\$	56,132	
Deputy(ies)		48,246	
Communication		839	
Data Processing Services		3,931	
Dues and Memberships		537	
Legal Notices, Recording, and Court Costs		12	
Maintenance Agreements		6,826	
Postal Charges		5,889	
Travel		1,105	
Data Processing Supplies		639	
Office Supplies		1,600	
Data Processing Equipment		1,606	
Office Equipment		230	
Total County Trustee's Office			127,592

County Clerk's Office

County Official/Administrative Officer	\$	56,132	
Deputy(ies)		48,246	
Dues and Memberships		437	
Maintenance Agreements		1,521	
Postal Charges		1,886	
Travel		983	
Office Supplies		1,188	
Total County Clerk's Office			110,393

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice

Circuit Court Clerk

County Official/Administrative Officer	\$	56,132	
Deputy(ies)		48,246	
Jury and Witness Expense		3,001	
Dues and Memberships		402	
Legal Notices, Recording, and Court Costs		1,267	
Maintenance Agreements		11,634	
Postal Charges		2,177	
Travel		1,361	
Office Supplies		3,225	
Total Circuit Court Clerk			\$ 127,445

General Sessions Judge

Judge(s)	\$	90,804	
Probation Officer(s)		16,774	
Dues and Memberships		175	
Travel		630	
Office Supplies		99	
Total General Sessions Judge			108,482

Drug Court

Remittance of Revenue Collected	\$	2,249	
Total Drug Court			2,249

Chancery Court

County Official/Administrative Officer	\$	56,132	
Part-time Personnel		580	
Other Salaries and Wages		24,123	
Dues and Memberships		402	
Maintenance Agreements		4,127	
Postal Charges		480	
Office Supplies		2,064	
Total Chancery Court			87,908

Juvenile Court

County Official/Administrative Officer	\$	30,149	
Communication		479	
Dues and Memberships		200	
Maintenance Agreements		307	
Postal Charges		184	
Travel		404	
Office Supplies		466	
Other Charges		180	
Total Juvenile Court			32,369

Victim Assistance Programs

Other Per Diem and Fees	\$	2,589	
Total Victim Assistance Programs			2,589

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	61,745	
Deputy(ies)		338,836	
Investigator(s)		59,656	
Part-time Personnel		8,469	
Overtime Pay		27,296	
Other Salaries and Wages		31,863	
In-service Training		4,514	
Communication		14,438	
Dues and Memberships		1,790	
Maintenance Agreements		4,546	
Maintenance and Repair Services - Buildings		273	
Maintenance and Repair Services - Equipment		1,332	
Maintenance and Repair Services - Vehicles		26,428	
Postal Charges		1,535	
Towing Services		840	
Travel		4,447	
Other Contracted Services		13,293	
Gasoline		70,852	
Office Supplies		3,956	
Uniforms		1,884	
Other Charges		1,249	
Law Enforcement Equipment		3,538	
Office Equipment		3,411	
Other Equipment		2,809	
Total Sheriff's Department			\$ 689,000

Jail

Supervisor/Director	\$	24,114	
Deputy(ies)		360,247	
Part-time Personnel		5,372	
Overtime Pay		9,192	
In-service Training		650	
Maintenance and Repair Services - Buildings		14,328	
Medical and Dental Services		42,410	
Travel		1,583	
Other Contracted Services		8,047	
Custodial Supplies		13,035	
Drugs and Medical Supplies		356	
Electricity		46,378	
Food Supplies		75,484	
Law Enforcement Supplies		1,465	
Natural Gas		8,720	
Uniforms		1,885	
Water and Sewer		9,987	
Other Supplies and Materials		1,500	
Law Enforcement Equipment		936	
Other Construction		1,414	
Total Jail			627,103

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Juvenile Services

Assistant(s)	\$	14,197	
Supervisor/Director		20,726	
Youth Service Officer(s)		12,406	
Medical Personnel		13,450	
Communication		2,530	
Maintenance Agreements		697	
Postal Charges		144	
Travel		772	
Other Contracted Services		250	
Office Supplies		34	
Total Juvenile Services			\$ 65,206

Work Release Program

Supervisor/Director	\$	45,499	
Probation Officer(s)		176,659	
Accountants/Bookkeepers		16,365	
Part-time Personnel		24,367	
Other Fringe Benefits		63,651	
Communication		7,858	
Maintenance and Repair Services - Equipment		2,871	
Postal Charges		536	
Printing, Stationery, and Forms		1,050	
Rentals		18,000	
Travel		10,011	
Other Contracted Services		10,930	
Electricity		3,369	
Natural Gas		2,044	
Office Supplies		11,536	
Water and Sewer		1,664	
Building and Contents Insurance		10,280	
Other Charges		4,140	
Total Work Release Program			410,830

Fire Prevention and Control

Supervisor/Director	\$	18,649	
Contributions		5,700	
Maintenance and Repair Services - Vehicles		300	
Other Supplies and Materials		25	
Liability Insurance		43,702	
Total Fire Prevention and Control			68,376

Civil Defense

Supervisor/Director	\$	21,301	
Communication		2,472	
Diesel Fuel		3,457	
Electricity		1,489	
Natural Gas		1,371	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

Office Supplies	\$	244	
Other Equipment		147,787	
Total Civil Defense			\$ 178,121

