

**ANNUAL FINANCIAL REPORT
OF
GILES COUNTY, TENNESSEE
AND
GILES COUNTY SCHOOL DEPARTMENT**

SINGLE AUDIT REPORT



FOR THE YEAR ENDED JUNE 30, 2006

**Comptroller of the Treasury
Department of Audit
Division of County Audit
Nashville, Tennessee**

ANNUAL FINANCIAL REPORT
GILES COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2006

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

JEFF BAILEY, CPA, CGFM, CFE
Audit Manager

JERRY DURHAM, CPA, CGFM, CFE
Auditor 4

RHONDA DAVIS, CFE
SHERRIE GILL, CFE
DONYA WADE
NATHAN ABBOTT, CISA, CFE
State Auditors

This financial report is available at www.comptroller.state.tn.us

GILES COUNTY, TENNESSEE TABLE OF CONTENTS

	Exhibit	Page(s)
Audit Highlights		1-2
<u>INTRODUCTORY SECTION</u>		3
Giles County Officials		5
<u>FINANCIAL SECTION</u>		7
Independent Auditor's Report		9-11
BASIC FINANCIAL STATEMENTS:		13
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	A	15-16
Statement of Revenues, Expenditures, and Changes in Fund Balances	B	17-18
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	C	19
Notes to the Financial Statements		21-37
REQUIRED SUPPLEMENTARY INFORMATION:		39
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	D-1	41-44
Special Purpose Fund	D-2	45
Highway/Public Works Fund	D-3	46
Notes to the Required Supplementary Information		47
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		49
Nonmajor Governmental Funds:		51-52
Combining Balance Sheet	E-1	53
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	E-2	54
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
Solid Waste/Sanitation Fund	E-3	55
Industrial/Economic Development Fund	E-4	56
Drug Control Fund	E-5	57

	Exhibit	Page(s)
Major Governmental Fund:		59
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	F	61
Fiduciary Funds:		63
Combining Statement of Fiduciary Assets and Liabilities	G-1	65
Combining Statement of Changes in Assets and Liabilities	G-2	66
Miscellaneous Schedules:		67
Schedule of Changes in Long-term Bonds	H-1	69
Schedule of Bond and Interest Requirements by Year	H-2	70
Schedule of Transfers	H-3	71
Schedule of Salaries and Official Bonds of Principal Officials	H-4	72
Schedule of Detailed Revenues – All Governmental Fund Types	H-5	73-82
Schedule of Detailed Expenditures – All Governmental Fund Types	H-6	83-98
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	H-7	99

Audit Highlights
Annual Financial Report
Giles County, Tennessee
For the Year Ended June 30, 2006

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of Giles County as of and for the year ended June 30, 2006.

Results

Our report on Giles County's financial statements expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34.

Our audit resulted in seven findings and recommendations, which we have reviewed with Giles County management. Detailed findings, recommendations, and management's responses are included in the Single Audit Report.

Findings

The following are summaries of the audit findings:

GILES COUNTY

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.

OFFICE OF COUNTY EXECUTIVE

- ◆ The mechanical warrant-signing machine's counter could be reset.
- ◆ The office did not issue purchase orders for some required purchases, and several invoices were paid without any documentation that goods had been received or services had been rendered.

OFFICE OF HIGHWAY COMMISSIONER

- ◆ Expenditures exceeded appropriations approved by the County Commission in one major category of the Highway/Public Works Fund.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ The office did not maintain sufficient user documentation for the court's software.
-

OTHER FINDINGS

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately among the officials and employees in the Offices of Highway Commissioner, Trustee, Clerk and Master, Register, and Sheriff.

INTRODUCTORY SECTION

Giles County Officials
June 30, 2006

Officials

Janet Vanzant, County Executive
Barry Hyatt, Highway Commissioner
JoAnn Townsend, Trustee
Steve McGill, Assessor of Property
Carol Wade, County Clerk
Crystal Greene, Circuit and General Sessions Courts Clerk
Merry Sigmon, Clerk and Master
Kaye Gibbons, Register
Eddie Bass, Sheriff

Board of County Commissioners

Janet Vanzant, Chairman	Ramona Flacy
Alfred Harris	Garland Moore
Charles Greene	Stoney Jackson
Edmund McMasters	Chris Morris
Billy Beets	Tim Risner
Edwin Lovell	Roger Reedy
Ronald Shirey	Connie Howell
Bill Holt	Larry Worsham
Jeff Hatfield	Stanley Newton
Tommy Campbell	Terry Harwell
Paul Walker	Gary White

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841**

INDEPENDENT AUDITOR'S REPORT

November 20, 2006

Giles County Executive and
Board of County Commissioners
Giles County, Tennessee

To the County Executive and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Giles County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 37, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Giles County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements

for the county's governmental activities and discretely presented component units are not reasonably determinable.

As described in Note I, Giles County, Tennessee, has prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. These standards require county governments that do not present government-wide financial statements to present fund financial statements in conformity with all the accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements. These standards also require some additional disclosures to be included in the notes to the financial statements, as described in Note I.

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Giles County, Tennessee, as of June 30, 2006, or the changes in its financial position for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Giles County, Tennessee, as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

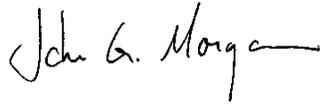
In accordance with Government Auditing Standards, we have also issued our report dated November 20, 2006, on our consideration of Giles County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note IV.B., Giles County has implemented Governmental Accounting Standards Board Statement No. 42 Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.

The budgetary comparison information on pages 41 through 47 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Giles 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, 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, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan" with a long horizontal flourish extending to the right.

John G. Morgan
Comptroller of the Treasury

JGM/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Giles County, Tennessee
 Balance Sheet
 Governmental Funds
 June 30, 2006

	Major Funds				Nonmajor	Total
	General	Special Purpose	Highway / Public Works	General Debt Service	Other Governmental Funds	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 163,854	\$ 163,854
Equity in Pooled Cash and Investments	5,412,811	15,078,243	311,876	1,641,350	359,062	22,803,342
Inventories	0	0	21,000	0	0	21,000
Accounts Receivable	525,916	0	4,977	9,403	66,987	607,283
Allowance for Uncollectibles	(98,678)	0	0	0	0	(98,678)
Due from Other Governments	253,787	0	377,502	151,050	0	782,339
Property Taxes Receivable	5,199,611	0	940,546	1,562,303	0	7,702,460
Allowance for Uncollectible Property Taxes	(114,959)	0	(19,875)	(35,002)	0	(169,836)
Total Assets	<u>\$ 11,178,488</u>	<u>\$ 15,078,243</u>	<u>\$ 1,636,026</u>	<u>\$ 3,329,104</u>	<u>\$ 589,903</u>	<u>\$ 31,811,764</u>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 35,864	\$ 0	\$ 45,117	\$ 0	\$ 93,169	\$ 174,150
Payroll Deductions Payable	94	0	246	0	0	340
Due to Cities	65,000	0	0	0	0	65,000
Deferred Revenue - Current Property Taxes	4,875,056	0	886,374	1,462,517	0	7,223,947
Deferred Revenue - Delinquent Property Taxes	189,569	0	31,020	58,594	0	279,183
Other Deferred Revenues	112,951	0	171,720	77,662	0	362,333
Total Liabilities	<u>\$ 5,278,534</u>	<u>\$ 0</u>	<u>\$ 1,134,477</u>	<u>\$ 1,598,773</u>	<u>\$ 93,169</u>	<u>\$ 8,104,953</u>
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 217,650	\$ 0	\$ 0	\$ 0	\$ 0	\$ 217,650
Reserved for Alcohol and Drug Treatment	27,424	0	0	0	0	27,424
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	261,285	0	0	0	0	261,285
Reserved for Drug Court	15,950	0	0	0	0	15,950
Reserved for Sexual Offender Registration	2,461	0	0	0	0	2,461
Reserved for Courthouse and Jail Maintenance	540,461	0	0	0	0	540,461
Reserved for Computer System - Register	14,434	0	0	0	0	14,434
Reserved for Automation Purposes - Circuit Court	46,027	0	0	0	0	46,027
Reserved for Automation Purposes - Chancery Court	1,578	0	0	0	0	1,578

(Continued)

Exhibit A

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

	Major Funds				Nonmajor	Total
	General	Special Purpose	Highway / Public Works	General Debt Service	Other Governmental Funds	
<u>LIABILITIES AND FUND BALANCES (Cont.)</u>						
<u>Fund Balances (Cont.)</u>						
Reserved for Automation Purposes - Sheriff	\$ 14,695	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,695
Unreserved, Reported In:						
General Fund	4,757,989	0	0	0	0	4,757,989
Special Revenue Funds	0	15,078,243	501,549	0	432,068	16,011,860
Debt Service Funds	0	0	0	1,730,331	0	1,730,331
Capital Projects Funds	0	0	0	0	64,666	1,630
Total Fund Balances	<u>\$ 5,899,954</u>	<u>\$ 15,078,243</u>	<u>\$ 501,549</u>	<u>\$ 1,730,331</u>	<u>\$ 496,734</u>	<u>\$ 23,706,811</u>
Total Liabilities and Fund Balances	<u>\$ 11,178,488</u>	<u>\$ 15,078,243</u>	<u>\$ 1,636,026</u>	<u>\$ 3,329,104</u>	<u>\$ 589,903</u>	<u>\$ 31,811,764</u>

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

Exhibit B

Giles County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	Major Funds				Nonmajor	Total
	General	Special Purpose	Highway / Public Works	General Debt Service	Funds Other Governmental Funds	
Revenues						
Local Taxes	\$ 5,878,642	\$ 0	\$ 823,969	\$ 2,299,756	\$ 0	\$ 9,002,367
Licenses and Permits	11,819	0	0	0	0	11,819
Fines, Forfeitures, and Penalties	170,021	0	0	0	27,679	197,700
Charges for Current Services	1,411,318	0	0	0	790,785	2,202,103
Other Local Revenues	291,800	680,953	21,943	34,363	6,225	1,035,284
Fees Received from County Officials	706,249	0	0	0	0	706,249
State of Tennessee	768,555	0	2,173,472	0	21,886	2,963,913
Federal Government	235,441	0	252,138	0	229,646	717,225
Other Governments and Citizens Groups	54,716	0	10,118	0	0	64,834
Total Revenues	\$ 9,528,561	\$ 680,953	\$ 3,281,640	\$ 2,334,119	\$ 1,076,221	\$ 16,901,494
Expenditures						
Current:						
General Government	\$ 484,327	\$ 6,797	\$ 0	\$ 0	\$ 503,874	\$ 994,998
Finance	380,489	0	0	0	326,901	707,390
Administration of Justice	324,681	0	0	0	289,138	613,819
Public Safety	2,538,059	0	0	0	50,257	2,588,316
Public Health and Welfare	1,677,742	0	0	0	48,682	1,726,424
Social, Cultural, and Recreational Services	211,852	0	0	0	0	211,852
Agricultural and Natural Resources	147,513	0	0	0	0	147,513
Other Operations	1,955,218	0	0	0	176,432	2,131,650
Highways	0	0	3,954,124	0	0	3,954,124
Debt Service:						
Principal on Debt	0	0	0	1,700,000	0	1,700,000
Interest on Debt	0	0	0	794,783	0	794,783
Other Debt Service	0	0	0	206,585	0	206,585
Capital Projects	7,346	0	0	0	141,475	148,821
Total Expenditures	\$ 7,727,227	\$ 6,797	\$ 3,954,124	\$ 2,701,368	\$ 1,536,759	\$ 15,926,275
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,801,334	\$ 674,156	\$ (672,484)	\$ (367,249)	\$ (460,538)	\$ 975,219
Other Financing Sources (Uses)						
Insurance Recovery	\$ 0	\$ 0	\$ 43,102	\$ 0	\$ 0	\$ 43,102
Transfers In	90,000	0	575,000	0	155,000	820,000

(Continued)

Exhibit B

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

	Major Funds				Nonmajor	Total
	General	Special Purpose	Highway / Public Works	General Debt Service	Funds Other Governmental Funds	
<u>Other Financing Sources (Uses) (Cont.)</u>						
Transfers Out	\$ (155,000)	\$ (665,000)	\$ 0	\$ 0	\$ 0	\$ (820,000)
Total Other Financing Sources (Uses)	\$ (65,000)	\$ (665,000)	\$ 618,102	\$ 0	\$ 155,000	\$ 43,102
Net Change in Fund Balances	\$ 1,736,334	\$ 9,156	\$ (54,382)	\$ (367,249)	\$ (305,538)	\$ 1,018,321
Fund Balance, July 1, 2005	4,163,620	15,069,087	555,931	2,097,580	802,272	22,688,490
Fund Balance, June 30, 2006	\$ 5,899,954	\$ 15,078,243	\$ 501,549	\$ 1,730,331	\$ 496,734	\$ 23,706,811

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

Exhibit C

Giles County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2006

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,198,353
Due from Other Governments	<u>377,756</u>
Total Assets	<u>\$ 1,576,109</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 377,756
Due to Litigants, Heirs, and Others	<u>1,198,353</u>
Total Liabilities	<u>\$ 1,576,109</u>

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

GILES COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Giles County's financial statements are not 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.

Giles County has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and discretely presented component units. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement 34 and accounting principles generally accepted in the United States of America. Giles County has elected instead only to implement the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused Giles County's auditor to issue an adverse opinion on the county's financial statements.

Although Giles County's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

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

A. Reporting Entity

Giles County is a public municipal corporation governed by an elected 21-member board. As required by GAAP, these financial statements present Giles County, the primary government.

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

Excluded Component Units – The following entities meet the criteria for discretely presented component units of the county. Since Giles County is presenting fund financial statements only, the financial information of entities that meet the criteria for discretely presented component units is not included in the fund financial statements, as required by generally accepted accounting principles. These entities would have been presented as separate columns in those statements to emphasize that they are legally separate from the county.

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

The Giles County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Giles County, and the Giles 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 Giles County School Department and the Giles County Emergency Communications District issue separate financial statements from those of the county. The School Department’s financial statements are published as a separate report but under the same cover as the county’s financial statements. The Giles County Emergency Communications District’s financial statements are published as a separate report. Complete financial statements of the Giles County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Giles County Emergency Communications District
P.O. Box 153
Pulaski, TN 38478

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

Fund financial statements of Giles County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, the county does not have any proprietary funds to

report. An emphasis is placed on major funds within the governmental category.

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. Fiduciary funds are reported in total 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. Giles County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

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

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

Giles 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.

Special Purpose Fund – This fund accounts for proceeds received in a prior year from the sale of the county’s hospital and interest earned on the proceeds.

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

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

Additionally, Giles County reports the following fund types:

Capital Projects Funds – These funds are 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 the 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.

C. Assets, Liabilities, and Equity

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all Giles County and Giles County School Department funds. Each fund’s portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General and Special Purpose Funds. Giles County and the Giles County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer’s Investment Pool are reported at cost. The State Treasurer’s Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized

cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. **Receivables and Payables**

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 one percent of total taxes levied.

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

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

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

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in Chancery 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. **Inventories**

Inventories of Giles County are recorded at cost, determined on the first-in, first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

4. **Capital Assets**

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. Giles County does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, Giles County does not present government-wide statements.

5. **Compensated Absences**

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

6. **Long-term Obligations**

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, are recognized to the extent that the liabilities have matured (come due for payment) each period.

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.

7. Fund Equity

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

II. 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 capital projects funds, which adopt project length budgets. All annual appropriations lapse at fiscal year end.

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

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County Mayor/Executive, County Attorney, 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 GAAP basis is presented on the face of each budgetary schedule.

B. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the Highway and Bridge Maintenance major appropriation category (the legal level of control) of the Highway/Public Works Fund by \$31,385. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Giles County and the Giles County School Department participate in an internal cash and investment pool through the Office of Trustee. The Giles County School Department meets the criteria for a discretely presented component unit of Giles County. Since Giles County is presenting fund financial statements only, the financial information for the Giles County School Department is not included in these fund financial statements. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Cash reflected in the fund financial statements represents nonpooled amounts held separately by individual funds.

Deposits

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

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These

investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase.

Investment Balances. As of June 30, 2006, Giles County had the following investments carried at cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Giles County and the discretely presented Giles County School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
State Treasurer's Investment Pool	Daily	\$ 7,865,966

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. Giles 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. Giles County has no investment policy that would further limit its investment choices. As of June 30, 2006, Giles County's investment in the State Treasurer's Investment Pool was unrated.

B. Interfund Transfers

Interfund transfers for the year ended June 30, 2006, consisted of the following amounts:

Transfers Out	Transfers In		
	General Fund	Highway/ Public Works Fund	Nonmajor Governmental Funds
General Fund	\$ 0	\$ 0	\$ 155,000
Special Purpose Fund	90,000	575,000	0
Total	\$ 90,000	\$ 575,000	\$ 155,000

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

C. Long-term Debt

Since Giles County is presenting fund financial statements only, long-term debt is not reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in government-wide financial statements, but Giles County is not presenting government-wide financial statements.

General Obligation Bonds

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

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds outstanding were issued for original terms of up to 20 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds included in long-term debt as of June 30, 2006, will be retired from the General Debt Service Fund.

General obligation bonds outstanding as of June 30, 2006, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
General Obligation Bonds	2.25 to 5.75 %	\$ 19,865,000	\$ 5,950,000
General Obligation Bonds - Refunding	1.75 to 5.25	11,625,000	11,325,000

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2006, including interest payments, are presented in the following table:

Year Ending June 30	Bonds	
	Principal	Interest
2007	\$ 975,000	\$ 741,882
2008	1,020,000	700,965
2009	1,070,000	656,792
2010	1,120,000	608,951
2011	1,170,000	557,487
2012-2016	6,595,000	2,094,024
2017-2020	5,325,000	656,469
Total	<u>\$ 17,275,000</u>	<u>\$ 6,016,570</u>

There is \$1,730,331 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita amounted to \$587, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

Governmental Activities:	Compensated	
	Bonds	Absences
Balance, July 1, 2005	\$ 18,975,000	\$ 77,504
Additions	0	185,238
Deductions	(1,700,000)	(164,630)
Balance, June 30, 2006	<u>\$ 17,275,000</u>	<u>\$ 98,112</u>
Balance Due Within One Year	<u>\$ 975,000</u>	<u>\$ 98,112</u>

Compensated absences payable will be paid from the employing funds, primarily the General Fund.

Defeasance of Prior Debt

In prior years, Giles County defeased certain outstanding general obligation bonds by placing the proceeds of new bonds into an irrevocable trust to provide for a portion of the future debt service payments on the old bonds. The trustee is empowered and required to pay all principal and interest on the defeased bonds as originally scheduled. Accordingly, the trust accounts and the defeased bonds are not included in the county's financial statements. At June 30, 2006, the following outstanding bonds are considered defeased:

2000 School Building	\$10,580,000
----------------------	--------------

IV. OTHER INFORMATION

A. Risk Management

The county is exposed to various risks related to general liability, property, and casualty losses. The county decided it was more economically feasible to join a public entity risk pool instead of purchasing commercial insurance for general liability, property, and casualty coverage. The county joined 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.

Giles County does not have a workers' compensation plan, but carries an occupational injury insurance policy. This policy covers workers' injuries, but does not limit the county's liability should occupational-related lawsuits be filed.

