

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

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**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**  
**MEIGS COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
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*State Auditors*

This financial report is available at [www.comptroller.state.tn.us](http://www.comptroller.state.tn.us)

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## MEIGS COUNTY, TENNESSEE

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# ***Audit Highlights***

Annual Financial Report  
Meigs 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 Meigs County as of and for the year ended June 30, 2006.

## ***Results***

Our report on Meigs 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 14 findings and recommendations, which we have reviewed with Meigs County management, with the exception of the former Circuit and General Sessions Courts Clerk, Debbie Smith, whom we were unable to contact. Detailed findings and recommendations are included in the Single Audit Report.

## ***Findings***

The following are summaries of the audit findings:

### **MEIGS COUNTY**

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles.

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### **OFFICES OF COUNTY MAYOR, HIGHWAY SUPERINTENDENT, AND PURCHASE AND FINANCE**

- ◆ Payroll taxes were not always deposited and/or reported timely, resulting in Internal Revenue Service assessments of interest and penalties totaling \$49,615.
  - ◆ Appropriations exceeded estimated available funds in the Highway/Public Works and the Solid Waste/Sanitation Funds.
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## **OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

For the period July 1, 2005, through April 20, 2006:

- ◆ Circuit and General Sessions Courts funds were not remitted to litigants, heirs, and others.
- ◆ Checks mailed to the General Sessions Court were not receipted and deposited, as required by state statutes.
- ◆ The cash journal was not maintained in Circuit Court.
- ◆ Bank statements were not reconciled with general ledger accounts in Circuit and General Sessions Courts.
- ◆ An execution docket trial balance was not prepared for Circuit Court, and the execution docket trial balance prepared in General Sessions Court did not reconcile with cash control records.
- ◆ Improper procedures were used to disburse funds from the Circuit Court.

For the period April 21, 2006, through June 30, 2006:

- ◆ Certain records did not reconcile due to transactions occurring during the previous clerk's administration.

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## **OFFICE OF CLERK AND MASTER**

- ◆ The Office of Clerk and Master had not implemented adequate controls to protect its information resources against unauthorized access, modification, destruction, or disclosure.

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## **OTHER FINDINGS**

- ◆ Duties were not segregated adequately among the officials and employees in the Offices of Purchase and Finance, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.
- ◆ County officials had not held a delinquent tax sale in recent years.
- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.

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# INTRODUCTORY SECTION

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Meigs County Officials  
June 30, 2006

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**Officials**

Ken Jones, County Mayor  
Tim Jennings, Highway Superintendent  
Carolyn Wattenbarger, Trustee  
Tim Proffitt, Assessor of Property  
Janie Rowland, County Clerk  
Jacqueline Ware, Interim Circuit and General Sessions Courts Clerk  
Jim Mercer, Clerk and Master  
Janie Stiner, Register  
Walter Hickman, Sheriff  
Connie Allen, Purchase and Finance Director

**Board of County Commissioners**

Brad McKenzie, Chairman	Carter Nelson
Jodie Brantley	Stevie Rogers
Betty Davis	Danny Smith
Tracy Edgemon	Laura Smith
Tony Finnell	Johnny Ziegler
Mark Vance	

**Purchase and Finance Commission**

Ed Layman, Chairman  
Carlos Crisp  
Bobbie Shadden

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## FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

August 21, 2006

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Meigs County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 35, 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 Meigs 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, Meigs 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 Meigs 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 Meigs 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 August 21, 2006, on our consideration of Meigs 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.

The budgetary comparison information on pages 39 through 43 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 consists 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 Meigs 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 cursive script that reads "John G. Morgan". The signature is written in black ink and includes a long horizontal flourish at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/sb

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

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

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 18,461	\$ 0	\$ 0	\$ 0	\$ 18,461
Equity in Pooled Cash and Investments	911,108	15,714	337,244	128,149	1,392,215
Accounts Receivable	93,885	0	0	0	93,885
Due from Other Governments	85,250	229,045	26,912	0	341,207
Property Taxes Receivable	1,789,976	0	500,587	0	2,290,563
Allowance for Uncollectible Property Taxes	(50,869)	0	(14,226)	0	(65,095)
Prepaid Items	0	1,028	0	0	1,028
<b>Total Assets</b>	<b>\$ 2,847,811</b>	<b>\$ 245,787</b>	<b>\$ 850,517</b>	<b>\$ 128,149</b>	<b>\$ 4,072,264</b>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 4,381	\$ 0	\$ 0	\$ 15,203	\$ 19,584
Payroll Deductions Payable	1,579	408	0	0	1,987
Retainage Payable	0	0	0	21,092	21,092
Matured Interest on Bonds	0	0	465	0	465
Other Current Liabilities	62	0	0	0	62
Deferred Revenue - Current Property Taxes	1,657,201	0	463,455	0	2,120,656
Deferred Revenue - Delinquent Property Taxes	74,454	0	20,822	0	95,276
Other Deferred Revenues	25,036	110,765	12,881	0	148,682
<b>Total Liabilities</b>	<b>\$ 1,762,713</b>	<b>\$ 111,173</b>	<b>\$ 497,623</b>	<b>\$ 36,295</b>	<b>\$ 2,407,804</b>
<u>Fund Balances</u>					
Reserved for Purchase of Electronic Fingerprint Imaging System	\$ 0	\$ 0	\$ 0	\$ 13,177	\$ 13,177
Reserved for Alcohol and Drug Treatment	31,155	0	0	0	31,155
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	58,815	0	0	0	58,815
Reserved for Sexual Offender Registration	1,800	0	0	0	1,800
Reserved for Courthouse and Jail Maintenance	51,387	0	0	0	51,387
Reserved for Computer System - Register	40,270	0	0	0	40,270
Reserved for Capital Outlay	4,456	0	0	0	4,456
Unreserved, Reported In:					
General Fund	897,215	0	0	0	897,215
Special Revenue Funds	0	134,614	0	66,479	201,093
Debt Service Funds	0	0	352,894	0	352,894
Capital Projects Funds	0	0	0	12,198	12,198
<b>Total Fund Balances</b>	<b>\$ 1,085,098</b>	<b>\$ 134,614</b>	<b>\$ 352,894</b>	<b>\$ 91,854</b>	<b>\$ 1,664,460</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,847,811</b>	<b>\$ 245,787</b>	<b>\$ 850,517</b>	<b>\$ 128,149</b>	<b>\$ 4,072,264</b>

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

Exhibit B

Meigs 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	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 1,989,748	\$ 22,878	\$ 600,932	\$ 0	\$ 2,613,558
Licenses and Permits	27,049	0	0	0	27,049
Fines, Forfeitures, and Penalties	110,605	0	0	13,241	123,846
Charges for Current Services	217,163	0	0	320	217,483
Other Local Revenues	41,759	51,503	30,683	6,233	130,178
Fees Received from County Officials	378,395	0	0	0	378,395
State of Tennessee	630,329	1,590,983	33,263	24,434	2,279,009
Federal Government	591,580	0	0	112,773	704,353
Other Governments and Citizens Groups	105,000	0	225,000	0	330,000
Total Revenues	\$ 4,091,628	\$ 1,665,364	\$ 889,878	\$ 157,001	\$ 6,803,871
<u>Expenditures</u>					
Current:					
General Government	\$ 466,731	\$ 0	\$ 0	\$ 320	\$ 467,051
Finance	376,581	0	0	0	376,581
Administration of Justice	221,711	0	0	0	221,711
Public Safety	1,223,044	0	0	3,013	1,226,057
Public Health and Welfare	323,080	0	0	180,364	503,444
Social, Cultural, and Recreational Services	50,762	0	0	91,673	142,435
Agricultural and Natural Resources	42,555	0	0	0	42,555
Other Operations	796,572	0	0	0	796,572
Highways	0	1,753,325	0	0	1,753,325
Debt Service:					
Principal on Debt	0	79,856	482,857	0	562,713
Interest on Debt	0	24,023	228,237	0	252,260
Other Debt Service	0	404	11,731	0	12,135
Capital Projects	0	0	0	40,044	40,044
Total Expenditures	\$ 3,501,036	\$ 1,857,608	\$ 722,825	\$ 315,414	\$ 6,396,883
Excess (Deficiency) of Revenues Over Expenditures	\$ 590,592	\$ (192,244)	\$ 167,053	\$ (158,413)	\$ 406,988
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 62,000	\$ 0	\$ 0	\$ 62,000
Transfers In	13,801	0	37,987	177,500	229,288
Transfers Out	(197,500)	(13,801)	0	(17,987)	(229,288)
Total Other Financing Sources (Uses)	\$ (183,699)	\$ 48,199	\$ 37,987	\$ 159,513	\$ 62,000
Net Change in Fund Balances	\$ 406,893	\$ (144,045)	\$ 205,040	\$ 1,100	\$ 468,988
Fund Balance, July 1, 2005	678,205	278,659	147,854	90,754	1,195,472
Fund Balance, June 30, 2006	\$ 1,085,098	\$ 134,614	\$ 352,894	\$ 91,854	\$ 1,664,460

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

Exhibit C

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 269,500
Due from Other Governments	<u>27,964</u>
Total Assets	<u><u>\$ 297,464</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 27,964
Due to Litigants, Heirs, and Others	<u>269,500</u>
Total Liabilities	<u><u>\$ 297,464</u></u>

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Meigs 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.

Meigs 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. Meigs 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 Meigs County's auditor to issue an adverse opinion on the county's financial statements.

Although Meigs 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 that are presented in conformity with all the provisions of GASB Statement 34 that are applicable to fund financial statements, including 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 Meigs County:

**A. Reporting Entity**

Meigs County is a public municipal corporation governed by an elected 11-member board. These financial statements present Meigs County, the primary government.

**Blended Component Units** – There are no legally separate component units of Meigs 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 Meigs County is presenting fund financial statements only, financial information of entities that meet the criteria for discretely presented component units is not included in the fund financial statements. If Meigs County had presented government-wide 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 Meigs County School Department operates the public school system in the county, and the voters of Meigs 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 Meigs County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Meigs County, and the 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 Meigs County School Department and the Meigs 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 Meigs County Emergency Communications District's financial statements are published as a separate report. Complete financial statements of the Meigs County Emergency Communications District can be obtained from its administrative office at the following address:

Meigs County Emergency Communications District  
P. O. Box 352  
Decatur, Tennessee 37322

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

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

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

Fiduciary funds financial statements are reported using the economic resources measurement focus 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.

Meigs County reports the following major governmental funds:

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

**Highway/Public Works Fund** – This fund accounts for transactions of the county 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, Meigs County reports the following fund types:

**Capital Projects Funds** – These funds account for transactions 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 Meigs 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 in repurchase agreements.

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.51 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.

Retainage payable in the primary government's nonmajor governmental funds represents amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the nonmajor governmental funds.

3. **Prepaid Items**

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in the fund financial statements.

4. **Capital Assets**

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. Meigs 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, Meigs County does not present government-wide statements.

5. **Compensated Absences**

It is the county's policy to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from service. In addition, it is the policy of the Meigs County Highway Department to permit employees to accumulate earned but unused sick leave, which will be paid to employees upon separation from service. A liability for these vacation benefits, along with sick leave benefits of the Highway Department, is reported in the 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 fund types 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 specified purpose. Designations of fund balance represent tentative management plans that are subject to change. Management has designated \$161,405 of the unreserved fund balance of the General Fund for ambulance or equipment purchases.

**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 a budgeted fund, 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, 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 statement.

**B. Appropriations Exceeded Estimated Available Funds in the Highway/Public Works and the Solid Waste/Sanitation Funds**

The budget and subsequent amendments submitted to and approved by the County Commission contained appropriations that exceeded estimated available funding causing a budgeted fund deficit in the Highway/Public Works (\$108,419) and the Solid Waste/Sanitation (\$21,303) Funds.

C. **Interest and Penalties Were Incurred Due to Late Filings of Payroll Taxes to the Internal Revenue Service**

Meigs County incurred interest and penalties of \$33,310 due to late deposits and notifications to the Internal Revenue Service regarding payroll withholdings during the year ended June 30, 2006. It was also determined that an additional \$16,305 had been incurred during the previous fiscal year. Management is currently reviewing procedures to determine how to prevent the recurrence of this problem.

D. **Deficiencies Existed in the Office of Circuit and General Sessions Courts Clerk**

As discussed in the Schedule of Findings and Questioned Costs in the Single Audit Section of this report, many aspects of the financial operations of the Circuit and General Sessions Courts Clerk's office essentially stopped after September 2005, including the clerk's failure to disburse funds from both courts and the failure to post the cash journal in Circuit Court. The clerk, Debbie Smith, was indicted by the Meigs County Grand Jury on March 27, 2006, on charges of evading, defeating state tax; destruction of and tampering with governmental records; and failure to keep a cash book. The clerk resigned from office on March 28, 2006, and the charges were subsequently dropped.

III. **DETAILED NOTES ON ALL FUNDS**

A. **Deposits and Investments**

Meigs County and the Meigs County School Department participate in an internal cash and investment pool through the Office of Trustee. The Meigs County School Department meets the criteria for a discretely presented component unit of Meigs County. Since Meigs County is presenting fund financial statements only, the financial information for the Meigs 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, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected 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.

The county had no pooled and nonpooled investments as of June 30, 2006.

### **B. Interfund Transfers**

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

Transfers Out	Transfers In		
	General Fund	General Debt Service Fund	Nonmajor Governmental Funds
General Fund	\$ 0	\$ 20,000	\$ 177,500
Highway/Public Works Fund	13,801	0	0
Nonmajor governmental funds	0	17,987	0
<b>Total</b>	<b>\$ 13,801</b>	<b>\$ 37,987</b>	<b>\$ 177,500</b>

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.

The county made a one-time transfer of \$17,987 from the General Capital Projects Fund (a nonmajor governmental fund) to the General Debt Service Fund to transfer excess capital funds after project completion to the fund retiring the capital debt.

**C. Long-term Debt**

Since Meigs 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 Meigs County is not presenting government-wide financial statements.

General Obligation Bonds and Notes

The county issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund other general obligation bonds. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes were issued for original terms of up to 40 years for bonds and up to 12 years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds will be retired from the General Debt Service, and all notes will be retired from either the Highway/Public Works Fund or the General Debt Service Fund.

General obligation bonds and capital outlay notes outstanding as of June 30, 2006, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
General Obligation Bonds	4 to 4.5%	\$ 1,410,000	\$ 1,410,000
General Obligation Bonds - Refunding	3.9 to 4.3	3,360,000	2,735,000
General Obligation (CAB) Bonds	4.8 to 5.15	2,088,479	2,088,479
Accreted Interest on (CAB) Bonds	4.8 to 5.15	N/A	505,666
FmHA Issue - Industrial Park	5	80,000	51,466
Capital Outlay Notes	3.9 to 6.47	1,441,301	918,146

During the 2001-02 year, Meigs County issued Capital Appreciation Bonds (CAB) in the amount of \$2,088,479. These bonds accrete interest that is paid at bond maturity. Maturity dates for these bonds range from 2015 through 2026. As of June 30, 2006, approximately \$505,666 of interest had accreted on the bonds.

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

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 427,153	\$ 177,968	\$ 127,429	\$ 52,247
2008	512,262	160,646	346,344	43,875
2009	532,376	139,693	110,348	25,801
2010	557,497	117,673	33,402	20,635
2011	577,623	94,203	35,629	18,409
2012-2016	1,952,892	511,624	217,027	53,161
2017-2021	985,658	1,287,957	47,967	1,568
2022-2026	739,484	1,515,521	0	0
Total	\$ 6,284,945	\$ 4,005,285	\$ 918,146	\$ 215,696

The Meigs County Board of Education has pledged by resolution \$225,000 per year from its BEP non-classroom funds which is paid annually to the General Debt Service Fund to be applied to school debt requirements. These funds are pledged annually through the year ended 2012.

There is \$352,894 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita amounted to \$567, based on the 2000 federal census. Total debt per capita, including bonds and notes, amounted to \$650, based on the 2000 federal census.

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

	Bonds		Interest on (CAB) Bonds	
	Bonds		Bonds	
Balance, July 1, 2005	\$	6,696,994	\$	380,077
Additions		0		125,589
Deductions		412,049		0
	<hr/>		<hr/>	
Balance, June 30, 2006	\$	6,284,945	\$	505,666
	<hr/>		<hr/>	
Balance Due Within One Year	\$	427,153	\$	0
	<hr/>		<hr/>	
	Notes		Compensated Absences	
	Notes		Absences	
Balance, July 1, 2005	\$	1,006,810	\$	11,811
Additions		62,000		18,867
Deductions		150,664		16,921
	<hr/>		<hr/>	
Balance, June 30, 2006	\$	918,146	\$	13,757
	<hr/>		<hr/>	
Balance Due Within One Year	\$	127,429	\$	9,630
	<hr/>		<hr/>	

Compensated absences payable will be paid from the employing funds, primarily the General Fund and the Highway/Public Works Fund.

#### IV. OTHER INFORMATION

##### A. Risk Management

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

The county is also exposed to various risks of loss related to workers' compensation. The county participates in the Local Government Workers' Compensation Fund (LWCF), a public entity risk pool, rather than purchasing commercial insurance for these risks. The county pays an annual

premium to LGWCF for its workers' compensation insurance coverage. This pool is to be self-sustaining through member premiums.

Employees of Meigs County, including the Highway Department, are provided health insurance coverage through a commercial carrier. Settled claims from these losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

**B. Accounting Changes**

The provisions of Governmental Accounting Standards Board (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 Meigs 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 Meigs 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. Meigs County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Meigs 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. Meigs County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Meigs County will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

**C. Subsequent Events**

On August 3, 2006, Darrell Davis was elected Circuit and General Sessions Courts Clerk. He takes office on September 1, 2006.

**D. Contingent Liabilities**

The county is involved in several pending lawsuits. Based on a letter from their attorneys, management believes that any potential claims not covered by insurance would not materially affect the financial statements of the county.

