

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

SINGLE AUDIT REPORT



FOR THE YEAR ENDED JUNE 30, 2007



ANNUAL FINANCIAL REPORT
MEIGS COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2007

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

MEIGS COUNTY, TENNESSEE

TABLE OF CONTENTS

	Exhibit	Page(s)
Audit Highlights		1-2
<u>INTRODUCTORY SECTION</u>		3
Meigs County Officials		5
<u>FINANCIAL SECTION</u>		7
Independent Auditor's Report		9-11
BASIC FINANCIAL STATEMENTS:		13
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	A	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	B	16
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	C	17
Notes to the Financial Statements		19-35
REQUIRED SUPPLEMENTARY INFORMATION:		37
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	D-1	39-40
Highway/Public Works Fund	D-2	41-42
Schedule of Funding Progress – Pension Plan	D-3	43
Notes to the Required Supplementary Information		45-46
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		47
Nonmajor Governmental Funds:		49
Combining Balance Sheet	E-1	51
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	E-2	52
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
Solid Waste/Sanitation Fund	E-3	53
Special Purpose Fund	E-4	54
Drug Control Fund	E-5	55

	Exhibit	Page(s)
Major Governmental Fund:		57
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	F	59
Fiduciary Funds:		61
Combining Statement of Fiduciary Assets and Liabilities	G-1	63
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	G-2	64
Miscellaneous Schedules:		65
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds	H-1	67
Schedule of Bond and Interest Requirements by Year	H-2	68
Schedule of Transfers	H-3	69
Schedule of Salaries and Official Bonds of Principal Officials	H-4	70
Schedule of Detailed Revenues – All Governmental Fund Types	H-5	71-75
Schedule of Detailed Expenditures – All Governmental Fund Types	H-6	76-89
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	H-7	90

Audit Highlights
Annual Financial Report
Meigs County, Tennessee
For the Year Ended June 30, 2007

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, 2007.

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 ten findings and recommendations, which we have reviewed with Meigs County management. Detailed findings, recommendations, and management's responses are included in the Single Audit Report.

Findings

The following are summaries of the audit findings:

MEIGS COUNTY

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

OFFICE OF COUNTY MAYOR

- ◆ The Solid Waste/Sanitation Fund had a deficit in unreserved fund balance of \$1,632 at June 30, 2007.

OFFICE OF HIGHWAY SUPERINTENDENT

- ◆ The county failed to comply with state statutes and a private act when entering into a lease-purchase agreement.
-

OFFICES OF COUNTY MAYOR AND HIGHWAY SUPERINTENDENT

- ◆ Expenditures exceeded appropriations in three major appropriations categories (the legal level of control) in the General Fund. Also, expenditures exceeded total appropriations in the Highway/Public Works Fund and Drug Control Fund.
 - ◆ Purchase orders were not properly issued.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ The execution docket trial balance prepared for General Sessions Court did not reconcile with cash control records.
 - ◆ In several instances, the clerk did not deposit funds within three days of collection in Circuit Court and General Sessions Court.
-

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.
-

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 adopted a central system of accounting, budgeting, and purchasing.

INTRODUCTORY SECTION

Meigs County Officials
June 30, 2007

Officials

Ken Jones, County Mayor
Tim Jennings, Highway Superintendent
Carolyn Wattenbarger, Trustee
Tim Proffitt, Assessor of Property
Janie Rowland, County Clerk
Darrell Davis, Circuit and General Sessions Courts Clerk
Jim Mercer, Clerk and Master
Janie Stiner, Register
Walter Hickman, Sheriff

Board of County Commissioners

Ken Jones, Chairman	Carter Nelson
Lynn King	Billy Ogle
Lisa Ann Knight	Danny Smith
John McHone, Jr.	Laura Smith
Doug O'Daniel	Betty Davis
Mark Vance	Brad McKenzie

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

March 13, 2008

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, 2007, 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, 2007, 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, 2007, 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 March 13, 2008, 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 and pension information on pages 39 through 46 are not required parts of the basic financial statements but they do provide supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 black ink that reads "John G. Morgan" with a long horizontal flourish extending to the right.