B. Accounting Changes

For the year ended June 30, 2006, Giles County has adopted the provisions of GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Giles County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and

economic, and operating. It is reasonably expected that Giles County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. Giles County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Giles County will be required to disclose net assets restricted by enabling legislation in subsequent years.

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements. Giles County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Giles County will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

C. Subsequent Events

In August 2006, Giles County voters adopted the County Financial Management System of 1981 by public referendum. Plans are to begin implementation on July 1, 2007.

On August 31, 2006, Eddie Bass left the Office of Sheriff and was succeeded by Kyle Helton.

D. Contingent Liabilities

The county is involved in several pending lawsuits. The county attorney has not responded to requests to provide estimates of the potential claims not covered by insurance. However, management believes that any claims resulting from such litigation would not materially affect the county's financial statements.

E. Joint Ventures

The Economic Development Commission for Pulaski-Giles County, Tennessee, Inc., is a joint venture between Giles County and the City of Pulaski, and is governed by a 14-member board. The purpose of the board is to promote and facilitate the economic development of the City of Pulaski and Giles County, Tennessee. Giles County and the City of Pulaski provide the majority of the funding for the board. Each of these entities is required to fund 40 percent of the board's annual operating budget. Giles County contributed \$110,269 to the operation of the Economic Development Commission during the year ended June 30, 2006.

The Interlocal Solid Waste Authority was formed by joint resolution of the counties of Giles, Franklin, and Lincoln, and the municipalities of Tullahoma and Fayetteville for the purpose of developing a solid waste regional plan. Each participating County Commission or City Council appointed the authority's board for varying terms of office. Giles County made no contributions to the Interlocal Solid Waste Authority for the year ended June 30, 2006.

Giles County does not retain an equity interest in either of the above-noted joint ventures. Complete financial statements for the Economic Development Commission and the Interlocal Solid Waste Authority can be obtained from their respective administrative offices at the following addresses:

Administrative Offices:

Economic Development Commission
203 South First Street
P.O. Box 633
Pulaski, TN 38478

Interlocal Solid Waste Authority of Giles,
Franklin & Lincoln Counties, Tennessee
P.O. Box 807
Tullahoma, TN 37388

F. Jointly Governed Organizations

Industrial Development Board

The Industrial Development Board of Giles County and the City of Pulaski was created by Giles County and the City of Pulaski. The Industrial Development Board comprises eight members. The county and the city each appoint four members. However, the county does not have any ongoing financial interest or responsibility for the entity. Giles County made no appropriations to the Industrial Development Board for the year ended June 30, 2006.

Tennessee Southern Railroad Authority

The Tennessee Southern Railroad Authority (TSRA) was created by the county in conjunction with Lawrence and Maury Counties, and its board comprises the county mayors/executives and a representative appointed by the respective County Commissions from each of the three counties and a representative from the cities of Mt. Pleasant and Lawrenceburg. However, Giles County does not have any ongoing financial interest or responsibility for the entity. The majority of TSRA's funding is received from various grants from the Tennessee Department of Transportation. Giles County made no appropriations to the Tennessee Southern Railroad Authority for the year ended June 30, 2006.

G. Commitments

Airport

Giles County and the City of Pulaski jointly own the Abernathy Field Airport; however, the day-to-day operation of the airport is administered by the City of Pulaski. The financial activity of the airport is reported in the General Fund financial statements of the City of Pulaski. Giles County is committed to contributing one-half of the operating expenses of the Abernathy Field Airport. Giles County contributed \$86,436 to the operations of the airport during the year ended June 30, 2006.

Industrial Park

On October 20, 1997, the County Commission adopted a resolution "to participate and fund the county's share or one-half of the costs and expenses associated with the development of the new industrial park" Based on this resolution, the county will participate with the City of Pulaski to develop an industrial park. A written contract that documents this arrangement has been approved by a County Commission resolution. As of June 30, 2006, the City of Pulaski had borrowed certain funds and also funded part of this project from its local funds. Giles County made a contribution of \$148,201 to the City of Pulaski to pay its portion of these obligations during the year ended June 30, 2006, from the General Debt Service Fund.

H. Retirement Commitments

Plan Description

Employees of Giles 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 Giles County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Giles County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was 7.33 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Giles County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2006, Giles County's annual pension cost of \$655,487 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three 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 five-year period. Giles County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at

July 1, 2005, was 10 years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	\$655,487	100%	\$0
6-30-05	631,912	100	0
6-30-04	491,080	100	0

Required Supplementary Information
Schedule of Funding Progress for Giles County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-05	\$20,978	\$22,816	\$1,838	91.94%	\$8,585	21.41%
6-30-03	19,024	21,096	2,072	90.18	8,146	25.44
6-30-01	16,967	19,168	2,201	88.52	8,073	27.26

I. Purchasing Laws

Office of County Executive

Purchasing procedures for the Office of County Executive are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated (TCA), which provide for all purchases exceeding \$5,000 to be made after public advertisement and solicitation of competitive bids.

Office of Highway Commissioner

Purchasing procedures for the Highway Department are governed by provisions of Chapter 415, Private Acts of 1939, and the Uniform Road Law, Section 54-7-113, TCA. These statutes provide for the highway commissioner to make all purchases and for all purchases exceeding \$10,000 to be made on the basis of publicly advertised competitive bids.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit D-1

Giles County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 5,878,642	\$ 0	\$ 5,878,642	\$ 5,573,332	\$ 5,573,332	\$ 305,310
Licenses and Permits	11,819	0	11,819	16,000	16,000	(4,181)
Fines, Forfeitures, and Penalties	170,021	0	170,021	124,825	124,825	45,196
Charges for Current Services	1,411,318	0	1,411,318	1,040,400	1,040,400	370,918
Other Local Revenues	291,800	0	291,800	100,000	204,228	87,572
Fees Received from County Officials	706,249	0	706,249	535,000	593,000	113,249
State of Tennessee	768,555	0	768,555	524,021	739,908	28,647
Federal Government	235,441	0	235,441	50,000	242,654	(7,213)
Other Governments and Citizens Groups	54,716	0	54,716	0	48,391	6,325
Total Revenues	\$ 9,528,561	\$ 0	\$ 9,528,561	\$ 7,963,578	\$ 8,582,738	\$ 945,823
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 24,933	\$ 0	\$ 24,933	\$ 27,495	\$ 27,615	\$ 2,682
County Mayor/Executive	123,027	0	123,027	126,747	128,611	5,584
County Attorney	28,421	0	28,421	45,900	45,900	17,479
Election Commission	93,340	142,150	235,490	102,866	245,624	10,134
Register of Deeds	23,759	0	23,759	37,180	37,180	13,421
County Buildings	190,847	0	190,847	290,172	293,609	102,762
<u>Finance</u>						
Accounting and Budgeting	92,156	0	92,156	94,473	95,158	3,002
Property Assessor's Office	237,945	0	237,945	237,417	240,460	2,515
Reappraisal Program	26,328	0	26,328	51,000	51,000	24,672
County Trustee's Office	9,998	0	9,998	12,726	12,726	2,728
County Clerk's Office	14,062	0	14,062	26,078	26,078	12,016
<u>Administration of Justice</u>						
Circuit Court	81,656	0	81,656	100,985	100,985	19,329

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Administration of Justice (Cont.)</u>						
General Sessions Court	\$ 82,091	\$ 0	\$ 82,091	\$ 82,473	\$ 82,473	\$ 382
Chancery Court	133,644	0	133,644	135,233	137,043	3,399
Judicial Commissioners	27,290	0	27,290	27,399	27,982	692
<u>Public Safety</u>						
Sheriff's Department	925,296	0	925,296	942,125	955,069	29,773
Traffic Control	6,735	0	6,735	8,000	8,000	1,265
Administration of the Sexual Offender Registry	342	0	342	500	1,000	658
Jail	1,247,867	65,500	1,313,367	1,093,873	1,345,185	31,818
Juvenile Services	45,473	0	45,473	48,931	49,618	4,145
Fire Prevention and Control	14,000	0	14,000	2,000	14,000	0
Rescue Squad	165,000	0	165,000	140,000	165,000	0
Other Emergency Management	1,950	0	1,950	1,950	1,950	0
County Coroner/Medical Examiner	18,829	0	18,829	35,000	35,000	16,171
Public Safety Grant Programs	103,522	0	103,522	50,000	110,000	6,478
Other Public Safety	9,045	0	9,045	9,200	9,200	155
<u>Public Health and Welfare</u>						
Local Health Center	65,976	0	65,976	74,450	74,450	8,474
Rabies and Animal Control	42,923	0	42,923	43,703	45,253	2,330
Ambulance/Emergency Medical Services	1,122,828	0	1,122,828	1,169,513	1,202,899	80,071
Regional Mental Health Center	23,000	0	23,000	23,000	23,000	0
Aid to Dependent Children	8,394	0	8,394	8,645	8,645	251
Other Local Welfare Services	97,061	0	97,061	44,662	97,461	400
Sanitation Management	16,679	0	16,679	16,679	16,679	0
Other Public Health and Welfare	300,881	0	300,881	350,800	350,800	49,919
<u>Social, Cultural, and Recreational Services</u>						
Senior Citizens Assistance	38,116	0	38,116	26,500	38,116	0

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Social, Cultural, and Recreational Services (Cont.)</u>						
Libraries	\$ 80,688	\$ 0	\$ 80,688	\$ 80,688	\$ 80,688	\$ 0
Parks and Fair Boards	49,920	0	49,920	46,000	72,920	23,000
Other Social, Cultural, and Recreational	43,128	0	43,128	53,965	53,965	10,837
<u>Agriculture & Natural Resources</u>						
Agriculture Extension Service	115,107	0	115,107	147,657	147,657	32,550
Forest Service	945	0	945	815	1,015	70
Soil Conservation	31,461	0	31,461	24,710	35,221	3,760
<u>Other Operations</u>						
Other Economic and Community Development	23,239	0	23,239	23,264	24,264	1,025
Public Transportation	15,645	0	15,645	55,593	55,593	39,948
Airport	86,436	0	86,436	32,541	87,541	1,105
Veterans' Services	10,150	0	10,150	9,314	10,468	318
Other Charges	486,326	0	486,326	540,000	549,000	62,674
Contributions to Other Agencies	101,358	10,000	111,358	0	111,358	0
Employee Benefits	1,229,804	0	1,229,804	1,247,000	1,247,000	17,196
Miscellaneous	2,260	0	2,260	5,000	5,000	2,740
<u>Capital Projects</u>						
Highway & Street Capital Projects	7,346	0	7,346	29,565	29,565	22,219
Total Expenditures	\$ 7,727,227	\$ 217,650	\$ 7,944,877	\$ 7,783,787	\$ 8,615,024	\$ 670,147
Excess (Deficiency) of Revenues						
Over Expenditures	\$ 1,801,334	\$ (217,650)	\$ 1,583,684	\$ 179,791	\$ (32,286)	\$ 1,615,970
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 90,000	\$ 0	\$ 90,000	\$ 90,000	\$ 90,000	\$ 0
Transfers Out	(155,000)	0	(155,000)	(221,358)	(155,000)	0
Total Other Financing Sources (Uses)	\$ (65,000)	\$ 0	\$ (65,000)	\$ (131,358)	\$ (65,000)	\$ 0

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Net Change in Fund Balance	\$ 1,736,334	\$ (217,650)	\$ 1,518,684	\$ 48,433	\$ (97,286)	\$ 1,615,970
Fund Balance, July 1, 2005	4,163,620	0	4,163,620	3,630,195	3,630,195	533,425
Fund Balance, June 30, 2006	\$ 5,899,954	\$ (217,650)	\$ 5,682,304	\$ 3,678,628	\$ 3,532,909	\$ 2,149,395

Exhibit D-2

Giles County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Special Purpose Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 680,953	\$ 670,000	\$ 670,000	\$ 10,953
Total Revenues	\$ 680,953	\$ 670,000	\$ 670,000	\$ 10,953
<u>Expenditures</u>				
<u>General Government</u>				
Other General Administration	\$ 6,797	\$ 10,000	\$ 10,000	\$ 3,203
Total Expenditures	\$ 6,797	\$ 10,000	\$ 10,000	\$ 3,203
Excess (Deficiency) of Revenues Over Expenditures	\$ 674,156	\$ 660,000	\$ 660,000	\$ 14,156
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (665,000)	\$ (670,000)	\$ (670,000)	\$ 5,000
Total Other Financing Sources (Uses)	\$ (665,000)	\$ (670,000)	\$ (670,000)	\$ 5,000
Net Change in Fund Balance	\$ 9,156	\$ (10,000)	\$ (10,000)	\$ 19,156
Fund Balance, July 1, 2005	15,069,087	15,050,894	15,050,894	18,193
Fund Balance, June 30, 2006	\$ 15,078,243	\$ 15,040,894	\$ 15,040,894	\$ 37,349

Exhibit D-3

Giles County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 823,969	\$ 814,722	\$ 821,722	\$ 2,247
Other Local Revenues	21,943	50,000	40,500	(18,557)
State of Tennessee	2,173,472	2,227,701	2,227,701	(54,229)
Federal Government	252,138	60,000	215,000	37,138
Other Governments and Citizens Groups	10,118	0	9,500	618
Total Revenues	<u>\$ 3,281,640</u>	<u>\$ 3,152,423</u>	<u>\$ 3,314,423</u>	<u>\$ (32,783)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 163,656	\$ 190,292	\$ 172,769	\$ 9,113
Highway and Bridge Maintenance	1,969,885	1,840,500	1,938,500	(31,385)
Operation and Maintenance of Equipment	520,831	489,000	533,000	12,169
Litter and Trash Collection	37,701	38,201	38,201	500
Other Charges	161,150	203,900	180,900	19,750
Employee Benefits	461,763	530,000	505,000	43,237
Capital Outlay	639,138	690,000	818,523	179,385
Total Expenditures	<u>\$ 3,954,124</u>	<u>\$ 3,981,893</u>	<u>\$ 4,186,893</u>	<u>\$ 232,769</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (672,484)</u>	<u>\$ (829,470)</u>	<u>\$ (872,470)</u>	<u>\$ 199,986</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 43,102	\$ 0	\$ 43,000	\$ 102
Transfers In	575,000	575,000	575,000	0
Total Other Financing Sources (Uses)	<u>\$ 618,102</u>	<u>\$ 575,000</u>	<u>\$ 618,000</u>	<u>\$ 102</u>
Net Change in Fund Balance	\$ (54,382)	\$ (254,470)	\$ (254,470)	\$ 200,088
Fund Balance, July 1, 2005	<u>555,931</u>	<u>426,535</u>	<u>426,535</u>	<u>129,396</u>
Fund Balance, June 30, 2006	<u>\$ 501,549</u>	<u>\$ 172,065</u>	<u>\$ 172,065</u>	<u>\$ 329,484</u>

GILES COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2006

A. BUDGETARY INFORMATION

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

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

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

B. EXPENDITURES EXCEEDED APPROPRIATIONS

Expenditures exceeded appropriations approved by the County Commission in the Highway and Bridge Maintenance major appropriation category (the legal level of control) of the Highway/Public Works Fund by \$31,385. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for Giles County’s recycling program.

Industrial/Economic Development Fund – The Industrial/Economic Development Fund is used to account for industrial development projects.

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

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

Capital Projects Funds

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

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

Community Development/Industrial Park Fund – The Community Development/Industrial Park Fund is used to account for expenditures of community development federal grants related to waterline projects.

Exhibit E-1

Giles County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2006

	Special Revenue Funds					Capital Projects Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Constitu- tional Officers - Fees	Total	General Capital Projects	
<u>ASSETS</u>							
Cash	\$ 0	\$ 0	\$ 0	\$ 163,854	\$ 163,854	\$ 0	\$ 163,854
Equity in Pooled Cash and Investments	38,927	15,584	153,346	0	207,857	151,205	359,062
Accounts Receivable	0	0	1,118	65,869	66,987	0	66,987
Total Assets	\$ 38,927	\$ 15,584	\$ 154,464	\$ 229,723	\$ 438,698	\$ 151,205	\$ 589,903
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Accounts Payable	\$ 1,780	\$ 0	\$ 4,850	\$ 0	\$ 6,630	\$ 86,539	\$ 93,169
Total Liabilities	\$ 1,780	\$ 0	\$ 4,850	\$ 0	\$ 6,630	\$ 86,539	\$ 93,169
<u>Fund Balances</u>							
Unreserved	\$ 37,147	\$ 15,584	\$ 149,614	\$ 229,723	\$ 432,068	\$ 64,666	\$ 496,734
Total Fund Balances	\$ 37,147	\$ 15,584	\$ 149,614	\$ 229,723	\$ 432,068	\$ 64,666	\$ 496,734
Total Liabilities and Fund Balances	\$ 38,927	\$ 15,584	\$ 154,464	\$ 229,723	\$ 438,698	\$ 151,205	\$ 589,903

Exhibit E-2

Giles County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006

	Special Revenue Funds					Capital Projects Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Constitu- tional Officers - Fees	Total	General Capital Projects	Community Development/ Industrial Park	Total	
<u>Revenues</u>									
Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 27,679	\$ 0	\$ 27,679	\$ 0	\$ 0	\$ 0	\$ 27,679
Charges for Current Services	0	0	0	790,785	790,785	0	0	0	790,785
Other Local Revenues	1,846	0	4,379	0	6,225	0	0	0	6,225
State of Tennessee	19,087	2,799	0	0	21,886	0	0	0	21,886
Federal Government	0	0	0	0	0	0	229,646	229,646	229,646
Total Revenues	\$ 20,933	\$ 2,799	\$ 32,058	\$ 790,785	\$ 846,575	\$ 0	\$ 229,646	\$ 229,646	\$ 1,076,221
<u>Expenditures</u>									
Current:									
General Government	\$ 40,247	\$ 110,269	\$ 0	\$ 123,712	\$ 274,228	\$ 0	\$ 229,646	\$ 229,646	\$ 503,874
Finance	0	0	0	326,901	326,901	0	0	0	326,901
Administration of Justice	0	0	0	289,138	289,138	0	0	0	289,138
Public Safety	0	0	26,008	0	26,008	24,249	0	24,249	50,257
Public Health and Welfare	48,682	0	0	0	48,682	0	0	0	48,682
Other Operations	0	0	0	0	0	176,432	0	176,432	176,432
Capital Projects	0	0	0	0	0	141,475	0	141,475	141,475
Total Expenditures	\$ 88,929	\$ 110,269	\$ 26,008	\$ 739,751	\$ 964,957	\$ 342,156	\$ 229,646	\$ 571,802	\$ 1,536,759
Excess (Deficiency) of Revenues Over Expenditures	\$ (67,996)	\$ (107,470)	\$ 6,050	\$ 51,034	\$ (118,382)	\$ (342,156)	\$ 0	\$ (342,156)	\$ (460,538)
<u>Other Financing Sources (Uses)</u>									
Transfers In	\$ 60,000	\$ 95,000	\$ 0	\$ 0	\$ 155,000	\$ 0	\$ 0	\$ 0	\$ 155,000
Total Other Financing Sources (Uses)	\$ 60,000	\$ 95,000	\$ 0	\$ 0	\$ 155,000	\$ 0	\$ 0	\$ 0	\$ 155,000
Net Change in Fund Balances	\$ (7,996)	\$ (12,470)	\$ 6,050	\$ 51,034	\$ 36,618	\$ (342,156)	\$ 0	\$ (342,156)	\$ (305,538)
Fund Balance, July 1, 2005	45,143	28,054	143,564	178,689	395,450	406,822	0	406,822	802,272
Fund Balance, June 30, 2006	\$ 37,147	\$ 15,584	\$ 149,614	\$ 229,723	\$ 432,068	\$ 64,666	\$ 0	\$ 64,666	\$ 496,734