Rescue Squad

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

Other Emergency Management

Supervisor/Director	\$	35,630	
Dispatchers/Radio Operators		191,760	
Part-time Personnel		34,103	
Total Other Emergency Management			261,493

County Coroner/Medical Examiner

Contracts with Government Agencies	\$	25,570	
Other Supplies and Materials		368	
Total County Coroner/Medical Examiner			25,938

Other Public Safety

Supervisor/Director	\$	1,000	
Total Other Public Safety			1,000

Public Health and Welfare

Local Health Center

Salary Supplements	\$	5,307	
Custodial Personnel		5,100	
Communication		2,759	
Maintenance and Repair Services - Buildings		6,652	
Postal Charges		210	
Other Contracted Services		366	
Custodial Supplies		289	
Drugs and Medical Supplies		894	
Electricity		4,804	
Natural Gas		1,188	
Office Supplies		472	
Water and Sewer		1,275	
Other Charges		720	
Other Equipment		2,000	
Total Local Health Center			32,036

Ambulance/Emergency Medical Services

Supervisor/Director	\$	46,635	
Medical Personnel		318,151	
Part-time Personnel		127,079	
Overtime Pay		106,817	
In-service Training		5,931	

(Continued)

Exhibit J-7

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.)

Medical Insurance	\$	29,750	
Communication		3,012	
Dues and Memberships		335	
Evaluation and Testing		397	
Licenses		1,595	
Maintenance Agreements		751	
Maintenance and Repair Services - Buildings		25,515	
Maintenance and Repair Services - Equipment		12,161	
Maintenance and Repair Services - Vehicles		46,001	
Postal Charges		23	
Travel		634	
Other Contracted Services		72,042	
Custodial Supplies		2,832	
Diesel Fuel		52,835	
Drugs and Medical Supplies		35,778	
Electricity		5,157	
Gasoline		102	
Natural Gas		2,562	
Office Supplies		2,049	
Water and Sewer		763	
Other Supplies and Materials		769	
Building and Contents Insurance		12,193	
Vehicle and Equipment Insurance		11,997	
Workers' Compensation Insurance		66,421	
Other Charges		1,967	
Communication Equipment		268	
Data Processing Equipment		510	
Motor Vehicles		504,330	
Office Equipment		250	
Other Equipment		920	
Total Ambulance/Emergency Medical Services			\$ 1,498,532

Crippled Children Services

Contributions	\$	796	
Total Crippled Children Services			796

Other Local Health Services

Contributions	\$	450,000	
Total Other Local Health Services			450,000

General Welfare Assistance

Contracts with Other Public Agencies	\$	8,000	
Total General Welfare Assistance			8,000

Sanitation Education/Information

Laborers	\$	21,357	
Instructional Supplies and Materials		4,802	
Other Supplies and Materials		5,882	
Total Sanitation Education/Information			32,041

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$	22,350	
Other Salaries and Wages		16,110	
Communication		1,491	
Contributions		2,500	
Maintenance and Repair Services - Buildings		8,872	
Transportation - Other than Students		11,869	
Travel		170	
Electricity		6,018	
Natural Gas		2,146	
Water and Sewer		325	
Other Supplies and Materials		81	
Other Charges		9,512	
Total Senior Citizens Assistance			\$ 81,444

Libraries

Supervisor/Director	\$	23,580	
Other Salaries and Wages		25,190	
Communication		1,080	
Dues and Memberships		100	
Maintenance Agreements		2,118	
Maintenance and Repair Services - Buildings		1,350	
Maintenance and Repair Services - Equipment		130	
Postal Charges		80	
Travel		256	
Data Processing Supplies		3,492	
Library Books/Media		1,902	
Office Supplies		527	
Other Supplies and Materials		1,510	
Other Charges		3,285	
Data Processing Equipment		1,000	
Total Libraries			65,600

Parks and Fair Boards

Supervisor/Director	\$	32,972	
Part-time Personnel		27,540	
Communication		3,459	
Dues and Memberships		340	
Maintenance and Repair Services - Buildings		1,954	
Maintenance and Repair Services - Equipment		4,962	
Maintenance and Repair Services - Vehicles		483	
Postal Charges		64	
Other Contracted Services		23,455	
Custodial Supplies		6,431	
Electricity		64,755	
Fertilizer, Lime, and Seed		333	
Gasoline		2,693	
Natural Gas		11,335	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Parks and Fair Boards (Cont.)

Water and Sewer	\$	19,514	
Other Supplies and Materials		2,929	
Other Charges		795	
Building Construction		2,085	
Other Equipment		4,942	
Other Construction		8,670	
Total Parks and Fair Boards			\$ 219,711

Agriculture and Natural Resources

Agricultural Extension Service

Salary Supplements	\$	18,207	
Other Fringe Benefits		3,682	
Communication		1,383	
Maintenance Agreements		363	
Electricity		4,019	
Natural Gas		3,051	
Water and Sewer		608	
Office Equipment		994	
Total Agricultural Extension Service			32,307

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	\$	2,160	
Total Tourism			2,160

Industrial Development

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

Airport

Contributions	\$	27,500	
Total Airport			27,500

Veterans' Services

Supervisor/Director	\$	9,061	
Dues and Memberships		25	
Maintenance Agreements		991	
Postal Charges		49	
Travel		713	
Office Equipment		240	
Total Veterans' Services			11,079