John G. Morgan
Comptroller of the Treasury

JGM/rd

BASIC FINANCIAL STATEMENTS

Exhibit A

Meigs County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2007

	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	1,306,940	174,124	577,284	123,868	2,182,216
Accounts Receivable	19,920	15,575	0	0	35,495
Due from Other Governments	70,765	222,974	27,010	0	320,749
Due from Other Funds	0	0	0	6,838	6,838
Property Taxes Receivable	1,880,457	0	526,128	0	2,406,585
Allowance for Uncollectible Property Taxes	(60,545)	0	(16,940)	0	(77,485)
Total Assets	\$ 3,235,998	\$ 412,673	\$ 1,113,482	\$ 130,706	\$ 4,892,859
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 9,922	\$ 0	\$ 0	\$ 15,201	\$ 25,123
Cash Overdraft	0	0	0	5,396	5,396
Retainage Payable	0	0	0	21,092	21,092
Due to Other Funds	6,838	0	0	0	6,838
Due to Litigants, Heirs, and Others	0	0	0	1,442	1,442
Matured Interest on Bonds	0	0	465	0	465
Deferred Revenue - Current Property Taxes	1,725,014	0	482,637	0	2,207,651
Deferred Revenue - Delinquent Property Taxes	86,991	0	24,339	0	111,330
Other Deferred Revenues	24,866	115,416	13,958	0	154,240
Total Liabilities	\$ 1,853,631	\$ 115,416	\$ 521,399	\$ 43,131	\$ 2,533,577
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 0	\$ 136,118	\$ 0	\$ 0	\$ 136,118
Reserved for Purchase of Electronic Fingerprint Imaging System	0	0	0	21,196	21,196
Reserved for Alcohol and Drug Treatment	42,042	0	0	0	42,042
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	77,633	0	0	0	77,633
Reserved for Sexual Offender Registration	1,600	0	0	0	1,600
Reserved for Courthouse and Jail Maintenance	44,833	0	0	0	44,833
Reserved for Computer System - Register	40,026	0	0	0	40,026
Reserved for Capital Outlay	4,456	0	0	0	4,456
Unreserved, Reported In:					
General Fund	1,171,777	0	0	0	1,171,777
Special Revenue Funds	0	161,139	0	55,658	216,797
Debt Service Funds	0	0	592,083	0	592,083
Capital Projects Funds	0	0	0	10,721	10,721
Total Fund Balances	\$ 1,382,367	\$ 297,257	\$ 592,083	\$ 87,575	\$ 2,359,282
Total Liabilities and Fund Balances	\$ 3,235,998	\$ 412,673	\$ 1,113,482	\$ 130,706	\$ 4,892,859

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, 2007

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 2,182,758	\$ 635	\$ 639,930	\$ 0	\$ 2,823,323
Licenses and Permits	24,945	0	0	0	24,945
Fines, Forfeitures, and Penalties	191,640	0	0	43,711	235,351
Charges for Current Services	250,648	0	0	135	250,783
Other Local Revenues	26,202	126,500	45,987	4,715	203,404
Fees Received from County Officials	458,713	0	0	0	458,713
State of Tennessee	562,967	1,863,439	33,930	1,147	2,461,483
Federal Government	841,083	12,677	0	86,213	939,973
Other Governments and Citizens Groups	105,431	53,148	225,000	0	383,579
Total Revenues	\$ 4,644,387	\$ 2,056,399	\$ 944,847	\$ 135,921	\$ 7,781,554
<u>Expenditures</u>					
Current:					
General Government	\$ 638,408	\$ 0	\$ 0	\$ 135	\$ 638,543
Finance	398,725	0	0	0	398,725
Administration of Justice	291,755	0	0	0	291,755
Public Safety	1,250,618	0	0	8,471	1,259,089
Public Health and Welfare	494,313	0	0	193,154	687,467
Social, Cultural, and Recreational Services	81,301	0	0	92,963	174,264
Agriculture and Natural Resources	38,388	0	0	0	38,388
Other Operations	992,101	0	0	0	992,101
Highways	0	1,909,008	0	0	1,909,008
Debt Service:					
Principal on Debt	0	49,901	504,681	0	554,582
Interest on Debt	0	22,812	207,402	0	230,214
Other Debt Service	0	0	13,575	0	13,575
Capital Projects	0	0	0	1,477	1,477
Total Expenditures	\$ 4,185,609	\$ 1,981,721	\$ 725,658	\$ 296,200	\$ 7,189,188
Excess (Deficiency) of Revenues Over Expenditures	\$ 458,778	\$ 74,678	\$ 219,189	\$ (160,279)	\$ 592,366
<u>Other Financing Sources (Uses)</u>					
Capital Leases Issued	\$ 0	\$ 102,456	\$ 0	\$ 0	\$ 102,456
Transfers In	14,491	0	20,000	156,000	190,491
Transfers Out	(176,000)	(14,491)	0	0	(190,491)
Total Other Financing Sources (Uses)	\$ (161,509)	\$ 87,965	\$ 20,000	\$ 156,000	\$ 102,456
Net Change in Fund Balances	\$ 297,269	\$ 162,643	\$ 239,189	\$ (4,279)	\$ 694,822
Fund Balance, July 1, 2006	1,085,098	134,614	352,894	91,854	1,664,460
Fund Balance, June 30, 2007	\$ 1,382,367	\$ 297,257	\$ 592,083	\$ 87,575	\$ 2,359,282