Exhibit E-3

Giles County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 1,846	\$ 750	\$ 750	\$ 1,096
State of Tennessee	19,087	16,000	16,000	3,087
Total Revenues	<u>\$ 20,933</u>	<u>\$ 16,750</u>	<u>\$ 16,750</u>	<u>\$ 4,183</u>
<u>Expenditures</u>				
<u>General Government</u>				
Other General Administration	\$ 40,247	\$ 43,686	\$ 44,293	\$ 4,046
<u>Public Health and Welfare</u>				
Waste Pickup	22,282	20,000	23,000	718
Recycling Center	26,400	26,400	26,400	0
Total Expenditures	<u>\$ 88,929</u>	<u>\$ 90,086</u>	<u>\$ 93,693</u>	<u>\$ 4,764</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (67,996)</u>	<u>\$ (73,336)</u>	<u>\$ (76,943)</u>	<u>\$ 8,947</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 60,000	\$ 60,000	\$ 60,000	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (7,996)	\$ (13,336)	\$ (16,943)	\$ 8,947
Fund Balance, July 1, 2005	<u>45,143</u>	<u>38,860</u>	<u>38,860</u>	<u>6,283</u>
Fund Balance, June 30, 2006	<u><u>\$ 37,147</u></u>	<u><u>\$ 25,524</u></u>	<u><u>\$ 21,917</u></u>	<u><u>\$ 15,230</u></u>

Exhibit E-4

Giles County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Industrial/Economic Development Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
State of Tennessee	\$ 2,799	\$ 0	\$ 2,799	\$ 0
Total Revenues	\$ 2,799	\$ 0	\$ 2,799	\$ 0
<u>Expenditures</u>				
<u>General Government</u>				
Other General Administration	\$ 110,269	\$ 88,650	\$ 116,449	\$ 6,180
Total Expenditures	\$ 110,269	\$ 88,650	\$ 116,449	\$ 6,180
Excess (Deficiency) of Revenues Over Expenditures	\$ (107,470)	\$ (88,650)	\$ (113,650)	\$ 6,180
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 95,000	\$ 70,000	\$ 95,000	\$ 0
Total Other Financing Sources (Uses)	\$ 95,000	\$ 70,000	\$ 95,000	\$ 0
Net Change in Fund Balance	\$ (12,470)	\$ (18,650)	\$ (18,650)	\$ 6,180
Fund Balance, July 1, 2005	28,054	28,054	28,054	0
Fund Balance, June 30, 2006	\$ 15,584	\$ 9,404	\$ 9,404	\$ 6,180

Exhibit E-5

Giles County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 27,679	\$ 15,100	\$ 15,100	\$ 12,579
Other Local Revenues	4,379	2,500	2,500	1,879
Total Revenues	<u>\$ 32,058</u>	<u>\$ 17,600</u>	<u>\$ 17,600</u>	<u>\$ 14,458</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 26,008	\$ 102,900	\$ 102,900	\$ 76,892
Total Expenditures	<u>\$ 26,008</u>	<u>\$ 102,900</u>	<u>\$ 102,900</u>	<u>\$ 76,892</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 6,050</u>	<u>\$ (85,300)</u>	<u>\$ (85,300)</u>	<u>\$ 91,350</u>
Net Change in Fund Balance	\$ 6,050	\$ (85,300)	\$ (85,300)	\$ 91,350
Fund Balance, July 1, 2005	<u>143,564</u>	<u>119,793</u>	<u>119,793</u>	<u>23,771</u>
Fund Balance, June 30, 2006	<u><u>\$ 149,614</u></u>	<u><u>\$ 34,493</u></u>	<u><u>\$ 34,493</u></u>	<u><u>\$ 115,121</u></u>

Major Governmental Fund

General Debt Service Fund

The General Debt Service Fund is used to account for the accumulation of resources for, and the payment of, debt principal, interest, and related costs.

Exhibit F

Giles County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,299,756	\$ 2,193,586	\$ 2,193,586	\$ 106,170
Other Local Revenues	34,363	10,000	10,000	24,363
Total Revenues	<u>\$ 2,334,119</u>	<u>\$ 2,203,586</u>	<u>\$ 2,203,586</u>	<u>\$ 130,533</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 491,530	\$ 491,530	\$ 491,530	\$ 0
Education	1,208,470	1,208,470	1,208,470	0
<u>Interest on Debt</u>				
General Government	110,360	110,361	110,360	0
Education	684,423	684,424	684,424	1
<u>Other Debt Service</u>				
General Government	205,072	265,500	265,501	60,429
Education	1,513	10,000	10,000	8,487
Total Expenditures	<u>\$ 2,701,368</u>	<u>\$ 2,770,285</u>	<u>\$ 2,770,285</u>	<u>\$ 68,917</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (367,249)</u>	<u>\$ (566,699)</u>	<u>\$ (566,699)</u>	<u>\$ 199,450</u>
Net Change in Fund Balance	\$ (367,249)	\$ (566,699)	\$ (566,699)	\$ 199,450
Fund Balance, July 1, 2005	2,097,580	1,999,887	1,999,887	97,693
Fund Balance, June 30, 2006	<u>\$ 1,730,331</u>	<u>\$ 1,433,188</u>	<u>\$ 1,433,188</u>	<u>\$ 297,143</u>

Fiduciary Funds

Agency Funds are used to account for assets held by the county 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.

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

Exhibit G-1

Giles County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2006

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,198,353	\$ 1,198,353
Due from Other Governments	377,756	0	377,756
Total Assets	<u>\$ 377,756</u>	<u>\$ 1,198,353</u>	<u>\$ 1,576,109</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 377,756	\$ 0	\$ 377,756
Due to Litigants, Heirs, and Others	0	1,198,353	1,198,353
Total Liabilities	<u>\$ 377,756</u>	<u>\$ 1,198,353</u>	<u>\$ 1,576,109</u>

Exhibit G-2

Giles County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2006

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 2,191,761	\$ 2,191,761	\$ 0
Due From Other Governments	346,684	377,756	346,684	377,756
Total Assets	\$ 346,684	\$ 2,569,517	\$ 2,538,445	\$ 377,756
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 346,684	\$ 2,569,517	\$ 2,538,445	\$ 377,756
Total Liabilities	\$ 346,684	\$ 2,569,517	\$ 2,538,445	\$ 377,756
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,252,368	\$ 6,108,925	\$ 6,162,940	\$ 1,198,353
Total Assets	\$ 1,252,368	\$ 6,108,925	\$ 6,162,940	\$ 1,198,353
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,252,368	\$ 6,108,925	\$ 6,162,940	\$ 1,198,353
Total Liabilities	\$ 1,252,368	\$ 6,108,925	\$ 6,162,940	\$ 1,198,353
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,252,368	\$ 6,108,925	\$ 6,162,940	\$ 1,198,353
Equity in Pooled Cash and Investments	0	2,191,761	2,191,761	0
Due From Other Governments	346,684	377,756	346,684	377,756
Total Assets	\$ 1,599,052	\$ 8,678,442	\$ 8,701,385	\$ 1,576,109
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,252,368	\$ 6,108,925	\$ 6,162,940	\$ 1,198,353
Due to Other Taxing Units	346,684	2,569,517	2,538,445	377,756
Total Liabilities	\$ 1,599,052	\$ 8,678,442	\$ 8,701,385	\$ 1,576,109

MISCELLANEOUS SCHEDULES

Exhibit H-1

Giles County, Tennessee
Schedule of Changes in Long-term Bonds
For the Year Ended June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Paid and/or Matured During Period	Outstanding 6-30-06
<u>BONDS PAYABLE</u>							
<u>Payable through General Debt Service Fund</u>							
School and Public Improvement Refunding	\$ 8,750,000	3.15 to 3.95 %	1-1-1999	8-1-05	\$ 995,000	\$ 995,000	\$ 0
School Building	16,765,000	4.1 to 5.75	2-28-00	2-1-20	3,475,000	625,000	2,850,000
School Refunding	11,625,000	1.75 to 5.25	8-1-02	2-1-20	11,405,000	80,000	11,325,000
General Obligation	3,100,000	2.25 to 3.8	8-1-04	4-1-17	3,100,000	0	3,100,000
Total Bonds Payable					<u>\$ 18,975,000</u>	<u>\$ 1,700,000</u>	<u>\$ 17,275,000</u>

Exhibit H-2

Giles County, Tennessee
Schedule of Bond and Interest Requirements by Year

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2007	\$ 975,000	\$ 741,882	\$ 1,716,882
2008	1,020,000	700,965	1,720,965
2009	1,070,000	656,792	1,726,792
2010	1,120,000	608,951	1,728,951
2011	1,170,000	557,487	1,727,487
2012	1,215,000	515,411	1,730,411
2013	1,265,000	470,782	1,735,782
2014	1,315,000	422,605	1,737,605
2015	1,370,000	370,492	1,740,492
2016	1,430,000	314,734	1,744,734
2017	1,485,000	255,558	1,740,558
2018	1,215,000	192,487	1,407,487
2019	1,280,000	137,812	1,417,812
2020	1,345,000	70,612	1,415,612
Total	<u>\$ 17,275,000</u>	<u>\$ 6,016,570</u>	<u>\$ 23,291,570</u>

Exhibit H-3

Giles County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Solid Waste/Sanitation	Provide funds for operations	\$ 60,000
General	Industrial/Economic Development	"	95,000
Special Purpose	General	"	90,000
Special Purpose	Highway/Public Works	"	<u>575,000</u>
Total Transfers			<u><u>\$ 820,000</u></u>

Exhibit H-4

Giles County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2006

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, <u>TCA</u>	\$ 62,424	\$ 50,000	State Automobile Mutual Insurance Company
Highway Commissioner	Section 8-24-102, <u>TCA</u>	59,446	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	54,048	950,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	54,048	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	55,368 (1)	50,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, <u>TCA</u>	55,368 (1)	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	54,048	60,000	"
Register	Section 8-24-102, <u>TCA</u>	55,368 (1)	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	59,971 (2)	25,000	"
<u>Other Bonds</u>				
Ambulance Service Office Staff			25,000	"
Highway Department Bookkeeper			25,000	"
Highway Department Office Manager			25,000	"
Employees Bond - County Executive			50,000	"
Employees Bond - Assessor			10,000	"
Employees Bond - Trustee			60,000	"
Employees Bond - County Clerk			50,000	"
Employees Bond - Circuit and General Sessions Courts Clerk			50,000	"
Employees Bond - Clerk and Master			50,000	"
Employees Bond - Register			25,000	"
Employees Bond - Sheriff			25,000	"
Judicial Commissioner			50,000	"
Judicial Commissioner			50,000	"
Judicial Commissioner			50,000	"

(1) Includes educational incentive of \$1,320.

(2) Includes law enforcement training supplement of \$519.

Exhibit H-5

Giles County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2006

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Industrial / Economic Development	Special Purpose	Drug Control
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 4,533,888	\$ 0	\$ 0	\$ 0	0
Trustee's Collections - Prior Year	200,007	0	0	0	0
Circuit/Clerk & Master Collections - Prior Years	72,110	0	0	0	0
Interest and Penalty	28,193	0	0	0	0
Payments in-Lieu-of Taxes - T.V.A.	2,142	0	0	0	0
Payments in-Lieu-of Taxes - Local Utilities	216,376	0	0	0	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	0	0	0	0	0
Hotel/Motel Tax	94,849	0	0	0	0
Litigation Tax - General	150,661	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	65,776	0	0	0	0
Business Tax	160,015	0	0	0	0
Mineral Severance Tax	0	0	0	0	0
<u>Statutory Local Taxes</u>					
Bank Excise Tax	183,767	0	0	0	0
Wholesale Beer Tax	167,577	0	0	0	0
Interstate Telecommunications Tax	3,281	0	0	0	0
Total Local Taxes	\$ 5,878,642	\$ 0	\$ 0	\$ 0	0
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Animal Vaccination	\$ 4,908	\$ 0	\$ 0	\$ 0	0
Cable TV Franchise	5,486	0	0	0	0
<u>Permits</u>					
Beer Permits	1,425	0	0	0	0
Total Licenses and Permits	\$ 11,819	\$ 0	\$ 0	\$ 0	0
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Officers Costs	\$ 39,139	\$ 0	\$ 0	\$ 0	0
Drug Control Fines	9,128	0	0	0	9,347
Drug Court Fees	2,034	0	0	0	0

(Continued)

Exhibit H-5

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Industrial / Economic Development	Special Purpose	Drug Control
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Circuit Court (Cont.)</u>					
Jail Fees	\$ 6,097	\$ 0	\$ 0	\$ 0	\$ 0
DUI Treatment Fines	4,209	0	0	0	0
Data Entry Fee - Circuit Court	786	0	0	0	0
Courtroom Security Fee	38	0	0	0	0
<u>General Sessions Court</u>					
Fines	22,500	0	0	0	0
Fines for Littering	456	0	0	0	0
Officers Costs	39,889	0	0	0	0
Game and Fish Fines	2,873	0	0	0	0
Drug Control Fines	6,733	0	0	0	5,986
Drug Court Fees	5,102	0	0	0	0
Jail Fees	8,889	0	0	0	0
DUI Treatment Fines	4,817	0	0	0	0
Data Entry Fee - General Sessions Court	11,830	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	4,771	0	0	0	0
Data Entry Fee - Chancery Court	730	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	0	0	12,346
Total Fines, Forfeitures, and Penalties	\$ 170,021	\$ 0	\$ 0	\$ 0	\$ 27,679
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Patient Charges	\$ 1,321,418	\$ 0	\$ 0	\$ 0	\$ 0
Service Charges	57,794	0	0	0	0
<u>Fees</u>					
Copy Fees	2,044	0	0	0	0
Telephone Commissions	9,167	0	0	0	0
Vending Machine Collections	472	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	0
Data Processing Fee - Register	13,616	0	0	0	0
Data Processing Fee - Sheriff	5,010	0	0	0	0

(Continued)

Exhibit H-5

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Industrial / Economic Development	Special Purpose	Drug Control
<u>Charges for Current Services (Cont.)</u>					
<u>Fees (Cont.)</u>					
Sexual Offender Registration Fees - Sheriff	\$ 1,797	\$ 0	\$ 0	\$ 0	\$ 0
Total Charges for Current Services	\$ 1,411,318	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 227,668	\$ 0	\$ 0	\$ 680,953	\$ 0
Commodity Rebates	0	1,846	0	0	0
Miscellaneous Refunds	1,525	0	0	0	279
<u>Nonrecurring Items</u>					
Sale of Equipment	915	0	0	0	4,100
Damages Recovered from Individuals	15,266	0	0	0	0
Contributions & Gifts	27,426	0	0	0	0
Performance Bond Forfeitures	19,000	0	0	0	0
Total Other Local Revenues	\$ 291,800	\$ 1,846	\$ 0	\$ 680,953	\$ 4,379
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
County Clerk	\$ 44,572	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	156,396	0	0	0	0
Register	40,701	0	0	0	0
Trustee	321,162	0	0	0	0
<u>Fees-In-Lieu of Salary</u>					
Clerk and Master	129,369	0	0	0	0
Sheriff	14,049	0	0	0	0
Total Fees Received from County Officials	\$ 706,249	\$ 0	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 10,890	\$ 0	\$ 0	\$ 0	\$ 0
State Reappraisal Grant	10,573	0	0	0	0
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	9,855	0	0	0	0

(Continued)

Exhibit H-5

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Industrial / Economic Development	Special Purpose	Drug Control
<u>State of Tennessee (Cont.)</u>					
<u>Health and Welfare Grants</u>					
Health Department Programs	\$ 307,868	\$ 0	\$ 0	\$ 0	0
<u>Public Works Grants</u>					
Bridge Program	0	0	0	0	0
State Aid Program	0	0	0	0	0
Litter Program	0	0	0	0	0
<u>Other State Revenues</u>					
Income Tax	85,775	0	0	0	0
Beer Tax	17,212	0	0	0	0
Alcoholic Beverage Tax	46,360	0	0	0	0
Mixed Drink Tax	1,000	0	0	0	0
Contracted Prisoner Boarding	197,073	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0
Petroleum Special Tax	0	0	0	0	0
Registrar's Salary Supplement	16,380	0	0	0	0
Other State Grants	0	19,087	0	0	0
Other State Revenues	65,569	0	2,799	0	0
Total State of Tennessee	\$ 768,555	\$ 19,087	\$ 2,799	\$ 0	0
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA - Other	\$ 1,919	\$ 0	\$ 0	\$ 0	0
Community Development	0	0	0	0	0
Homeland Security Grants	103,522	0	0	0	0
Other Federal through State	130,000	0	0	0	0
Total Federal Government	\$ 235,441	\$ 0	\$ 0	\$ 0	0
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Prisoner Board	\$ 8,325	\$ 0	\$ 0	\$ 0	0
Paving and Maintenance	0	0	0	0	0
Contributions	46,391	0	0	0	0

(Continued)

Exhibit H-5

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Industrial / Economic Development	Special Purpose	Drug Control
<u>Other Governments and Citizens Groups (Cont.)</u>					
<u>Other</u>					
Other	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Other Governments and Citizens Groups	\$ 54,716	\$ 0	\$ 0	\$ 0	\$ 0
Total	\$ 9,528,561	\$ 20,933	\$ 2,799	\$ 680,953	\$ 32,058

(Continued)

Exhibit H-5

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

	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	Total
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 0	\$ 741,911	\$ 1,395,193	\$ 0	\$ 6,670,992
Trustee's Collections - Prior Year	0	32,615	68,458	0	301,080
Circuit/Clerk & Master Collections - Prior Years	0	10,373	9,921	0	92,404
Interest and Penalty	0	4,600	8,777	0	41,570
Payments in-Lieu-of Taxes - T.V.A.	0	0	0	0	2,142
Payments in-Lieu-of Taxes - Local Utilities	0	0	0	0	216,376
<u>County Local Option Taxes</u>					
Local Option Sales Tax	0	0	817,407	0	817,407
Hotel/Motel Tax	0	0	0	0	94,849
Litigation Tax - General	0	0	0	0	150,661
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	65,776
Business Tax	0	0	0	0	160,015
Mineral Severance Tax	0	34,470	0	0	34,470
<u>Statutory Local Taxes</u>					
Bank Excise Tax	0	0	0	0	183,767
Wholesale Beer Tax	0	0	0	0	167,577
Interstate Telecommunications Tax	0	0	0	0	3,281
Total Local Taxes	\$ 0	\$ 823,969	\$ 2,299,756	\$ 0	\$ 9,002,367
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Animal Vaccination	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,908
Cable TV Franchise	0	0	0	0	5,486
<u>Permits</u>					
Beer Permits	0	0	0	0	1,425
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,819
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Officers Costs	\$ 0	\$ 0	\$ 0	\$ 0	\$ 39,139
Drug Control Fines	0	0	0	0	18,475
Drug Court Fees	0	0	0	0	2,034