**E. Change in Administration**

On March 28, 2006, Debbie Smith, Circuit and General Sessions Courts Clerk, resigned. She was succeeded by Jacqueline Ware on April 21, 2006, as the interim clerk.

**F. Joint Venture**

The Ninth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Ninth Judicial District; Roane, Loudon, Meigs, and Morgan Counties; and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF

come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a Board of Directors which includes the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Meigs County made no contributions to the DTF for the year ended June 30, 2006, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

District Attorney General's Office  
Ninth Judicial District  
P. O. Box 703  
Kingston, TN 37763

**G. Retirement Commitments**

**Plan Description**

Employees of Meigs 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 ten 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 ten 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 Meigs 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.

Meigs County voluntarily withdrew from TCRS July 1, 1984. At that time current employees were given the choice to either continue or discontinue their membership in the system. Employees hired on or after July 1, 1984, were not eligible to join TCRS. Meigs County is responsible for liabilities resulting from those employees who choose to continue their membership in TCRS.

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](http://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**

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

### **Annual Pension Cost**

For the year ended June 30, 2006, Meigs County's annual pension cost of \$0 to TCRS was equal to Meigs County's required and actual contributions. The required contribution was determined as part of the July 1, 2001, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), and (c) projected 3.5 percent annual increase in the Social Security wage base. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Meigs 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, 2003, was one year.

#### **Trend Information**

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
6-30-06	\$0	100%	\$0
6-30-05	0	100	0
6-30-04	0	100	0

**Required Supplementary Information**  
Schedule of Funding Progress for Meigs County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
6-30-03	\$605	\$605	\$0	100.00%	\$0	0%
6-30-01	608	256	(352)	237.50	0	0
6-30-99	575	298	0	192.95	14	0

**H. Office of Purchase and Finance**

Chapter 403, Private Acts of 1949, as amended, created the Purchase and Finance Commission. This act provides for the commission to make purchases for all county departments. The commission also has the responsibility for maintaining financial records for all funds of the primary government. The Office of Purchase and Finance is administered by a director appointed by the commission.

**I. Purchasing Laws**

Purchasing procedures for the various departments of Meigs County are governed by Chapter 403, Private Acts of 1949, as amended, which created the Purchase and Finance Commission. The commission is required to make purchases for all county funds and to obtain competitive bids on all purchases of any one class exceeding \$5,000, except in the Highway Department where provisions of the Uniform Road Law, Section 54-7-113, Tennessee Code Annotated, require competitive bids on purchases exceeding \$10,000.

Purchases for the funds administered by the county mayor and highway superintendent were made by the Purchase and Finance Commission.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit D-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,989,748	\$ 1,904,566	\$ 1,904,966	\$ 84,782
Licenses and Permits	27,049	19,100	19,100	7,949
Fines, Forfeitures, and Penalties	110,605	84,970	84,970	25,635
Charges for Current Services	217,163	178,050	178,050	39,113
Other Local Revenues	41,759	500	3,677	38,082
Fees Received from County Officials	378,395	320,000	320,000	58,395
State of Tennessee	630,329	451,226	490,493	139,836
Federal Government	591,580	41,250	436,360	155,220
Other Governments and Citizens Groups	105,000	75,000	109,000	(4,000)
Total Revenues	<u>\$ 4,091,628</u>	<u>\$ 3,074,662</u>	<u>\$ 3,546,616</u>	<u>\$ 545,012</u>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 26,021	\$ 29,113	\$ 33,238	\$ 7,217
Board of Equalization	250	400	400	150
County Mayor/Executive	69,618	70,292	70,292	674
County Attorney	15,000	15,000	15,000	0
Election Commission	82,441	73,765	84,165	1,724
Register of Deeds	71,686	63,634	72,484	798
Planning	22,816	23,380	23,380	564
County Buildings	178,899	179,509	184,534	5,635
<u>Finance</u>				
Accounting and Budgeting	67,715	65,941	70,322	2,607
Property Assessor's Office	103,854	70,221	104,892	1,038
Reappraisal Program	16,240	17,437	17,437	1,197
County Trustee's Office	62,484	62,439	67,439	4,955
County Clerk's Office	84,001	74,910	84,830	829
Other Finance	42,287	45,000	45,000	2,713
<u>Administration of Justice</u>				
Circuit Court	80,381	82,648	84,148	3,767
General Sessions Court	76,241	73,555	77,355	1,114
Chancery Court	65,089	60,959	65,759	670
<u>Public Safety</u>				
Sheriff's Department	463,358	502,442	502,442	39,084
Special Patrols	30,023	31,824	31,824	1,801
Jail	343,702	344,839	349,057	5,355
Juvenile Services	21,726	16,007	21,832	106
Fire Prevention and Control	145,240	50,000	146,555	1,315
Civil Defense	119,653	58,845	178,743	59,090
Rescue Squad	6,612	7,400	7,400	788
County Coroner/Medical Examiner	9,904	7,000	11,000	1,096
Other Public Safety	82,826	75,002	115,962	33,136

(Continued)

Exhibit D-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare</u>				
Local Health Center	\$ 33,488	\$ 40,123	\$ 40,123	\$ 6,635
Ambulance/Emergency Medical Services	248,970	246,472	256,472	7,502
Crippled Children Services	0	500	0	0
Appropriation to State	7,000	28,000	7,000	0
Sanitation Management	4,718	0	5,000	282
Sanitation Education/Information	28,904	32,727	32,727	3,823
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	14,650	16,177	16,177	1,527
Libraries	31,174	33,172	33,172	1,998
Parks and Fair Boards	4,938	34,851	34,851	29,913
<u>Agriculture &amp; Natural Resources</u>				
Agriculture Extension Service	36,299	32,408	42,833	6,534
Soil Conservation	6,256	4,100	7,100	844
<u>Other Operations</u>				
Tourism	6,989	4,000	7,125	136
Other Economic and Community Development	393,385	0	393,385	0
Veterans' Services	5,378	6,652	6,652	1,274
Other Charges	87,355	103,503	103,503	16,148
Employee Benefits	264,198	277,050	277,050	12,852
Miscellaneous	39,267	0	39,267	0
Total Expenditures	\$ 3,501,036	\$ 2,961,297	\$ 3,767,927	\$ 266,891
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 590,592	\$ 113,365	\$ (221,311)	\$ 811,903
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 13,801	\$ 13,801	\$ 13,801	\$ 0
Transfers Out	(197,500)	(176,000)	(197,500)	0
Total Other Financing Sources (Uses)	\$ (183,699)	\$ (162,199)	\$ (183,699)	\$ 0
Net Change in Fund Balance				
Fund Balance, July 1, 2005	\$ 406,893	\$ (48,834)	\$ (405,010)	\$ 811,903
	678,205	629,104	629,104	49,101
Fund Balance, June 30, 2006				
	\$ 1,085,098	\$ 580,270	\$ 224,094	\$ 861,004

Exhibit D-2

Meigs 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	\$ 22,878	\$ 30,000	\$ 30,000	\$ (7,122)
Other Local Revenues	51,503	1,000	51,344	159
State of Tennessee	1,590,983	1,481,023	1,828,941	(237,958)
Total Revenues	<u>\$ 1,665,364</u>	<u>\$ 1,512,023</u>	<u>\$ 1,910,285</u>	<u>\$ (244,921)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 96,621	\$ 112,707	\$ 112,707	\$ 16,086
Highway and Bridge Maintenance	548,651	722,438	677,919	129,268
Operation and Maintenance of Equipment	178,786	149,175	193,694	14,908
Other Charges	62,143	76,200	76,200	14,057
Employee Benefits	140,018	159,000	159,000	18,982
Capital Outlay	727,106	262,000	732,210	5,104
<u>Principal on Debt</u>				
Highways and Streets	79,856	12,006	119,656	39,800
<u>Interest on Debt</u>				
Highways and Streets	24,023	14,758	39,282	15,259
<u>Other Debt Service</u>				
Highways and Streets	404	350	429	25
Total Expenditures	<u>\$ 1,857,608</u>	<u>\$ 1,508,634</u>	<u>\$ 2,111,097</u>	<u>\$ 253,489</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (192,244)</u>	<u>\$ 3,389</u>	<u>\$ (200,812)</u>	<u>\$ 8,568</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 62,000	\$ 0	\$ 62,000	\$ 0
Transfers Out	(13,801)	(13,801)	(13,801)	0
Total Other Financing Sources (Uses)	<u>\$ 48,199</u>	<u>\$ (13,801)</u>	<u>\$ 48,199</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (144,045)	\$ (10,412)	\$ (152,613)	\$ 8,568
Fund Balance, July 1, 2005	<u>278,659</u>	<u>44,194</u>	<u>44,194</u>	<u>234,465</u>
Fund Balance, June 30, 2006	<u>\$ 134,614</u>	<u>\$ 33,782</u>	<u>\$ (108,419)</u>	<u>\$ 243,033</u>

**MEIGS COUNTY, TENNESSEE**  
**NOTES TO 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 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, 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 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 statement.

**B. Appropriations Exceeded Estimated Available Funds in the Highway/Public Works Fund**

The budget and subsequent amendments submitted to and approved by the County Commission for the Highway/Public Works Fund contained appropriations that exceeded estimated available funding, causing a budgeted fund deficit of \$108,419.

**C. Interest and Penalties Were Incurred Due to Late Filings of Payroll Taxes to the Internal Revenue Service**

Meigs County incurred interest and penalties of \$33,310 due to late deposits and notifications to the Internal Revenue Service regarding payroll withholdings during the year ended June 30, 2006. It was also determined that an additional \$16,305 had been incurred during the previous fiscal year. Management is currently reviewing procedures to determine how to prevent the recurrence of this problem.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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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.

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Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for Meigs County’s solid waste disposal.

Industrial/Economic Development Fund – The Industrial/Economic Development Fund is used to account for transactions of the Meigs County Industrial Park.

Special Purpose Fund – The Special Purpose Fund is used to account for transactions involving the Retired Senior Volunteer Program (RSVP).

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

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

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

Other Capital Projects Fund – The Other Capital Projects Fund is used to account for the construction of a new health department facility.

Exhibit E-1

Meigs 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	Special Purpose	Drug Control	Total	Other Capital Projects	
<u>ASSETS</u>							
Equity in Pooled Cash and Investments	\$ 48,718	\$ 1,415	\$ 11,482	\$ 33,244	\$ 94,859	\$ 33,290	\$ 128,149
Total Assets	\$ 48,718	\$ 1,415	\$ 11,482	\$ 33,244	\$ 94,859	\$ 33,290	\$ 128,149
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Accounts Payable	\$ 15,203	\$ 0	\$ 0	\$ 0	\$ 15,203	\$ 0	\$ 15,203
Retainage Payable	0	0	0	0	0	21,092	21,092
Total Liabilities	\$ 15,203	\$ 0	\$ 0	\$ 0	\$ 15,203	\$ 21,092	\$ 36,295
<u>Fund Balances</u>							
Reserved for Purchase of Electronic Fingerprint Imaging System	\$ 0	\$ 0	\$ 0	\$ 13,177	\$ 13,177	\$ 0	\$ 13,177
Unreserved	33,515	1,415	11,482	20,067	66,479	12,198	78,677
Total Fund Balances	\$ 33,515	\$ 1,415	\$ 11,482	\$ 33,244	\$ 79,656	\$ 12,198	\$ 91,854
Total Liabilities and Fund Balances	\$ 48,718	\$ 1,415	\$ 11,482	\$ 33,244	\$ 94,859	\$ 33,290	\$ 128,149

Exhibit E-2

Meigs 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					Total
	Solid Waste / Sanitation	Industrial / Economic Development	Special Purpose	Drug Control	Constitutional Officers - Fees	
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 13,241	\$ 0	\$ 13,241
Charges for Current Services	0	0	0	0	320	320
Other Local Revenues	827	0	3,958	1,000	0	5,785
State of Tennessee	4,434	0	0	0	0	4,434
Federal Government	0	0	85,065	0	0	85,065
<b>Total Revenues</b>	<b>\$ 5,261</b>	<b>\$ 0</b>	<b>\$ 89,023</b>	<b>\$ 14,241</b>	<b>\$ 320</b>	<b>\$ 108,845</b>
<u>Expenditures</u>						
Current:						
General Government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 320	\$ 320
Public Safety	0	0	0	3,013	0	3,013
Public Health and Welfare	180,364	0	0	0	0	180,364
Social, Cultural, and Recreational Services	0	0	91,673	0	0	91,673
Capital Projects	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>\$ 180,364</b>	<b>\$ 0</b>	<b>\$ 91,673</b>	<b>\$ 3,013</b>	<b>\$ 320</b>	<b>\$ 275,370</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (175,103)	\$ 0	\$ (2,650)	\$ 11,228	\$ 0	\$ (166,525)
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 156,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 156,000
Transfers Out	0	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 156,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 156,000</b>
Net Change in Fund Balances	\$ (19,103)	\$ 0	\$ (2,650)	\$ 11,228	\$ 0	\$ (10,525)
Fund Balance, July 1, 2005	52,618	1,415	14,132	22,016	0	90,181
<b>Fund Balance, June 30, 2006</b>	<b>\$ 33,515</b>	<b>\$ 1,415</b>	<b>\$ 11,482</b>	<b>\$ 33,244</b>	<b>\$ 0</b>	<b>\$ 79,656</b>

(Continued)

Exhibit E-2

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

	Capital Projects Funds			Total Nonmajor Governmental Funds
	General Capital Projects	Other Capital Projects	Total	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 13,241
Charges for Current Services	0	0	0	320
Other Local Revenues	408	40	448	6,233
State of Tennessee	0	20,000	20,000	24,434
Federal Government	0	27,708	27,708	112,773
Total Revenues	\$ 408	\$ 47,748	\$ 48,156	\$ 157,001
<u>Expenditures</u>				
Current:				
General Government	\$ 0	\$ 0	\$ 0	\$ 320
Public Safety	0	0	0	3,013
Public Health and Welfare	0	0	0	180,364
Social, Cultural, and Recreational Services	0	0	0	91,673
Capital Projects	0	40,044	40,044	40,044
Total Expenditures	\$ 0	\$ 40,044	\$ 40,044	\$ 315,414
Excess (Deficiency) of Revenues Over Expenditures	\$ 408	\$ 7,704	\$ 8,112	\$ (158,413)
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 21,500	\$ 21,500	\$ 177,500
Transfers Out	(17,987)	0	(17,987)	(17,987)
Total Other Financing Sources (Uses)	\$ (17,987)	\$ 21,500	\$ 3,513	\$ 159,513
Net Change in Fund Balances	\$ (17,579)	\$ 29,204	\$ 11,625	\$ 1,100
Fund Balance, July 1, 2005	17,579	(17,006)	573	90,754
Fund Balance, June 30, 2006	\$ 0	\$ 12,198	\$ 12,198	\$ 91,854

Exhibit E-3

Meigs 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	\$ 827	\$ 0	\$ 0	\$ 827
State of Tennessee	4,434	0	0	4,434
Total Revenues	\$ 5,261	\$ 0	\$ 0	\$ 5,261
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 180,364	\$ 159,944	\$ 209,944	\$ 29,580
Total Expenditures	\$ 180,364	\$ 159,944	\$ 209,944	\$ 29,580
Excess (Deficiency) of Revenues Over Expenditures	\$ (175,103)	\$ (159,944)	\$ (209,944)	\$ 34,841
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 156,000	\$ 156,000	\$ 156,000	\$ 0
Total Other Financing Sources (Uses)	\$ 156,000	\$ 156,000	\$ 156,000	\$ 0
Net Change in Fund Balance	\$ (19,103)	\$ (3,944)	\$ (53,944)	\$ 34,841
Fund Balance, July 1, 2005	52,618	32,641	32,641	19,977
Fund Balance, June 30, 2006	\$ 33,515	\$ 28,697	\$ (21,303)	\$ 54,818

Exhibit E-4

Meigs 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	\$ 3,958	\$ 3,840	\$ 3,840	\$ 118
Federal Government	85,065	85,065	85,065	0
Total Revenues	<u>\$ 89,023</u>	<u>\$ 88,905</u>	<u>\$ 88,905</u>	<u>\$ 118</u>
<u>Expenditures</u>				
<u>Social, Cultural, and Recreational Services</u>				
Adult Activities	\$ 85,669	\$ 84,970	\$ 86,010	\$ 341
Senior Citizens Assistance	6,004	8,204	8,204	2,200
Total Expenditures	<u>\$ 91,673</u>	<u>\$ 93,174</u>	<u>\$ 94,214</u>	<u>\$ 2,541</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (2,650)</u>	<u>\$ (4,269)</u>	<u>\$ (5,309)</u>	<u>\$ 2,659</u>
Net Change in Fund Balance	\$ (2,650)	\$ (4,269)	\$ (5,309)	\$ 2,659
Fund Balance, July 1, 2005	<u>14,132</u>	<u>10,808</u>	<u>10,808</u>	<u>3,324</u>
Fund Balance, June 30, 2006	<u>\$ 11,482</u>	<u>\$ 6,539</u>	<u>\$ 5,499</u>	<u>\$ 5,983</u>

Exhibit E-5

Meigs 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	\$ 13,241	\$ 500	\$ 500	\$ 12,741
Other Local Revenues	1,000	500	500	500
Total Revenues	<u>\$ 14,241</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 13,241</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 3,013	\$ 3,850	\$ 3,850	\$ 837
Total Expenditures	<u>\$ 3,013</u>	<u>\$ 3,850</u>	<u>\$ 3,850</u>	<u>\$ 837</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 11,228</u>	<u>\$ (2,850)</u>	<u>\$ (2,850)</u>	<u>\$ 14,078</u>
Net Change in Fund Balance	\$ 11,228	\$ (2,850)	\$ (2,850)	\$ 14,078
Fund Balance, July 1, 2005	<u>22,016</u>	<u>9,108</u>	<u>9,108</u>	<u>12,908</u>
Fund Balance, June 30, 2006	<u>\$ 33,244</u>	<u>\$ 6,258</u>	<u>\$ 6,258</u>	<u>\$ 26,986</u>

# **Major Governmental Fund**

## **General Debt Service Fund**

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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.