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Other Charges

Instructional Supplies and Materials	\$	6,241	
Road Signs		2,280	
Liability Insurance		59,751	
Trustee's Commission		39,476	
Vehicle and Equipment Insurance		19,300	
Workers' Compensation Insurance		70,220	
Other Charges		13,762	
Total Other Charges			\$ 211,030

Employee Benefits

Social Security	\$	196,485	
State Retirement		141,846	
Medical Insurance		162,555	
Unemployment Compensation		23,918	
Employer Medicare		45,952	
Total Employee Benefits			570,756

Miscellaneous

Contributions	\$	10,359	
Dues and Memberships		8,804	
Total Miscellaneous			19,163

Total General Fund \$ 6,940,172

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$	29,586	
Truck Drivers		15,267	
Laborers		30,220	
Overtime Pay		7,294	
Communication		1,861	
Legal Notices, Recording, and Court Costs		40	
Maintenance and Repair Services - Buildings		1,193	
Maintenance and Repair Services - Equipment		9,142	
Maintenance and Repair Services - Vehicles		12,383	
Other Contracted Services		13,188	
Diesel Fuel		22,013	
Electricity		139	
Gasoline		14,388	
Natural Gas		5,605	
Tires and Tubes		3,087	
Water and Sewer		441	
Other Supplies and Materials		2,005	
Other Charges		679	
Motor Vehicles		5,850	
Solid Waste Equipment		38,543	
Total Sanitation Management			\$ 212,924

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Convenience Centers

Laborers	\$	66,325	
Communication		750	
Maintenance and Repair Services - Buildings		767	
Maintenance and Repair Services - Equipment		1,062	
Electricity		4,371	
Water and Sewer		1,273	
Gravel and Chert		906	
Other Supplies and Materials		164	
Other Charges		50	
Building Improvements		10	
Total Convenience Centers			\$ 75,678

Other Operations

Other Charges

Liability Insurance	\$	10,920	
Trustee's Commission		1,016	
Vehicle and Equipment Insurance		3,640	
Workers' Compensation Insurance		15,400	
Surcharge		5,831	
Total Other Charges			36,807

Employee Benefits

Social Security	\$	8,965	
State Retirement		3,334	
Medical Insurance		10,630	
Unemployment Compensation		2,011	
Employer Medicare		2,097	
Total Employee Benefits			27,037

Total Solid Waste/Sanitation Fund \$ 352,446

Drug Control Fund

Public Safety

Drug Enforcement

Salary Supplements	\$	5,000	
Trustee's Commission		73	
Motor Vehicles		44,850	
Total Drug Enforcement			\$ 49,923

Other Operations

Employee Benefits

Social Security	\$	310	
State Retirement		277	
Employer Medicare		72	
Total Employee Benefits			659

Total Drug Control Fund 50,582

(Continued)

Exhibit J-7

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

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$ 3,489	
Total Chancery Court		\$ 3,489

Total Constitutional Officers - Fees Fund \$ 3,489

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 61,745	
Assistant(s)	27,531	
Accountants/Bookkeepers	27,531	
Advertising	206	
Communication	4,798	
Dues and Memberships	2,528	
Evaluation and Testing	490	
Postal Charges	374	
Printing, Stationery, and Forms	634	
Travel	1,076	
Other Contracted Services	11,469	
Electricity	5,292	
Natural Gas	887	
Office Supplies	896	
Water and Sewer	784	
Total Administration		\$ 146,241

Highway and Bridge Maintenance

Laborers	\$ 277,600	
Overtime Pay	11,146	
Handling Charges and Administrative Costs	636	
Asphalt - Cold Mix	61,684	
Asphalt - Liquid	12,279	
Crushed Stone	77,243	
Pipe	26,911	
Road Signs	86	
Total Highway and Bridge Maintenance		467,585

Operation and Maintenance of Equipment

Mechanic(s)	\$ 80,316	
Overtime Pay	17,350	
Diesel Fuel	86,065	
Equipment and Machinery Parts	45,155	
Gasoline	44,358	
Lubricants	2,797	
Tires and Tubes	13,423	
Chemicals	400	
Total Operation and Maintenance of Equipment		289,864

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges

Liability Insurance	\$	32,231	
Trustee's Commission		14,686	
Workers' Compensation Insurance		41,548	
Total Other Charges			\$ 88,465

Employee Benefits

Social Security	\$	37,830	
State Retirement		24,205	
Medical Insurance		139,168	
Unemployment Compensation		1,925	
Other Fringe Benefits		3,508	
Total Employee Benefits			206,636

Capital Outlay

Other Contracted Services	\$	12,052	
Highway Equipment		10,000	
Office Equipment		582	
State Aid Projects		272,285	
Total Capital Outlay			294,919

Total Highway/Public Works Fund \$ 1,493,710

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	555,000	
Principal on Notes		20,458	
Total General Government			\$ 575,458

Education

Principal on Bonds	\$	800,000	
Principal on Notes		61,099	
Total Education			861,099

Interest on Debt

General Government

Interest on Bonds	\$	329,119	
Interest on Notes		4,213	
Total General Government			333,332

Education

Interest on Bonds	\$	92,098	
Total Education			92,098

Other Debt Service

General Government

Contributions	\$	143,339	
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(Continued)

Exhibit J-7

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

General Debt Service Fund (Cont.)