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, 2007

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 349,407
Due from Other Governments	<u>42,976</u>
Total Assets	<u><u>\$ 392,383</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 30,763
Due to Litigants, Heirs, and Others	<u>361,620</u>
Total Liabilities	<u><u>\$ 392,383</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, 2007

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 No. 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 No. 34. These standards require fund financial statements that are presented in conformity with all the provisions of GASB Statement No. 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, 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 Meigs 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:

Administrative Office:

Meigs County Emergency Communications District
P.O. Box 352
Decatur, TN 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 in total are reported in a single column.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. 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’s Highway Department.

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

Additionally, Meigs County reports the following fund types:

Capital Projects Fund – The Other Capital Projects Fund accounts 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 the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service 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 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 treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.78 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. 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.

4. 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.

5. Long-term Obligations

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

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

6. Fund Equity

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Management has designated \$71,405 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) and the Industrial Economic Development Fund (special revenue fund), which are not budgeted, and the Other Capital Projects Fund, which adopts project length budgets. All annual appropriations lapse at fiscal year end.

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

The budgetary level of control is at the major category level established by the 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 schedule.

B. Fund Deficit

The Solid Waste/Sanitation Fund had a deficit in unreserved fund balance of \$1,632 at June 30, 2007. The deficit resulted from the county failing to provide funding sufficient for the expenditures made from the fund. Subsequent to June 30, 2007, this deficit was liquidated by a transfer from the General Fund.

C. Cash Overdraft

The Office of General Sessions Court Clerk had a cash overdraft of \$5,396 at June 30, 2007. This cash overdraft resulted from issuing checks that exceeded cash on deposit with the clerk's bank. The cash overdraft was liquidated subsequent to June 30, 2007.

D. A Capital Lease Was Not Issued in Compliance With State Statutes and a Private Act

In October 2006, the County Commission approved a capital outlay note for the purchase of two dump trucks. However, in-lieu-of issuing the capital outlay note, on December 15, 2006, the highway superintendent entered into a five-year lease-purchase agreement for the trucks (\$102,456). Section 7-51-904, Tennessee Code Annotated (TCA), requires lease-purchase agreements to be approved by the County Commission. Additionally, the superintendent did not file a Report on Debt Obligations with the state director of Local Finance as required by Section 9-21-151, TCA. Furthermore, the highway superintendent signed the lease-purchase agreement instead of the chairman of the Purchase and Finance Commission as required by their private act.

E. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations in the Other Finance (\$1,079) and Other Economic and Community Development (\$141,916) major appropriation categories (the legal level of control) in the General Fund.

Expenditures exceeded total appropriations in the Highway/Public Works Fund (\$60,797) and the Drug Control Fund (\$728).

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues.

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, 2007.