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Exhibit F

Meigs 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	\$ 600,932	\$ 577,757	\$ 577,757	\$ 23,175
Other Local Revenues	30,683	40,000	40,000	(9,317)
State of Tennessee	33,263	25,600	25,600	7,663
Other Governments and Citizens Groups	225,000	225,000	225,000	0
Total Revenues	<u>\$ 889,878</u>	<u>\$ 868,357</u>	<u>\$ 868,357</u>	<u>\$ 21,521</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 482,857	\$ 575,374	\$ 575,374	\$ 92,517
<u>Interest on Debt</u>				
General Government	228,237	237,778	237,778	9,541
<u>Other Debt Service</u>				
General Government	11,731	10,000	14,000	2,269
Total Expenditures	<u>\$ 722,825</u>	<u>\$ 823,152</u>	<u>\$ 827,152</u>	<u>\$ 104,327</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 167,053</u>	<u>\$ 45,205</u>	<u>\$ 41,205</u>	<u>\$ 125,848</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 37,987	\$ 20,000	\$ 20,000	\$ 17,987
Total Other Financing Sources (Uses)	<u>\$ 37,987</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 17,987</u>
Net Change in Fund Balance	\$ 205,040	\$ 65,205	\$ 61,205	\$ 143,835
Fund Balance, July 1, 2005	<u>147,854</u>	<u>214,641</u>	<u>214,641</u>	<u>(66,787)</u>
Fund Balance, June 30, 2006	<u>\$ 352,894</u>	<u>\$ 279,846</u>	<u>\$ 275,846</u>	<u>\$ 77,048</u>

# Fiduciary Funds

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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.

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

Exhibit G-1

Meigs 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	Totals
<u>ASSETS</u>			
Cash	\$ 0	\$ 269,500	\$ 269,500
Due from Other Governments	27,964	0	27,964
Total Assets	<u>\$ 27,964</u>	<u>\$ 269,500</u>	<u>\$ 297,464</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 27,964	\$ 0	\$ 27,964
Due to Litigants, Heirs, and Others	0	269,500	269,500
Total Liabilities	<u>\$ 27,964</u>	<u>\$ 269,500</u>	<u>\$ 297,464</u>

Exhibit G-2

Meigs 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	\$ 169,636	\$ 169,636	\$ 0
Due From Other Governments	27,776	27,964	27,776	27,964
Total Assets	\$ 27,776	\$ 197,600	\$ 197,412	\$ 27,964
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 27,776	\$ 197,600	\$ 197,412	\$ 27,964
Total Liabilities	\$ 27,776	\$ 197,600	\$ 197,412	\$ 27,964
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 373,049	\$ 1,779,070	\$ 1,882,619	\$ 269,500
Total Assets	\$ 373,049	\$ 1,779,070	\$ 1,882,619	\$ 269,500
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 373,049	\$ 1,779,070	\$ 1,882,619	\$ 269,500
Total Liabilities	\$ 373,049	\$ 1,779,070	\$ 1,882,619	\$ 269,500
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 169,636	\$ 169,636	\$ 0
Cash	373,049	1,779,070	1,882,619	269,500
Due From Other Governments	27,776	27,964	27,776	27,964
Total Assets	\$ 400,825	\$ 1,976,670	\$ 2,080,031	\$ 297,464
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 27,776	\$ 197,600	\$ 197,412	\$ 27,964
Due to Litigants, Heirs, and Others	373,049	1,779,070	1,882,619	269,500
Total Liabilities	\$ 400,825	\$ 1,976,670	\$ 2,080,031	\$ 297,464

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## MISCELLANEOUS SCHEDULES

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Exhibit H-1

Meigs County, Tennessee  
Schedule of Changes in Long-term Notes and 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	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
<b>NOTES PAYABLE</b>								
<u>Payable through the General Debt Service Fund</u>								
Highway	\$ 400,000	5.67%	6-4-1997	6-1-07	\$ 95,000	\$ 0	\$ 45,000	\$ 50,000
Courthouse	450,000	6.47	5-2-05	5-2-17	447,970	0	25,808	422,162
Total Payable through General Debt Service Fund					<u>\$ 542,970</u>	<u>\$ 0</u>	<u>\$ 70,808</u>	<u>\$ 472,162</u>
<u>Payable through the Highway/Public Works Fund</u>								
Highway Equipment - Backhoe	62,000	6.15	12-1-05	12-1-08	\$ 0	\$ 62,000	\$ 4,322	\$ 57,678
Highway - Paving	250,000	4.85	3-5-02	3-1-09	150,000	0	35,000	115,000
Highway - Dump Truck	17,400	3.9	11-14-02	11-14-05	2,538	0	2,538	0
Highway - Backhoe	50,997	3.9	11-14-02	11-14-05	32,429	0	32,429	0
Highway - Graders	279,301	5.15	5-16-05	5-16-08	278,873	0	5,567	273,306
Total Payable through Highway/Public Works Fund					<u>\$ 463,840</u>	<u>\$ 62,000</u>	<u>\$ 79,856</u>	<u>\$ 445,984</u>
Total Notes Payable					<u>\$ 1,006,810</u>	<u>\$ 62,000</u>	<u>\$ 150,664</u>	<u>\$ 918,146</u>
<b>BONDS PAYABLE</b>								
<u>Payable through the General Debt Service Fund</u>								
FmHA Issue - Industrial Park	80,000	5	1-15-1982	1-1-22	\$ 53,515	\$ 0	\$ 2,049	\$ 51,466
School Refunding, Series 1999	3,360,000	3.9 to 4.3	3-4-1999	5-1-12	3,145,000	0	410,000	2,735,000
General Obligation Bonds, Series 2002A - I	1,410,000	4 to 4.5	2-7-02	5-1-15	1,410,000	0	0	1,410,000
General Obligation (CAB) Bonds, Series 2002A - II (1)	2,088,479	4.8 to 5.15	2-7-02	5-1-26	2,088,479	0	0	2,088,479
Total Bonds Payable					<u>\$ 6,696,994</u>	<u>\$ 0</u>	<u>\$ 412,049</u>	<u>\$ 6,284,945</u>

(1) These (CAB) bonds accrete interest that is paid at bond maturity. As of June 30, 2006, approximately \$505,666 of interest has accreted on the bonds.

Exhibit H-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	FmHA Bond Requirements	FmHA Interest Requirements	Total Requirements
2007	\$ 425,000	\$ 175,398	\$ 2,153	\$ 2,570	\$ 605,121
2008	510,000	158,185	2,262	2,461	672,908
2009	530,000	137,346	2,376	2,347	672,069
2010	555,000	115,447	2,497	2,226	675,170
2011	575,000	92,103	2,623	2,100	671,826
2012	595,000	67,665	2,756	1,967	667,388
2013	400,000	42,168	2,895	1,828	446,891
2014	415,000	24,768	3,042	1,681	444,491
2015	300,143	146,157	3,196	1,527	451,023
2016	227,502	222,498	3,358	1,365	454,723
2017	215,248	234,752	3,528	1,195	454,723
2018	203,459	246,541	3,706	1,017	454,723
2019	192,127	257,873	3,894	829	454,723
2020	182,871	267,129	4,091	632	454,723
2021	172,436	277,564	4,298	425	454,723
2022	164,043	285,957	4,791	214	455,005
2023	154,458	295,542	0	0	450,000
2024	146,871	303,129	0	0	450,000
2025	138,083	311,917	0	0	450,000
2026	131,238	318,762	0	0	450,000
<b>Total</b>	<b>\$ 6,233,479</b>	<b>\$ 3,980,901</b>	<b>\$ 51,466</b>	<b>\$ 24,384</b>	<b>\$ 10,290,230</b>

Exhibit H-3

Meigs 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	Operating funds	\$ 156,000
General	General Debt Service	Retirement of debt	20,000
General	Other Capital Projects	Capital funds	21,500
Highway/Public Works	General	Salary reimbursement	13,801
General Capital Projects	General Debt Service	To close fund	<u>17,987</u>
Total Transfers			<u>\$ 229,288</u>

Exhibit H-4

Meigs 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 Mayor	Section 8-24-102, <u>TCA</u>	\$ 51,452	\$ 25,000	Peerless Insurance Company
Highway Superintendent	Section 8-24-102, <u>TCA</u>	48,958	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	44,548	359,000	Travelers Casualty and Surety
Assessor of Property	Section 8-24-102, <u>TCA</u>	44,548	10,000	Peerless Insurance Company
County Clerk	Section 8-24-102, <u>TCA</u>	44,548	25,000	"
Circuit and General Sessions Courts Clerk:				
Debbie Smith (7-1-05 through 3-28-06)	Section 8-24-102, <u>TCA</u>	33,052	25,000	Travelers Casualty and Surety
Jacqueline Ware (4-21-06 through 6-30-06)	Section 8-24-102, <u>TCA</u>	8,662	25,000	St. Paul Travelers Company
Clerk and Master	Section 8-24-102, <u>TCA</u>	44,548	25,000	Peerless Insurance Company
Register	Section 8-24-102, <u>TCA</u>	44,548	15,000	Travelers Casualty and Surety
Sheriff	Section 8-24-102, <u>TCA</u>	49,002	25,000	"
Blanket Bond:				
All County Employees			5,000 (1)	Continental Insurance Company

(1) Bond coverage is \$5,000 per each occurrence.

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

Exhibit H-5

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 1,568,941	\$ 0	\$ 0	\$ 0	\$ 0	0
Trustee's Collections - Prior Year	90,905	0	0	0	0	0
Circuit/Clerk & Master Collections - Prior Years	28,335	0	0	0	0	0
Interest and Penalty	16,258	0	0	0	0	0
Payments in-Lieu-of Taxes - T.V.A.	3,713	0	0	0	0	0
<u>County Local Option Taxes</u>						
Local Option Sales Tax	129,931	0	0	0	0	0
Hotel/Motel Tax	7,610	0	0	0	0	0
Litigation Tax - General	31,462	0	0	0	0	0
Litigation Tax - Special Purpose	44,377	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	11,300	0	0	0	0	0
Business Tax	18,970	0	0	0	0	0
Mineral Severance Tax	0	0	0	0	0	22,878
Other County Local Option Taxes	5,202	0	0	0	0	0
<u>Statutory Local Taxes</u>						
Bank Excise Tax	1,037	0	0	0	0	0
Wholesale Beer Tax	30,000	0	0	0	0	0
Interstate Telecommunications Tax	1,707	0	0	0	0	0
Total Local Taxes	\$ 1,989,748	\$ 0	\$ 0	\$ 0	\$ 0	22,878
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 508	\$ 0	\$ 0	\$ 0	\$ 0	0
Cable TV Franchise	6,071	0	0	0	0	0
<u>Permits</u>						
Beer Permits	950	0	0	0	0	0
Building Permits	19,520	0	0	0	0	0
Total Licenses and Permits	\$ 27,049	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 2,323	\$ 0	\$ 0	\$ 0	\$ 0	0

(Continued)

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

Exhibit H-5

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Circuit Court (Cont.)</u>						
Officers Costs	\$ 86	\$ 0	\$ 0	\$ 0	\$ 0	0
Drug Control Fines	0	0	0	190	0	0
<u>General Sessions Court</u>						
Fines	37,551	0	0	0	0	0
Fines for Littering	95	0	0	0	0	0
Officers Costs	20,684	0	0	0	0	0
Game and Fish Fines	875	0	0	0	0	0
Drug Control Fines	0	0	0	13,051	0	0
Jail Fees	5,795	0	0	0	0	0
DUI Treatment Fines	2,117	0	0	0	0	0
Data Entry Fee - General Sessions Court	876	0	0	0	0	0
<u>Juvenile Court</u>						
Fines	24	0	0	0	0	0
<u>Chancery Court</u>						
Officers Costs	1,097	0	0	0	0	0
Data Entry Fee - Chancery Court	152	0	0	0	0	0
<u>Other Courts - In-county</u>						
Fines	38,923	0	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>						
Other Fines, Forfeitures, and Penalties	7	0	0	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 110,605	\$ 0	\$ 0	\$ 13,241	\$ 0	0
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Patient Charges	\$ 200,387	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Fees</u>						
Copy Fees	2,130	0	0	0	0	0
Telephone Commissions	5,167	0	0	0	0	0
Vending Machine Collections	226	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	320	0
Data Processing Fee - Register	6,062	0	0	0	0	0
Data Processing Fee - Sheriff	1,391	0	0	0	0	0

(Continued)

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

Exhibit H-5

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Charges for Current Services (Cont.)</u>						
<u>Fees (Cont.)</u>						
Sexual Offender Registration Fees - Sheriff	\$ 1,800	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Charges for Current Services	\$ 217,163	\$ 0	\$ 0	\$ 0	\$ 320	\$ 0
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	2,300	0	0	0	0	0
Commissary Sales	12,525	0	0	0	0	0
Sale of Gasoline	120	0	0	0	0	0
Sale of Recycled Materials	0	827	0	0	0	0
Miscellaneous Refunds	338	0	473	1,000	0	1,159
<u>Nonrecurring Items</u>						
Insurance Recovery	24,376	0	0	0	0	0
Sale of Equipment	0	0	0	0	0	50,344
Damages Recovered from Individuals	100	0	0	0	0	0
Contributions & Gifts	2,000	0	3,485	0	0	0
Total Other Local Revenues	\$ 41,759	\$ 827	\$ 3,958	\$ 1,000	\$ 0	\$ 51,503
<u>Fees Received from County Officials</u>						
<u>Fees-In-Lieu of Salary</u>						
County Clerk	\$ 89,474	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	10,442	0	0	0	0	0
General Sessions Court Clerk	67,834	0	0	0	0	0
Clerk and Master	30,539	0	0	0	0	0
Register	79,505	0	0	0	0	0
Sheriff	4,143	0	0	0	0	0
Trustee	96,458	0	0	0	0	0
Total Fees Received from County Officials	\$ 378,395	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

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

Exhibit H-5

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>State of Tennessee (Cont.)</u>						
<u>General Government Grants (Cont.)</u>						
Aging Programs	\$ 5,571	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
State Reappraisal Grant	4,901	0	0	0	0	0
Solid Waste Grants	0	4,434	0	0	0	0
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	5,187	0	0	0	0	0
<u>Health and Welfare Grants</u>						
Other Health and Welfare Grants	0	0	0	0	0	0
<u>Public Works Grants</u>						
State Aid Program	0	0	0	0	0	290,288
Litter Program	35,521	0	0	0	0	0
<u>Other State Revenues</u>						
Income Tax	19,593	0	0	0	0	0
Beer Tax	17,212	0	0	0	0	0
Alcoholic Beverage Tax	16,155	0	0	0	0	0
State Revenue Sharing - T.V.A.	192,301	0	0	0	0	0
Contracted Prisoner Boarding	193,718	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,291,777
Petroleum Special Tax	0	0	0	0	0	8,918
Registrar's Salary Supplement	20,475	0	0	0	0	0
Other State Grants	10,000	0	0	0	0	0
Other State Revenues	100,695	0	0	0	0	0
Total State of Tennessee	\$ 630,329	\$ 4,434	\$ 0	\$ 0	\$ 0	\$ 1,590,983
<u>Federal Government</u>						
<u>Federal Through State</u>						
Appalachian Regional Commission	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Community Development	420,451	0	0	0	0	0
Civil Defense Reimbursement	9,847	0	0	0	0	0
Homeland Security Grants	60,627	0	0	0	0	0
Other Federal through State	8,000	0	0	0	0	0
<u>Direct Federal Revenue</u>						
Other Direct Federal Revenue	92,655	0	85,065	0	0	0
Total Federal Government	\$ 591,580	\$ 0	\$ 85,065	\$ 0	\$ 0	\$ 0

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

Exhibit H-5

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contracted Services	105,000	0	0	0	0	0
Total Other Governments and Citizens Groups	\$ 105,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
 Total	 \$ 4,091,628	 \$ 5,261	 \$ 89,023	 \$ 14,241	 \$ 320	 \$ 1,665,364

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

Exhibit H-5

	Debt Service Fund			Total
	General	Capital Projects	Other	
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 439,511	\$ 0	\$ 0	\$ 2,008,452
Trustee's Collections - Prior Year	21,608	0	0	112,513
Circuit/Clerk & Master Collections - Prior Years	6,874	0	0	35,209
Interest and Penalty	3,892	0	0	20,150
Payments in-Lieu-of Taxes - T.V.A.	0	0	0	3,713
<u>County Local Option Taxes</u>				
Local Option Sales Tax	129,047	0	0	258,978
Hotel/Motel Tax	0	0	0	7,610
Litigation Tax - General	0	0	0	31,462
Litigation Tax - Special Purpose	0	0	0	44,377
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	11,300
Business Tax	0	0	0	18,970
Mineral Severance Tax	0	0	0	22,878
Other County Local Option Taxes	0	0	0	5,202
<u>Statutory Local Taxes</u>				
Bank Excise Tax	0	0	0	1,037
Wholesale Beer Tax	0	0	0	30,000
Interstate Telecommunications Tax	0	0	0	1,707
Total Local Taxes	\$ 600,932	\$ 0	\$ 0	\$ 2,613,558
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 0	\$ 0	\$ 0	\$ 508
Cable TV Franchise	0	0	0	6,071
<u>Permits</u>				
Beer Permits	0	0	0	950
Building Permits	0	0	0	19,520
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 27,049
<u>Fines, Forfeitures, and Penalties</u>				
<u>Circuit Court</u>				
Fines	\$ 0	\$ 0	\$ 0	\$ 2,323