Other Debt Service (Cont.)

General Government (Cont.)

Fiscal Agent Charges	\$ 1,294	
Trustee's Commission	<u>6,595</u>	
Total General Government		\$ 151,228

Education

Underwriter's Discount	\$ 33,674	
Other Debt Issuance Charges	49,539	
Other Debt Service	<u>1,500</u>	
Total Education		<u>84,713</u>

Total General Debt Service Fund \$ 2,097,928

General Capital Projects Fund

General Government

County Buildings

Building Construction	\$ <u>75,000</u>	
Total County Buildings		\$ 75,000

Other Operations

Miscellaneous

Other Charges	\$ <u>77,000</u>	
Total Miscellaneous		<u>77,000</u>

Total General Capital Projects Fund 152,000

Total Governmental Funds - Primary Government \$ 11,090,327

Exhibit J-8

Decatur County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Decatur County School Department
For the Year Ended June 30, 2014

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	3,930,941	
Career Ladder Program		34,900	
Career Ladder Extended Contracts		13,290	
Homebound Teachers		5,950	
Educational Assistants		77,560	
Other Salaries and Wages		17,167	
Non-certified Substitute Teachers		80,165	
Social Security		231,382	
State Retirement		346,088	
Medical Insurance		337,827	
Unemployment Compensation		9,000	
Employer Medicare		55,659	
Maintenance and Repair Services - Equipment		9,344	
Other Contracted Services		71,520	
Instructional Supplies and Materials		239,491	
Textbooks		19,057	
Other Supplies and Materials		25,644	
Other Charges		55,563	
Regular Instruction Equipment		293,334	
Total Regular Instruction Program			\$ 5,853,882

Special Education Program

Teachers	\$	495,330	
Career Ladder Program		6,000	
Homebound Teachers		4,990	
Educational Assistants		13,100	
Speech Pathologist		103,526	
Non-certified Substitute Teachers		14,310	
Social Security		35,214	
State Retirement		53,345	
Medical Insurance		51,295	
Unemployment Compensation		900	
Employer Medicare		8,491	
Maintenance and Repair Services - Equipment		3,201	
Instructional Supplies and Materials		4,873	
Other Supplies and Materials		2,264	
Other Charges		2,056	
Special Education Equipment		6,332	
Total Special Education Program			805,227

Vocational Education Program

Teachers	\$	309,692	
Career Ladder Program		2,000	
Social Security		18,722	
State Retirement		27,678	
Medical Insurance		14,546	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Unemployment Compensation	\$	450	
Employer Medicare		4,378	
Instructional Supplies and Materials		8,602	
Textbooks		5,249	
Vocational Instruction Equipment		1,138	
Total Vocational Education Program			\$ 392,455

Support Services

Attendance

Supervisor/Director	\$	81,647	
Clerical Personnel		1,261	
Social Security		3,384	
State Retirement		5,098	
Medical Insurance		3,692	
Unemployment Compensation		200	
Employer Medicare		1,154	
Maintenance and Repair Services - Equipment		1,428	
Travel		1,034	
Other Contracted Services		10,524	
Other Supplies and Materials		1,350	
Attendance Equipment		1,949	
Total Attendance			112,721

Health Services

Other Salaries and Wages	\$	45,340	
Social Security		2,191	
State Retirement		1,958	
Unemployment Compensation		195	
Employer Medicare		640	
Postal Charges		550	
Travel		5,636	
Other Contracted Services		98,261	
Other Supplies and Materials		47,012	
Health Equipment		3,786	
Total Health Services			205,569

Other Student Support

Career Ladder Program	\$	3,000	
Guidance Personnel		155,444	
Social Security		9,570	
State Retirement		14,070	
Medical Insurance		5,091	
Unemployment Compensation		100	
Employer Medicare		2,238	
Contracts with Other School Systems		285,200	
Evaluation and Testing		4,750	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Travel	\$	393	
Other Supplies and Materials		805	
Other Charges		314	
Total Other Student Support			\$ 480,975

Regular Instruction Program

Supervisor/Director	\$	208,331	
Career Ladder Program		6,800	
Librarians		185,553	
Instructional Computer Personnel		26,218	
Secretary(ies)		103,511	
Other Salaries and Wages		25,000	
In-service Training		27,850	
Social Security		30,090	
State Retirement		40,799	
Medical Insurance		27,900	
Unemployment Compensation		1,000	
Employer Medicare		7,958	
Travel		4,640	
Library Books/Media		8,008	
Other Supplies and Materials		705	
In Service/Staff Development		2,601	
Total Regular Instruction Program			706,964

Special Education Program

Supervisor/Director	\$	64,567	
Career Ladder Program		1,000	
Clerical Personnel		9,800	
Social Security		4,647	
State Retirement		6,365	
Medical Insurance		1,762	
Unemployment Compensation		100	
Employer Medicare		1,087	
Communication		2,430	
Travel		4,836	
Other Contracted Services		46,663	
Other Supplies and Materials		823	
Total Special Education Program			144,080

Vocational Education Program

Supervisor/Director	\$	29,039	
Social Security		1,764	
State Retirement		2,596	
Unemployment Compensation		75	
Employer Medicare		413	
Travel		2,569	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program (Cont.)