Exhibit H-5

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

	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	Total
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Circuit Court (Cont.)</u>					
Jail Fees	\$ 0	\$ 0	\$ 0	\$ 0	6,097
DUI Treatment Fines	0	0	0	0	4,209
Data Entry Fee - Circuit Court	0	0	0	0	786
Courtroom Security Fee	0	0	0	0	38
<u>General Sessions Court</u>					
Fines	0	0	0	0	22,500
Fines for Littering	0	0	0	0	456
Officers Costs	0	0	0	0	39,889
Game and Fish Fines	0	0	0	0	2,873
Drug Control Fines	0	0	0	0	12,719
Drug Court Fees	0	0	0	0	5,102
Jail Fees	0	0	0	0	8,889
DUI Treatment Fines	0	0	0	0	4,817
Data Entry Fee - General Sessions Court	0	0	0	0	11,830
<u>Chancery Court</u>					
Officers Costs	0	0	0	0	4,771
Data Entry Fee - Chancery Court	0	0	0	0	730
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	0	0	12,346
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	197,700
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Patient Charges	\$ 0	\$ 0	\$ 0	\$ 0	1,321,418
Service Charges	0	0	0	0	57,794
<u>Fees</u>					
Copy Fees	0	0	0	0	2,044
Telephone Commissions	0	0	0	0	9,167
Vending Machine Collections	0	0	0	0	472
Constitutional Officers' Fees and Commissions	790,785	0	0	0	790,785
Data Processing Fee - Register	0	0	0	0	13,616
Data Processing Fee - Sheriff	0	0	0	0	5,010

Exhibit H-5

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

	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	Total
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	
<u>Charges for Current Services (Cont.)</u>					
<u>Fees (Cont.)</u>					
Sexual Offender Registration Fees - Sheriff	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,797
Total Charges for Current Services	\$ 790,785	\$ 0	\$ 0	\$ 0	\$ 2,202,103
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 34,363	\$ 0	\$ 942,984
Commodity Rebates	0	0	0	0	1,846
Miscellaneous Refunds	0	21,943	0	0	23,747
<u>Nonrecurring Items</u>					
Sale of Equipment	0	0	0	0	5,015
Damages Recovered from Individuals	0	0	0	0	15,266
Contributions & Gifts	0	0	0	0	27,426
Performance Bond Forfeitures	0	0	0	0	19,000
Total Other Local Revenues	\$ 0	\$ 21,943	\$ 34,363	\$ 0	\$ 1,035,284
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 44,572
Circuit Court Clerk	0	0	0	0	156,396
Register	0	0	0	0	40,701
Trustee	0	0	0	0	321,162
<u>Fees-In-Lieu of Salary</u>					
Clerk and Master	0	0	0	0	129,369
Sheriff	0	0	0	0	14,049
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 706,249
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,890
State Reappraisal Grant	0	0	0	0	10,573
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	0	0	0	0	9,855

Exhibit H-5

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

	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	Total
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	
<u>State of Tennessee (Cont.)</u>					
<u>Health and Welfare Grants</u>					
Health Department Programs	\$ 0	\$ 0	\$ 0	\$ 0	307,868
<u>Public Works Grants</u>					
Bridge Program	0	111,794	0	0	111,794
State Aid Program	0	106,259	0	0	106,259
Litter Program	0	35,501	0	0	35,501
<u>Other State Revenues</u>					
Income Tax	0	0	0	0	85,775
Beer Tax	0	0	0	0	17,212
Alcoholic Beverage Tax	0	0	0	0	46,360
Mixed Drink Tax	0	0	0	0	1,000
Contracted Prisoner Boarding	0	0	0	0	197,073
Gasoline and Motor Fuel Tax	0	1,896,230	0	0	1,896,230
Petroleum Special Tax	0	23,688	0	0	23,688
Registrar's Salary Supplement	0	0	0	0	16,380
Other State Grants	0	0	0	0	19,087
Other State Revenues	0	0	0	0	68,368
Total State of Tennessee	\$ 0	\$ 2,173,472	\$ 0	\$ 0	2,963,913
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA - Other	\$ 0	\$ 252,138	\$ 0	\$ 0	254,057
Community Development	0	0	0	229,646	229,646
Homeland Security Grants	0	0	0	0	103,522
Other Federal through State	0	0	0	0	130,000
Total Federal Government	\$ 0	\$ 252,138	\$ 0	\$ 229,646	717,225
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Prisoner Board	\$ 0	\$ 0	\$ 0	\$ 0	8,325
Paving and Maintenance	0	2,772	0	0	2,772
Contributions	0	0	0	0	46,391

(Continued)

Exhibit H-5

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

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	
	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	Total
<hr/>					
<u>Other Governments and Citizens Groups (Cont.)</u>					
<u>Other</u>					
Other	\$ 0	\$ 7,346	\$ 0	\$ 0	\$ 7,346
Total Other Governments and Citizens Groups	\$ 0	\$ 10,118	\$ 0	\$ 0	\$ 64,834
<hr/>					
Total	\$ 790,785	\$ 3,281,640	\$ 2,334,119	\$ 229,646	\$ 16,901,494

Exhibit H-6

Giles County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2006

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	20,340	
Dues and Memberships		1,550	
Travel		2,923	
Other Supplies and Materials		120	
Total County Commission			\$ 24,933

County Mayor/Executive

County Official/Administrative Officer	\$	62,424	
Secretary(ies)		20,412	
Other Salaries & Wages		19,966	
Audit Services		7,988	
Communication		1,014	
Dues and Memberships		1,550	
Postal Charges		1,396	
Other Supplies and Materials		6,244	
Other Charges		2,033	
Total County Mayor/Executive			123,027

County Attorney

County Official/Administrative Officer	\$	27,858	
Travel		563	
Total County Attorney			28,421

Election Commission

County Official/Administrative Officer	\$	45,941	
Deputy(ies)		27,612	
Other Salaries & Wages		2,915	
Communication		1,639	
Legal Notices, Recording, and Court Costs		252	
Postal Charges		1,083	
Other Supplies and Materials		4,260	
Other Charges		3,124	
Office Equipment		6,514	
Total Election Commission			93,340

Register of Deeds

Communication	\$	1,277	
Maintenance & Repair Services - Office Equipment		638	
Postal Charges		1,658	
Other Supplies and Materials		8,399	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds (Cont.)

Other Charges	\$	1,235	
Data Processing Equipment		<u>10,552</u>	
Total Register of Deeds			\$ 23,759

County Buildings

Custodial Personnel	\$	68,441	
Communication		3,022	
Maintenance & Repair Services - Buildings		7,318	
Maintenance & Repair Services - Equipment		11,129	
Pest Control		3,045	
Custodial Supplies		11,616	
Utilities		42,719	
Building Improvements		34,914	
Furniture and Fixtures		<u>8,643</u>	
Total County Buildings			190,847

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	45,100	
Accountants/Bookkeepers		31,114	
Other Salaries & Wages		1,074	
Communication		1,054	
Data Processing Services		4,909	
Postal Charges		1,713	
Other Supplies and Materials		5,266	
Other Charges		<u>1,926</u>	
Total Accounting and Budgeting			92,156

Property Assessor's Office

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		27,800	
Assessment Personnel		83,261	
Clerical Personnel		26,727	
Other Salaries & Wages		25,230	
Board and Committee Members Fees		2,250	
Communication		2,206	
Postal Charges		2,000	
Rentals		2,555	
Travel		6,753	
Other Supplies and Materials		<u>5,115</u>	
Total Property Assessor's Office			237,945

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program

Contracts with Government Agencies	\$	12,423	
Other Charges		13,905	
Total Reappraisal Program			\$ 26,328

County Trustee's Office

Communication	\$	965	
Data Processing Services		3,205	
Postal Charges		3,138	
Other Supplies and Materials		2,690	
Total County Trustee's Office			9,998

County Clerk's Office

Communication	\$	1,850	
Legal Notices, Recording, and Court Costs		260	
Maintenance Agreements		735	
Maintenance & Repair Services - Office Equipment		84	
Postal Charges		4,849	
Other Supplies and Materials		3,279	
Other Charges		1,705	
Office Equipment		1,300	
Total County Clerk's Office			14,062

Administration of Justice

Circuit Court

Jury and Witness Fees	\$	31,115	
Communication		2,028	
Operating Lease Payments		4,995	
Postal Charges		1,909	
Rentals		24,000	
Other Supplies and Materials		13,705	
Other Charges		3,904	
Total Circuit Court			81,656

General Sessions Court

Judge(s)	\$	74,773	
Other Salaries & Wages		3,600	
Communication		749	
Travel		1,832	
Other Supplies and Materials		720	
Other Charges		417	
Total General Sessions Court			82,091

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		59,816	
Other Salaries & Wages		8,230	
Communication		1,320	
Postal Charges		1,892	
Other Supplies and Materials		7,234	
Other Charges		1,104	
Total Chancery Court			\$ 133,644

Judicial Commissioners

Other Salaries & Wages	\$	26,124	
Communication		165	
Travel		1,001	
Total Judicial Commissioners			27,290

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	59,452	
Deputy(ies)		344,765	
Investigator(s)		142,769	
Captain(s)		46,595	
Accountants/Bookkeepers		48,087	
Overtime Pay		19,314	
In-Service Training		1,135	
Communication		25,649	
Dues and Memberships		1,550	
Maintenance & Repair Services - Equipment		3,401	
Maintenance & Repair Services - Vehicles		24,683	
Postal Charges		2,970	
Travel		2,575	
Gasoline		77,378	
Prisoners Clothing		1,992	
Tires and Tubes		3,777	
Uniforms		2,577	
Other Supplies and Materials		17,585	
Vehicle and Equipment Insurance		28,041	
Other Charges		681	
Law Enforcement Equipment		735	
Motor Vehicles		69,585	
Total Sheriff's Department			925,296

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Traffic Control

Traffic Control Equipment	\$ 6,735	
Total Traffic Control	<u>6,735</u>	\$ 6,735

Administration of the Sexual Offender Registry

Other Charges	\$ 342	
Total Administration of the Sexual Offender Registry	<u>342</u>	342

Jail

Supervisor/Director	\$ 23,711	
Foremen	22,203	
Guards	537,614	
Cafeteria Personnel	39,698	
Maintenance Personnel	27,816	
Overtime Pay	28,375	
Maintenance & Repair Services - Buildings	17,827	
Pest Control	1,000	
Transportation - Other than Students	95,272	
Drugs and Medical Supplies	203,349	
Food Supplies	122,487	
Utilities	115,444	
Other Charges	13,071	
Total Jail	<u>1,247,867</u>	1,247,867

Juvenile Services

Supervisor/Director	\$ 31,218	
Communication	787	
Travel	737	
Other Contracted Services	10,458	
Other Charges	2,273	
Total Juvenile Services	<u>45,473</u>	45,473

Fire Prevention and Control

Contracts with Government Agencies	\$ 2,000	
Motor Vehicles	12,000	
Total Fire Prevention and Control	<u>14,000</u>	14,000

Rescue Squad

Contributions	\$ 165,000	
Total Rescue Squad	<u>165,000</u>	165,000

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management

Other Charges	\$ 1,950	
Total Other Emergency Management	<u>1,950</u>	\$ 1,950

County Coroner/Medical Examiner

Medical Personnel	\$ 18,829	
Total County Coroner/Medical Examiner	<u>18,829</u>	18,829

Public Safety Grant Programs

Contracts with Government Agencies	\$ 103,522	
Total Public Safety Grant Programs	<u>103,522</u>	103,522

Other Public Safety

Communication	\$ 1,045	
Rentals	7,800	
Other Supplies and Materials	<u>200</u>	
Total Other Public Safety		9,045

Public Health and Welfare

Local Health Center

Communication	\$ 4,559	
Janitorial Services	14,240	
Maintenance & Repair Services - Buildings	6,337	
Pest Control	376	
Other Contracted Services	22,000	
Utilities	13,853	
Other Supplies and Materials	3,570	
Furniture and Fixtures	<u>1,041</u>	
Total Local Health Center		65,976

Rabies and Animal Control

Supervisor/Director	\$ 25,188	
Communication	1,131	
Maintenance & Repair Services - Vehicles	194	
Animal Food and Supplies	4,327	
Gasoline	3,136	
Tires and Tubes	12	
Utilities	2,051	
Vehicle and Equipment Insurance	776	
Other Charges	5,113	
Motor Vehicles	<u>995</u>	
Total Rabies and Animal Control		42,923

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services

Supervisor/Director	\$	51,021	
Accountants/Bookkeepers		47,446	
Medical Personnel		656,214	
Other Salaries & Wages		176,930	
Communication		7,913	
Data Processing Services		5,400	
Maintenance & Repair Services - Buildings		2,863	
Maintenance & Repair Services - Equipment		2,598	
Maintenance & Repair Services - Vehicles		23,911	
Postal Charges		3,220	
Drugs and Medical Supplies		60,916	
Gasoline		43,753	
Lubricants		2,794	
Tires and Tubes		3,693	
Uniforms		5,650	
Utilities		8,368	
Other Supplies and Materials		4,591	
Vehicle and Equipment Insurance		7,521	
Other Charges		8,026	
Total Ambulance/Emergency Medical Services			\$ 1,122,828

Regional Mental Health Center

Contributions	\$	23,000	
Total Regional Mental Health Center			23,000

Aid to Dependent Children

Contributions	\$	8,394	
Total Aid to Dependent Children			8,394

Other Local Welfare Services

Contributions	\$	95,461	
Pauper Burials		1,600	
Total Other Local Welfare Services			97,061

Sanitation Management

Contracts with Private Agencies	\$	16,679	
Total Sanitation Management			16,679

Other Public Health and Welfare

Other Salaries & Wages	\$	211,897	
------------------------	----	---------	--

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Public Health and Welfare (Cont.)

Social Security	\$	16,210	
Employee and Dependent Insurance		43,509	
Life Insurance		403	
Unemployment Compensation		724	
Local Retirement		15,532	
Travel		11,593	
Other Supplies and Materials		<u>1,013</u>	
Total Other Public Health and Welfare	\$		300,881

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$	<u>38,116</u>	
Total Senior Citizens Assistance			38,116

Libraries

Contributions	\$	<u>80,688</u>	
Total Libraries			80,688

Parks and Fair Boards

Contributions	\$	<u>49,920</u>	
Total Parks and Fair Boards			49,920

Other Social, Cultural, and Recreational

Part-time Personnel	\$	9,948	
Other Salaries & Wages		25,500	
Communication		887	
Maintenance & Repair Services - Office Equipment		1,813	
Postal Charges		130	
Duplicating Supplies		4,000	
Other Supplies and Materials		<u>850</u>	
Total Other Social, Cultural, and Recreational			43,128

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	68,932	
Secretary(ies)		314	
Other Salaries & Wages		2,339	
Board and Committee Members Fees		360	
Other Fringe Benefits		10,001	
Communication		<u>5,366</u>	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

Maintenance & Repair Services - Buildings	\$	2,315	
Maintenance & Repair Services - Equipment		85	
Maintenance & Repair Services - Vehicles		327	
Postal Charges		702	
Travel		172	
Other Contracted Services		2,596	
Food Preparation Supplies		5,395	
Gasoline		956	
Instructional Supplies and Materials		1,813	
Utilities		7,257	
Other Supplies and Materials		1,104	
Vehicle and Equipment Insurance		883	
Other Charges		1,190	
Office Equipment		3,000	
Total Agriculture Extension Service			\$ 115,107

Forest Service

Communication	\$	945	
Total Forest Service			945

Soil Conservation

Clerical Personnel	\$	23,221	
Other Salaries & Wages		6,240	
Other Charges		2,000	
Total Soil Conservation			31,461

Other Operations

Other Economic and Community Development

Contributions	\$	17,570	
Dues and Memberships		5,669	
Total Other Economic and Community Development			23,239

Public Transportation

Bridge Construction	\$	15,645	
Total Public Transportation			15,645

Airport

Contributions	\$	31,436	
Other Construction		55,000	
Total Airport			86,436

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services

Supervisor/Director	\$	8,459	
Other Charges		<u>1,691</u>	
Total Veterans' Services			\$ 10,150

Other Charges

Building and Contents Insurance	\$	38,202	
Liability Insurance		167,957	
Premiums on Corporate Surety Bonds		932	
Trustee's Commission		125,439	
Workers' Compensation Insurance		<u>153,796</u>	
Total Other Charges			486,326

Contributions to Other Agencies

Contracts with Government Agencies	\$	91,358	
Contributions		<u>10,000</u>	
Total Contributions to Other Agencies			101,358

Employee Benefits

Educational Incentive - Official/Admin Officer	\$	3,960	
Educational Incentive - Other County Employees		9,000	
Social Security		255,551	
Employee and Dependent Insurance		671,193	
Life Insurance		6,181	
Unemployment Compensation		9,211	
Local Retirement		<u>274,708</u>	
Total Employee Benefits			1,229,804

Miscellaneous

Refunds	\$	<u>2,260</u>	
Total Miscellaneous			2,260

Capital Projects

Highway & Street Capital Projects

Other Construction	\$	<u>7,346</u>	
Total Highway & Street Capital Projects			<u>7,346</u>

Total General Fund \$ 7,727,227

(Continued)

Exhibit H-6

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

Solid Waste/Sanitation Fund

General Government

Other General Administration

Supervisor/Director	\$	30,993	
Communication		604	
Travel		620	
Other Contracted Services		6,620	
Other Supplies and Materials		56	
Other Charges		<u>1,354</u>	
Total Other General Administration			\$ 40,247

Public Health and Welfare

Waste Pickup

Other Contracted Services	\$	<u>22,282</u>	
Total Waste Pickup			22,282

Recycling Center

Other Charges	\$	<u>26,400</u>	
Total Recycling Center			<u>26,400</u>

Total Solid Waste/Sanitation Fund \$ 88,929

Industrial/Economic Development Fund

General Government

Other General Administration

Contributions	\$	43,620	
Other Charges		56,649	
Other Construction		<u>10,000</u>	
Total Other General Administration			\$ <u>110,269</u>

Total Industrial/Economic Development Fund 110,269

Special Purpose Fund

General Government

Other General Administration

Trustee's Commission	\$	<u>6,797</u>	
Total Other General Administration			\$ <u>6,797</u>

Total Special Purpose Fund 6,797

(Continued)

Exhibit H-6

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

<u>Drug Control Fund</u>		
<u>Public Safety</u>		
<u>Drug Enforcement</u>		
Confidential Drug Enforcement Payments	\$ 13,000	
Animal Food and Supplies	85	
Other Supplies and Materials	299	
Other Charges	6,973	
Law Enforcement Equipment	5,651	
Total Drug Enforcement	<u> </u>	\$ 26,008
Total Drug Control Fund		\$ 26,008
 <u>Constitutional Officers - Fees Fund</u>		
<u>General Government</u>		
<u>Register of Deeds</u>		
Constitutional Officers' Operating Expenses	\$ 123,712	
Total Register of Deeds		\$ 123,712
 <u>Finance</u>		
<u>County Trustee's Office</u>		
Constitutional Officers' Operating Expenses	\$ 117,315	
Total County Trustee's Office		117,315
 <u>County Clerk's Office</u>		
Constitutional Officers' Operating Expenses	\$ 209,586	
Total County Clerk's Office		209,586
 <u>Administration of Justice</u>		
<u>Circuit Court</u>		
Constitutional Officers' Operating Expenses	\$ 289,067	
Total Circuit Court		289,067
 <u>General Sessions Court</u>		
Constitutional Officers' Operating Expenses	\$ 71	
Total General Sessions Court		<u>71</u>
Total Constitutional Officers - Fees Fund		739,751
 <u>Highway/Public Works Fund</u>		
<u>Highways</u>		
<u>Administration</u>		
County Official/Administrative Officer	\$ 59,446	
Assistant(s)	40,358	