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

Exhibit H-5

	Debt Service Fund			Total
	General	Capital Projects	Other Capital Projects	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>				
<u>Circuit Court (Cont.)</u>				
Officers Costs	\$ 0	\$ 0	\$ 0	\$ 86
Drug Control Fines	0	0	0	190
<u>General Sessions Court</u>				
Fines	0	0	0	37,551
Fines for Littering	0	0	0	95
Officers Costs	0	0	0	20,684
Game and Fish Fines	0	0	0	875
Drug Control Fines	0	0	0	13,051
Jail Fees	0	0	0	5,795
DUI Treatment Fines	0	0	0	2,117
Data Entry Fee - General Sessions Court	0	0	0	876
<u>Juvenile Court</u>				
Fines	0	0	0	24
<u>Chancery Court</u>				
Officers Costs	0	0	0	1,097
Data Entry Fee - Chancery Court	0	0	0	152
<u>Other Courts - In-county</u>				
Fines	0	0	0	38,923
<u>Other Fines, Forfeitures, and Penalties</u>				
Other Fines, Forfeitures, and Penalties	0	0	0	7
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 123,846
<u>Charges for Current Services</u>				
<u>General Service Charges</u>				
Patient Charges	\$ 0	\$ 0	\$ 0	\$ 200,387
<u>Fees</u>				
Copy Fees	0	0	0	2,130
Telephone Commissions	0	0	0	5,167
Vending Machine Collections	0	0	0	226
Constitutional Officers' Fees and Commissions	0	0	0	320
Data Processing Fee - Register	0	0	0	6,062
Data Processing Fee - Sheriff	0	0	0	1,391

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

Exhibit H-5

	Debt Service Fund			Total
	General	Capital Projects	Other	
<u>Charges for Current Services (Cont.)</u>				
<u>Fees (Cont.)</u>				
Sexual Offender Registration Fees - Sheriff	\$ 0	\$ 0	\$ 0	\$ 1,800
Total Charges for Current Services	\$ 0	\$ 0	\$ 0	\$ 217,483
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 30,683	\$ 331	\$ 0	\$ 31,014
Lease/Rentals	0	0	0	2,300
Commissary Sales	0	0	0	12,525
Sale of Gasoline	0	0	0	120
Sale of Recycled Materials	0	0	0	827
Miscellaneous Refunds	0	77	40	3,087
<u>Nonrecurring Items</u>				
Insurance Recovery	0	0	0	24,376
Sale of Equipment	0	0	0	50,344
Damages Recovered from Individuals	0	0	0	100
Contributions & Gifts	0	0	0	5,485
Total Other Local Revenues	\$ 30,683	\$ 408	\$ 40	\$ 130,178
<u>Fees Received from County Officials</u>				
<u>Fees-In-Lieu of Salary</u>				
County Clerk	\$ 0	\$ 0	\$ 0	\$ 89,474
Circuit Court Clerk	0	0	0	10,442
General Sessions Court Clerk	0	0	0	67,834
Clerk and Master	0	0	0	30,539
Register	0	0	0	79,505
Sheriff	0	0	0	4,143
Trustee	0	0	0	96,458
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 378,395
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 9,000

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

Exhibit H-5

	Debt Service Fund			Total
	General	Capital Projects	Other	
	Debt Service	Capital Projects	Capital Projects	
<u>State of Tennessee (Cont.)</u>				
<u>General Government Grants (Cont.)</u>				
Aging Programs	\$ 0	\$ 0	\$ 0	\$ 5,571
State Reappraisal Grant	0	0	0	4,901
Solid Waste Grants	0	0	0	4,434
<u>Public Safety Grants</u>				
Law Enforcement Training Programs	0	0	0	5,187
<u>Health and Welfare Grants</u>				
Other Health and Welfare Grants	0	0	20,000	20,000
<u>Public Works Grants</u>				
State Aid Program	0	0	0	290,288
Litter Program	0	0	0	35,521
<u>Other State Revenues</u>				
Income Tax	4,418	0	0	24,011
Beer Tax	0	0	0	17,212
Alcoholic Beverage Tax	0	0	0	16,155
State Revenue Sharing - T.V.A.	28,845	0	0	221,146
Contracted Prisoner Boarding	0	0	0	193,718
Gasoline and Motor Fuel Tax	0	0	0	1,291,777
Petroleum Special Tax	0	0	0	8,918
Registrar's Salary Supplement	0	0	0	20,475
Other State Grants	0	0	0	10,000
Other State Revenues	0	0	0	100,695
Total State of Tennessee	\$ 33,263	\$ 0	\$ 20,000	\$ 2,279,009
<u>Federal Government</u>				
<u>Federal Through State</u>				
Appalachian Regional Commission	\$ 0	\$ 0	\$ 27,708	\$ 27,708
Community Development	0	0	0	420,451
Civil Defense Reimbursement	0	0	0	9,847
Homeland Security Grants	0	0	0	60,627
Other Federal through State	0	0	0	8,000
<u>Direct Federal Revenue</u>				
Other Direct Federal Revenue	0	0	0	177,720
Total Federal Government	\$ 0	\$ 0	\$ 27,708	\$ 704,353

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

Exhibit H-5

	Debt Service Fund		Capital Projects Funds		Total
	General	Debt Service	General Capital Projects	Other Capital Projects	
<hr/>					
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 225,000	\$ 0	\$ 0	\$ 0	\$ 225,000
Contracted Services	0	0	0	0	105,000
Total Other Governments and Citizens Groups	<u>\$ 225,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 330,000</u>
Total	<u>\$ 889,878</u>	<u>\$ 408</u>	<u>\$ 47,748</u>	<u>\$ 6,803,871</u>	

Exhibit H-6

Meigs 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	\$	9,060	
Audit Services		2,606	
Contributions		1,700	
Dues and Memberships		11,085	
Travel		570	
Other Supplies and Materials		1,000	
Total County Commission			\$ 26,021

Board of Equalization

Board and Committee Members Fees	\$	250	
Total Board of Equalization			250

County Mayor/Executive

County Official/Administrative Officer	\$	51,452	
Assistant(s)		13,206	
Communication		438	
Travel		1,857	
Office Supplies		2,665	
Total County Mayor/Executive			69,618

County Attorney

County Official/Administrative Officer	\$	15,000	
Total County Attorney			15,000

Election Commission

County Official/Administrative Officer	\$	35,638	
Part-time Personnel		1,890	
Election Commission		6,145	
Election Workers		17,020	
Legal Notices, Recording, and Court Costs		4,024	
Printing, Stationery, and Forms		2,743	
Travel		665	
Other Contracted Services		5,400	
Data Processing Supplies		1,242	
Office Supplies		1,213	
Data Processing Equipment		6,461	
Total Election Commission			82,441

Register of Deeds

County Official/Administrative Officer	\$	44,548	
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(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds (Cont.)

Deputy(ies)	\$	12,710	
Part-time Personnel		1,000	
Other Contracted Services		469	
Data Processing Supplies		5,314	
Office Supplies		7,645	
Total Register of Deeds			\$ 71,686

Planning

Clerical Personnel	\$	469	
Part-time Personnel		11,472	
Dues and Memberships		7,000	
Travel		1,864	
Office Supplies		621	
Data Processing Equipment		1,390	
Total Planning			22,816

County Buildings

Custodial Personnel	\$	9,615	
Communication		17,538	
Maintenance Agreements		28	
Maintenance & Repair Services - Buildings		15,305	
Maintenance & Repair Services - Equipment		6,675	
Pest Control		1,200	
Custodial Supplies		1,471	
Diesel Fuel		13,884	
Duplicating Supplies		4,147	
Electricity		31,365	
Gasoline		48,243	
Natural Gas		19,795	
Utilities		4,773	
Water and Sewer		2,860	
Other Supplies and Materials		2,000	
Total County Buildings			178,899

Finance

Accounting and Budgeting

Accountants/Bookkeepers	\$	27,335	
Clerical Personnel		9,904	
Legal Notices, Recording, and Court Costs		641	
Maintenance Agreements		8,404	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Finance (Cont.)

Accounting and Budgeting (Cont.)

Postal Charges	\$	13,039	
Travel		1,204	
Data Processing Supplies		1,485	
Office Supplies		5,703	
Total Accounting and Budgeting			\$ 67,715

Property Assessor's Office

County Official/Administrative Officer	\$	44,548	
Deputy(ies)		14,273	
Other Salaries & Wages		4,000	
Audit Services		3,697	
Maintenance & Repair Services - Equipment		4,778	
Travel		3,041	
Office Supplies		505	
Other Supplies and Materials		400	
Data Processing Equipment		28,612	
Total Property Assessor's Office			103,854

Reappraisal Program

Clerical Personnel	\$	12,132	
Data Processing Services		1,747	
Postal Charges		1,972	
Other Supplies and Materials		389	
Total Reappraisal Program			16,240

County Trustee's Office

County Official/Administrative Officer	\$	44,548	
Deputy(ies)		13,636	
Part-time Personnel		3,066	
Legal Notices, Recording, and Court Costs		87	
Travel		242	
Office Supplies		905	
Total County Trustee's Office			62,484

County Clerk's Office

County Official/Administrative Officer	\$	44,548
Deputy(ies)		15,340
Part-time Personnel		16,566
Legal Notices, Recording, and Court Costs		204

(Continued)

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

General Fund (Cont.)Finance (Cont.)County Clerk's Office (Cont.)

Maintenance & Repair Services - Equipment	\$	290	
Office Supplies		665	
Office Equipment		6,388	
Total County Clerk's Office			\$ 84,001

Other Finance

Trustee's Commission	\$	42,287	
Total Other Finance			42,287

Administration of JusticeCircuit Court

County Official/Administrative Officer	\$	41,714	
Deputy(ies)		16,189	
Part-time Personnel		11,609	
Jury and Witness Fees		5,564	
Other Per Diem & Fees		326	
Contracts with Private Agencies		1,000	
Office Supplies		3,979	
Total Circuit Court			80,381

General Sessions Court

Judge(s)	\$	59,750	
Probation Officer(s)		12,605	
Office Supplies		55	
Furniture and Fixtures		3,831	
Total General Sessions Court			76,241

Chancery Court

County Official/Administrative Officer	\$	44,548	
Deputy(ies)		13,636	
Postal Charges		4,000	
Office Supplies		1,698	
Data Processing Equipment		990	
Office Equipment		217	
Total Chancery Court			65,089

Public SafetySheriff's Department

County Official/Administrative Officer	\$	49,002	
Deputy(ies)		258,927	

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Salary Supplements	\$	4,668	
Dispatchers/Radio Operators		74,102	
Guards		23,902	
In-Service Training		50	
Maintenance & Repair Services - Vehicles		13,239	
Printing, Stationery, and Forms		275	
Travel		1,504	
Law Enforcement Supplies		290	
Office Supplies		2,119	
Tires and Tubes		2,811	
Uniforms		3,229	
Motor Vehicles		29,240	
Total Sheriff's Department			\$ 463,358

Special Patrols

Deputy(ies)	\$	30,023	
Total Special Patrols			30,023

Jail

Assistant(s)	\$	23,875	
Guards		114,705	
Other Salaries & Wages		22,406	
In-Service Training		914	
Communication		8,327	
Maintenance Agreements		2,073	
Maintenance & Repair Services - Buildings		11,630	
Maintenance & Repair Services - Office Equipment		2,025	
Medical and Dental Services		23,225	
Travel		1,886	
Custodial Supplies		14,402	
Drugs and Medical Supplies		7,251	
Food Preparation Supplies		2,256	
Food Supplies		65,351	
Office Supplies		3,500	
Utilities		36,568	
Other Supplies and Materials		3,090	
Refunds		218	
Total Jail			343,702

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Juvenile Services

Youth Service Officer(s)	\$	14,407	
Other Contracted Services		5,125	
Office Supplies		815	
Office Equipment		1,379	
Total Juvenile Services			\$ 21,726

Fire Prevention and Control

Other Per Diem & Fees	\$	685	
Maintenance & Repair Services - Buildings		1,531	
Maintenance & Repair Services - Equipment		1,651	
Maintenance & Repair Services - Vehicles		25,116	
Uniforms		104,023	
Utilities		12,234	
Total Fire Prevention and Control			145,240

Civil Defense

Supervisor/Director	\$	31,345	
Maintenance & Repair Services - Buildings		883	
Maintenance & Repair Services - Equipment		3,340	
Maintenance & Repair Services - Vehicles		11,818	
Travel		420	
Natural Gas		1,388	
Utilities		9,782	
Other Supplies and Materials		60,677	
Total Civil Defense			119,653

Rescue Squad

Other Per Diem & Fees	\$	1,980	
Communication		1,543	
Maintenance & Repair Services - Equipment		489	
Maintenance & Repair Services - Vehicles		2,600	
Total Rescue Squad			6,612

County Coroner/Medical Examiner

Other Contracted Services	\$	9,904	
Total County Coroner/Medical Examiner			9,904

Other Public Safety

Supervisor/Director	\$	25,654	
Dispatchers/Radio Operators		44,761	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Other Public Safety (Cont.)

In-Service Training	\$	599	
Communication		985	
Maintenance & Repair Services - Buildings		4,808	
Travel		1,511	
Office Supplies		4,187	
Uniforms		321	
Total Other Public Safety			\$ 82,826

Public Health and Welfare

Local Health Center

Clerical Personnel	\$	19,465	
Custodial Personnel		1,050	
In-Service Training		100	
Communication		1,084	
Maintenance & Repair Services - Buildings		220	
Travel		220	
Office Supplies		2,609	
Utilities		8,470	
Other Supplies and Materials		270	
Total Local Health Center			33,488

Ambulance/Emergency Medical Services

Supervisor/Director	\$	4,263	
Paraprofessionals		195,070	
Salary Supplements		1,560	
Clerical Personnel		22,065	
Communication		1,796	
Licenses		450	
Maintenance & Repair Services - Equipment		395	
Maintenance & Repair Services - Vehicles		5,285	
Printing, Stationery, and Forms		1,368	
Custodial Supplies		960	
Drugs and Medical Supplies		11,199	
Uniforms		1,739	
Other Supplies and Materials		2,820	
Total Ambulance/Emergency Medical Services			248,970

Appropriation to State

Contracts with Government Agencies	\$	7,000	
Total Appropriation to State			7,000

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Management

Part-time Personnel	\$ 4,718	
Total Sanitation Management		\$ 4,718

Sanitation Education/Information

Guards	\$ 23,871	
Instructional Supplies and Materials	4,122	
Road Signs	200	
Other Supplies and Materials	711	
Total Sanitation Education/Information		28,904

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$ 10,686	
Communication	997	
Travel	1,271	
Custodial Supplies	844	
Other Supplies and Materials	852	
Total Senior Citizens Assistance		14,650

Libraries

Assistant(s)	\$ 5,108	
Librarians	16,066	
Contributions	10,000	
Total Libraries		31,174

Parks and Fair Boards

Other Contracted Services	\$ 1,770	
Electricity	3,168	
Total Parks and Fair Boards		4,938

Agriculture & Natural Resources

Agriculture Extension Service

Assistant(s)	\$ 6,599	
Supervisor/Director	12,333	
Secretary(ies)	5,088	
Communication	2,604	
Maintenance & Repair Services - Buildings	7,497	
Other Supplies and Materials	2,178	
Total Agriculture Extension Service		36,299

(Continued)

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

General Fund (Cont.)Agriculture & Natural Resources (Cont.)Soil Conservation

Assistant(s)	\$	2,356	
Contributions		3,900	
Total Soil Conservation			\$ 6,256

Other OperationsTourism

Advertising	\$	2,075	
Dues and Memberships		175	
Printing, Stationery, and Forms		3,200	
Travel		1,114	
Liability Insurance		425	
Total Tourism			6,989

Other Economic and Community Development

Other Contracted Services	\$	380,385	
Other Supplies and Materials		13,000	
Total Other Economic and Community Development			393,385

Veterans' Services

Other Salaries & Wages	\$	4,152	
Communication		768	
Maintenance & Repair Services - Vehicles		153	
Travel		305	
Total Veterans' Services			5,378

Other Charges

Liability Insurance	\$	54,036	
Workers' Compensation Insurance		33,319	
Total Other Charges			87,355

Employee Benefits

Social Security	\$	127,016	
Interest and Penalty		33,310	
Extension Service Medicare		45	
State Retirement		1,115	
Employee and Dependent Insurance		97,830	
Unemployment Compensation		3,921	
Other Fringe Benefits		961	
Total Employee Benefits			264,198

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous

Other Contracted Services	\$ 39,267	
Total Miscellaneous	<u>39,267</u>	\$ 39,267

Total General Fund \$ 3,501,036

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Communication	\$ 2,317	
Maintenance & Repair Services - Buildings	52	
Maintenance & Repair Services - Equipment	23	
Other Contracted Services	176,370	
Electricity	1,287	
Water and Sewer	<u>315</u>	
Total Sanitation Management		\$ 180,364

Total Solid Waste/Sanitation Fund 180,364

Special Purpose Fund

Social, Cultural, and Recreational Services

Adult Activities

County Official/Administrative Officer	\$ 27,873	
Supervisor/Director	21	
Accountants/Bookkeepers	19,184	
Bus Drivers	10,816	
Other Per Diem & Fees	22	
Social Security	4,410	
Employee and Dependent Insurance	972	
Unemployment Compensation	63	
Communication	3,627	
Dues and Memberships	280	
Maintenance & Repair Services - Vehicles	290	
Postal Charges	912	
Printing, Stationery, and Forms	161	
Transportation - Other than Students	1,032	
Travel	5,233	
Food Supplies	60	
Gasoline	960	
Office Supplies	3,735	
Other Charges	<u>6,018</u>	
Total Adult Activities		\$ 85,669

(Continued)

Exhibit H-6

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

Special Purpose Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Senior Citizens Assistance

Medical Insurance	\$	4,882	
Office Equipment		1,122	
Total Senior Citizens Assistance			\$ 6,004

Total Special Purpose Fund \$ 91,673

Drug Control Fund

Public Safety

Drug Enforcement

Other Supplies and Materials	\$	2,792	
Trustee's Commission		132	
Other Charges		89	
Total Drug Enforcement			\$ 3,013

Total Drug Control Fund 3,013

Constitutional Officers - Fees Fund

General Government

Other General Administration

Other Charges	\$	320	
Total Other General Administration			\$ 320

Total Constitutional Officers - Fees Fund 320

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	48,958	
Assistant(s)		32,864	
Secretary(ies)		6,486	
Board and Committee Members Fees		1,600	
Dues and Memberships		1,867	
Evaluation and Testing		220	
Legal Notices, Recording, and Court Costs		132	
Travel		785	
Other Contracted Services		125	
Drugs and Medical Supplies		146	
Office Supplies		1,458	
Data Processing Equipment		1,980	
Total Administration			\$ 96,621

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance

Equipment Operators	\$	179,554	
Truck Drivers		48,724	
Laborers		52,795	
Rentals		7,259	
Asphalt - Hot Mix		86,657	
Asphalt - Liquid		67,328	
Crushed Stone		91,513	
Other Road Supplies		360	
Pipe		9,606	
Road Signs		4,261	
Other Supplies and Materials		594	
Total Highway and Bridge Maintenance			\$ 548,651

Operation and Maintenance of Equipment

Mechanic(s)	\$	44,566	
Licenses		51	
Maintenance & Repair Services - Buildings		274	
Maintenance & Repair Services - Office Equipment		184	
Maintenance & Repair Services - Vehicles		3,793	
Diesel Fuel		48,119	
Equipment Parts - Heavy		20,483	
Equipment and Machinery Parts		23,127	
Garage Supplies		14,905	
Gasoline		9,218	
Lubricants		2,922	
Tires and Tubes		11,144	
Total Operation and Maintenance of Equipment			178,786

Other Charges

Communication	\$	2,868	
Other Contracted Services		5,582	
Electricity		3,288	
Water and Sewer		474	
Liability Insurance		36,741	
Trustee's Commission		13,190	
Total Other Charges			62,143

Employee Benefits

Social Security	\$	35,182	
Employee and Dependent Insurance		73,304	

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits (Cont.)