Other Supplies and Materials	\$	642	
In Service/Staff Development		365	
Total Vocational Education Program			\$ 37,463

Other Programs

On-behalf Payments to OPEB	\$	56,784	
Total Other Programs			56,784

Board of Education

Board and Committee Members Fees	\$	12,000	
Social Security		744	
Employer Medicare		179	
Audit Services		12,000	
Dues and Memberships		7,809	
Legal Services		159	
Trustee's Commission		47,020	
Workers' Compensation Insurance		64,036	
Refund to Applicant for Criminal Investigation		336	
Other Charges		12,457	
Total Board of Education			156,740

Director of Schools

County Official/Administrative Officer	\$	96,800	
Career Ladder Program		500	
Social Security		5,822	
State Retirement		8,600	
Medical Insurance		3,481	
Unemployment Compensation		100	
Employer Medicare		1,362	
Communication		14,459	
Postal Charges		2,290	
Travel		1,611	
Other Contracted Services		1,379	
Office Supplies		1,546	
Other Charges		1,217	
Administration Equipment		1,000	
Total Director of Schools			140,167

Office of the Principal

Principals	\$	272,681	
Career Ladder Program		4,000	
Social Security		15,393	
State Retirement		24,570	
Medical Insurance		25,931	
Unemployment Compensation		145	
Employer Medicare		3,600	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Communication	\$	19,442	
Administration Equipment		435	
Total Office of the Principal			\$ 366,197

Fiscal Services

Accountants/Bookkeepers	\$	56,184	
Social Security		3,418	
State Retirement		3,150	
Employer Medicare		799	
Travel		1,688	
Other Contracted Services		10,253	
Office Supplies		2,046	
Administration Equipment		2,500	
Total Fiscal Services			80,038

Operation of Plant

Custodial Personnel	\$	183,491	
Social Security		11,304	
State Retirement		10,022	
Employer Medicare		2,644	
Custodial Supplies		42,124	
Electricity		298,763	
Natural Gas		93,504	
Water and Sewer		41,590	
Building and Contents Insurance		104,322	
Other Charges		41	
Total Operation of Plant			787,805

Maintenance of Plant

Maintenance Personnel	\$	71,730	
Social Security		4,447	
State Retirement		2,582	
Medical Insurance		600	
Employer Medicare		1,040	
Maintenance and Repair Services - Buildings		54,889	
Maintenance and Repair Services - Equipment		450	
Other Contracted Services		28,076	
Gasoline		5,957	
Other Charges		211	
Maintenance Equipment		5,500	
Total Maintenance of Plant			175,482

Transportation

Supervisor/Director	\$	38,800	
Mechanic(s)		18,580	
Bus Drivers		242,635	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Social Security	\$	18,368	
State Retirement		8,639	
Medical Insurance		3,200	
Employer Medicare		4,296	
Communication		6,904	
Maintenance and Repair Services - Vehicles		30,407	
Medical and Dental Services		3,850	
Travel		1,183	
Diesel Fuel		71,716	
Garage Supplies		520	
Gasoline		7,356	
Tires and Tubes		17,348	
Other Charges		85	
Total Transportation			\$ 473,887

Operation of Non-instructional Services

Food Service

Supervisor/Director	\$	28,222	
Clerical Personnel		6,891	
Other Salaries and Wages		849	
Social Security		2,327	
State Retirement		3,000	
Employer Medicare		544	
Payments to Schools - Breakfast		143,097	
Payments to Schools - Lunch		371,329	
Payments to Schools - Other		14,878	
Travel		1,072	
USDA - Commodities		59,213	
In Service/Staff Development		275	
Food Service Equipment		10,855	
Total Food Service			642,552

Community Services

Supervisor/Director	\$	52,736	
Clerical Personnel		3,000	
Other Salaries and Wages		98,823	
Social Security		8,926	
State Retirement		10,799	
Medical Insurance		7,322	
Employer Medicare		2,087	
Travel		1,622	
Food Supplies		974	
Other Supplies and Materials		11,931	
Total Community Services			198,220

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-instructional Services (Cont.)

Early Childhood Education

Supervisor/Director	\$	9,631	
Teachers		123,378	
Clerical Personnel		2,000	
Other Salaries and Wages		76,745	
Social Security		11,552	
State Retirement		14,787	
Medical Insurance		11,897	
Employer Medicare		2,829	
Maintenance and Repair Services - Equipment		5,571	
Travel		2,511	
Food Supplies		2,460	
Other Supplies and Materials		50,741	
In Service/Staff Development		53	
Other Equipment		7,864	
Total Early Childhood Education			\$ 322,019

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	75,296	
Total Regular Capital Outlay			75,296

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	536,099	
Total Education			536,099

Total General Purpose School Fund \$ 12,750,622

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	370,098	
Social Security		20,790	
State Retirement		30,985	
Medical Insurance		13,776	
Employer Medicare		5,155	
Instructional Supplies and Materials		25,310	
Regular Instruction Equipment		42,640	
Total Regular Instruction Program			\$ 508,754