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Custodial Personnel	\$	3,640	
Educational Incentive - Other County Employees		1,500	
In-Service Training		690	
Communication		7,991	
Data Processing Services		5,941	
Dues and Memberships		2,710	
Evaluation and Testing		2,400	
Legal Notices, Recording, and Court Costs		2,731	
Maintenance & Repair Services - Buildings		2,961	
Postal Charges		920	
Travel		3,326	
Custodial Supplies		1,768	
Drugs and Medical Supplies		1,193	
Electricity		19,523	
Office Supplies		4,569	
Office Equipment		1,989	
Total Administration			\$ 163,656

Highway and Bridge Maintenance

Supervisor/Director	\$	165,059	
Foremen		130,926	
Equipment Operators - Heavy		166,247	
Equipment Operators - Light		224,663	
Truck Drivers		215,113	
Laborers		147,844	
Rentals		3,310	
Asphalt - Hot Mix		134,112	
Asphalt - Liquid		400,096	
Concrete		17,479	
Crushed Stone		283,720	
Fertilizer, Lime, and Seed		441	
General Construction Materials		4,999	
Other Road Supplies		40,985	
Pipe		10,942	
Road Signs		15,006	
Structural Steel		8,943	
Total Highway and Bridge Maintenance			1,969,885

Operation and Maintenance of Equipment

Mechanic(s)	\$	205,482	
-------------	----	---------	--

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Equipment and Machinery Parts	\$	100,883	
Fuel Oil		186,494	
Garage Supplies		4,975	
Tires and Tubes		22,997	
Total Operation and Maintenance of Equipment			\$ 520,831

Litter and Trash Collection

Assistant(s)	\$	4,615	
Truck Drivers		4,773	
Travel		200	
Instructional Supplies and Materials		18,000	
Other Supplies and Materials		10,113	
Total Litter and Trash Collection			37,701

Other Charges

Building and Contents Insurance	\$	1,111	
Liability Insurance		34,079	
Trustee's Commission		37,331	
Vehicle and Equipment Insurance		24,529	
Workers' Compensation Insurance		62,894	
Liability Claims		1,206	
Total Other Charges			161,150

Employee Benefits

Social Security	\$	103,586	
State Retirement		98,210	
Employee and Dependent Insurance		237,913	
Unemployment Compensation		7,060	
Laundry Service		14,994	
Total Employee Benefits			461,763

Capital Outlay

Engineering Services	\$	27,101	
Matching Share		28,484	
Bridge Construction		68,776	
Building Construction		17,243	
Building Improvements		275	
Highway Equipment		391,000	
State Aid Projects		106,259	
Total Capital Outlay			639,138

Total Highway/Public Works Fund \$ 3,954,124

(Continued)

Exhibit H-6

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

<u>General Debt Service Fund</u>		
<u>Principal on Debt</u>		
<u>General Government</u>		
Principal on Bonds	\$ 491,530	
Total General Government	<u>491,530</u>	\$ 491,530
<u>Education</u>		
Principal on Bonds	\$ 1,208,470	
Total Education	<u>1,208,470</u>	1,208,470
<u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Bonds	\$ 110,360	
Total General Government	<u>110,360</u>	110,360
<u>Education</u>		
Interest on Bonds	\$ 684,423	
Total Education	<u>684,423</u>	684,423
<u>Other Debt Service</u>		
<u>General Government</u>		
Contributions	\$ 148,201	
Trustee's Commission	56,670	
Other Debt Service	201	
Total General Government	<u>205,072</u>	205,072
<u>Education</u>		
Other Debt Service	\$ 1,513	
Total Education	<u>1,513</u>	<u>1,513</u>
Total General Debt Service Fund		\$ 2,701,368
<u>General Capital Projects Fund</u>		
<u>Public Safety</u>		
<u>Jail</u>		
Building Improvements	\$ 24,249	
Total Jail	<u>24,249</u>	\$ 24,249
<u>Other Operations</u>		
<u>Contributions to Other Agencies</u>		
Contributions	\$ 176,432	
Total Contributions to Other Agencies	<u>176,432</u>	176,432

(Continued)

Exhibit H-6

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

General Capital Projects Fund (Cont.)

Capital Projects

Other General Government Projects

Other Equipment	\$ 141,475	
Total Other General Government Projects		<u>\$ 141,475</u>

Total General Capital Projects Fund		\$ 342,156
-------------------------------------	--	------------

Community Development/Industrial Park Fund

General Government

Other General Administration

Other Charges	\$ 229,646	
Total Other General Administration		<u>\$ 229,646</u>

Total Community Development/Industrial Park Fund		<u>229,646</u>
--	--	----------------

Total Governmental Funds - Primary Government		<u><u>\$ 15,926,275</u></u>
---	--	-----------------------------

Exhibit H-7

Giles County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2006

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 2,191,761
Total Cash Receipts	<u>\$ 2,191,761</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 2,170,026
Trustee's Commission	21,735
Total Cash Disbursements	<u>\$ 2,191,761</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2005	<u>0</u>
 Cash Balance, June 30, 2006	 <u><u>\$ 0</u></u>

ANNUAL FINANCIAL REPORT
GILES COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF GILES COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2006

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

JEFF BAILEY, CPA, CGFM, CFE
Audit Manager

JERRY DURHAM, CPA, CGFM, CFE
Auditor 4

RHONDA DAVIS, CFE
SHERRIE GILL, CFE
DONYA WADE
NATHAN ABBOTT, CISA, CFE
State Auditors

This financial report is available at www.comptroller.state.tn.us

**GILES COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF GILES COUNTY TENNESSEE
TABLE OF CONTENTS**

	Exhibit	Page(s)
Audit Highlights		1
<u>INTRODUCTORY SECTION</u>		3
Giles County School Officials		5
<u>FINANCIAL SECTION</u>		7
Independent Auditor's Report		9-10
BASIC FINANCIAL STATEMENTS:		11
Government-wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	16
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	18
Notes to the Financial Statements		19-34
REQUIRED SUPPLEMENTARY INFORMATION:		35
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	D	37-38
Notes to the Required Supplementary Information		39

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		41
Nonmajor Governmental Funds:		43
Combining Balance Sheet	E-1	45
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	E-2	46
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
School Federal Projects Fund	E-3	47
Central Cafeteria Fund	E-4	48
Miscellaneous Schedules:		49
Schedule of Transfers	F-1	51
Schedule of Salary and Official Bond of Principal Official	F-2	52
Schedule of Detailed Revenues – All Governmental Fund Types	F-3	53-54
Schedule of Detailed Expenditures – All Governmental Fund Types	F-4	55-66

Audit Highlights

Annual Financial Report
Giles County School Department
For the Year Ended June 30, 2006

Scope

We have audited the basic financial statements of the Giles County School Department as of and for the year ended June 30, 2006.

Results

Our report on the Giles County School Department's financial statements is unqualified.

Our audit resulted in seven findings and recommendations, which we have reviewed with Giles County School Department management. Detailed findings, recommendations, and management's responses are included in the Single Audit Report.

Findings

The following are summaries of the audit findings:

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The School Federal Projects Fund had a cash overdraft of \$32,201 at June 30, 2006.
- ◆ An interfund loan totaling \$150,000 was not authorized in accordance with state statutes.
- ◆ The office did not solicit bids for an athletic field irrigation system, did not utilize a registered architect, engineer, or landscape architect to design plans, specifications, and estimates on the athletic field project, and did not enter into a formal contract with the contractor.
- ◆ In some instances, purchase orders were issued after purchases had been made, and competitive bids had not been solicited for property and casualty insurance.
- ◆ Post-employment benefits were not paid in compliance with the School Department's negotiated agreement with employees. Numerous general journal entries were recorded during the year indicating a lack of internal controls over the accounting functions. Several old outstanding warrants had not been reported and paid to the state Treasurer's Office in compliance with state statute.

OTHER FINDINGS

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately among the officials and employees in the Office of Director of Schools.

INTRODUCTORY SECTION

Giles County School Officials
June 30, 2006

Official

Terrell Jackson, Director of Schools

Board of Education

Michael Gonzales, Chairman
Kathy Norman
Fred Lindsey
Jim Greene

Bill Dunavant
Billy Kennedy
Bernetta Houston

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841**

INDEPENDENT AUDITOR'S REPORT

November 20, 2006

Giles County Director of Schools and
Board of Education
Giles County, Tennessee

To the Director of Schools and the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Giles County School Department, a component unit of Giles County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise the Giles County School Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Giles County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Giles County School Department as of June 30, 2006, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 20, 2006, on our consideration of the Giles County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

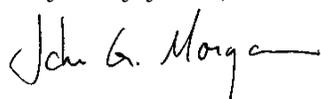
As described in Note V.B., the Giles County School Department has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as of June 30, 2006.

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

The budgetary comparison information on pages 37 through 39 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Giles County School Department's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, 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 miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Giles County, Tennessee
Statement of Net Assets
Giles County School Department
June 30, 2006

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 4,364,603
Accounts Receivable	74,582
Due from Other Governments	696,512
Property Taxes Receivable	6,809,183
Allowance for Uncollectible Property Taxes	(151,006)
Capital Assets:	
Assets Not Depreciated:	
Land	621,198
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	18,275,378
Other Capital Assets	2,313,083
Total Assets	<u>\$ 33,003,533</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 561,059
Accrued Payroll	1,131
Payroll Deductions Payable	93,075
Cash Overdraft	32,201
Deferred Revenue - Current Property Taxes	6,381,892
Total Liabilities	<u>\$ 7,069,358</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	\$ 21,209,659
Restricted for:	
Capital Projects	751,459
Other Purposes	1,336,208
Unrestricted	2,636,849
Total Net Assets	<u>\$ 25,934,175</u>

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

Exhibit B

Giles County, Tennessee
Statement of Activities
Giles County School Department
For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets Total Governmental Activities
Component Unit:					
Governmental Activities:					
Instruction	\$ 18,124,923	\$ 37,352	\$ 1,557,828	\$ 0	\$ (16,529,743)
Support Services	10,557,641	798,174	1,040,800	0	(8,718,667)
Operation of Noninstructional Services	2,041,922	3,814	515,084	0	(1,523,024)
Total Governmental Activities	\$ 30,724,486	\$ 839,340	\$ 3,113,712	\$ 0	\$ (26,771,434)
General Revenues:					
Taxes:					
Property taxes levied for general purposes					\$ 6,364,472
Local option sales tax					3,036,129
Other local taxes					5,100
Grants & contributions not restricted for specific programs					16,961,148
Miscellaneous					38,853
Gain on disposal of capital assets					11,467
Total General Revenues					\$ 26,417,169
Change in Net Assets					\$ (354,265)
Net assets, July 1, 2005					26,288,440
Net assets, June 30, 2006					\$ 25,934,175

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

Exhibit C-1

Giles County, Tennessee
Balance Sheet - Governmental Funds
Giles County School Department
June 30, 2006

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total Govern- mental Funds</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 3,003,196	\$ 1,361,407	\$ 4,364,603
Accounts Receivable	74,186	396	74,582
Due from Other Governments	594,708	101,804	696,512
Due from Other Funds	30,249	8,948	39,197
Property Taxes Receivable	6,809,183	0	6,809,183
Allowance for Uncollectible Property Taxes	(151,006)	0	(151,006)
Total Assets	\$ 10,360,516	\$ 1,472,555	\$ 11,833,071
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 480,315	\$ 80,744	\$ 561,059
Accrued Payroll	1,131	0	1,131
Payroll Deductions Payable	90,676	2,399	93,075
Cash Overdraft	0	32,201	32,201
Due to Other Funds	8,948	30,249	39,197
Deferred Revenue - Current Property Taxes	6,381,892	0	6,381,892
Deferred Revenue - Delinquent Property Taxes	249,886	0	249,886
Other Deferred Revenues	272,329	0	272,329
Total Liabilities	\$ 7,485,177	\$ 145,593	\$ 7,630,770
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 0	\$ 19,468	\$ 19,468
Reserved for Career Ladder - Extended Contract	38,122	0	38,122
Reserved for Career Ladder Program	24,754	0	24,754
Reserved for Basic Education Program	697,829	0	697,829
Reserved for Title I Grants to Local Education Agencies	0	16,244	16,244
Reserved for Innovative Education Program Strategies	0	117	117
Other Federal Reserves	0	23,711	23,711
Unreserved, Reported In:			
General Fund	2,114,634	0	2,114,634
Special Revenue Funds	0	535,431	535,431
Capital Projects Funds	0	731,991	731,991
Total Fund Balances	\$ 2,875,339	\$ 1,326,962	\$ 4,202,301
Total Liabilities and Fund Balances	\$ 10,360,516	\$ 1,472,555	\$ 11,833,071

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

Exhibit C-2

Giles County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
Giles County School Department
June 30, 2006

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

Total fund balances - balance sheet - governmental funds		\$	4,202,301
(1) Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.			
Add - land	\$	621,198	
Add - buildings and improvements		18,275,378	
Add - other capital assets		<u>2,313,083</u>	21,209,659
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			<u>522,215</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>25,934,175</u></u>

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

Exhibit C-3

Giles County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Giles County School Department
For the Year Ended June 30, 2006

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 9,382,128	\$ 0	\$ 9,382,128
Licenses and Permits	2,822	0	2,822
Charges for Current Services	113,453	798,174	911,627
Other Local Revenues	47,570	6,142	53,712
State of Tennessee	16,642,783	26,719	16,669,502
Federal Government	159,420	2,999,077	3,158,497
Total Revenues	<u>\$ 26,348,176</u>	<u>\$ 3,830,112</u>	<u>\$ 30,178,288</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 16,166,893	\$ 1,778,611	\$ 17,945,504
Support Services	9,923,453	223,180	10,146,633
Operation of Non-Instructional Services	100,245	1,766,617	1,866,862
Capital Outlay	26,003	0	26,003
Capital Projects	0	202,180	202,180
Total Expenditures	<u>\$ 26,216,594</u>	<u>\$ 3,970,588</u>	<u>\$ 30,187,182</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 131,582</u>	<u>\$ (140,476)</u>	<u>\$ (8,894)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 7,333	\$ 0	\$ 7,333
Transfers Out	0	(7,333)	(7,333)
Total Other Financing Sources (Uses)	<u>\$ 7,333</u>	<u>\$ (7,333)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 138,915	\$ (147,809)	\$ (8,894)
Fund Balance, July 1, 2005	2,736,424	1,474,771	4,211,195
Fund Balance, June 30, 2006	<u>\$ 2,875,339</u>	<u>\$ 1,326,962</u>	<u>\$ 4,202,301</u>

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

Exhibit C-4

Giles County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Giles County School Department
For the Year Ended June 30, 2006

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

Net change in fund balances - total governmental funds		\$ (8,894)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount depreciation exceeded capital outlays in the current period.		
Add: capital assets purchased in the current period	\$ 709,477	
Less: current year depreciation expense	<u>(1,081,171)</u>	(371,694)
(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, 2006	\$ 522,215	
Less: deferred delinquent property taxes and other deferred June 30, 2005	<u>(495,892)</u>	<u>26,323</u>
Change in net assets of governmental activities (Exhibit B)		<u><u>\$ (354,265)</u></u>

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

**GILES COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF GILES COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2006**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Giles County School Department'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 the Giles County School Department:

A. Reporting Entity

The Giles County School Department operates the public school system in the county, and the voters of Giles County elect its seven-member board. The School Department is a component unit of Giles County, the primary government. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the Giles 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.

B. Government-wide and Fund Financial Statements

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

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.

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

Separate financial statements are provided for governmental 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.

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 School Department 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. The School Department 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.

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 School Department receives cash.

The 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 School Department reports the following fund types:

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

Capital Projects Fund – The Education Capital Projects Fund is used to account for the receipt of debt issued by Giles County and contributed to the School Department for building construction and renovations.

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all Giles County and Giles County School Department funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the primary government's General and Special Purpose Funds. Giles County and the Giles County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to one 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 deferred revenue as of June 30.

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

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in Chancery 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, and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the School Department 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, and equipment of the School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	40
Other Capital Assets	5 - 20

4. **Compensated Absences**

The School Department does not have a policy to permit employees to accumulate earned but unused vacation benefits. The general policy of the School Department permits all professional personnel (teachers) to accumulate an unlimited number of unused sick leave days. There is no liability for unpaid accumulated sick leave since the School Department does not have a policy to pay any amounts when employees separate from service with the government.

5. **Net Assets and Fund Equity**

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

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

On the government-wide statement of net assets (Exhibit A), the account Restricted for Other Purposes for the School Department consists of various restrictions totaling \$1,336,208, with the primary restrictions being for the basic education program (\$697,829) and the school breakfast and lunch programs (\$567,124).

As of June 30, 2006, Giles County had \$14,175,000 in outstanding debt for capital purposes for the School Department. This debt is a liability of Giles County, but the capital assets acquired are reported in the financial statements of the Giles County School Department. The School Department received assets significantly increasing its unrestricted net assets with no corresponding increase in the School Department's liabilities.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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**

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. **Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except capital project funds, which adopt project length budgets. All annual appropriations lapse at fiscal year end.

The School Department 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 Giles County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Purpose School Fund major categories: Instruction – Regular Instruction Program; Support Services – Attendance; Operation of Non-Instructional Services – Food Service; etc.). Management may make revisions within major categories, but only the Giles County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The School Department'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 GAAP basis is presented on the face of each budgetary schedule.

B. Cash Overdraft

The School Federal Projects Fund had a cash overdraft of \$32,201 at June 30, 2006. This cash overdraft resulted from issuing warrants that exceeded cash on deposit with the county trustee. The cash overdraft was liquidated subsequent to June 30, 2006.

C. Unauthorized Interfund Loan

The School Federal Projects Fund received an unauthorized interfund loan from the General Purpose School Fund totaling \$150,000 during the year. These funds were repaid to the General Purpose School Fund prior to June 30, 2006.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase.

Investment Balances. As of June 30, 2006, Giles County had the following investments carried at cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Giles County and the Giles County School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
State Treasurer's Investment Pool	Daily	\$ 7,865,966

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. Giles County does not have a formal investment policy that limits investment maturities as a means of managing their 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. Giles County has no investment policy that would further limit their investment choices. As of June 30, 2006, Giles County's investment in the State Treasurer's Investment Pool was unrated.

B. Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows:

Giles County School Department

Governmental Activities:

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 621,198	\$ 0	\$ 0	\$ 621,198
Total Capital Assets Not Depreciated	\$ 621,198	\$ 0	\$ 0	\$ 621,198
Capital Assets Depreciated:				
Buildings and Improvements	\$ 28,334,264	\$ 91,324	\$ 0	\$ 28,425,588
Other Capital Assets	5,086,660	618,153	(109,710)	5,595,103
Total Capital Assets Depreciated	\$ 33,420,924	\$ 709,477	\$ (109,710)	\$ 34,020,691
Less Accumulated Depreciated For:				
Buildings and Improvements	\$ 9,463,689	\$ 686,521	\$ 0	\$ 10,150,210
Other Capital Assets	2,997,080	394,650	(109,710)	3,282,020
Total Accumulated Depreciation	\$ 12,460,769	\$ 1,081,171	\$ (109,710)	\$ 13,432,230
Total Capital Assets Depreciated, Net	\$ 20,960,155	\$ (371,694)	\$ 0	\$ 20,588,461
Governmental Activities Capital Assets, Net	\$ 21,581,353	\$ (371,694)	\$ 0	\$ 21,209,659

Depreciation expense was charged to the Support Services function of the Giles County School Department.