Unemployment Compensation	\$ 4,014	
Workers' Compensation Insurance	27,518	
Total Employee Benefits		\$ 140,018

Capital Outlay

Bridge Construction	\$ 416,825	
Highway Construction	201,124	
Highway Equipment	109,157	
Total Capital Outlay		727,106

Principal on Debt

Highways and Streets

Principal on Notes	\$ 79,856	
Total Highways and Streets		79,856

Interest on Debt

Highways and Streets

Interest on Notes	\$ 24,023	
Total Highways and Streets		24,023

Other Debt Service

Highways and Streets

Bank Charges	\$ 404	
Total Highways and Streets		404

Total Highway/Public Works Fund \$ 1,857,608

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 412,049	
Principal on Notes	70,808	
Total General Government		\$ 482,857

Interest on Debt

General Government

Interest on Bonds	\$ 194,472	
Interest on Notes	33,765	
Total General Government		228,237

(Continued)

Exhibit H-6

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Other Debt Service</u>		
<u>General Government</u>		
Bank Charges	\$ 1,527	
Trustee's Commission	10,204	
Total General Government	<u>11,731</u>	\$ 11,731
Total General Debt Service Fund		\$ 722,825
<u>Other Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>General Administration Projects</u>		
Architects	\$ 6,077	
Other Contracted Services	22,353	
Other Supplies and Materials	11,614	
Total General Administration Projects	<u>40,044</u>	\$ 40,044
Total Other Capital Projects Fund		<u>40,044</u>
Total Governmental Funds - Primary Government		<u>\$ 6,396,883</u>

Exhibit H-7

Meigs 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	\$ 169,636
Total Cash Receipts	<u>\$ 169,636</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 167,940
Trustee's Commission	1,696
Total Cash Disbursements	<u>\$ 169,636</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**  
**MEIGS COUNTY SCHOOL DEPARTMENT**  
**A COMPONENT UNIT OF MEIGS 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*

*F. CLIFFORD TUCKER, CPA*  
*Audit Manager*

*BRYAN W. BURKLIN, CPA, CGFM*  
*Auditor 4*

*KRISTEN POWELL*  
*JENI BOYETTE*  
*State Auditors*

This financial report is available at [www.comptroller.state.tn.us](http://www.comptroller.state.tn.us)

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**MEIGS COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF MEIGS COUNTY, TENNESSEE  
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# ***Audit Highlights***

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

## ***Scope***

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

## ***Results***

Our report on the Meigs County School Department's financial statements is unqualified. Our audit resulted in two findings and recommendations, which we have reviewed with Meigs County School management. Detailed findings and recommendations are included in the Single Audit Report.

## ***Findings***

The following are summaries of the audit findings:

- ◆ Duties were not segregated adequately in the Office of Director of Schools.
- ◆ A central system of accounting, budgeting, and purchasing had not been adopted.

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# INTRODUCTORY SECTION

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Meigs County School Officials  
June 30, 2006

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**Official**

Robert Greene, Director of Schools

**Board of Education**

Chris Clark, Chairman  
Angela Melhorn  
Jeff Boggess

Terri Lankford  
Ross Irwin

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## FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

August 21, 2006

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

To the Director of Schools and 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 Meigs County School Department, a component unit of Meigs County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise the Meigs County School Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Meigs 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 Meigs County School Department as

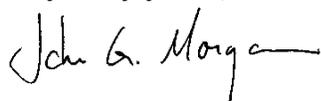
of June 30, 2006, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 21, 2006, on our consideration of the Meigs County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

The management's discussion and analysis on pages 11 through 16 and the budgetary comparison information on pages 41 through 43 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 Meigs County School Department's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of the 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 the 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

**Meigs County, Tennessee  
Management's Discussion and Analysis  
For the Year Ended June 30, 2006**

As management of the School Department of Meigs County, Tennessee, we offer readers of our financial statements this narrative overview and analysis of the financial activities of the Meigs County School Department for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School Department's financial performance as a whole. Readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the School Department's financial performance.

**Financial Highlights**

- The assets of the School Department exceeded its liabilities at the close of the most recent fiscal year by \$7.3 million (net assets). Of this amount, \$5.6 million is invested in capital assets. Unrestricted net assets were \$1.5 million on June 30, 2006.
- The government's total net assets decreased by \$17,460. This nominal decrease is mainly attributable to depreciation expense on capital assets.
- As of the close of the current fiscal year, the School Department's governmental funds reported combined ending fund balances of \$1.6 million, an increase of \$66,288 in comparison with the prior year. Of this total amount, \$1.1 million is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Purpose School Fund was \$1 million, or ten percent of total General Purpose School Fund expenditures.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the School Department's basic financial statements. These basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements:** The government-wide financial statements are designed to provide readers with a broad overview of the School Department's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all the School Department's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School Department is improving or deteriorating.

The Statement of Activities presents information showing how the School Department's net assets changed during the most recent fiscal year. All changes in the net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the School Department that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School Department include instruction, support services, operation of non-instructional services, and other debt service. The School Department reports no business-type activities.

The government-wide financial statements include only the School Department. It has no legally separate entities (component units) to reflect.

The government-wide financial statements can be found as Exhibit A and Exhibit B of this report.

**Fund financial statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School Department, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School Department are governmental funds. The School Department has no proprietary or fiduciary funds to report.

**Governmental funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School Department maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Purpose School Fund, considered to be a major fund. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The School Department adopts an annual appropriated budget for three of its governmental funds. A budgetary comparison statement has been provided in the required supplemental information for the General Purpose School Fund. Budgets for the applicable nonmajor governmental funds are located in the combining and individual fund section of this report.

The basic governmental fund financial statements can be found as Exhibit C-1 through Exhibit C-4 of this report.

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Please refer to the table of contents for the location of the notes to the financial statements.

**Required Supplementary Information:** The General Purpose School Fund budget statement is presented in this section as Exhibit D.

**Other information:** The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund financial statements and schedules can be found as Exhibit E-1 through Exhibit E-4 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the School Department, assets exceed liabilities by \$7.3 million at the close of the most recent fiscal year.

By far the largest portion of the School Department's net assets (76.6%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment). The School Department uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

	<b>Governmental Funds</b>	
	<b>2006</b>	<b>2005</b>
<b>Assets:</b>		
Current and other assets	\$ 2,802,025	\$ 2,743,968
Capital assets	5,576,648	5,651,158
<b>Total Assets</b>	<b>\$ 8,378,673</b>	<b>\$ 8,395,126</b>
<b>Liabilities:</b>		
Current liabilities	\$ 4,172	\$ 3,111
Deferred revenue - property taxes	1,095,437	1,095,491
<b>Total Liabilities</b>	<b>\$ 1,099,609</b>	<b>\$ 1,098,602</b>
<b>Net Assets:</b>		
Invested in capital assets	\$ 5,576,648	\$ 5,651,158
Restricted	251,198	260,246
Unrestricted	1,451,218	1,385,120
<b>Total Net Assets</b>	<b>\$ 7,279,064</b>	<b>\$ 7,296,524</b>

An additional portion of the School Department's net assets (3.6%) represents resources that are subject to external restrictions on how they may be used.

	<b>Governmental Funds</b>	
	<b>2006</b>	<b>2005</b>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 260,468	\$ 256,617
Operating grants and contributions	1,819,365	1,392,987
General revenues:		
Property taxes	1,124,461	1,123,756
Sales taxes	256,906	242,250
Other taxes	88,327	84,192
Grants and contributions not restricted to specific programs	9,015,590	8,771,037
Unrestricted investment income	46,600	46,576
Miscellaneous	36,828	63,166
Gain on disposal of capital assets	3,016	0
<b>Total Revenues</b>	<b>\$ 12,651,561</b>	<b>\$ 11,980,581</b>
<b>Expenses:</b>		
Instruction	\$ 7,890,178	\$ 7,197,657
Support services	3,508,799	3,302,057
Operation of non-instructional services	1,045,044	769,656
Other debt service	225,000	225,000
<b>Total Expenses</b>	<b>\$ 12,669,021</b>	<b>\$ 11,494,370</b>
Increase(decrease) in net assets	\$ (17,460)	\$ 486,211
Net assets, July 1, 2005	7,296,524	6,810,313
Net assets, June 30, 2006	\$ 7,279,064	\$ 7,296,524

**Governmental activities:** Governmental activities decreased the School Department's net assets by \$17,460. This decrease is mainly attributable to depreciation expense on capital assets.

### **Financial Analysis of the government's funds**

As noted earlier, the School Department uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements.

**Governmental funds:** The focus of the School Department's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School Department's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School Department's governmental funds reported combined ending fund balances of \$1.6 million, an increase of \$66,288 in comparison with the prior year. Of this amount, \$1.1 million constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) to liquidate contracts and purchase orders of the prior period (\$342,937), and (2) for a variety of other restricted purposes that are listed on the governmental fund balance sheet (\$188,722).

The General Purpose School Fund is the chief operating fund of the School Department. At the end of the current fiscal year, unreserved fund balance of the General Purpose School Fund was \$1,032,807, while total fund balance was \$1,309,837. As a measure of the General Purpose School Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 9.7 percent of total General Purpose School Fund expenditures, while total fund balance represents 12.2 percent of that same amount.

The fund balance of the General Purpose School Fund decreased by \$22,966 during the current fiscal year. The key factor in this nominal decrease was well monitored budget operation with revenues exceeding estimates by \$50,049 while expenditures were held under appropriations by \$231,351. This was accomplished even though original budget estimates were for approximately \$400,000 of fund balance to be used to fund current operations.

### **Capital Asset and Debt Administration**

**Capital assets:** The School Department's investment in capital assets for its governmental activities as of June 30, 2006, amounts to \$5.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, and machinery and equipment.

**Long-term debt:** The School Department does not have any outstanding long-term debt at June 30, 2006. The Meigs County primary government issues most long-term financing for

the School Department. However, the School Department, by resolution of the Board of Education, has pledged \$225,000 per year of its non-classroom state Basic Education Program funding for the next six years to the Meigs County primary government's General Debt Service Fund to provide for the retirement of debt issued by the primary government for school purposes.

### **Next Year's Budgets and Rates**

When preparing the budget for the 2006-2007 fiscal year, the property tax rate was left unchanged. Therefore, operations are anticipated to be similar to those of this year.

### **Request for Information**

This financial report is designed to provide a general overview of the School Department's finances for all those with an interest in the School Department's finances. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to:

Director of Meigs County Schools  
P.O. Box 1039  
Decatur, TN 37322

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

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

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 1,459,131
Accounts Receivable	22,864
Due from Other Governments	170,452
Property Taxes Receivable	1,183,204
Allowance for Uncollectible Property Taxes	(33,626)
Capital Assets:	
Assets Not Depreciated:	
Land	354,462
Construction in Progress	140,365
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	4,351,893
Other Capital Assets	729,928
Total Assets	<u>\$ 8,378,673</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 1,896
Accrued Payroll	2,276
Deferred Revenue - Current Year Property Taxes	1,095,437
Total Liabilities	<u>\$ 1,099,609</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	\$ 5,576,648
Restricted for:	
Capital Projects	62,476
Other Purposes	188,722
Unrestricted	<u>1,451,218</u>
Total Net Assets	<u>\$ 7,279,064</u>

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

Exhibit B

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

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Assets
				Total Governmental Activities
Governmental Activities:				
Instruction	\$ 7,890,178	\$ 8,644	\$ 1,304,303	\$ (6,577,231)
Support Services	3,508,799	0	0	(3,508,799)
Operation of Non-Instructional Services	1,045,044	251,824	515,062	(278,158)
Other Debt Service	225,000	0	0	(225,000)
Total Governmental Activities	<u>\$ 12,669,021</u>	<u>\$ 260,468</u>	<u>\$ 1,819,365</u>	<u>\$ (10,589,188)</u>
General Revenues:				
Property Taxes				\$ 1,124,461
Sales Taxes				256,906
Other Taxes				88,327
Grants and Contributions not restricted to specific programs				9,015,590
Unrestricted Investment Income				46,600
Miscellaneous				36,828
Gain on Disposal of Capital Assets				3,016
Total General Revenues				<u>\$ 10,571,728</u>
Change in Net Assets				\$ (17,460)
Net Assets, July 1, 2005				<u>7,296,524</u>
Net Assets, June 30, 2006				<u>\$ 7,279,064</u>

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

Meigs County, Tennessee  
Balance Sheet - Governmental Funds  
Meigs 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	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,175,576	\$ 283,555	\$ 1,459,131
Accounts Receivable	9,314	13,550	22,864
Due from Other Governments	150,452	20,000	170,452
Property Taxes Receivable	1,183,204	0	1,183,204
Allowance for Uncollectible Property Taxes	(33,626)	0	(33,626)
Total Assets	<u>\$ 2,484,920</u>	<u>\$ 317,105</u>	<u>\$ 2,802,025</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 1,896	\$ 0	\$ 1,896
Accrued Payroll	2,276	0	2,276
Deferred Revenue - Current Property Taxes	1,095,437	0	1,095,437
Deferred Revenue - Delinquent Property Taxes	49,215	0	49,215
Other Deferred Revenues	26,259	0	26,259
Total Liabilities	<u>\$ 1,175,083</u>	<u>\$ 0</u>	<u>\$ 1,175,083</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 272,172	\$ 70,765	\$ 342,937
Reserved for Food Service	0	159,716	159,716
Reserved for Career Ladder - Extended Contract	400	0	400
Reserved for Basic Education Program	4,458	0	4,458
Reserved for Title I Grants to Local Education Agencies	0	7,516	7,516
Reserved for Special Education - Grants to States	0	4,215	4,215
Other Federal Reserves	0	12,417	12,417
Unreserved, Reported In:			
General Fund	1,032,807	0	1,032,807
Capital Projects Funds	0	62,476	62,476
Total Fund Balances	<u>\$ 1,309,837</u>	<u>\$ 317,105</u>	<u>\$ 1,626,942</u>
Total Liabilities and Fund Balances	<u>\$ 2,484,920</u>	<u>\$ 317,105</u>	<u>\$ 2,802,025</u>

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

Exhibit C-2

Meigs County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to  
the Statement of Net Assets  
Meigs 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 (Exhibit C-1)	\$ 1,626,942
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	5,576,648
(2) Certain earned amounts are not available to pay for current-period expenditures and therefore are deferred in the funds.	<u>75,474</u>
Net assets of governmental activities (Exhibit A)	<u><u>\$ 7,279,064</u></u>

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

Exhibit C-3

Meigs County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Meigs 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	\$ 1,461,672	\$ 19,349	\$ 1,481,021
Licenses and Permits	508	0	508
Charges for Current Services	2,656	252,208	254,864
Other Local Revenues	90,073	1,975	92,048
State of Tennessee	8,920,668	10,205	8,930,873
Federal Government	205,438	1,696,047	1,901,485
Total Revenues	<u>\$ 10,681,015</u>	<u>\$ 1,979,784</u>	<u>\$ 12,660,799</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 6,672,084	\$ 900,355	\$ 7,572,439
Support Services	3,115,208	255,112	3,370,320
Operation of Non-Instructional Services	184,370	735,033	919,403
Capital Outlay	507,349	0	507,349
Debt Service:			
Other Debt Service	225,000	0	225,000
Total Expenditures	<u>\$ 10,704,011</u>	<u>\$ 1,890,500</u>	<u>\$ 12,594,511</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (22,996)</u>	<u>\$ 89,284</u>	<u>\$ 66,288</u>
Net Change in Fund Balances	\$ (22,996)	\$ 89,284	\$ 66,288
Fund Balance, July 1, 2005	1,332,833	227,821	1,560,654
Fund Balance, June 30, 2006	<u>\$ 1,309,837</u>	<u>\$ 317,105</u>	<u>\$ 1,626,942</u>

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

Meigs County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
Meigs 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 (Exhibit C-3)	\$	66,288
(1) Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. The amount that capital outlays differ from depreciation is itemized as follows:		
Add: Capital outlays in the current period	\$	235,673
Less: Current year depreciation		<u>(310,183)</u>
		(74,510)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
For the year ended June 30, 2005	\$	(84,712)
For the year ended June 30, 2006		<u>75,474</u>
		<u>(9,238)</u>
Change in net assets of governmental activities (Exhibit B)	\$	<u>(17,460)</u>

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Meigs 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 Meigs County School Department.