Special Education Program

Teachers	\$	41,499	
Educational Assistants		234,246	
Social Security		16,931	
State Retirement		15,017	
Medical Insurance		3,008	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Employer Medicare	\$	3,960	
Instructional Supplies and Materials		1,478	
Special Education Equipment		5,976	
Total Special Education Program			\$ 322,115

Vocational Education Program

Vocational Instruction Equipment	\$	17,263	
Total Vocational Education Program			17,263

Support Services

Other Student Support

Other Salaries and Wages	\$	73,447	
Social Security		4,550	
State Retirement		6,497	
Employer Medicare		1,064	
Travel		10,623	
Other Contracted Services		17,108	
Other Supplies and Materials		3,435	
Other Charges		2,431	
Total Other Student Support			119,155

Regular Instruction Program

Supervisor/Director	\$	61,911	
In-service Training		8,960	
Social Security		4,320	
State Retirement		6,290	
Employer Medicare		1,010	
Travel		2,194	
Other Supplies and Materials		100	
In Service/Staff Development		2,926	
Total Regular Instruction Program			87,711

Special Education Program

Psychological Personnel	\$	46,146	
Clerical Personnel		9,800	
Social Security		3,461	
State Retirement		4,641	
Medical Insurance		3,606	
Employer Medicare		809	
Maintenance and Repair Services - Equipment		990	
Travel		500	
Other Contracted Services		6,894	
In Service/Staff Development		1,117	
Total Special Education Program			77,964

(Continued)

Exhibit J-8

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

<u>School Federal Projects Fund (Cont.)</u>		
<u>Support Services (Cont.)</u>		
<u>Vocational Education Program</u>		
Supervisor/Director	\$	1,183
Social Security		88
State Retirement		126
Employer Medicare		21
Total Vocational Education Program		<u>1,418</u>
	\$	1,418
 <u>Transportation</u>		
Bus Drivers	\$	35,441
Social Security		2,192
State Retirement		1,315
Employer Medicare		513
Total Transportation		<u>39,461</u>
		<u>39,461</u>
Total School Federal Projects Fund		<u>\$ 1,173,841</u>
Total Governmental Funds - Decatur County School Department		<u>\$ 13,924,463</u>

Exhibit J-9

Decatur County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2014

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 884,356
Total Cash Receipts	<u>\$ 884,356</u>
<u>Cash Disbursements</u>	
Remittance of Revenue Collected	\$ 525,307
Trustee's Commission	8,844
Contributions	<u>350,205</u>
Total Cash Disbursements	<u>\$ 884,356</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2013	<u>0</u>
Cash Balance, June 30, 2014	<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
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**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Decatur County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Decatur County's basic financial statements, and have issued our report thereon dated January 22, 2015. Our report includes a reference to other auditors who audited the financial statements of the Decatur County General Hospital and the Decatur County Emergency Communications District, as described in our report on Decatur County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Decatur County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Decatur County's internal control. Accordingly, we do not express an opinion on the effectiveness of Decatur County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or

significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 2014-001, 2014-002, and 2014-009.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 2014-005, 2014-006, 2014-007, and 2014-008(A,B).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Decatur County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items: 2014-003, 2014-004, 2014-008(C,D), and 2014-010.

Purpose of this Report

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

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

January 22, 2015

JPW/sb



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

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Decatur County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Decatur County's major federal programs for the year ended June 30, 2014. Decatur County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Decatur County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan

and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Decatur County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Decatur County's compliance.

Opinion on Each Major Federal Program

In our opinion, Decatur County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Decatur County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Decatur County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Decatur County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

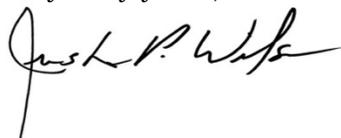
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

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

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Decatur County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Decatur County's basic financial statements. We issued our report thereon dated January 22, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

January 22, 2015

JPW/sb

Decatur County, Tennessee
Schedule of Expenditures and Federal Awards and State Grants (1)
For the Year Ended June 30, 2014