C. Construction Commitments

At June 30, 2006, the Education Capital Projects Fund had uncompleted construction contracts of approximately \$11,788 for the construction and renovation of the school board office building. Funding has been received for these future expenditures.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2006, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Purpose School	Nonmajor governmental	\$ 30,249
Nonmajor governmental	General Purpose School	8,948

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

Interfund Transfers:

Interfund transfers for the year ended June 30, 2006, consisted of the following amount:

	<u>Transfers In</u>
	General Purpose School Fund
<u>Transfers Out</u>	
Nonmajor governmental fund	<u>\$ 7,333</u>
Total	<u><u>\$ 7,333</u></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.

V. OTHER INFORMATION

A. Risk Management

The School Department is exposed to various risks related to liability losses. The School Department decided it was more economically feasible to join a public entity risk pool instead of purchasing commercial insurance for general liability, vehicle liability, and public official liability coverage. The School Department joined 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 School Department pays an annual premium to the LGPCF for its liability coverage. The creation of the LGPCF provides for it to be self-sustaining through member premiums.

The School Department decided it was more economically feasible to join a public entity risk pool instead of purchasing commercial insurance for workers' compensation insurance coverage. The School Department joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. The School Department pays an annual premium to the TSB-RMT for its workers' compensation insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums. The TSB-RMT reinsures through commercial insurance companies for workers' compensation claims exceeding \$500,000.

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

B. Accounting Changes

At the beginning of the year, the School Department implemented the provisions of Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. In the prior year, the School Department had only elected to implement the provisions of Statement 34 that related to the fund financial statements.

The provisions of GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries became effective for the year ended June 30, 2006. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries. GASB Statement No. 42 had no effect on the financial statements for the year ended June 30, 2006, since no capital asset impairment and insurance recoveries occurred. However, it is reasonably expected that capital asset impairment and insurance recoveries may occur in subsequent years that will be subject to the provisions of Statement No. 42.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Giles County is not presenting a comprehensive annual financial report, it has elected not to

prepare a statistical section. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Giles County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. The School Department had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that the School Department will be required to disclose net assets restricted by enabling legislation in subsequent years.

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements. The School Department was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that the School Department will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

C. Subsequent Event

In August 2006, Giles County voters adopted the County Financial Management System of 1981 by public referendum. Plans are to begin implementation on July 1, 2007.

D. Contingent Liabilities

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

E. Retirement Commitments

Plan Description

Employees of Giles County, including the School Department, 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 Giles County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Since the School Department participates in Giles County's plan, retirement information for the School Department is not available separately from the retirement information provided for the county. Complete disclosure for the county's participation in the TCRS is described in footnote IV.H. of the Annual Financial Report of Giles County, Tennessee.

SCHOOL TEACHERS

Plan Description

The Giles 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.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/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 Giles County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2006, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Giles County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2006, 2005, and 2004, were \$779,787, \$761,045, and \$440,723, respectively, equal to the required contributions for each year.

F. Other Post-employment Benefits

In addition to the retirement commitments described above, the Giles County School Department provides post-retirement health care benefits, in accordance with contract provisions, to all employees who retire from the school system on or after age 60 with at least 25 years of experience or age 53 with at least 30 years of experience. At least 15 of these years must have been worked in the Giles County School System, and the employee must have been covered under the county group medical plan for at least one year prior to retirement. Currently, 45 school retirees meet these eligibility requirements. The School Department will pay up to \$236 per month for the retiree's individual or family medical/hospitalization premiums not to exceed \$2,832 in any 12-month period. Expenditures for post-retirement health care benefits are recognized monthly based on billing statements. During the year, expenditures totaling \$210,033 were made for post-employment health care.

G. Purchasing Law

Purchasing procedures for the School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, Tennessee Code Annotated, which provides for the 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.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit D

Giles County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Giles County School Department
General Purpose School Fund
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 9,382,128	\$ 0	\$ 9,382,128	\$ 8,748,705	\$ 8,798,705	\$ 583,423
Licenses and Permits	2,822	0	2,822	3,000	3,000	(178)
Charges for Current Services	113,453	0	113,453	80,000	115,946	(2,493)
Other Local Revenues	47,570	0	47,570	162,500	75,984	(28,414)
State of Tennessee	16,642,783	0	16,642,783	16,619,065	16,624,565	18,218
Federal Government	159,420	0	159,420	120,000	247,070	(87,650)
Total Revenues	\$ 26,348,176	\$ 0	\$ 26,348,176	\$ 25,733,270	\$ 25,865,270	\$ 482,906
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 12,837,991	\$ (106,672)	\$ 12,731,319	\$ 12,753,640	\$ 12,918,850	\$ 187,531
Alternative Instruction Program	184,811	0	184,811	193,427	188,140	3,329
Special Education Program	2,141,429	0	2,141,429	2,141,320	2,272,334	130,905
Vocational Education Program	930,619	0	930,619	980,220	949,320	18,701
Adult Education Program	72,043	0	72,043	86,695	78,802	6,759
<u>Support Services</u>						
Attendance	75,814	0	75,814	73,245	78,624	2,810
Health Services	321,311	0	321,311	293,415	328,010	6,699
Other Student Support	633,995	0	633,995	730,500	669,200	35,205
Regular Instruction Program	1,146,878	0	1,146,878	1,162,610	1,206,452	59,574
Alternative Instruction Program	32,926	0	32,926	60,546	35,663	2,737
Special Education Program	233,168	0	233,168	264,675	273,028	39,860
Vocational Education Program	172,366	0	172,366	183,635	185,445	13,079
Adult Programs	60,378	0	60,378	52,460	66,200	5,822
Board of Education	681,011	0	681,011	656,990	698,040	17,029
Director of Schools	257,164	0	257,164	242,295	258,409	1,245

(Continued)

Exhibit D

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Office of the Principal	\$ 1,334,012	\$ 0	\$ 1,334,012	\$ 1,302,115	\$ 1,369,421	\$ 35,409
Fiscal Services	157,575	0	157,575	171,075	165,590	8,015
Operation of Plant	2,042,206	0	2,042,206	1,852,370	2,039,140	(3,066)
Maintenance of Plant	632,441	0	632,441	571,640	664,550	32,109
Transportation	2,142,208	(79,471)	2,062,737	1,984,535	2,133,135	70,398
<u>Operation of Non-Instructional Services</u>						
Food Service	4,869	0	4,869	12,170	5,000	131
Community Services	95,376	0	95,376	3,000	116,078	20,702
<u>Capital Outlay</u>						
Regular Capital Outlay	26,003	(26,003)	0	0	0	0
Total Expenditures	\$ 26,216,594	\$ (212,146)	\$ 26,004,448	\$ 25,772,578	\$ 26,699,431	\$ 694,983
Excess (Deficiency) of Revenues						
Over Expenditures	\$ 131,582	\$ 212,146	\$ 343,728	\$ (39,308)	\$ (834,161)	\$ 1,177,889
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 7,333	\$ 0	\$ 7,333	\$ 6,500	\$ 6,500	\$ 833
Total Other Financing Sources (Uses)	\$ 7,333	\$ 0	\$ 7,333	\$ 6,500	\$ 6,500	\$ 833
Net Change in Fund Balance						
Fund Balance, July 1, 2005	\$ 2,736,424	(212,146)	2,524,278	1,940,774	1,940,774	583,504
Fund Balance, June 30, 2006	\$ 2,875,339	\$ 0	\$ 2,875,339	\$ 1,907,966	\$ 1,113,113	\$ 1,762,226

**GILES COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF GILES COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2006**

A. BUDGETARY INFORMATION

The School Department 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 Giles County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Purpose School Fund major categories: Instruction-Regular Instruction Program, Support Services-Attendance, Operation of Non-Instructional Services-Food Service, etc.). Management may make revisions within major categories, but only the Giles County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

B. UNAUTHORIZED INTERFUND LOAN

The School Federal Projects Fund received an unauthorized interfund loan from the General Purpose School Fund totaling \$150,000 during the year. These funds were repaid to the General Purpose School Fund prior to June 30, 2006.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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.

Central Cafeteria Fund – The Central Cafeteria Fund is used to account for the cafeteria operations in each of the schools.

Capital Projects Fund

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

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for debt issued by Giles County that is subsequently contributed to the Giles County School Department for building construction and renovations.

Exhibit E-1

Giles County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Giles County School Department
June 30, 2006

	<u>Special Revenue Funds</u>			<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
	<u>School</u> <u>Federal</u> <u>Projects</u>	<u>Central</u> <u>Cafeteria</u>	<u>Total</u>	<u>Education</u> <u>Capital</u> <u>Projects</u>	
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 0	\$ 609,948	\$ 609,948	\$ 751,459	\$ 1,361,407
Accounts Receivable	0	396	396	0	396
Due from Other Governments	101,804	0	101,804	0	101,804
Due from Other Funds	8,948	0	8,948	0	8,948
Total Assets	\$ 110,752	\$ 610,344	\$ 721,096	\$ 751,459	\$ 1,472,555
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 38,064	\$ 42,680	\$ 80,744	\$ 0	\$ 80,744
Payroll Deductions Payable	1,859	540	2,399	0	2,399
Cash Overdraft	32,201	0	32,201	0	32,201
Due to Other Funds	30,249	0	30,249	0	30,249
Total Liabilities	\$ 102,373	\$ 43,220	\$ 145,593	\$ 0	\$ 145,593
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 19,468	\$ 19,468
Reserved for Title I Grants to Local Education Agencies	16,244	0	16,244	0	16,244
Reserved for Innovative Education Program Strategies	117	0	117	0	117
Other Federal Reserves	23,711	0	23,711	0	23,711
Unreserved	(31,693)	567,124	535,431	731,991	1,267,422
Total Fund Balances	\$ 8,379	\$ 567,124	\$ 575,503	\$ 751,459	\$ 1,326,962
Total Liabilities and Fund Balances	\$ 110,752	\$ 610,344	\$ 721,096	\$ 751,459	\$ 1,472,555

Exhibit E-2

Giles County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Giles County School Department
For the Year Ended June 30, 2006

	<u>Special Revenue Funds</u>			<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
	<u>School</u> <u>Federal</u> <u>Projects</u>	<u>Central</u> <u>Cafeteria</u>	<u>Total</u>	<u>Education</u> <u>Capital</u> <u>Projects</u>	
<u>Revenues</u>					
Charges for Current Services	\$ 0	\$ 798,174	\$ 798,174	\$ 0	\$ 798,174
Other Local Revenues	0	6,142	6,142	0	6,142
State of Tennessee	0	26,719	26,719	0	26,719
Federal Government	1,991,138	1,007,939	2,999,077	0	2,999,077
Total Revenues	\$ 1,991,138	\$ 1,838,974	\$ 3,830,112	\$ 0	\$ 3,830,112
<u>Expenditures</u>					
Current:					
Instruction	\$ 1,778,611	\$ 0	\$ 1,778,611	\$ 0	\$ 1,778,611
Support Services	223,119	61	223,180	0	223,180
Operation of Non-Instructional Services	2,125	1,764,492	1,766,617	0	1,766,617
Capital Projects	0	0	0	202,180	202,180
Total Expenditures	\$ 2,003,855	\$ 1,764,553	\$ 3,768,408	\$ 202,180	\$ 3,970,588
Excess (Deficiency) of Revenues Over Expenditures	\$ (12,717)	\$ 74,421	\$ 61,704	\$ (202,180)	\$ (140,476)
<u>Other Financing Sources (Uses)</u>					
Transfers Out	\$ (7,333)	\$ 0	\$ (7,333)	\$ 0	\$ (7,333)
Total Other Financing Sources (Uses)	\$ (7,333)	\$ 0	\$ (7,333)	\$ 0	\$ (7,333)
Net Change in Fund Balances	\$ (20,050)	\$ 74,421	\$ 54,371	\$ (202,180)	\$ (147,809)
Fund Balance, July 1, 2005	28,429	492,703	521,132	953,639	1,474,771
Fund Balance, June 30, 2006	\$ 8,379	\$ 567,124	\$ 575,503	\$ 751,459	\$ 1,326,962

Exhibit E-3

Giles County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Giles County School Department
School Federal Projects Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,991,138	\$ 2,218,237	\$ 2,198,224	\$ (207,086)
Total Revenues	\$ 1,991,138	\$ 2,218,237	\$ 2,198,224	\$ (207,086)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 869,969	\$ 861,324	\$ 861,324	\$ (8,645)
Special Education Program	806,514	941,388	941,388	134,874
Vocational Education Program	102,128	123,748	102,235	107
<u>Support Services</u>				
Health Services	0	14,574	14,574	14,574
Other Student Support	48,744	51,603	53,103	4,359
Regular Instruction Program	171,549	209,980	209,980	38,431
Special Education Program	2,826	6,000	6,000	3,174
<u>Operation of Non-Instructional Services</u>				
Community Services	2,125	2,125	2,125	0
Total Expenditures	\$ 2,003,855	\$ 2,210,742	\$ 2,190,729	\$ 186,874
Excess (Deficiency) of Revenues Over Expenditures	\$ (12,717)	\$ 7,495	\$ 7,495	\$ (20,212)
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (7,333)	\$ (7,495)	\$ (7,495)	\$ 162
Total Other Financing Sources (Uses)	\$ (7,333)	\$ (7,495)	\$ (7,495)	\$ 162
Net Change in Fund Balance	\$ (20,050)	\$ 0	\$ 0	\$ (20,050)
Fund Balance, July 1, 2005	28,429	0	0	28,429
Fund Balance, June 30, 2006	\$ 8,379	\$ 0	\$ 0	\$ 8,379

Exhibit E-4

Giles County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Giles County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 798,174	\$ 949,900	\$ 824,300	\$ (26,126)
Other Local Revenues	6,142	700	5,700	442
State of Tennessee	26,719	25,735	26,735	(16)
Federal Government	1,007,939	870,000	989,600	18,339
Total Revenues	<u>\$ 1,838,974</u>	<u>\$ 1,846,335</u>	<u>\$ 1,846,335</u>	<u>\$ (7,361)</u>
<u>Expenditures</u>				
<u>Support Services</u>				
Board of Education	\$ 61	\$ 200	\$ 200	\$ 139
<u>Operation of Non-Instructional Services</u>				
Food Service	1,764,492	1,846,048	1,846,048	81,556
Total Expenditures	<u>\$ 1,764,553</u>	<u>\$ 1,846,248</u>	<u>\$ 1,846,248</u>	<u>\$ 81,695</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 74,421</u>	<u>\$ 87</u>	<u>\$ 87</u>	<u>\$ 74,334</u>
Net Change in Fund Balance	\$ 74,421	\$ 87	\$ 87	\$ 74,334
Fund Balance, July 1, 2005	492,703	0	0	492,703
Fund Balance, June 30, 2006	<u>\$ 567,124</u>	<u>\$ 87</u>	<u>\$ 87</u>	<u>\$ 567,037</u>

MISCELLANEOUS SCHEDULES

Exhibit F-1

Giles County, Tennessee
Schedule of Transfers
Giles County School Department
For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 7,333</u>
Total Transfers			<u><u>\$ 7,333</u></u>

Exhibit F-2

Giles County, Tennessee
Schedule of Salary and Official Bond of Principal Official
Giles County School Department
For the Year Ended June 30, 2006

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools: Terrell Jackson	State Board of Education and County Board of Education	\$ 92,884 (1)	\$ 100,000	State Automobile Mutual Insurance Company

(1) Includes chief executive officer training supplement of \$1,000.

Exhibit F-3

Giles County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Giles County School Department
For the Year Ended June 30, 2006

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 5,976,494	\$ 0	\$ 0	\$ 5,976,494
Trustee's Collections - Prior Year	266,720	0	0	266,720
Circuit/Clerk & Master Collections - Prior Years	87,390	0	0	87,390
Interest and Penalty	37,542	0	0	37,542
<u>County Local Option Taxes</u>				
Local Option Sales Tax	3,008,882	0	0	3,008,882
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	5,100	0	0	5,100
Total Local Taxes	\$ 9,382,128	\$ 0	\$ 0	\$ 9,382,128
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 2,822	\$ 0	\$ 0	\$ 2,822
Total Licenses and Permits	\$ 2,822	\$ 0	\$ 0	\$ 2,822
<u>Charges for Current Services</u>				
<u>Fees</u>				
Vending Machine Collections	\$ 136	\$ 0	\$ 0	\$ 136
<u>Education Charges</u>				
Tuition - Summer School	6,425	0	0	6,425
Tuition - Out-of-State Systems	30,927	0	0	30,927
Lunch Payments - Children	0	0	472,764	472,764
Lunch Payments - Adults	0	0	63,401	63,401
Income from Breakfast	0	0	87,808	87,808
A la carte Sales	0	0	174,201	174,201
Transportation from Individuals	2,310	0	0	2,310
Receipts from Individual Schools	72,287	0	0	72,287
<u>Other Charges for Services</u>				
Other Charges for Services	1,368	0	0	1,368
Total Charges for Current Services	\$ 113,453	\$ 0	\$ 798,174	\$ 911,627
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 6,142	\$ 6,142
Sale of Materials and Supplies	660	0	0	660
Miscellaneous Refunds	27,492	0	0	27,492
<u>Nonrecurring Items</u>				
Sale of Equipment	8,542	0	0	8,542
Sale of Property	70	0	0	70
Damages Recovered from Individuals	2,855	0	0	2,855
Contributions & Gifts	7,300	0	0	7,300
<u>Other Local Revenues</u>				
Other Local Revenues	651	0	0	651
Total Other Local Revenues	\$ 47,570	\$ 0	\$ 6,142	\$ 53,712
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 15,631,898	\$ 0	\$ 0	\$ 15,631,898

(Continued)

Exhibit F-3

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
School Food Service	\$ 0	\$ 0	\$ 26,719	\$ 26,719
Driver Education	19,625	0	0	19,625
Other State Education Funds	130,915	0	0	130,915
Career Ladder Program	260,853	0	0	260,853
Career Ladder - Extended Contract	109,676	0	0	109,676
Other Vocational	1,999	0	0	1,999
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	487,817	0	0	487,817
Total State of Tennessee	<u>\$ 16,642,783</u>	<u>\$ 0</u>	<u>\$ 26,719</u>	<u>\$ 16,669,502</u>
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 734,392	\$ 734,392
Breakfast	0	0	269,156	269,156
USDA - Other	0	0	4,391	4,391
Adult Education State Grant Program	102,541	0	0	102,541
Vocational Education - Basic Grants to States	0	121,915	0	121,915
Title I Grants to Local Education Agencies	0	838,494	0	838,494
Innovative Education Program Strategies	0	117	0	117
Special Education - Grants to States	11,080	738,062	0	749,142
Special Education Preschool Grants	0	28,080	0	28,080
Eisenhower Professional Development State Grants	0	216,847	0	216,847
Other Federal through State	45,799	47,623	0	93,422
Total Federal Government	<u>\$ 159,420</u>	<u>\$ 1,991,138</u>	<u>\$ 1,007,939</u>	<u>\$ 3,158,497</u>
Total	<u>\$ 26,348,176</u>	<u>\$ 1,991,138</u>	<u>\$ 1,838,974</u>	<u>\$ 30,178,288</u>