**A. Reporting Entity**

The School Department operates the public school system in the county, and the voters of Meigs County elect its five-member board. The School Department is a component unit of Meigs County, the primary government. The School Department is fiscally dependent on Meigs County because it may not issue debt without county approval, and its budget and property tax levy are subject to the Meigs County Commission's approval. The School Department's taxes are levied under the taxing authority of Meigs County and are included as part of Meigs 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 School Department. For the most part, the effect of interfund activity has been removed from these statements. 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.

Separate financial statements are required to be provided for governmental funds, proprietary funds, and fiduciary funds. However, the School Department does not have any proprietary or fiduciary funds to report. The major individual governmental fund is reported as a separate column 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. An emphasis is placed on major funds within the governmental category. The School Department has no proprietary or fiduciary funds to report.

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.

State-shared excise taxes 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 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 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 financial resources used for the acquisition or construction of major capital facilities.

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 School Department's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; 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 funds of the Meigs County primary government and the School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the primary government's General Debt Service Fund and the School Department's General Purpose School Fund. Meigs County

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

**2. Receivables and Payables**

All property taxes receivable are shown net of an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.5 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. 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 exceeding five years. 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 are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and Improvements	40
Vehicles and Equipment	5-12
Other Capital Assets	10-20

**4. Compensated Absences**

There is no liability for unpaid accumulated vacation leave benefits for employees of the School Department since those benefits do not vest or accumulate and must be used within the year or lost. There is also 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 School Department.

## 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 – Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- 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 consists of various restrictions totaling \$188,722. This account includes restrictions for various federal assistance programs, primarily the School Breakfast and School Lunch Programs (\$159,716).

As of June 30, 2006, Meigs County had \$2,735,000 in outstanding debt for capital purposes of the School Department. This debt is a liability of Meigs County; but the capital assets acquired are reported in the financial statements of the School Department. Therefore, 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 changes in fund balances – total governmental funds with change in net assets of governmental activities reported in the government-wide statement of activities.

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds. 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 Meigs 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: Regular Instruction Program, Special Education Program, Vocational Education Program, Adult Education Program, etc.). Management may make revisions within major categories, but only the Meigs 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 statement.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

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

statements of net assets represent 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. Public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk exposure.

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.

The School Department had no pooled and nonpooled investments as of June 30, 2006.

## **B. Capital Assets**

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

**Governmental Activities:**

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 354,462	\$ 0	\$	\$ 354,462
Construction in Progress	9,266	140,365	9,266	140,365
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 363,728</b>	<b>\$ 140,365</b>	<b>\$ 9,266</b>	<b>\$ 494,827</b>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 8,140,336	\$ 98,864	\$ 0	\$ 8,239,200
Other Capital Assets	1,705,716	5,710	54,000	1,657,426
<b>Total Capital Assets Depreciated</b>	<b>\$ 9,846,052</b>	<b>\$ 104,574</b>	<b>\$ 54,000</b>	<b>\$ 9,896,626</b>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 3,727,259	\$ 160,048	\$ 0	\$ 3,887,307
Other Capital Assets	831,363	150,135	54,000	927,498
<b>Total Accumulated Depreciation</b>	<b>\$ 4,558,622</b>	<b>\$ 310,183</b>	<b>\$ 54,000</b>	<b>\$ 4,814,805</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 5,287,430</b>	<b>\$ (205,609)</b>	<b>\$ 0</b>	<b>\$ 5,081,821</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 5,651,158</b>	<b>\$ (65,244)</b>	<b>\$ 9,266</b>	<b>\$ 5,576,648</b>

Depreciation expense was charged to functions of the School Department as follows:

## Governmental Activities:

Instruction	\$ 127,219
Support Services	175,010
Operation of Non-Instruction Services	<u>7,954</u>
<b>Total Depreciation Expense - Governmental Activities</b>	<b><u>\$ 310,183</u></b>

**C. Commitments**

The School Department, by a resolution of the Board of Education, has pledged \$225,000 per year of the non-classroom state Basic Education Program funding for the next seven years to the primary government's General Debt Service Fund to provide for the retirement of debt issued for school purposes.

V. **OTHER INFORMATION**

A. **Risk Management**

The School Department is exposed to various risks of loss related to workers' compensation. The School Department participated in the Local Government Workers' Compensation Fund (LGWCF), a public entity risk pool, rather than purchasing commercial insurance for these risks. The School Department pays an annual premium to LGWCF for its workers' compensation insurance coverage. This pool is to be self-sustaining through member premiums.

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

It is the policy of the School Department to purchase commercial insurance for other risks of loss to which it is exposed. These risks include general liability, property, and casualty losses. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

B. **Accounting Changes**

The provisions of Governmental Accounting Standards Board (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 School Department's 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 Meigs 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 the 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. Contingent Liabilities**

Management is unaware of any pending litigation or other contingent liability that would affect the financial statements of the School Department.

## **D. Retirement Commitments**

### **Plan Description**

Employees of Meigs 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 ten 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 ten 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 Meigs 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.

Meigs County voluntarily withdrew from TCRS July 1, 1984. At that time current employees were given the choice to either continue or discontinue their membership in the system. Employees hired on or after July 1, 1984, were not eligible to join TCRS. Meigs County is responsible for liabilities resulting from those employees who choose to continue their membership in TCRS.

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](http://www.treasury.state.tn.us).

Since the Meigs County School Department participates in Meigs County's plan, retirement information for the Meigs County 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.G. of the Annual Financial Report of Meigs County, Tennessee.

## SCHOOL TEACHERS

### **Plan Description**

The Meigs County School Department contribute 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](http://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 Meigs 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 Meigs 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 \$333,745, \$324,878, and \$173,284, respectively, equal to the required contributions for each year.

**E. Purchasing Law**

Purchasing procedures for the School Department are governed by provisions of Chapter 403, Private Acts of 1949, as amended, which created a purchasing committee to make purchases for all county funds and requires competitive bids on all purchases of any one class that exceed \$5,000. A resolution adopted by Meigs County Commission designated the director of schools as deputy purchasing agent for School Department purchases. The director of schools or his authorized personnel made purchases for the School Department.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit D

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	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	\$ 1,461,672	\$ 0	\$ 0	\$ 1,461,672	\$ 1,699,500	\$ 1,448,500	\$ 13,172
Licenses and Permits	508	0	0	508	0	0	508
Charges for Current Services	2,656	0	0	2,656	2,000	2,000	656
Other Local Revenues	90,073	0	0	90,073	65,500	65,500	24,573
State of Tennessee	8,920,668	0	0	8,920,668	8,550,341	8,909,498	11,170
Federal Government	205,438	0	0	205,438	216,685	205,468	(30)
<b>Total Revenues</b>	<b>\$ 10,681,015</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 10,681,015</b>	<b>\$ 10,534,026</b>	<b>\$ 10,630,966</b>	<b>\$ 50,049</b>
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 5,639,612	\$ (6,872)	\$ 13,672	\$ 5,646,412	\$ 5,754,915	\$ 5,765,415	\$ 119,003
Alternative Instruction Program	50,151	0	0	50,151	50,565	50,565	414
Special Education Program	678,938	0	2,387	681,325	698,180	698,180	16,855
Vocational Education Program	221,926	0	0	221,926	226,000	226,000	4,074
Adult Education Program	81,457	(28)	0	81,429	63,027	81,458	29
<u>Support Services</u>							
Attendance	27,655	(1,428)	0	26,227	26,645	26,645	418
Health Services	65,450	(2,121)	1,743	65,072	86,345	86,345	21,273
Other Student Support	353,231	(850)	2,840	355,221	358,430	358,430	3,209
Regular Instruction Program	243,445	(257)	16	243,204	258,570	252,790	9,586
Special Education Program	109,956	0	0	109,956	104,585	110,365	409
Vocational Education Program	38,792	0	0	38,792	40,280	40,280	1,488
Adult Programs	82,400	0	0	82,400	82,565	83,807	1,407
Board of Education	132,919	(5,998)	5,000	131,921	139,685	139,685	7,764
Director of Schools	137,840	(72)	695	138,463	138,375	138,905	442
Office of the Principal	412,527	0	380	412,907	416,090	416,090	3,183

(Continued)

Exhibit D

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	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>Support Services (Cont.)</u>							
Fiscal Services	\$ 42,002	\$ 0	\$ 0	\$ 42,002	\$ 42,575	\$ 42,575	\$ 573
Operation of Plant	641,971	(358)	353	641,966	633,790	650,790	8,824
Maintenance of Plant	127,879	0	0	127,879	122,410	128,741	862
Transportation	594,142	(1,592)	56,878	649,428	631,355	652,795	3,367
Central and Other	104,999	0	0	104,999	105,000	105,000	1
<u>Operation of Non-Instructional Services</u>							
Early Childhood Education	184,370	0	2,664	187,034	187,056	187,056	22
<u>Capital Outlay</u>							
Regular Capital Outlay	507,349	(112,992)	185,544	579,901	542,583	608,049	28,148
<u>Other Debt Service</u>							
Education	225,000	0	0	225,000	225,000	225,000	0
Total Expenditures	\$ 10,704,011	\$ (132,568)	\$ 272,172	\$ 10,843,615	\$ 10,934,026	\$ 11,074,966	\$ 231,351
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (22,996)	\$ 132,568	\$ (272,172)	\$ (162,600)	\$ (400,000)	\$ (444,000)	\$ 281,400
Net Change in Fund Balance							
Fund Balance, July 1, 2005	\$ 1,332,833	(132,568)	0	1,200,265	1,214,598	1,214,598	(14,333)
Fund Balance, June 30, 2006	\$ 1,309,837	0	(272,172)	1,037,665	814,598	770,598	267,067

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

**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 Meigs 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: Regular Instruction Program, Special Education Program, Vocational Education Program, Adult Education Program, etc.). Management may make revisions within major categories, but only the Meigs 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 statement.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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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.

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

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

## Capital Projects Funds

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Capital Projects Funds are used to account for the accumulation of resources for future capital acquisitions and construction.

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

Exhibit E-1

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

	<u>Special Revenue Funds</u>			<u>Capital</u>	<u>Total</u>
	<u>School</u>	<u>Central</u>		<u>Projects</u>	
	<u>Federal</u>	<u>Cafeteria</u>	<u>Total</u>	<u>Education</u>	<u>Nonmajor</u>
	<u>Projects</u>			<u>Capital</u>	<u>Governmental</u>
				<u>Projects</u>	<u>Funds</u>
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 74,913	\$ 159,716	\$ 234,629	\$ 48,926	\$ 283,555
Accounts Receivable	0	0	0	13,550	13,550
Due from Other Governments	20,000	0	20,000	0	20,000
Total Assets	<u>\$ 94,913</u>	<u>\$ 159,716</u>	<u>\$ 254,629</u>	<u>\$ 62,476</u>	<u>\$ 317,105</u>
<u>FUND BALANCES</u>					
Reserved for Encumbrances	\$ 70,765	\$ 0	\$ 70,765	\$ 0	\$ 70,765
Reserved for Food Service	0	159,716	159,716	0	159,716
Reserved for Title I Grants to Local Education Agencies	7,516	0	7,516	0	7,516
Reserved for Special Education - Grants to States	4,215	0	4,215	0	4,215
Other Federal Reserves	12,417	0	12,417	0	12,417
Unreserved	0	0	0	62,476	62,476
Total Fund Balances	<u>\$ 94,913</u>	<u>\$ 159,716</u>	<u>\$ 254,629</u>	<u>\$ 62,476</u>	<u>\$ 317,105</u>

Exhibit E-2

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

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Total	Education Capital Projects	
<u>Revenues</u>					
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 19,349	\$ 19,349
Charges for Current Services	0	252,208	252,208	0	252,208
Other Local Revenues	0	1,975	1,975	0	1,975
State of Tennessee	0	10,205	10,205	0	10,205
Federal Government	1,180,985	515,062	1,696,047	0	1,696,047
Total Revenues	\$ 1,180,985	\$ 779,450	\$ 1,960,435	\$ 19,349	\$ 1,979,784
<u>Expenditures</u>					
Current:					
Instruction	\$ 900,151	\$ 0	\$ 900,151	\$ 204	\$ 900,355
Support Services	255,112	0	255,112	0	255,112
Operation of Non-Instructional Services	0	735,033	735,033	0	735,033
Total Expenditures	\$ 1,155,263	\$ 735,033	\$ 1,890,296	\$ 204	\$ 1,890,500
Excess (Deficiency) of Revenues Over Expenditures	\$ 25,722	\$ 44,417	\$ 70,139	\$ 19,145	\$ 89,284
Net Change in Fund Balances	\$ 25,722	\$ 44,417	\$ 70,139	\$ 19,145	\$ 89,284
Fund Balance, July 1, 2005	69,191	115,299	184,490	43,331	227,821
Fund Balance, June 30, 2006	\$ 94,913	\$ 159,716	\$ 254,629	\$ 62,476	\$ 317,105

Exhibit E-3

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 1,180,985	\$ 0	\$ 0	\$ 1,180,985	\$ 1,375,518	\$ 1,380,945	\$ (199,960)
Total Revenues	\$ 1,180,985	\$ 0	\$ 0	\$ 1,180,985	\$ 1,375,518	\$ 1,380,945	\$ (199,960)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 541,573	\$ (46,043)	\$ 31,538	\$ 527,068	\$ 544,554	\$ 549,888	\$ 22,820
Special Education Program	313,186	(3,732)	17,139	326,593	410,578	437,634	111,041
Vocational Education Program	45,392	(92)	4,700	50,000	50,657	50,000	0
<u>Support Services</u>							
Health Services	24,496	(127)	0	24,369	27,460	27,460	3,091
Other Student Support	11,082	0	0	11,082	4,600	11,082	0
Regular Instruction Program	119,222	(6,562)	24	112,684	117,892	117,892	5,208
Special Education Program	88,417	(10,494)	2,364	80,287	180,005	147,225	66,938
Transportation	11,895	0	15,000	26,895	41,913	41,905	15,010
Total Expenditures	\$ 1,155,263	\$ (67,050)	\$ 70,765	\$ 1,158,978	\$ 1,377,659	\$ 1,383,086	\$ 224,108
Excess (Deficiency) of Revenues Over Expenditures	\$ 25,722	\$ 67,050	\$ (70,765)	\$ 22,007	\$ (2,141)	\$ (2,141)	\$ 24,148
Net Change in Fund Balance	\$ 25,722	\$ 67,050	\$ (70,765)	\$ 22,007	\$ (2,141)	\$ (2,141)	\$ 24,148
Fund Balance, July 1, 2005	69,191	(67,050)	0	2,141	0	2,141	0
Fund Balance, June 30, 2006	\$ 94,913	\$ 0	\$ (70,765)	\$ 24,148	\$ (2,141)	\$ 0	\$ 24,148

Exhibit E-4

Meigs County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Meigs 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	\$ 252,208	\$ 260,500	\$ 260,500	\$ (8,292)
Other Local Revenues	1,975	2,500	2,500	(525)
State of Tennessee	10,205	10,500	10,500	(295)
Federal Government	515,062	500,000	500,000	15,062
Total Revenues	<u>\$ 779,450</u>	<u>\$ 773,500</u>	<u>\$ 773,500</u>	<u>\$ 5,950</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 735,033	\$ 818,500	\$ 818,500	\$ 83,467
Total Expenditures	<u>\$ 735,033</u>	<u>\$ 818,500</u>	<u>\$ 818,500</u>	<u>\$ 83,467</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 44,417</u>	<u>\$ (45,000)</u>	<u>\$ (45,000)</u>	<u>\$ 89,417</u>
Net Change in Fund Balance	\$ 44,417	\$ (45,000)	\$ (45,000)	\$ 89,417
Fund Balance, July 1, 2005	<u>115,299</u>	<u>115,299</u>	<u>115,299</u>	<u>0</u>
Fund Balance, June 30, 2006	<u>\$ 159,716</u>	<u>\$ 70,299</u>	<u>\$ 70,299</u>	<u>\$ 89,417</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit F-1

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and County Board of Education	\$ 91,130 (1)	\$100,000	American Manufacturers Mutual
Blanket Bond: All School Employees			20,000 (2)	AETNA

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

(2) Bond coverage is \$20,000 per each occurrence.