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	\$ 143,097
National School Lunch Program	10.555	N/A	371,329 (4)
Special Milk Program for Children	10.556	N/A	14,878
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	59,213 (4)
Total U.S. Department of Agriculture			<u>\$ 588,517</u>
U.S. Department of Defense:			
Passed-through State Department of General Services:			
Section 1033 Excess Property Program	12.unknown	N/A	\$ 96,165
Total U.S. Department of Defense			<u>\$ 96,165</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	37038	\$ 467,800
Total U.S. Department of Housing and Urban Development			<u>\$ 467,800</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	Z-14-GHS094	\$ 14,675
Total U.S. Department of Transportation			<u>\$ 14,675</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 442,046
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	403,003
Special Education - Preschool Grants	84.173	N/A	36,537
Career and Technical Education - Basic Grants to States	84.048	N/A	28,351
Twenty-first Century Community Learning Centers	84.287	(2)	89,000
Rural Education	84.358	N/A	21,175
English Language Acquisition State Grants	84.365	N/A	2,692
Improving Teacher Quality State Grants	84.367	N/A	55,817
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	(2)	95,220
Total U.S. Department of Education			<u>\$ 1,173,841</u>
U.S. Election Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	(2)	\$ 2,940
Total U.S. Election Assistance Commission			<u>\$ 2,940</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)	\$ 30,535
Total U.S. Department of Health and Human Services			<u>\$ 30,535</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	34101-14259	\$ 26,000
Homeland Security Grant Program	97.067	(3)	124,227
Total U.S. Department of Homeland Security			<u>\$ 150,227</u>
Total Expenditures of Federal Awards			<u>\$ 2,524,700</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>			
Juvenile Justice and Delinquency Prevention - State Department of Children's Services	N/A	GG35324	\$ 51,420
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	2,850
Litter Grant - State Department of Transportation	N/A	(2)	32,119
Recycling Equipment Grant - State Department of Environment and Conservation	N/A	(2)	48,046
Early Childhood Education - State Department of Education	N/A	(2)	290,961
Safe Schools - State Department of Education	N/A	(2)	9,700
Statewide Student Management System - State Department of Education	N/A	(2)	4,312
ConnectTenn - State Department of Education	N/A	(2)	4,694
Family Resource Center - State Department of Education	N/A	(2)	29,612
Coordinated School Health - State Department of Education	N/A	(2)	93,000
Lottery for Education: Afterschool Programs - State Department of Education	N/A	(2)	72,100
Alternative Punishment Program - State Department of Correction	N/A	(2)	410,972
ACT Explore Plan - State Department of Education	N/A	(2)	3,572
Energy Efficient School Initiative - State Department of Education	N/A	(2)	<u>3,500</u>
Total State Grants			<u>\$ 1,056,858</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) 34101-98420: \$56,357; 34101-12095: \$67,870.
- (4) Total for CFDA No. 10.555 is \$430,542.

Decatur County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2014

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, 2013, which have not been corrected.

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-001	154	The office had deficiencies in budget operations

OFFICE OF ROAD SUPERVISOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-002	155	The Highway/Public Works Fund required material audit adjustments for proper financial statement presentation

OFFICE OF SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-007	158	The office had accounting deficiencies

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

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-008	158	Duties were not segregated adequately
2013-009	159	Multiple employees operated from the same cash drawer

DECATUR COUNTY

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-010	159	Decatur County has a material recurring audit finding
2013-011	160	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, 2014

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Decatur County is unmodified.
2. The audit of the financial statements of Decatur County disclosed significant deficiencies in internal control. Three of these deficiencies were considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Decatur County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unmodified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, and Special Milk Program for Children (CFDA Nos. 10.553, 10.555, and 10.556); Title I Grants to Local Educational Agencies (CFDA No. 84.010); and Community Development Block Grants/State's Program (CFDA No. 14.228) 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.

OFFICES OF COUNTY MAYOR AND ROAD SUPERVISOR

FINDING 2014-001

THE GENERAL, HIGHWAY/PUBLIC WORKS, AND GENERAL DEBT SERVICE FUNDS REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION

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

At June 30, 2014, certain general ledger account balances in the General, Highway/Public Works, and General Debt Service funds were not materially correct, and audit adjustments totaling \$1,548,201, \$265,995, and \$234,412, respectively, were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Decatur County to have adequate internal controls over the maintenance of its accounting records. Material audit adjustments were required because the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the county has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. Audit adjustments were made to properly present the financial statements in this report.

RECOMMENDATION

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

OFFICE OF COUNTY MAYOR

FINDING 2014-002

ACCOUNTING RECORDS WERE NOT MAINTAINED ON A CURRENT BASIS

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

Accounting records were not maintained on a current basis. County Mayor Michael Smith left office on August 31, 2014, and as of that date, the accounting records had not been closed since May 31, 2014. The financial reports for the fiscal year ended June 30, 2014, and for the months of July and August 2014 were generated for the county by the software vendor in September 2014. Consequently, no financial reports were presented to the

County Commission from May through August 2014 to be used as a tool for financial decisions. The failure to properly maintain accounting records on a current basis diminishes the usefulness of the financial records as a management tool and results in a loss of budgetary and accounting control. In addition, year-end receivables and payables had not been determined and posted for the year ended June 30, 2014. Material audit adjustments were necessary to properly present the financial statements in this report as noted in Finding 2014-001. These deficiencies can be attributed to the failure of management to take proper responsibility for the accounting records.

RECOMMENDATION

The Office of County Mayor should maintain accounting records on a current basis and provide the County Commission with financial reports each month. Receivables and payables should be determined and recorded on the accounting records each June 30.

FINDING 2014-003

THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS

(Noncompliance Under *Government Auditing Standards*)

We noted the following deficiencies in budget operations:

- A. Expenditures exceeded appropriations approved by the County Commission in one of 52 major appropriation categories (the legal level of control) of the General Fund: Election Commission by \$14,373.
- B. One of 75 salary line-items exceeded appropriations in the General Fund by \$2,146. The budget resolution approved by the County Commission states that the salary, wages, or enumeration of each official, employee, or agent of the county shall not exceed appropriations that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the County Commission.
- C. Amendments submitted to and approved by the County Commission for the General and Drug Control funds resulted in appropriations exceeding estimated available funding by \$622,355 and \$8,881, respectively. Sound budgetary principles dictate that appropriations be held within estimated available funding.