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2007, is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor governmental	General	\$ 6,838

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

Interfund Transfers:

Interfund transfers for the year ended June 30, 2007, consisted of the following amounts:

<u>Transfers Out</u>	<u>Transfers In</u>		
	<u>General Fund</u>	<u>General Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>
General Fund	\$ 0	\$ 20,000	\$ 156,000
Highway/Public Works Fund	14,491	0	0
Total	<u>\$ 14,491</u>	<u>\$ 20,000</u>	<u>\$ 156,000</u>

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

C. Capital Lease

On December 15, 2006, Meigs County entered into a five-year lease-purchase agreement for two dump trucks. The terms of the agreement require total lease payments of \$102,456 plus interest of 5.17 percent. The lease payments are being made from the Highway/Public Works Fund. This lease-purchase agreement was not entered into in compliance with state statutes.

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2008	\$ 23,776
2009	23,776

Year Ending June 30 (Cont.)	Governmental Funds
2010	\$ 23,776
2011	23,776
2012	23,776
Total Minimum Lease Payments	\$ 118,880
Amount Representing Interest	(16,424)
 Present Value of Minimum Lease Payments	 \$ 102,456

D. 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 Fund, 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, 2007, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
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	2,310,000

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
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	636,874
FmHA Issue - Industrial Park	5	80,000	49,313
Capital Outlay Notes	4.85 to 6.47	1,041,301	790,717

During the 2001-02 year, Meigs County issued Capital Appreciation Bonds (CABs) totaling \$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, 2007, approximately \$636,874 of interest had accreted on the bonds.

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2007, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
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	597,756	69,632	37,960	16,077
2013-2017	1,573,913	677,938	227,034	38,652
2018-2022	935,716	1,338,182	0	0
2023-2026	570,649	1,229,350	0	0
Total	\$ 5,857,792	\$ 3,827,317	\$ 790,717	\$ 163,449

The Meigs County Board of Education has pledged by resolution \$225,000 per year from its Basic Education Program non-classroom funds to the General Debt Service Fund for school related debt. These funds are pledged annually through the year ending 2012.

There is \$592,083 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$528, based on the 2000 federal census. Debt per capita, including bonds and notes, totaled \$600, based on the 2000 federal census.

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Bonds	Accreted Interest on (CAB) Bonds	Capital Leases
Balance, July 1, 2006	\$ 6,284,945	\$ 505,666	\$ 0
Additions	0	131,208	102,456
Deductions	427,153	0	0
Balance, June 30, 2007	<u>\$ 5,857,792</u>	<u>\$ 636,874</u>	<u>\$ 102,456</u>
Balance Due Within One Year	<u>\$ 512,262</u>	<u>\$ 0</u>	<u>\$ 18,479</u>

	Notes	Compensated Absences
Balance, July 1, 2006	\$ 918,146	\$ 13,757
Additions	0	18,474
Deductions	127,429	15,595
Balance, June 30, 2007	<u>\$ 790,717</u>	<u>\$ 16,636</u>
Balance Due Within One Year	<u>\$ 346,344</u>	<u>\$ 16,636</u>

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

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. Subsequent Events

On April 12, 2007, the state legislature passed The Meigs County Financial Management Act of 2007. The Meigs County Commission approved the private act on May 17, 2007. As of June 30, 2007, the county was in the process of implementing this private act.

On August 16, 2007, the County Commission increased the competitive bid limit from \$5,000 to \$10,000.

On August 16, 2007, the County Commission voted to hire Randy Baker as the finance director as provided by The Meigs County Financial Management Act of 2007.

On October 1, 2007, the county entered into a five-year capital lease-purchase agreement (\$77,950) for an asphalt reclaiming machine and trailer.

C. 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.

D. Change in Administration

Interim clerk Jacqueline Ware left the Office of Circuit and General Sessions Courts Clerk on August 31, 2006, and was succeeded by Darrell Davis.