Exhibit F-2

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 1,037,479	\$ 0	\$ 0	\$ 0	\$ 1,037,479
Trustee's Collections - Prior Year	58,093	0	0	0	58,093
Circuit/Clerk & Master Collections - Prior Years	29,786	0	0	0	29,786
Interest and Penalty	10,394	0	0	0	10,394
<u>County Local Option Taxes</u>					
Local Option Sales Tax	256,967	0	0	0	256,967
<u>Statutory Local Taxes</u>					
Wholesale Beer Tax	67,000	0	0	19,349	86,349
Interstate Telecommunications Tax	1,953	0	0	0	1,953
Total Local Taxes	\$ 1,461,672	\$ 0	\$ 0	\$ 19,349	\$ 1,481,021
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 508	\$ 0	\$ 0	\$ 0	\$ 508
Total Licenses and Permits	\$ 508	\$ 0	\$ 0	\$ 0	\$ 508
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Regular Day Students	\$ 1,600	\$ 0	\$ 0	\$ 0	\$ 1,600
Income from Breakfast	0	0	456	0	456
A la carte Sales	0	0	481	0	481
Receipts from Individual Schools	0	0	229,138	0	229,138
TBI Criminal Background Fees	1,056	0	384	0	1,440
<u>Other Charges for Services</u>					
Other Charges for Services	0	0	21,749	0	21,749
Total Charges for Current Services	\$ 2,656	\$ 0	\$ 252,208	\$ 0	\$ 254,864
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 45,000	\$ 0	\$ 1,600	\$ 0	\$ 46,600
Lease/Rentals	5,200	0	0	0	5,200
Sale of Materials and Supplies	404	0	0	0	404
Miscellaneous Refunds	28,111	0	375	0	28,486
<u>Nonrecurring Items</u>					
Insurance Recovery	8,187	0	0	0	8,187
Sale of Equipment	3,016	0	0	0	3,016
<u>Other Local Revenues</u>					
Other Local Revenues	155	0	0	0	155
Total Other Local Revenues	\$ 90,073	\$ 0	\$ 1,975	\$ 0	\$ 92,048
<u>State of Tennessee</u>					
<u>State Education Funds</u>					
Basic Education Program	\$ 8,228,250	\$ 0	\$ 0	\$ 0	\$ 8,228,250
School Food Service	0	0	10,205	0	10,205
Driver Education	6,254	0	0	0	6,254
Other State Education Funds	50,227	0	0	0	50,227
Career Ladder Program	99,633	0	0	0	99,633
Career Ladder - Extended Contract	77,929	0	0	0	77,929

(Continued)

Exhibit F-2

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>State of Tennessee (Cont.)</u>					
<u>Other State Revenues</u>					
Income Tax	\$ 11,454	\$ 0	\$ 0	\$ 0	\$ 11,454
State Revenue Sharing - T.V.A.	259,606	0	0	0	259,606
Other State Grants	186,965	0	0	0	186,965
Other State Revenues	350	0	0	0	350
Total State of Tennessee	<u>\$ 8,920,668</u>	<u>\$ 0</u>	<u>\$ 10,205</u>	<u>\$ 0</u>	<u>\$ 8,930,873</u>
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 389,246	\$ 0	\$ 389,246
Breakfast	0	0	125,816	0	125,816
Adult Education State Grant Program	83,549	0	0	0	83,549
Vocational Education - Basic Grants to States	0	61,083	0	0	61,083
Title I Grants to Local Education Agencies	0	462,552	0	0	462,552
Innovative Education Program Strategies	0	65,182	0	0	65,182
Special Education - Grants to States	0	439,725	0	0	439,725
Special Education Preschool Grants	0	15,585	0	0	15,585
Eisenhower Professional Development State Grants	104,999	124,352	0	0	229,351
Other Federal through State	16,890	12,506	0	0	29,396
Total Federal Government	<u>\$ 205,438</u>	<u>\$ 1,180,985</u>	<u>\$ 515,062</u>	<u>\$ 0</u>	<u>\$ 1,901,485</u>
Total	<u>\$ 10,681,015</u>	<u>\$ 1,180,985</u>	<u>\$ 779,450</u>	<u>\$ 19,349</u>	<u>\$ 12,660,799</u>

Exhibit F-3

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 3,791,838	
Career Ladder Program	58,280	
Career Ladder Extended Contracts	47,917	
Clerical Personnel	28,280	
Educational Assistants	134,109	
Other Salaries & Wages	36,006	
Certified Substitute Teachers	4,050	
Non-certified Substitute Teachers	45,765	
Social Security	243,675	
State Retirement	211,372	
Life Insurance	8,252	
Medical Insurance	548,010	
Unemployment Compensation	11,773	
Employer Medicare	58,317	
Other Fringe Benefits	31,500	
Tuition	8,892	
Other Contracted Services	2,100	
Instructional Supplies and Materials	136,710	
Textbooks	119,572	
Other Supplies and Materials	30,181	
Fee Waivers	6,480	
Regular Instruction Equipment	76,533	
Total Regular Instruction Program		\$ 5,639,612

Alternative Instruction Program

Teachers	\$ 43,690	
Career Ladder Program	1,000	
Social Security	2,478	
State Retirement	2,403	
Employer Medicare	580	
Total Alternative Instruction Program		50,151

Special Education Program

Teachers	\$ 514,825
Career Ladder Program	7,000
Career Ladder Extended Contracts	1,000
Homebound Teachers	987
Educational Assistants	62,145
Certified Substitute Teachers	45

(Continued)

Exhibit F-3

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Non-certified Substitute Teachers	\$	3,690	
Social Security		35,079	
State Retirement		28,823	
Employer Medicare		8,205	
Instructional Supplies and Materials		17,139	
Total Special Education Program			\$ 678,938

Vocational Education Program

Teachers	\$	190,624	
Career Ladder Program		1,000	
Non-certified Substitute Teachers		3,780	
Social Security		11,341	
State Retirement		10,539	
Employer Medicare		2,652	
Instructional Supplies and Materials		1,990	
Total Vocational Education Program			221,926

Adult Education Program

Teachers	\$	40,927	
Clerical Personnel		5,460	
Social Security		1,420	
State Retirement		97	
Employer Medicare		664	
Instructional Supplies and Materials		26,211	
Other Charges		1,688	
Other Equipment		4,990	
Total Adult Education Program			81,457

Support Services

Attendance

Supervisor/Director	\$	18,615	
Career Ladder Program		2,000	
Career Ladder Extended Contracts		2,000	
Social Security		1,313	
State Retirement		1,241	
Employer Medicare		307	
Travel		572	
Other Contracted Services		1,428	
Other Supplies and Materials		179	
Total Attendance			27,655

(Continued)

Exhibit F-3

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services

Medical Personnel	\$	52,250	
Social Security		3,240	
State Retirement		1,150	
Employer Medicare		758	
Other Fringe Benefits		1,355	
Travel		263	
Other Contracted Services		2,634	
Drugs and Medical Supplies		3,800	
Total Health Services			\$ 65,450

Other Student Support

Career Ladder Program	\$	2,000	
Guidance Personnel		236,214	
Social Workers		34,737	
School Resource Officer		18,000	
Social Security		16,268	
State Retirement		13,102	
Employer Medicare		3,805	
Evaluation and Testing		3,557	
Other Supplies and Materials		706	
Other Charges		24,842	
Total Other Student Support			353,231

Regular Instruction Program

Supervisor/Director	\$	100,615	
Career Ladder Program		2,000	
Librarians		86,735	
Materials Supervisor		13,980	
In-Service Training		3,552	
Social Security		10,796	
State Retirement		9,144	
Employer Medicare		2,525	
Travel		14,098	
Total Regular Instruction Program			243,445

Special Education Program

Supervisor/Director	\$	24,730
Career Ladder Program		2,000
Career Ladder Extended Contracts		2,000

(Continued)

Exhibit F-3

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Assessment Personnel	\$	64,825	
Social Security		5,593	
State Retirement		5,148	
Employer Medicare		1,308	
Travel		1,352	
Other Contracted Services		3,000	
Total Special Education Program			\$ 109,956

Vocational Education Program

Clerical Personnel	\$	3,997	
Other Salaries & Wages		8,253	
Social Security		736	
Employer Medicare		172	
Travel		134	
Other Charges		25,500	
Total Vocational Education Program			38,792

Adult Programs

Supervisor/Director	\$	64,225	
Career Ladder Program		3,000	
Career Ladder Extended Contracts		4,000	
Other Salaries & Wages		800	
Social Security		4,342	
State Retirement		3,917	
Employer Medicare		1,016	
Travel		1,100	
Total Adult Programs			82,400

Board of Education

Board and Committee Members Fees	\$	7,255	
Social Security		453	
Employer Medicare		106	
Audit Services		5,000	
Dues and Memberships		6,476	
Legal Services		2,797	
Travel		9,576	
Other Contracted Services		4,200	
Liability Insurance		14,000	
Trustee's Commission		28,848	

(Continued)

Exhibit F-3

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Workers' Compensation Insurance	\$	52,000	
Criminal Investigation of Applicants - TBI		1,728	
Refund to Applicant for Criminal Investigation		480	
Total Board of Education			\$ 132,919

Director of Schools

County Official/Administrative Officer	\$	90,130	
Career Ladder Program		1,000	
Secretary(ies)		24,435	
Social Security		6,996	
State Retirement		5,012	
Employer Medicare		1,636	
Communication		4,000	
Postal Charges		1,390	
Office Supplies		3,241	
Total Director of Schools			137,840

Office of the Principal

Principals	\$	258,160	
Career Ladder Program		10,000	
Career Ladder Extended Contracts		12,000	
Secretary(ies)		83,790	
Social Security		21,650	
State Retirement		15,409	
Employer Medicare		5,134	
Communication		4,000	
Travel		2,384	
Total Office of the Principal			412,527

Fiscal Services

Accountants/Bookkeepers	\$	29,358	
Secretary(ies)		10,060	
Social Security		2,094	
Employer Medicare		490	
Total Fiscal Services			42,002

Operation of Plant

Supervisor/Director	\$	27,965	
Custodial Personnel		220,074	

(Continued)

Exhibit F-3

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Other Salaries & Wages	\$	1,583	
Social Security		14,577	
Employer Medicare		3,409	
Disposal Fees		4,448	
Other Contracted Services		2,650	
Electricity		272,439	
Natural Gas		15,188	
Water and Sewer		14,003	
Other Supplies and Materials		47,210	
Building and Contents Insurance		18,425	
Total Operation of Plant			\$ 641,971

Maintenance of Plant

Maintenance Personnel	\$	49,860	
Other Salaries & Wages		1,543	
Social Security		2,930	
Employer Medicare		685	
Communication		10,583	
Maintenance & Repair Services - Buildings		41,757	
Other Contracted Services		20,521	
Total Maintenance of Plant			127,879

Transportation

Supervisor/Director	\$	27,965	
Mechanic(s)		24,930	
Bus Drivers		294,568	
Other Salaries & Wages		9,213	
Social Security		21,981	
Employer Medicare		5,141	
Communication		773	
Maintenance & Repair Services - Vehicles		71,216	
Medical and Dental Services		2,958	
Travel		399	
Gasoline		107,669	
Tires and Tubes		16,481	
Vehicle and Equipment Insurance		10,000	
In Service/Staff Development		848	
Total Transportation			594,142

(Continued)

Exhibit F-3

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Central and Other

Supervisor/Director	\$	40,980	
In-Service Training		2,040	
Social Security		2,608	
State Retirement		2,254	
Medical Insurance		4,000	
Employer Medicare		610	
Travel		130	
Other Supplies and Materials		7,600	
Data Processing Equipment		44,777	
Total Central and Other			\$ 104,999

Operation of Non-Instructional Services

Early Childhood Education

Teachers	\$	91,270	
Educational Assistants		30,355	
Social Security		7,523	
State Retirement		5,020	
Employer Medicare		1,759	
Travel		1,917	
Instructional Supplies and Materials		30,305	
Other Supplies and Materials		3,214	
Other Charges		1,042	
Other Equipment		11,965	
Total Early Childhood Education			184,370

Capital Outlay

Regular Capital Outlay

Architects	\$	11,728	
Building Construction		163,017	
Building Improvements		332,604	
Total Regular Capital Outlay			507,349

Other Debt Service

Education

Other Debt Service	\$	225,000	
Total Education			225,000

Total General Purpose School Fund \$ 10,704,011

(Continued)

Exhibit F-3

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	275,969	
Educational Assistants		81,743	
Other Salaries & Wages		18,247	
Certified Substitute Teachers		125	
Social Security		22,619	
State Retirement		15,939	
Medical Insurance		32,131	
Employer Medicare		5,291	
Tuition		375	
Instructional Supplies and Materials		14,141	
Other Supplies and Materials		16,599	
Other Charges		49,963	
Regular Instruction Equipment		8,431	
Total Regular Instruction Program			\$ 541,573

Special Education Program

Teachers	\$	571	
Homebound Teachers		644	
Educational Assistants		142,091	
Social Security		8,266	
State Retirement		31	
Medical Insurance		10,350	
Employer Medicare		1,858	
Contracts with Private Agencies		34,667	
Maintenance & Repair Services - Equipment		8,362	
Other Contracted Services		68,190	
Instructional Supplies and Materials		24,778	
Textbooks		426	
Other Supplies and Materials		12,952	
Total Special Education Program			313,186

Vocational Education Program

Instructional Supplies and Materials	\$	7,804	
Vocational Instruction Equipment		37,588	
Total Vocational Education Program			45,392

Support Services

Health Services

Medical Personnel	\$	18,070	
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(Continued)

Exhibit F-3

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Health Services (Cont.)

Social Security	\$	1,125	
Employer Medicare		265	
Other Charges		5,036	
Total Health Services			\$ 24,496

Other Student Support

Travel	\$	9,250	
In Service/Staff Development		1,832	
Total Other Student Support			11,082

Regular Instruction Program

Supervisor/Director	\$	40,438	
Secretary(ies)		11,069	
Other Salaries & Wages		15,000	
Social Security		3,196	
State Retirement		2,179	
Employer Medicare		746	
Travel		8,192	
Library Books/Media		8,846	
In Service/Staff Development		29,556	
Total Regular Instruction Program			119,222

Special Education Program

Supervisor/Director	\$	18,580	
Secretary(ies)		11,062	
Social Security		1,931	
State Retirement		1,022	
Employer Medicare		452	
Maintenance & Repair Services - Equipment		579	
Travel		5,339	
Other Contracted Services		24,524	
Other Supplies and Materials		20,031	
In Service/Staff Development		4,897	
Total Special Education Program			88,417

Transportation

Bus Drivers	\$	11,050	
Social Security		685	
Employer Medicare		160	
Total Transportation			11,895

Total School Federal Projects Fund \$ 1,155,263

(Continued)

Exhibit F-3

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

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	18,790	
Clerical Personnel		20,250	
Cafeteria Personnel		288,625	
Other Salaries & Wages		5,997	
Social Security		20,149	
Life Insurance		953	
Medical Insurance		13,230	
Employer Medicare		4,712	
Other Fringe Benefits		6,000	
Maintenance & Repair Services - Equipment		2,187	
Transportation - Other than Students		3,418	
Travel		1,079	
Other Contracted Services		5,208	
Food Supplies		287,886	
Utilities		26,912	
Other Supplies and Materials		24,482	
Other Charges		2,806	
Food Service Equipment		2,349	
Total Food Service			\$ 735,033
Total Central Cafeteria Fund			\$ 735,033

Education Capital Projects Fund

Instruction

Other

Trustee's Commission	\$	204	
Total Other			\$ 204
Total Education Capital Projects Fund			204

Total Governmental Funds - Meigs County School Department \$ 12,594,511

**SINGLE AUDIT REPORT**  
**MEIGS COUNTY, TENNESSEE**  
**AND**  
**MEIGS 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*

*F. CLIFFORD TUCKER, CPA*  
*Audit Manager*

*BRYAN W. BURKLIN, CPA, CGFM*  
*Auditor 4*

*KRISTEN POWELL*  
*ANGIE COLLINS, CPA*  
*JENI BOYETTE*  
*State Auditors*

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
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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

August 21, 2006

Meigs County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education  
Meigs County, Tennessee

To the County Mayor, 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 Meigs County, Tennessee, and the governmental activities, the major fund, and the aggregate remaining fund information of the Meigs County School Department as of and for the year ended June 30, 2006, which collectively comprise a portion of Meigs County's and the Meigs County School Department's basic financial statements and have issued our reports thereon dated August 21, 2006. Our report on the financial statements of Meigs County, Tennessee, expresses an adverse opinion because the 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 Meigs County School Department was 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 Meigs County's and the Meigs 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 their

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 Meigs County's and the Meigs 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 06.03, 06.06, 06.07, 06.10, 06.11, 06.12, 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 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, of the reportable conditions described above, we consider items 06.06 and 06.07 to be material weaknesses.

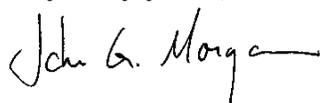
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Meigs County's and the Meigs County School Department's statements are free of material misstatement, we performed tests of their 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 which are described in the accompanying Schedule of Findings and Questioned Costs as items 06.01, 06.02, 06.04, 06.05, 06.08, 06.09, and 06.13.

We also noted certain matters that we reported to the management of Meigs County and the Meigs 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  
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

August 21, 2006

Meigs County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education:  
Meigs County, Tennessee

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

Compliance

We have audited the compliance of Meigs County and the Meigs 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. Meigs County's and the Meigs 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 Meigs County's and the Meigs County School Department's management. Our responsibility is to express an opinion on Meigs County's and the Meigs 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 Meigs County's and the Meigs 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 Meigs County's and the Meigs County School Department's compliance with those requirements.