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.” These deficiencies exist because management failed to hold spending to the limits authorized by the County Commission, which resulted in unauthorized expenditures, and management failed to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 2014-004

THE CIRCUIT AND GENERAL SESSIONS COURTS DID NOT DEPOSIT SOME FUNDS WITHIN THREE DAYS OF COLLECTION

(Noncompliance Under *Government Auditing Standards*)

The Circuit and General Sessions Courts did not deposit some funds to the office bank accounts within three days of collection as required by Section 5-8-207, *Tennessee Code Annotated*. When verifying bank balances at June 30, 2014, auditors noticed one deposit from Circuit Court and two deposits from General Sessions Court for the month of May 2014 that were still listed as deposits in transit. Auditors determined that the amounts in question were not deposited into the bank accounts until July 8, 2014. We were advised by office personnel that these deposits had been overlooked and were left in the office instead of being deposited. This deficiency is the result of a lack of management oversight. The delay in depositing funds weakens internal controls over collections and increases the risks of fraud and misappropriation.

RECOMMENDATION

The clerk should ensure that all funds are deposited to the office bank accounts within three days of collection as required by state statute.

FINDING 2014-005

CIRCUIT COURT BANK STATEMENTS WERE NOT RECONCILED WITH THE GENERAL LEDGER, AND LISTS OF OUTSTANDING CHECKS WERE NOT PREPARED

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

At June 30, 2014, bank statements for Circuit Court had not been reconciled with the general ledger, and lists of outstanding checks had not been prepared since March 2014. The reconciliation of bank statements and the monthly preparation of accurate lists of outstanding checks are necessary procedures to ensure that all cash collections and disbursements are recorded accurately in the accounting records. This deficiency exists because management failed to ensure that accounting records were properly maintained and reconciled.

RECOMMENDATION

Bank statements should be reconciled with the general ledgers monthly, and any errors discovered should be corrected promptly. Accurate lists of outstanding checks should be prepared monthly.

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

FINDING 2014-006

DUTIES WERE NOT SEGREGATED ADEQUATELY

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

Duties were not segregated adequately among the officials and employees in the Offices of Circuit and General Sessions Courts Clerk, Clerk and Master, and Register of Deeds. Employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to provide reasonable assurance of the reliability in financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

FINDING 2014-007

MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER

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

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

RECOMMENDATION

Officials should assign each employee their own cash drawer.

OFFICE OF SHERIFF

FINDING 2014-008

THE OFFICE HAD ACCOUNTING DEFICIENCIES

(A. and B. – Internal Control – Significant Deficiency Under *Government Auditing Standards*; C. and D. – Noncompliance 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, generally accepted accounting principles, and sound business practices. Cash receipts and disbursements for this office were determined by substantive testing and alternative auditing procedures.

- A. The official cash journal was not properly maintained. Ending balances for each month were not carried forward to the next month, and in some instances receipts were not posted correctly. As a result of these deficiencies, the correct ending balances for each month were not reflected accurately.
- B. Commissary transactions were not properly posted to the cash journal and were not reconciled with the subsidiary ledger. The commissary vendor provided software to maintain a subsidiary ledger and bank account records. The bookkeeper posted the deposits and paid checks reflected on the bank account records to the cash journal instead of posting the actual receipt and disbursement transactions of the commissary operation. Therefore, the cash journal did not reflect the correct transactions and the actual account balances of the commissary operation. The failure to post actual receipts and disbursements to the cash journal, and reconcile with subsidiary ledgers and bank records, could allow errors to remain undiscovered and uncorrected.
- C. We could not determine if official prenumbered receipts were issued for collections as required by Section 9-2-103, *Tennessee Code Annotated (TCA)*. Officials did not furnish us with the receipts issued from July 1, 2013, through March 28, 2014. The department had begun issuing receipts from a new book as of March 29, 2014. Since receipts were not available, we were unable to determine if the office had complied with Section 5-8-207, *TCA*. This statute requires officials to deposit all collections within three days of receipt. The failure to properly issue and maintain receipts at the time of collection and the failure to deposit funds promptly increases the risks of fraud and abuse.

- D. The office did not prepare an annual financial report. Section 5-8-505, TCA, states, “All appointive or elective county public officials, official county boards, committees and commissions ... having in their charge and custody public funds or moneys are required to file with the county executive and with the county clerk ... an annual financial report ...”

RECOMMENDATION

The official cash journal should accurately reflect all financial operations of the Sheriff's Department and should be reconciled with subsidiary records. Receipts should be issued at the time of collection, and all collections should be deposited within three days of receipt as required by state statutes. Receipt books should be available for audit inspection. The office should prepare an annual financial report as required by state statute.

DECATUR COUNTY

FINDING 2014-009

DECATUR COUNTY HAS A MATERIAL RECURRING AUDIT FINDING

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

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

<u>Finding Numbers</u>	<u>Description</u>
2014-001, 2013-002, 12.03	Several funds required material audit adjustments for proper financial statement presentation

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

RECOMMENDATION

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

FINDING 2014-010

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 (\$65,600), 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 \$115,413 at June 30, 2014. 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.

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

There were no findings and questioned costs for federal awards.

BEST PRACTICE

Accounting literature describes a best practice as a recommended policy, procedure, or technique that aids management in improving financial performance. Historically, a best practice has consistently shown superior results over conventional methods.

The Division of Local Government Audit strongly believes that the item noted below 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.

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. 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.

**DECATUR COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2014**

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