E. 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, 2007, 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:

Administrative Office:

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

F. Retirement Commitments

Employees

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 chose 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 <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, 2007, 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, 2005, 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, 2005, was zero years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-07	\$0	100%	\$0
6-30-06	0	100	0
6-30-05	0	100	0

G. Office of Purchase and Finance

On May 17, 2007, the County Commission adopted The Meigs County Financial Management Act of 2007, Chapter 28, Private Acts of 2007. This act provides for the creation of a Finance Department operated under the direction of a finance director. Upon the adoption of this act, the Purchase and Finance Commission created by Chapter 403, Private Acts of 1949, was disbanded. As of the date of this report, the county has appointed a committee to oversee the implementation of the act and has hired a finance director.

H. Purchasing Laws

Purchasing procedures for the various departments of Meigs County were governed by Chapter 403, Private Acts of 1949, until the adoption of The Meigs County Financial Management Act of 2007, Chapter 28, Private Acts of 2007, which created the Finance Department. The director of the Finance Department 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. The County Commission increased the bid limit for all county purchases to \$10,000 subsequent to June 30, 2007.

Purchases for the funds administered by the county mayor and highway superintendent were made by the Purchase and Finance Commission until they were disbanded by the adoption of the above-noted private act. Subsequently, purchases were made by the county mayor and highway superintendent until the finance director was hired on August 16, 2007.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,182,758	\$ 2,091,247	\$ 2,091,247	\$ 91,511
Licenses and Permits	24,945	26,400	26,400	(1,455)
Fines, Forfeitures, and Penalties	191,640	139,624	140,724	50,916
Charges for Current Services	250,648	215,760	215,760	34,888
Other Local Revenues	26,202	15,300	17,062	9,140
Fees Received from County Officials	458,713	354,930	354,930	103,783
State of Tennessee	562,967	498,075	466,975	95,992
Federal Government	841,083	40,455	557,798	283,285
Other Governments and Citizens Groups	105,431	0	19,891	85,540
Total Revenues	\$ 4,644,387	\$ 3,381,791	\$ 3,890,787	\$ 753,600
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 38,035	\$ 37,913	\$ 41,413	\$ 3,378
Board of Equalization	150	400	400	250
County Mayor/Executive	74,294	73,321	74,388	94
County Attorney	15,450	15,450	15,450	0
Election Commission	163,442	80,039	166,039	2,597
Register of Deeds	80,263	70,391	81,730	1,467
Planning	25,693	24,167	25,880	187
Geographical Information Systems	38,825	37,102	40,707	1,882
County Buildings	202,256	179,937	234,308	32,052
<u>Finance</u>				
Accounting and Budgeting	67,114	71,788	74,047	6,933
Property Assessor's Office	75,413	76,217	77,650	2,237
Reappraisal Program	18,057	17,331	18,507	450
County Trustee's Office	95,531	93,645	104,714	9,183
County Clerk's Office	95,531	87,943	96,146	615
Other Finance	47,079	45,000	46,000	(1,079)
<u>Administration of Justice</u>				
Circuit Court	128,194	85,081	138,514	10,320
General Sessions Court	89,138	84,734	89,138	0
Chancery Court	74,423	63,624	77,593	3,170
<u>Public Safety</u>				
Sheriff's Department	439,780	427,491	449,304	9,524
Special Patrols	27	0	0	(27)
Jail	401,807	383,333	411,334	9,527
Juvenile Services	16,085	16,139	16,139	54
Fire Prevention and Control	53,183	50,000	53,466	283
Civil Defense	154,051	62,785	158,896	4,845
Rescue Squad	4,726	7,400	7,400	2,674
County Coroner/Medical Examiner	11,928	7,000	14,293	2,365
Other Public Safety	169,031	175,968	169,171	140