In our opinion, Meigs County and the Meigs 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

The management of Meigs County and the Meigs County School Department is 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 Meigs County's and the Meigs 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 applicable requirements of laws, regulations, contracts, and grants caused by error or fraud 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

#### Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Meigs County, Tennessee, and the governmental activities, each major fund, and the aggregate remaining fund information of the Meigs County School Department as of and for the year ended June 30, 2006, and have issued our reports thereon dated August 21, 2006. Our report on the financial statements of Meigs County, Tennessee, expresses an adverse opinion because the 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 Meigs County School Department was unqualified. 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 black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal stroke at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/sb

Meigs County, Tennessee, and the Meigs 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:			
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 125,816
National School Lunch Program	10.555	N/A	<u>389,246</u>
Total Passed-through State Department of Education			<u>\$ 515,062</u>
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	<u>\$ 51,467</u>
Total Passed-through State Department of Agriculture			<u>\$ 51,467</u>
Total U.S. Department of Agriculture			<u>\$ 566,529</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-04-10739-00	<u>\$ 249,035</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 249,035</u>
Environmental Protection Agency			
Passed-through State Department of Economic and Community Development:			
Congressionally Mandated Programs	66.202	(2)	<u>\$ 171,416</u>
Total Environmental Protection Agency			<u>\$ 171,416</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Adult Education - State Grant Program	84.002	(3)	\$ 98,478
Title I Grants to Local Educational Agencies	84.010	N/A	469,967
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	436,062
Special Education - Preschool Grants	84.173	N/A	17,014
Vocational Education - Basic Grants to States	84.048	N/A	57,139
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	11,765
State Grants for Innovative Programs	84.298	N/A	9,851
Education Technology State Grants	84.318	(2)	115,534
Rural Education	84.358	N/A	67,950
Improving Teacher Quality State Grants	84.367	N/A	<u>124,974</u>
Total U.S. Department of Education			<u>\$ 1,408,734</u>
U.S. Department of Health and Human Services:			
Passed-through State Commission on Aging and Disability:			
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	(2)	<u>\$ 8,000</u>
Total Passed-through State Commission on Aging and Disability			<u>\$ 8,000</u>
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families	93.558	(4)	<u>\$ 21,884</u>
Total Passed-through State Department of Labor and Workforce Development			<u>\$ 21,884</u>
Total U.S. Department of Health and Human Services			<u>\$ 29,884</u>

(Continued)

Meigs County, Tennessee, and the Meigs 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. Corporation for National and Community Service:			
Direct Programs:			
Retired and Senior Volunteer Program	94.002	N/A	\$ 85,065
Total U.S. Corporation for National and Community Service			<u>\$ 85,065</u>
U.S. Department of Homeland Security:			
Direct Program:			
Assistance to Firefighters Grant	97.044	N/A	\$ 92,055
Total Direct Program			<u>\$ 92,055</u>
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-04-022475-00	\$ 23,301
Homeland Security Grant Program	97.067	Z-05-025190-00	37,327
Total Passed-through State Department of Military			<u>\$ 60,628</u>
Total U.S. Department of Homeland Security			<u>\$ 152,683</u>
Total Expenditures of Federal Awards			<u>\$ 2,663,346</u>
		<u>Contract Number</u>	
<u>State Grants</u>			
State Reappraisal - Comptroller of the Treasury	N/A	(2)	\$ 4,901
Juvenile Services - State Children's Services Commission	N/A	Z-06-002627-00	9,000
Adult Education - State Department of Education	N/A	(5)	26,178
Temporary Assistance for Needy Families - State Department of Labor and Workforce Development	N/A	(6)	10,298
Litter Program - State Department of Transportation	N/A	(7)	35,521
Imagination Library - State Department of Economic and Community Development	N/A	GG-05-11740-00	10,000
Safe Schools Act of 2001 - State Department of Education	N/A	(2)	12,599
Safety Net - State Department of Health and Human Services	N/A	(2)	20,000
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	4,434
Aging Grant - State Commission on Aging	N/A	(2)	5,571
Driver's Education - State Department of Education	N/A	(2)	9,794
Early Childhood Education - Lottery - State Department of Education	N/A	(2)	<u>186,965</u>
Total State Grants			<u>\$ 335,261</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Number not available.
- (3) Z-04-025645-01: \$1,093; Z-05-022246-00: \$13,837; Z-06-027799-00: \$83,548
- (4) Z-05-022337-00: \$4,994; Z-06-027206-00: \$16,890
- (5) Z-04-025645-01: \$291; Z-05-022246-00: \$3,678; Z-06-027799-00: \$22,209
- (6) Z-05-022337-00: \$2,350; Z-06-027206-00: \$7,948
- (7) Z-05-021530-00: \$14,737; Z-06-079910-00: \$20,784

Meigs County, Tennessee, and the Meigs 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 Meigs County, Tennessee, and the Meigs County School Department for the year ended June 30, 2005, which have not been corrected.

**MEIGS COUNTY**

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

**OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.02	13	The Office of Circuit and General Sessions Courts Clerk had accounting deficiencies
05.03	14	The execution docket trial balances did not reconcile with cash journal accounts

**OFFICE OF CLERK AND MASTER**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.04	16	The Office of Clerk and Master had not implemented adequate controls to protect its information resources against unauthorized access, modification, destruction, or disclosure

## OTHER FINDINGS

Finding Number	Page Number	Subject
05.05	16	Duties were not segregated adequately in the Offices of Purchase and Finance, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff
05.06	17	County officials had not held a delinquent property tax sale in recent years
05.07	17	A central system of accounting, budgeting, and purchasing had not been adopted

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2006**

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**PART I, SUMMARY OF AUDITOR'S RESULTS**

1. An adverse opinion was issued on the financial statements of Meigs County, and an unqualified opinion was issued on the financial statements of the Meigs County School Department.
2. The audit of the financial statements of Meigs County and the Meigs County School Department disclosed reportable conditions in internal control. Two of these conditions were also considered to be material weaknesses of Meigs County.
3. The audit disclosed five instances of noncompliance that are material to the financial statements of Meigs County. The audit did not disclose any instances of noncompliance that are material to the financial statements of the Meigs County School Department.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555), Title I Grants to Local Education Agencies (CFDA No. 84.010), and the Special Education Cluster: Special Education Grants to States and Special Education Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Meigs County and the Meigs 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 have reviewed these findings and recommendations with management to provide an opportunity for their response, with the exception of the former Circuit and General Sessions Courts Clerk, Debbie Smith, whom we were unable to contact. Management did not offer written responses to the findings and recommendations. Officials did offer oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

### MEIGS COUNTY

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

Meigs County did not identify and determine the historical value of its capital assets and the related depreciation amounts of these assets. Therefore, Meigs 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, Meigs County’s financial statements are not presented in accordance with generally accepted accounting principles; thus, we have issued an adverse opinion on the government’s 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. Meigs County’s financial statements are presented in compliance with these requirements.

### RECOMMENDATION

Meigs 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 the county’s capital assets and the related depreciation amounts of these assets. This information is necessary to present the government’s financial statements in accordance with generally accepted accounting principles.

**OFFICES OF COUNTY MAYOR, HIGHWAY SUPERINTENDENT, AND PURCHASE AND FINANCE**

**FINDING 06.02      PAYROLL TAXES WERE NOT ALWAYS DEPOSITED AND/OR REPORTED TIMELY, RESULTING IN ASSESSMENTS OF INTEREST AND PENALTIES TOTALING \$49,615**

(Material Noncompliance Under Government Auditing Standards)

The Meigs County Purchase and Finance Office issued ten checks totaling \$49,615 to the Internal Revenue Service (IRS) for interest and penalty assessments for the failure to timely deposit and/or report employee payroll taxes. Four checks totaling \$16,305 were issued in the period July 1, 2004 through June 30, 2005, and six checks totaling \$33,310 were issued in the period July 1, 2005 through June 30, 2006.

Meigs County maintains a bank account to deposit employee payroll taxes for amounts due the IRS and is required to notify the IRS of these deposits so withdrawals can be made from the county's account. In some instances, deposits of payroll taxes were made several days late (i.e. three to ten days late) and, in some instances even after the deposits were made, the IRS was not notified in a timely manner to provide for current withdrawals. IRS Circular – Employer's Tax Guide requires employers to deposit employee payroll taxes in a U.S. Treasury bank account within three days of each payroll period.

Meigs County operates under Chapter 403, Private Acts of 1949, for all funds maintained by the county mayor and highway superintendent. This private act creates a three-member Purchase and Finance Commission elected by the voters of Meigs County, who in turn employ a finance director to carry out the daily responsibilities. This act requires, among other things, that checks drawn on all applicable funds be signed by the chairman of the Purchase and Finance Commission and the county mayor. It is the practice of the Purchase and Finance Office to affix the chairman's name with a signature stamp, while the county mayor physically signs all checks. Nine of these ten checks were issued without the original signature of the county mayor. Two of the checks appeared to have the county mayor's signature affixed by a rubber signature stamp. The other seven checks contained only the chairman of the Purchase and Finance Commission's signature by use of the signature stamp. Tennessee Code Annotated does not provide authority for the use of a signature stamp. The issuance of these checks without the original signatures of the chairman of the Purchase and Finance Commission and the county mayor circumvents a major internal control procedure and violates provisions of the aforementioned private act.

We did not extend the scope of our examination to include periods before July 1, 2004. It appears amounts withheld in the last quarter of the 2006 fiscal year, as well as July 2006, may also have been deposited and reported late; however, the IRS has not contacted the county to inform them of any interest and penalty assessed for these periods.

RECOMMENDATION

Federal payroll taxes should be deposited timely and reported to the Internal Revenue Service to avoid interest and penalty assessments. All checks issued should be signed by the chairman of the Purchase and Finance Commission and the county mayor, as required by the private act. Management should discontinue the use of any signature stamps.

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FINDING 06.03      **APPROPRIATIONS EXCEEDED ESTIMATED AVAILABLE FUNDS IN THE HIGHWAY/PUBLIC WORKS AND THE SOLID WASTE/SANITATION FUNDS**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The budget and subsequent amendments submitted to and approved by the County Commission contained appropriations that exceeded estimated available funding causing a budgeted fund deficit in the Highway/Public Works (\$108,419) and Solid Waste/Sanitation (\$21,303) Funds.

RECOMMENDATION

Appropriations that exceed estimated available funds should not be submitted to or approved by the County Commission.

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**OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

Many functions of the financial operations of the clerk’s office essentially stopped after September 2005, including the clerk’s failure to disburse funds from both Circuit and General Sessions Courts, and the failure to post the cash journal in Circuit Court. The clerk, Debbie Smith, was indicted on March 27, 2006, by the Meigs County Grand Jury on charges of evading, defeating state tax; destruction of and tampering with governmental records; and failure to keep a cash book; however, these charges were subsequently dropped. Ms. Smith resigned from office on March 28, 2006.

After the clerk’s resignation, a deputy clerk operated the office until Jacqueline Ware was appointed interim clerk effective April 21, 2006. Due to the deficiencies that existed in the financial operations of the clerk’s office for the majority of the year examined, we were unable to determine the propriety of the transactions recorded in the Offices of Circuit and General Sessions Courts.

Section A of the following findings relate to the portion of the year prior to the interim clerk assuming office. Section B relates to the approximate two months administered by the interim clerk.

**Section A [July 1, 2005 through April 20, 2006]:**

**FINDING 06.04      CIRCUIT AND GENERAL SESSIONS COURTS FUNDS WERE NOT REMITTED TO LITIGANTS, HEIRS, OR OTHERS**  
(Material Noncompliance Under Government Auditing Standards)

The clerk did not make any disbursements from either Circuit or General Sessions Courts after September 2005. Section 18-2-102, Tennessee Code Annotated, requires the clerk of the court to pay, without delay, monies that have been ordered by the court to be paid. Also, the State of Tennessee requires taxes collected by the court to be currently remitted to the state each month, after which, penalties and interest begin to accrue. In April 2006, the State of Tennessee froze the bank accounts of both courts and did not release the accounts until estimated amounts the courts owed the state had been withdrawn. On May 1, 2006, the state withdrew \$55,173.11 from the General Sessions Court bank account and \$2,199.30 from the Circuit Court bank account, representing estimated amounts of taxes and interest owed for the months of September 2005 through February 2006. The interim clerk is currently working with state officials to determine the exact amount owed.

**RECOMMENDATION**

Collections of the Circuit and General Sessions Courts should be accurately accounted for and disbursed currently as ordered by the court or state law. County officials should continue to work with state officials to reach a final settlement of the accounts.

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**FINDING 06.05      CHECKS MAILED TO THE GENERAL SESSIONS COURT WERE NOT RECEIPTED AND DEPOSITED**  
(Material Noncompliance Under Government Auditing Standards)

Checks mailed to the Office of the General Sessions Court Clerk were not receipted and deposited into an official bank account. On March 30, 2006, we performed a cash count in the office and found checks totaling \$6,889.25 dating back to May 2005 that had not been receipted and deposited. On April 21, 2006, we performed another cash count and found that the total had increased to \$10,087.94. Section 9-2-103, Tennessee Code Annotated (TCA), requires official prenumbered receipts for all collections, and Section 5-8-207, TCA, requires county officials handling public funds to deposit funds into an official bank account within three days of collection.

**RECOMMENDATION**

All collections should be receipted and deposited in compliance with state statutes.

**FINDING 06.06      THE CASH JOURNAL WAS NOT MAINTAINED IN CIRCUIT COURT**  
(Internal Control – Material Weakness Under Government Auditing Standards)

The clerk failed to post the Circuit Court cash journal after August 2005. Postings were made during July and August 2005; however, numerous errors were noted.

**RECOMMENDATION**

The cash journal should be properly maintained on a current basis. Maintaining an accurate cash journal reconciled with various subsidiary records is a critical control procedure for detecting errors in a timely manner and for proper reporting of financial transactions of the office.

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**FINDING 06.07      BANK STATEMENTS WERE NOT RECONCILED WITH GENERAL LEDGER ACCOUNTS IN CIRCUIT AND GENERAL SESSIONS COURTS**  
(Internal Control – Material Weakness Under Government Auditing Standards)

Circuit and General Sessions Courts' bank statements were not reconciled with general ledger accounts. Reconciling bank statements with general ledger accounts monthly is a critical control procedure for detecting errors in a timely manner.

**RECOMMENDATION**

Bank statements should be reconciled with general ledger accounts monthly, and any errors noted should be corrected promptly.

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**FINDING 06.08      AN EXECUTION DOCKET TRIAL BALANCE WAS NOT PREPARED FOR CIRCUIT COURT, AND THE EXECUTION DOCKET TRIAL BALANCE PREPARED FOR GENERAL SESSIONS COURT DID NOT RECONCILE WITH CASH CONTROL RECORDS**  
(Material Noncompliance Under Government Auditing Standards)

An execution docket trial balance for Circuit Court was not prepared, as required by Section 18-2-103, Tennessee Code Annotated. The execution docket trial balance prepared for General Sessions Court did not reconcile with cash control records. Therefore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-110, TCA. This statute provides that any funds held by the court 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

Execution docket trial balances should be prepared and reconciled with cash control records in both Circuit and General Sessions Courts. Any funds held by the court for one year and unclaimed by the owner are considered abandoned and should be reported and paid to the state Treasurer's Office in compliance with state statute.

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FINDING 06.09      **IMPROPER PROCEDURES WERE USED TO DISBURSE FUNDS FROM CIRCUIT COURT**  
(Noncompliance Under Government Auditing Standards)

A cashier's check was used to disburse \$95,632 from a Circuit Court investment account. Section 5-8-207, Tennessee Code Annotated, requires disbursements to be made by official prenumbered checks drawn on the official bank account.

RECOMMENDATION

All disbursements should be made by prenumbered checks drawn on the official bank account, as required by state statute.

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**Section B [April 21, 2006 through June 30, 2006]:**

FINDING 06.10      **CERTAIN RECORDS DID NOT RECONCILE DUE TO TRANSACTIONS OCCURRING DURING THE PREVIOUS CLERK'S ADMINISTRATION**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The interim clerk made significant progress in correcting pre-existing deficiencies during the two months of her administration. However, bank reconciliations for General Sessions Court as of June 30, 2006, still included unidentified amounts that have been carried forward since July 2005. Also, the interim clerk has been unable to reconcile the execution docket trial balance for General Sessions Court with general ledger accounts due to transactions occurring prior to the interim clerk assuming office.

RECOMMENDATION

Efforts should continue to identify bank reconciling items and to reconcile amounts from the execution docket trial balance with general ledger accounts. Any funds that cannot be identified, or for which the owner cannot be located, should be remitted to the state Treasurer's Office as unclaimed funds, pursuant to Section 66-29-101, Tennessee Code Annotated.

## OFFICE OF CLERK AND MASTER

FINDING 06.11      **THE OFFICE HAD NOT IMPLEMENTED ADEQUATE CONTROLS TO PROTECT ITS INFORMATION RESOURCES AGAINST UNAUTHORIZED ACCESS, MODIFICATION, DESTRUCTION, OR DISCLOSURE**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

We observed that the Office of Clerk and Master had not implemented adequate controls to protect its information resources against unauthorized access, modification, destruction, or disclosure. The failure to provide such controls increases the risk that individuals could inappropriately access and manipulate the county's computer system, software applications, and sensitive information.

This finding does not identify specific vulnerabilities that could allow someone to exploit the office's information system or misuse county funds. Disclosing those vulnerabilities could present a potential security risk by providing the readers with information that might be confidential pursuant to Section 10-7-504(i), Tennessee Code Annotated. We identified and provided the official with detailed information regarding the specific vulnerabilities, as well as our recommendations for improvement.

### RECOMMENDATION

The Office of Clerk and Master should ensure that adequate controls over information systems and the resources associated with those systems are implemented, as well as establish or improve any compensating controls until these conditions are remedied.

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## OTHER FINDINGS AND RECOMMENDATIONS

FINDING 06.12      **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF PURCHASE AND FINANCE, DIRECTOR OF SCHOOLS, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Offices of Purchase and Finance, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. The officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.

**FINDING 06.13 COUNTY OFFICIALS HAD NOT HELD A DELINQUENT PROPERTY TAX SALE IN RECENT YEARS**  
(Noncompliance Under Government Auditing Standards)

County officials had not held a delinquent property tax sale in approximately 20 years. Section 67-5-1806, Tennessee Code Annotated, provides that all delinquent property taxes become discharged and uncollectible after ten years from the date the delinquency originated. Therefore, approximately fifteen years of delinquent taxes totaling \$24,965 are discharged and uncollectible. The clerk and master's tax aggregate list (1995-2004) reflects uncollected delinquent property taxes of \$66,370 filed in Chancery Court.

**RECOMMENDATION**

County officials should hold a delinquent property tax sale in an effort to collect delinquent taxes, as provided by state statute.

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**FINDING 06.14 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 covering all county departments. Establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes.

**RECOMMENDATION**

County officials should consider adopting the County Financial Management System of 1981 or a private act which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

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

There were no findings and questioned costs for federal awards.

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

There were no audit findings relative to federal awards presented in the prior audit's Schedule of Findings and Questioned Costs or the current year's Schedule of Findings and Questioned Costs.