Exhibit F-4

Giles County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Giles County School Department
For the Year Ended June 30, 2006

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 8,627,221	
Career Ladder Program	149,539	
Career Ladder Extended Contracts	71,303	
Homebound Teachers	7,610	
Educational Assistants	245,877	
Other Salaries & Wages	4,108	
Certified Substitute Teachers	40,051	
Non-certified Substitute Teachers	178,622	
Social Security	550,565	
State Retirement	501,662	
Medical Insurance	1,582,681	
Employer Medicare	129,512	
Tuition	30,927	
Other Contracted Services	1,000	
Instructional Supplies and Materials	111,926	
Textbooks	350,090	
Other Supplies and Materials	32,785	
Fee Waivers	14,868	
Other Charges	2,768	
Regular Instruction Equipment	<u>204,876</u>	
Total Regular Instruction Program		\$ 12,837,991

Alternative Instruction Program

Teachers	\$ 151,565	
Career Ladder Program	1,000	
Social Security	9,355	
State Retirement	8,391	
Medical Insurance	11,192	
Employer Medicare	2,188	
Other Contracted Services	440	
Instructional Supplies and Materials	<u>680</u>	
Total Alternative Instruction Program		184,811

Special Education Program

Teachers	\$ 1,294,534
Career Ladder Program	20,416
Career Ladder Extended Contracts	1,000
Homebound Teachers	9,150
Educational Assistants	198,197

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Certified Substitute Teachers	\$	2,398	
Non-certified Substitute Teachers		24,337	
Social Security		93,137	
State Retirement		87,115	
Medical Insurance		184,958	
Employer Medicare		21,783	
Contracts with Private Agencies		12,186	
Other Contracted Services		169,861	
Instructional Supplies and Materials		14,610	
Other Supplies and Materials		3,882	
Special Education Equipment		3,865	
Total Special Education Program			\$ 2,141,429

Vocational Education Program

Teachers	\$	663,140	
Career Ladder Program		9,000	
Career Ladder Extended Contracts		2,000	
Certified Substitute Teachers		1,320	
Non-certified Substitute Teachers		10,150	
Social Security		39,658	
State Retirement		37,078	
Medical Insurance		80,972	
Employer Medicare		9,275	
Maintenance & Repair Services - Equipment		349	
Other Contracted Services		9,506	
Instructional Supplies and Materials		29,133	
Textbooks		6,451	
Other Supplies and Materials		13,508	
Vocational Instruction Equipment		19,079	
Total Vocational Education Program			930,619

Adult Education Program

Teachers	\$	54,216	
Social Security		3,361	
State Retirement		2,033	
Medical Insurance		1,785	
Employer Medicare		786	
Instructional Supplies and Materials		7,804	
Other Equipment		2,058	
Total Adult Education Program			72,043

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)

Support Services

Attendance

Supervisor/Director	\$	51,460	
Career Ladder Program		1,000	
Other Salaries & Wages		6,394	
Social Security		2,985	
State Retirement		2,885	
Medical Insurance		7,466	
Employer Medicare		791	
Travel		2,683	
Other Supplies and Materials		150	
Total Attendance			\$ 75,814

Health Services

Medical Personnel	\$	248,778	
Social Security		14,732	
State Retirement		18,235	
Medical Insurance		30,554	
Employer Medicare		3,445	
Travel		159	
Drugs and Medical Supplies		4,675	
Other Supplies and Materials		733	
Total Health Services			321,311

Other Student Support

Career Ladder Program	\$	8,000	
Guidance Personnel		385,174	
Career Ladder Extended Contracts		10,583	
Clerical Personnel		35,370	
Social Security		25,861	
State Retirement		24,799	
Medical Insurance		45,517	
Employer Medicare		6,048	
Evaluation and Testing		25,865	
Other Contracted Services		66,495	
Other Supplies and Materials		283	
Total Other Student Support			633,995

Regular Instruction Program

Supervisor/Director	\$	134,833	
Career Ladder Program		15,666	

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Career Ladder Extended Contracts	\$	12,783	
Librarians		424,275	
Instructional Computer Personnel		116,287	
Clerical Personnel		76,289	
Other Salaries & Wages		89,070	
Social Security		51,588	
State Retirement		49,533	
Medical Insurance		95,878	
Employer Medicare		12,065	
Travel		16,371	
Other Contracted Services		7,235	
Library Books/Media		11,440	
Periodicals		2,826	
Other Supplies and Materials		9,389	
In Service/Staff Development		14,920	
Other Charges		5,440	
Other Equipment		990	
Total Regular Instruction Program			\$ 1,146,878

Alternative Instruction Program

Supervisor/Director	\$	24,493	
Career Ladder Program		333	
Social Security		1,504	
State Retirement		1,365	
Medical Insurance		4,879	
Employer Medicare		352	
Total Alternative Instruction Program			32,926

Special Education Program

Supervisor/Director	\$	53,836	
Career Ladder Program		4,000	
Psychological Personnel		84,318	
Assessment Personnel		11,975	
Secretary(ies)		16,946	
Social Security		7,748	
State Retirement		7,411	
Medical Insurance		9,098	
Employer Medicare		2,421	
Travel		20,869	

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Other Contracted Services	\$	6,470	
Other Supplies and Materials		1,539	
In Service/Staff Development		6,537	
Total Special Education Program			\$ 233,168

Vocational Education Program

Supervisor/Director	\$	56,682	
Career Ladder Program		1,000	
Secretary(ies)		22,980	
Other Salaries & Wages		43,516	
Social Security		7,471	
State Retirement		7,648	
Medical Insurance		11,923	
Employer Medicare		1,747	
Travel		15,540	
Other Supplies and Materials		3,429	
Other Equipment		430	
Total Vocational Education Program			172,366

Adult Programs

Supervisor/Director	\$	45,176	
Social Security		2,553	
State Retirement		2,395	
Medical Insurance		6,791	
Employer Medicare		597	
Travel		1,934	
In Service/Staff Development		932	
Total Adult Programs			60,378

Board of Education

Secretary to Board	\$	1,000	
Board and Committee Members Fees		4,872	
Social Security		364	
State Retirement		55	
Life Insurance		15,104	
Unemployment Compensation		19,418	
Employer Medicare		85	
Audit Services		10,400	
Dues and Memberships		8,933	

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Legal Services	\$	22,342	
Travel		3,857	
Other Contracted Services		5,855	
Other Supplies and Materials		5,784	
Liability Insurance		112,640	
Premiums on Corporate Surety Bonds		350	
Trustee's Commission		208,082	
Workers' Compensation Insurance		256,436	
Criminal Investigation of Applicants - TBI		1,920	
Other Charges		3,514	
Total Board of Education			\$ 681,011

Director of Schools

County Official/Administrative Officer	\$	92,884	
Secretary(ies)		59,508	
Other Salaries & Wages		2,322	
Social Security		9,439	
State Retirement		9,489	
Medical Insurance		8,924	
Employer Medicare		2,235	
Communication		20,141	
Dues and Memberships		2,269	
Postal Charges		5,028	
Travel		4,776	
Other Contracted Services		5,688	
Office Supplies		4,826	
Other Supplies and Materials		8,096	
Other Charges		10,407	
Administration Equipment		11,132	
Total Director of Schools			257,164

Office of the Principal

Principals	\$	463,105	
Career Ladder Program		19,000	
Career Ladder Extended Contracts		10,000	
Assistant Principals		268,259	
Secretary(ies)		222,520	
Clerical Personnel		66,738	
Social Security		64,062	

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

State Retirement	\$	61,335	
Medical Insurance		103,231	
Employer Medicare		14,982	
Communication		31,588	
Other Contracted Services		9,100	
Other Supplies and Materials		92	
Total Office of the Principal			\$ 1,334,012

Fiscal Services

Internal Audit Personnel	\$	32,130	
Accountants/Bookkeepers		36,137	
Clerical Personnel		46,909	
Social Security		7,096	
State Retirement		8,380	
Medical Insurance		13,386	
Employer Medicare		1,660	
Travel		2,312	
Other Contracted Services		6,921	
Data Processing Supplies		1,106	
Office Supplies		86	
Other Supplies and Materials		912	
Administration Equipment		540	
Total Fiscal Services			157,575

Operation of Plant

Custodial Personnel	\$	367,002	
Social Security		22,529	
State Retirement		26,370	
Medical Insurance		85,967	
Employer Medicare		5,269	
Laundry Service		7,862	
Other Contracted Services		57,892	
Custodial Supplies		44,694	
Electricity		857,652	
Natural Gas		311,720	
Water and Sewer		151,520	
Other Supplies and Materials		2,806	
Building and Contents Insurance		97,591	
Plant Operation Equipment		3,332	
Total Operation of Plant			2,042,206

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant

Supervisor/Director	\$	37,389	
Maintenance Personnel		171,457	
Social Security		12,933	
State Retirement		15,309	
Medical Insurance		32,352	
Employer Medicare		3,025	
Laundry Service		2,433	
Maintenance & Repair Services - Buildings		77,889	
Maintenance & Repair Services - Equipment		25,451	
Travel		1,367	
Other Contracted Services		90,195	
Diesel Fuel		475	
Equipment and Machinery Parts		36,079	
Gasoline		15,748	
Other Supplies and Materials		67,902	
Other Charges		35,081	
Maintenance Equipment		7,356	
Total Maintenance of Plant			\$ 632,441

Transportation

Supervisor/Director	\$	56,682
Mechanic(s)		111,540
Bus Drivers		667,800
Clerical Personnel		25,740
Other Salaries & Wages		6,610
Social Security		51,411
State Retirement		60,907
Medical Insurance		260,184
Employer Medicare		12,024
Laundry Service		2,342
Maintenance & Repair Services - Vehicles		3,314
Medical and Dental Services		2,569
Travel		752
Other Contracted Services		5,960
Diesel Fuel		226,679
Gasoline		10,445
Lubricants		4,998
Tires and Tubes		22,577
Vehicle Parts		79,830

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Other Supplies and Materials	\$ 13,740	
Vehicle and Equipment Insurance	48,030	
Transportation Equipment	<u>468,074</u>	
Total Transportation		\$ 2,142,208

Operation of Non-Instructional Services

Food Service

Medical Insurance	\$ 4,869	
Total Food Service		4,869

Community Services

Supervisor/Director	\$ 15,000	
Teachers	23,258	
Bus Drivers	2,125	
Educational Assistants	3,669	
Part-time Personnel	8,508	
Certified Substitute Teachers	372	
Non-certified Substitute Teachers	1,115	
Social Security	3,262	
State Retirement	2,246	
Employer Medicare	763	
Travel	3,107	
Other Contracted Services	1,046	
Food Supplies	4,139	
Instructional Supplies and Materials	1,085	
Other Supplies and Materials	17,325	
In Service/Staff Development	300	
Other Charges	660	
Other Equipment	<u>7,396</u>	
Total Community Services		95,376

Capital Outlay

Regular Capital Outlay

Building Construction	\$ 16,000	
Building Improvements	<u>10,003</u>	
Total Regular Capital Outlay		<u>26,003</u>

Total General Purpose School Fund \$ 26,216,594

(Continued)

Exhibit F-4

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	626,161	
Certified Substitute Teachers		1,975	
Non-certified Substitute Teachers		8,580	
Social Security		37,981	
State Retirement		35,164	
Medical Insurance		102,763	
Employer Medicare		8,883	
Other Contracted Services		17,440	
Instructional Supplies and Materials		12,435	
Regular Instruction Equipment		18,587	
Total Regular Instruction Program			\$ 869,969

Special Education Program

Educational Assistants	\$	471,446	
Social Security		28,417	
State Retirement		34,299	
Medical Insurance		130,196	
Employer Medicare		6,645	
Contracts with Private Agencies		19,026	
Other Contracted Services		88,248	
Instructional Supplies and Materials		25,286	
Other Supplies and Materials		2,951	
Total Special Education Program			806,514

Vocational Education Program

Educational Assistants	\$	13,200	
Social Security		818	
State Retirement		968	
Medical Insurance		5,423	
Employer Medicare		191	
Other Supplies and Materials		18,007	
Vocational Instruction Equipment		63,521	
Total Vocational Education Program			102,128

Support Services

Other Student Support

Contracts with Government Agencies	\$	5,718	
Travel		14,412	
Other Contracted Services		18,000	

(Continued)

Exhibit F-4

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

In Service/Staff Development	\$ 5,500	
Other Charges	5,114	
Total Other Student Support		\$ 48,744

Regular Instruction Program

Supervisor/Director	\$ 59,125	
Instructional Computer Personnel	48,433	
Social Security	6,669	
State Retirement	6,081	
Medical Insurance	10,546	
Employer Medicare	1,560	
Travel	1,741	
Other Supplies and Materials	157	
In Service/Staff Development	37,237	
Total Regular Instruction Program		171,549

Special Education Program

Consultants	\$ 2,000	
In Service/Staff Development	826	
Total Special Education Program		2,826

Operation of Non-Instructional Services

Community Services

Other Contracted Services	\$ 2,125	
Total Community Services		2,125

Total School Federal Projects Fund \$ 2,003,855

Central Cafeteria Fund

Support Services

Board of Education

Trustee's Commission	\$ 61	
Total Board of Education		\$ 61

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 53,183	
Cafeteria Personnel	571,585	
Social Security	37,788	

(Continued)

Exhibit F-4

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

State Retirement	\$	35,682	
Medical Insurance		136,423	
Employer Medicare		8,980	
Communication		2,733	
Maintenance & Repair Services - Equipment		9,123	
Transportation - Other than Students		26,997	
Travel		3,659	
Other Contracted Services		1,624	
Food Supplies		760,382	
Other Supplies and Materials		97,653	
Food Service Equipment		18,680	
Total Food Service			\$ 1,764,492

Total Central Cafeteria Fund \$ 1,764,553

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Architects	\$	14,767	
Consultants		3,050	
Other Contracted Services		158,616	
Other Supplies and Materials		9,472	
Building Construction		62	
Building Improvements		16,213	
Total Education Capital Projects			\$ 202,180

Total Education Capital Projects Fund 202,180

Total Governmental Funds - Giles County School Department \$ 30,187,182

SINGLE AUDIT REPORT
GILES COUNTY, TENNESSEE
AND
GILES COUNTY SCHOOL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2006

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

JEFF BAILEY, CPA, CGFM, CFE
Audit Manager

JERRY DURHAM, CPA, CGFM, CFE
Auditor 4

RHONDA DAVIS, CFE
SHERRIE GILL, CFE
DONYA WADE
NATHAN ABBOTT, CISA, CFE
State Auditors

This report is available at www.comptroller.state.tn.us

SINGLE AUDIT REPORT TABLE OF CONTENTS

	Page(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 <u>Government Auditing Standards</u>	1-2
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>	3-5
Schedule of Expenditures of Federal Awards and State Grants	7-8
Schedule of Audit Findings Not Corrected	9-10
Schedule of Findings and Questioned Costs	11-21
Auditee Reporting Responsibilities	23-24



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841**

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

November 20, 2006

Giles County Executive, Board of County Commissioners,
Director of Schools, and Board of Education
Giles County, Tennessee

To the County Executive, Board of County Commissioners,
Director of Schools, and Board of Education:

We have audited the financial statements of each major fund and the aggregate remaining fund information of Giles County, Tennessee, and the governmental activities, the major fund, and the aggregate remaining fund information of the Giles County School Department as of and for the year ended June 30, 2006, which collectively comprise a portion of Giles County's and the Giles County School Department's basic financial statements and have issued our reports thereon dated November 20, 2006. Our report on the financial statements of Giles County, Tennessee, expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Giles County School Department is unqualified. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Giles County's and the Giles County School Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its

operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Giles County's and the Giles County School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.02, 06.03, 06.05, 06.07(C), 06.08(A), 06.09(A, B), 06.10, 06.11, and 06.12.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Giles County's and the Giles County School Department's financial statements are free of material misstatement, we performed tests of 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 06.01, 06.04, 06.06, 06.07(A, B), 06.08(B), and 06.09(C).

We also noted certain other matters that we reported to the management of Giles County and the Giles County School Department in separate communications.

This report is intended solely for the information and use of the Board of County Commissioners, Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/sb



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841

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

November 20, 2006

Giles County Executive, Board of County Commissioners,
Director of Schools, and Board of Education
Giles County, Tennessee

To the County Executive, Board of County Commissioners,
Director of Schools, and Board of Education:

Compliance

We have audited the compliance of Giles County and the Giles County School Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of their major federal programs for the year ended June 30, 2006. Giles County's and the Giles County School Department's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of their major federal programs is the responsibility of Giles County's and the Giles County School Department's management. Our responsibility is to express an opinion on Giles County's and the Giles County School Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the auditing 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 Giles County's and the Giles County School Department's

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

In our opinion, Giles County and the Giles County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

Giles County's and the Giles County School Department's management are responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Giles County's and the Giles County School Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Giles County's and the Giles County School Department's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.09(B), 06.12, 06.13, and 06.14.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Giles County, Tennessee, and the governmental activities, the major fund, and the aggregate remaining fund information of the Giles County School Department as of and for the year ended June 30, 2006, and have issued our reports thereon dated November 20, 2006. Our report on the financial statements of Giles County expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement

No. 34. Our report on the financial statements of the Giles County School Department expresses an unqualified opinion. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "John G. Morgan". The signature is written in black ink and includes a horizontal flourish at the end.

John G. Morgan
Comptroller of the Treasury

JGM/sb

Giles County, Tennessee, and the Giles County School Department
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2006

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Watershed Surveys and Planning	10.906	N/A	\$ 252,138
Passed-through State Department of Agriculture:			
Food Distribution (noncash assistance)	10.550	(2)	165,610
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	269,156
National School Lunch Program	10.555	(2)	738,783
Total U.S. Department of Agriculture			<u>\$ 1,425,687</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	GG-04-11192-00	\$ 229,646
Total U.S. Department of Housing and Urban Development			<u>\$ 229,646</u>
U.S. Department of Labor:			
Passed-through State Department of Labor and Workforce Development:			
WIA Youth Activities	17.259	(2)	\$ 33,000
Total U.S. Department of Labor			<u>\$ 33,000</u>
U.S. Department of Transportation:			
Passed-through State Department of Military:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	GG-05-11593-00	\$ 6,197
Total U.S. Department of Transportation			<u>\$ 6,197</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	(3)	\$ 102,541
Passed-through State Department of Education:			
Title 1 Grant to Local Educational Agencies	84.010	N/A	838,485
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	786,842
Special Education - Preschool Grants	84.173	N/A	33,580
Vocational Education - Basic Grants to States	84.048	N/A	122,200
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	25,843
Improving Teacher Quality State Grants	84.367	N/A	200,122
Education Technology State Grants	84.318	(2)	15,197
Total U.S. Department of Education			<u>\$ 2,124,810</u>
U.S. Elections Assistance Commission:			
Passed-through State Department of State:			
Help America Vote Act Requirements Payments	90.401	Z-06-032943-00	\$ 130,000
Total U.S. Elections Assistance Commission			<u>\$ 130,000</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families	93.558	Z-06-027182-00	\$ 15,549
Total U.S. Department of Health and Human Services			<u>\$ 15,549</u>

(Continued)

Giles County, Tennessee, and the Giles County School Department
Schedule of Expenditures of Federal Awards and State Grants (1) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U. S. Department of Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Grant Program	97.004	(4)	\$ 93,051
Homeland Security Grant Program	97.067	Z-05-025157-00	16,182
Total U.S. Department of Homeland Security			\$ 109,233
Total Expenditures of Federal Awards			\$ 4,074,122
<u>State Grants</u>		<u>Contract Number</u>	
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 10,573
Health Department Programs - State Department of Health	N/A	Z-06-025980-00	307,868
Adult Education - State Grant Program - State Department of Labor and Workforce Development	N/A	Z-05-022219-00	103
Adult Education - State Grant Program - State Department of Labor and Workforce Development	N/A	Z-06-027772-00	21,054
Adult Education - State Grant Program - State Department of Labor and Workforce Development	N/A	(2)	22,950
Safe Schools Act 2003 - State Department of Education	N/A	(2)	25,259
Lottery for Education Afterschool Program - State Department of Education	N/A	(2)	54,232
Temporary Assistance for Needy Families - State Department of Education	N/A	Z-06-027182-00	7,317
Litter Program - State Department of Transportation	N/A	Z-06-027958-00	35,501
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	19,087
Juvenile Justice and Delinquency Prevention - State Commission on Child and Youth	N/A	Z-06-002594-00	10,890
Total State Grants			\$ 514,834

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) - Z-05-022219-00: \$389; Z-06-027772-00: \$79,202; (2): \$22,950.