(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	\$ 43,051	\$ 59,981	\$ 59,981	\$ 16,930
Ambulance/Emergency Medical Services	380,487	276,030	396,030	15,543
Crippled Children Services	500	500	500	0
Appropriation to State	28,000	28,000	28,000	0
Sanitation Management	9,534	10,000	11,064	1,530
Sanitation Education/Information	32,741	33,538	33,538	797
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	14,933	16,537	16,537	1,604
Libraries	30,164	33,867	33,867	3,703
Parks and Fair Boards	13,482	44,851	44,851	31,369
Other Social, Cultural, and Recreational	22,722	0	22,722	0
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	32,669	33,317	43,060	10,391
Soil Conservation	5,719	4,100	6,600	881
<u>Other Operations</u>				
Tourism	1,807	4,000	4,000	2,193
Other Economic and Community Development	584,054	0	442,138	(141,916)
Veterans' Services	9,370	6,777	12,866	3,496
Other Charges	76,094	81,503	81,503	5,409
Employee Benefits	263,375	277,050	277,951	14,576
Miscellaneous	57,401	3,994	57,401	0
Total Expenditures	\$ 4,185,609	\$ 3,188,244	\$ 4,255,236	\$ 69,627
Excess (Deficiency) of Revenues Over Expenditures				
	\$ 458,778	\$ 193,547	\$ (364,449)	\$ 823,227
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 14,491	\$ 14,491	\$ 14,491	\$ 0
Transfers Out	(176,000)	(176,000)	(176,000)	0
Total Other Financing Sources (Uses)	\$ (161,509)	\$ (161,509)	\$ (161,509)	\$ 0
Net Change in Fund Balance				
Fund Balance, July 1, 2006	\$ 1,085,098	\$ 868,345	\$ 868,345	\$ 216,753
Fund Balance, June 30, 2007				
	\$ 1,382,367	\$ 900,383	\$ 342,387	\$ 1,039,980

Exhibit D-2

Meigs County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 635	\$ 0	\$ 635	\$ 32,695	\$ 32,695	\$ (32,060)
Other Local Revenues	126,500	0	126,500	1,000	62,965	63,535
State of Tennessee	1,863,439	0	1,863,439	1,467,158	1,707,141	156,298
Federal Government	12,677	0	12,677	0	0	12,677
Other Governments and Citizens Groups	53,148	0	53,148	0	32,771	20,377
Total Revenues	\$ 2,056,399	\$ 0	\$ 2,056,399	\$ 1,500,853	\$ 1,835,572	\$ 220,827
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 115,804	\$ 0	\$ 115,804	\$ 117,169	\$ 117,169	\$ 1,365
Highway and Bridge Maintenance	596,929	0	596,929	605,946	637,717	40,788
Operation and Maintenance of Equipment	205,520	0	205,520	164,602	206,652	1,132
Other Charges	94,330	0	94,330	68,947	94,712	382
Employee Benefits	126,922	0	126,922	128,550	128,550	1,628
Capital Outlay	769,503	136,118	905,621	262,000	800,557	(105,064)
<u>Principal on Debt</u>						
Highways and Streets	49,901	0	49,901	19,517	49,174	(727)
<u>Interest on Debt</u>						
Highways and Streets	22,812	0	22,812	49,902	22,511	(301)
Total Expenditures	\$ 1,981,721	\$ 136,118	\$ 2,117,839	\$ 1,416,633	\$ 2,057,042	\$ (60,797)
Excess (Deficiency) of Revenues Over Expenditures	\$ 74,678	\$ (136,118)	\$ (61,440)	\$ 84,220	\$ (221,470)	\$ 160,030
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 238,574	\$ (238,574)
Capital Leases Issued	102,456	0	102,456	0	0	102,456

(Continued)

Exhibit D-2

Meigs County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund (Cont.)

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Other Financing Sources (Uses) (Cont.)</u>						
Transfers Out	\$ (14,491)	\$ 0	\$ (14,491)	\$ (14,491)	\$ (14,491)	\$ 0
Total Other Financing Sources (Uses)	\$ 87,965	\$ 0	\$ 87,965	\$ (14,491)	\$ 224,083	\$ (136,118)
Net Change in Fund Balance	\$ 162,643	\$ (136,118)	\$ 26,525	\$ 69,729	\$ 2,613	\$ 23,912
Fund Balance, July 1, 2006	134,614	0	134,614	128,704	128,704	5,910
Fund Balance, June 30, 2007	\$ 297,257	\$ (136,118)	\$ 161,139	\$ 198,433	\$ 131,317	\$ 29,822

Exhibit D-3

Meigs County, Tennessee
Schedule of Funding Progress – Pension Plan
June 30, 2007

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-05	\$ 606	\$ 606	0	100 %	\$ 0	0 %
6-30-03	605	605	0	100	0	0

MEIGS COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2007

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 schedule.