(4) - GG-05-11617-00: \$11,908; Z-04-022442-00: \$81,143.

Giles County, Tennessee, and the Giles County School Department
Schedule of Audit Findings Not Corrected
June 30, 2006

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Giles County, Tennessee, and the Giles County School Department for the year ended June 30, 2005, which have not been corrected.

GILES COUNTY

Finding Number	Page Number	Subject
05.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

OFFICE OF COUNTY EXECUTIVE

Finding Number	Page Number	Subject
05.03(A,B)	14	The office had deficiencies in purchasing procedures

OFFICE OF DIRECTOR OF SCHOOLS

Finding Number	Page Number	Subject
05.05	15	An interfund loan was not authorized in accordance with state statutes
05.06(A)	16	Bids had not been solicited in compliance with state statutes
05.07(C)	16	The office had deficiencies in purchasing procedures

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

Finding Number	Page Number	Subject
05.09	18	Sufficient user documentation for computer hardware, the operating system, and software applications was not maintained

OTHER FINDINGS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.10	19	A central system of accounting, budgeting, and purchasing had not been adopted
05.11	19	Duties were not segregated adequately in the Offices of Highway Commissioner, Director of Schools, Trustee, Clerk and Master, Register, and Sheriff

**GILES COUNTY, TENNESSEE, AND THE
GILES COUNTY SCHOOL DEPARTMENT**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2006

PART I, SUMMARY OF AUDITOR'S RESULTS

1. An adverse opinion was issued on the financial statements of Giles County. Our report on the financial statements of the Giles County School Department is unqualified.
2. The audit of the financial statements of Giles County and the Giles County School Department disclosed reportable conditions in internal control. None of these conditions were considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Giles County and no instances of noncompliance that are material to the financial statements of the Giles County School Department.
4. Our audit disclosed reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed two findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Title I Grants to Local Educational Agencies (CFDA No. 84.010), Special Education Cluster: Special Education Grants to States and Preschool Grants (CFDA Nos. 84.027 and 84.173), and the Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Giles County and the Giles County School Department did not qualify as low-risk auditees.

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. The written responses of the county executive, highway commissioner, director of schools, circuit and general sessions courts clerk, and register are included in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

GILES COUNTY

FINDING 06.01 **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**
(Material Noncompliance Under Government Auditing Standards)

Giles County did not identify and determine the historical value of its capital assets and the related depreciation amounts of these assets. Therefore, Giles County was unable to provide the information necessary to prepare government-wide financial statements for all of its activities, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. GASB is the standard-setting body for accounting principles that state and local governments are required to follow. As a result of this omission, Giles County’s financial statements are not presented in accordance with generally accepted accounting principles; thus, we have issued an adverse opinion on its financial statements.

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement 34 to issue a financial report in compliance with Financial Reporting Standards for County Governments, Component Units of County Governments, and Special School Districts That Do Not Implement Governmental Accounting Standards Board Statement 34, established by the Comptroller of the Treasury. Giles County’s financial statements are presented in compliance with these requirements.

RECOMMENDATION

Giles County should present government-wide financial statements in conformity with generally accepted accounting principles, and should compile and maintain records that properly account for its capital assets. These records should document the historical costs of its capital assets and the related depreciation amounts of these assets. This information is necessary to present the financial statements in accordance with generally accepted accounting principles.

MANAGEMENT’S RESPONSE – HIGHWAY COMMISSIONER

Our road and equipment inventory lists are ready; however, we were advised not to purchase the GASB system for the Highway Department since County General would have to compile the report as a whole.

OFFICE OF COUNTY EXECUTIVE

FINDING 06.02 **THE MECHANICAL WARRANT-SIGNING MACHINE'S COUNTER COULD BE RESET**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office used a mechanical warrant-signing machine to affix the signature of the county executive. The mechanical counter on the machine could be reset; therefore, we could not ensure that the office accounted for all warrants.

RECOMMENDATION

The mechanical warrant-signing machine should have a counter that cannot be reset to ensure that the total number of warrants processed are accounted for accurately.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

The Accounting and Budget Office changed to laser printers and had to change warrant stock. Therefore, we had to purchase a new warrant-signing machine. We were not aware, nor did the salesperson mention to us, that we should get a machine with a counter that cannot be reset.

In August 2006, Giles County voters adopted the County Financial Management System of 1981 by public referendum. Our plans are to begin implementation on July 1, 2007. We will correct this finding at that time.

FINDING 06.03 **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination of purchasing procedures revealed the following deficiencies:

- A. The office did not issue purchase orders for some required purchases. Purchases orders are necessary to control who has purchasing authority for the office and to document purchasing commitments.
- B. In several instances, invoices were paid without documentation that goods had been received or services had been rendered. This practice weakens controls over the purchasing process. We extended our audit procedures and determined that these goods were received and services were rendered.

RECOMMENDATION

The office should improve purchasing procedures by issuing purchase orders for all applicable purchases and by obtaining documentation that goods have been received or services rendered before invoices are paid.

OFFICE OF HIGHWAY COMMISSIONER

**FINDING 06.04 EXPENDITURES EXCEEDED APPROPRIATIONS
(Noncompliance Under Government Auditing Standards)**

Expenditures exceeded appropriations approved by the County Commission in the Highway and Bridge Maintenance major appropriation category (the legal level of control) in the Highway/Public Works Fund by \$31,385.

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.”

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission as required by state statute.

MANAGEMENT’S RESPONSE – HIGHWAY COMMISSIONER

When we made the decision to pay for rock with left over funds from the 2004-05 budget, we were not informed that the budget needed to be amended in 2005-06.

OFFICE OF DIRECTOR OF SCHOOLS

**FINDING 06.05 THE SCHOOL FEDERAL PROJECTS FUND HAD A CASH OVERDRAFT
(Internal Control – Reportable Condition Under Government Auditing Standards)**

The School Federal Projects Fund had a cash overdraft of \$32,201 at June 30, 2006. This cash overdraft resulted from issuing warrants that exceeded cash on deposit with the county trustee. This cash overdraft was liquidated subsequent to June 30, 2006.

RECOMMENDATION

The office should not make disbursements that exceed available cash on deposit with the county trustee.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

We make an effort to request funds in a timely manner. We have found that the state's FACTS system is having problems with depositing funds on time.

FINDING 06.06 **AN INTERFUND LOAN WAS NOT AUTHORIZED IN ACCORDANCE WITH STATE STATUTES**
(Noncompliance Under Government Auditing Standards)

During the year, a transfer of \$150,000 was made from the General Purpose School Fund to the School Federal Projects Fund to provide cash for operations. This transfer was, in effect, an interfund loan that was not approved by the state director of Local Finance as required by Section 9-21-408, Tennessee Code Annotated. This loan was repaid prior to June 30, 2006.

RECOMMENDATION

All interfund loans should be approved by the state director of Local Finance as required by state statute.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

The Giles County Board of Education approved this interfund loan on April 20, 2006, and the Giles County Commission approved this interfund loan on May 15, 2006. A letter requesting approval and the supporting Report on Debt Obligations Form was completed and mailed to the state director of Local Finance on June 2, 2006; however, we have been informed that this letter and the supporting documentation was never received and was apparently lost in the mail. Every attempt was made to comply with Tennessee Code Annotated Section 9-21-408 in this matter.

REBUTTAL

It is the School Department's responsibility to ensure that approval is obtained for interfund loans prior to the debt issuance.

FINDING 06.07 AN ATHLETIC FIELD CONSTRUCTION PROJECT WAS NOT PROPERLY ADMINISTERED
(A. and B. Noncompliance Under Government Auditing Standards; C. Internal Control – Reportable Condition Under Government Auditing Standards)

Our review of an athletic field construction project revealed the following deficiencies:

- A. The School Department advertised for bids to develop and construct an athletic field at Richland High School. The School Department accepted the one bid received totaling \$74,399; however, the project was completed at a total cost of \$116,555. The cost overruns, which were approved by the director of schools, related mainly to the installation of an irrigation system that was not included in the original bid specifications and was not bid separately. Section 49-2-203, Tennessee Code Annotated (TCA), requires that competitive bids be solicited through newspaper advertisement on all purchases exceeding \$5,000.

- B. The School Department did not employ a registered architect, engineer, or landscape architect to design plans, specifications, and estimates on the athletic field project as required by Section 62-2-107, TCA. This statute requires that a registered architect, engineer, or landscape architect be employed whenever construction contracts are estimated to exceed \$25,000.

- C. The School Department did not enter into a formal written contract with the contractor employed to complete the project. Without a written contract, the School Department and the contractor have no documented guidance for their responsibilities.

RECOMMENDATION

Competitive bids should be solicited for all purchases estimated to exceed \$5,000 as required by state statute. The irrigation system should have been included in the original specifications or should have been separately advertised for bids. The School Department should employ a registered architect, engineer, or landscape architect for all construction projects exceeding \$25,000 as required by state statute. Also, the School Department should enter into formal written contracts with all contractors.

FINDING 06.08 THE OFFICE HAD PURCHASING DEFICIENCIES
(A. Internal Control – Reportable Condition Under Government Auditing Standards; B. Noncompliance Under Government Auditing Standards)

Our examination of purchasing procedures revealed the following purchasing deficiencies:

- A. In some instances, purchase orders were issued after purchases were made. This practice defeats the purpose of issuing a purchase order and makes the purchase order an approval for payment, rather than an approval of the purchase.
- B. Competitive bids were not solicited for property and casualty insurance for either 2005-06 or 2006-07. Commercial insurance coverage was acquired for \$97,000 and \$106,451, respectively. Section 49-2-203, Tennessee Code Annotated, requires competitive bids solicited through newspaper advertisement on all purchases exceeding \$10,000.

RECOMMENDATION

The office should issue purchase orders for all applicable purchases before making purchases. Competitive bids should be solicited for all purchases exceeding \$10,000.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

The Giles County Board of Education implemented purchasing procedures effective July 1, 2006, to provide a more accurate accountability and a better means of internal control.

FINDING 06.09

THE OFFICE HAD ACCOUNTING DEFICIENCIES

(A. Internal Control – Reportable Condition Under Government Auditing Standards; B. Internal Control – Reportable Condition Under Government Auditing Standards and Circular A-133; C. Noncompliance Under Government Auditing Standards)

Our audit disclosed the following accounting deficiencies:

- A. Post-employment insurance benefits were not paid in compliance with the School Department's negotiated agreement with employees. The agreement provides for the School Department to pay for retirees' medical insurance premiums up to a maximum of \$2,832 per year. Insurance premiums paid on five retired employees exceeded this maximum by amounts ranging from \$326 to \$2,027. The total amount paid in excess of the maximum for the year ended June 30, 2006, was \$6,901.
- B. Auditors counted 432 general journal entries posted to the accounting records for the four funds administered by the director of schools. Auditors also counted 69 general journal entries that were posted to correct previous journal entries. This number of general journal entries indicates weaknesses in internal controls related to recording financial transactions.

- C. Several old outstanding warrants were noted in the General Purpose Fund on June 30, 2006. Outstanding vendor warrants totaling \$5,861 dated back to January 16, 2001, and outstanding payroll warrants totaling \$3,056 dated back to March 15, 2001. Section 66-29-110, Tennessee Code Annotated (TCA), provides that any funds held by a public entity for one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer's Office.

RECOMMENDATION

- A. Post-employment insurance benefits should be paid in compliance with the School Department's negotiated agreement.
- B. Internal control over the accounting process should be strengthened by better identifying transactions correctly by nature, account, and fund when the transactions are initiated. General journal entries should be kept at a minimum, and each journal entry should be accompanied by a complete explanation of the transaction.
- C. Outstanding warrants that have been held for one year or more should be reported and paid to the state Treasurer's Office in compliance with state statutes.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

- B. Some revenue receipts and trustee commissions in one fund were entered as journal entries, and health insurance payments paid through the trustee for at least two funds. We will begin entering those each month as cash receipts and cash disbursements instead of journal entries. We realize this is a high number of journal entries, but we would like to emphasize that every effort is made to ensure that all expenditures and any other accounting entries in our books are accurately reported. Sometimes postings are done incorrectly and must be corrected for accurate reporting. Also, if certain individuals are not charged to the correct account in payroll, for accuracy those must be journalized to correct. We will make every effort to significantly decrease the number of journal entries.
- C. We intend to diligently work on this issue and get all old outstanding warrants cleared up as soon as possible.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 06.10 **SUFFICIENT USER DOCUMENTATION FOR COMPUTER HARDWARE, THE OPERATING SYSTEM, AND SOFTWARE APPLICATIONS WAS NOT MAINTAINED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Offices of Circuit and General Sessions Courts Clerk did not maintain formal user documentation pertaining to the accounting software, operating system, and computer hardware components. This documentation is necessary to provide users with information regarding system maintenance, system inputs, application processing requirements, output definitions, and system recovery. Inadequate documentation may result in inaccurate and inefficient processing of applications.

RECOMMENDATION

The offices should maintain user documentation pertaining to all software applications, the operating system, and computer hardware components. Management should contact their vendor and obtain current user documentation for all components of their computer system.

MANAGEMENT’S RESPONSE – CIRCUIT AND GENERAL SESSIONS COURTS CLERK

I have requested on many occasions a user documentation handbook. At this time no manual is available from Government Service Automation.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 06.11 **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

County officials had not adopted a central system of accounting, budgeting, and purchasing. Establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. In August 2006, Giles County voters approved a referendum to implement the County Financial Management System of 1981.

FINDING 06.12

DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF HIGHWAY COMMISSIONER, DIRECTOR OF SCHOOLS, TRUSTEE, CLERK AND MASTER, REGISTER, AND SHERIFF

(Internal Control – Reportable Condition Under Government Auditing Standards and Circular A-133)

Duties were not segregated adequately among employees in the Offices of Highway Commissioner, Director of Schools, Trustee, Clerk and Master, Register, and Sheriff. In the Office of Director of Schools, an employee who was responsible for preparing and posting disbursements to the accounting records and reconciling disbursements with the trustee's report also had access to the mechanical warrant-signing machine for all funds administered by the director of schools. In the Offices of Highway Commissioner, Trustee, Clerk and Master, Register, and Sheriff, employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds.

RECOMMENDATION

To strengthen internal controls over operations, officials in these offices should ensure that duties are segregated adequately among employees.

MANAGEMENT'S RESPONSE – HIGHWAY COMMISSIONER

Due to limited staff, it is not always feasible to segregate all accounting duties, however, we do have separate individuals approving all invoices to be paid, and all checks are signed by the superintendent individually.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

The Giles County Board of Education will make every effort to implement new procedures in order to segregate duties more effectively.

MANAGEMENT'S RESPONSE – REGISTER

The cost of hiring enough employees to segregate each step involved is not feasible for the Register of Deeds Office. The budget will not allow us to increase our staff in order to comply with these guidelines.

REBUTTAL

We have not recommended hiring additional employees. We realize that due to limited resources and personnel, management may not be able to fully segregate duties among employees. However, duties should be segregated to the extent possible.

**PART III, FINDINGS AND QUESTIONED
COSTS FOR FEDERAL AWARDS
For the Year Ended June 30, 2006**

Federal/Pass-through Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Education: Passed-through State Department of Education: Title I Grants to Local Educational Agencies	06.13	84.010	Circular A-133, Section 500 (c)(3)	Reportable Condition in Internal Control See Finding 06.09(B) - Numerous journal entries to record and correct transactions	\$ 0
Special Education Cluster: Special Education - Grants to States		84.027			
Special Education - Preschool Grants		84.173			
U.S. Department of Agriculture: Passed-through State Department of Education: Child Nutrition Cluster: School Breakfast Program		10.553			
School Lunch Program		10.555			
U.S. Department of Agriculture: Passed-through State Department of Education: Child Nutrition Cluster: School Breakfast Program	06.14	10.553	Circular A-133, Section 500 (c)(3)	Reportable Condition in Internal Control See Finding 06.12 - Duties were not adequately segregated in the Office of Director of Schools	0
School Lunch Program		10.555			
U.S. Department of Education: Passed-through State Department of Education: Title I Grants to Local Educational Agencies		84.010			
Special Education Cluster: Special Education - Grants to States		84.027			
Special Education - Preschool Grants		84.173			

**GILES COUNTY, TENNESSEE, AND THE
GILES COUNTY SCHOOL DEPARTMENT
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2006**

There were two audit findings relative to federal awards presented in the current audit's Schedule of Findings and Questioned Costs and three audit findings relative to federal awards presented in the prior audit's Schedule of Findings and Questioned Costs.

Director of Schools – Corrective Action Plan for Current-year Findings

FINDINGS 06.09(B) and 06.13

Contact Person: Terrell Jackson

Corrective Action Plan: Some revenue receipts in one fund were entered as journal entries, as well as trustee commissions and health insurance payments paid through the trustee in at least two funds. We will begin entering those each month as cash receipts and cash disbursements instead of journal entries. We realize this is a high number of journal entries, but we would like to emphasize that every effort is made to ensure that all expenditures and any other accounting entries in our books are accurately reported. Sometimes postings are done incorrectly and must be corrected for accurate reporting. Also, if certain individuals are not charged to the correct account in payroll, for accuracy those must be journalized to correct. We will make every effort to significantly decrease the number of journal entries.

Anticipated Completion Date: 2006-07

FINDINGS 06.12 and 06.14

Contact Person: Terrell Jackson

Corrective Action Plan: The Giles County Board of Education will make every effort to implement new procedures in order to segregate duties more effectively.

Anticipated Completion Date: 2006-07

Summary Schedule of Prior Year Audit Findings

Findings 05.07(A) and 05.12

Findings were corrected during the 2005-06 year.

Findings 05.07(A,B) and 05.13

Findings were corrected during the 2005-06 year.

Findings 05.08(A) and 05.14

Findings were corrected during the 2005-06 year.