B. A Capital Lease Was Not Issued in Compliance With State Statutes and a Private Act

In October 2006, the County Commission approved a capital outlay note for the purchase of two dump trucks. However, in-lieu-of issuing the capital outlay note, on December 15, 2006, the highway superintendent entered into a five-year lease-purchase agreement for the trucks (\$102,456). Section 7-51-904, Tennessee Code Annotated (TCA), requires lease-purchase agreements to be approved by the County Commission. Additionally, the superintendent did not file a Report on Debt Obligations with the state director of Local Finance as required by Section 9-21-151, TCA. Furthermore, the highway superintendent signed the lease-purchase agreement instead of the chairman of the Purchase and Finance Commission as required by their private act.

C. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations in the Other Finance (\$1,079) and Other Economic and Community Development (\$141,916) major appropriation categories (the legal level of control) in the General Fund.

Expenditures exceeded total appropriations in the Highway/Public Works Fund by \$60,797.

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for 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.

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

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

Capital Projects Fund

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

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, 2007

	Special Revenue Funds						Capital Projects Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Industrial / Economic Development	Special Purpose	Drug Control	Constitu - tional Officers - Fees	Total	Other Capital Projects	
ASSETS								
Equity in Pooled Cash and Investments	\$ 13,569	\$ 1,415	\$ 8,587	\$ 68,484	\$ 0	\$ 92,055	\$ 31,813	\$ 123,868
Due from Other Funds	0	0	0	0	6,838	6,838	0	6,838
Total Assets	<u>\$ 13,569</u>	<u>\$ 1,415</u>	<u>\$ 8,587</u>	<u>\$ 68,484</u>	<u>\$ 6,838</u>	<u>\$ 98,893</u>	<u>\$ 31,813</u>	<u>\$ 130,706</u>
LIABILITIES AND FUND BALANCES								
<u>Liabilities</u>								
Accounts Payable	\$ 15,201	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,201	\$ 0	\$ 15,201
Cash Overdraft	0	0	0	0	5,396	5,396	0	5,396
Retainage Payable	0	0	0	0	0	0	21,092	21,092
Due to Litigants, Heirs, and Others	0	0	0	0	1,442	1,442	0	1,442
Total Liabilities	<u>\$ 15,201</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,838</u>	<u>\$ 22,039</u>	<u>\$ 21,092</u>	<u>\$ 43,131</u>
<u>Fund Balances</u>								
Reserved for Purchase of Electronic Fingerprint Imaging System	\$ 0	\$ 0	\$ 0	\$ 21,196	\$ 0	\$ 21,196	\$ 0	\$ 21,196
Unreserved (Deficit)	(1,632)	1,415	8,587	47,288	0	55,658	10,721	66,379
Total Fund Balances	<u>\$ (1,632)</u>	<u>\$ 1,415</u>	<u>\$ 8,587</u>	<u>\$ 68,484</u>	<u>\$ 0</u>	<u>\$ 76,854</u>	<u>\$ 10,721</u>	<u>\$ 87,575</u>
Total Liabilities and Fund Balances	<u>\$ 13,569</u>	<u>\$ 1,415</u>	<u>\$ 8,587</u>	<u>\$ 68,484</u>	<u>\$ 6,838</u>	<u>\$ 98,893</u>	<u>\$ 31,813</u>	<u>\$ 130,706</u>

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, 2007

	Special Revenue Funds						Capital Projects Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Industrial / Economic Development	Special Purpose	Drug Control	Constitu - tional Officers - Fees	Total	Other Capital Projects	
<u>Revenues</u>								
Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 43,711	\$ 0	\$ 43,711	\$ 0	\$ 43,711
Charges for Current Services	0	0	0	0	135	135	0	135
Other Local Revenues	860	0	3,855	0	0	4,715	0	4,715
State of Tennessee	1,147	0	0	0	0	1,147	0	1,147
Federal Government	0	0	86,213	0	0	86,213	0	86,213
Total Revenues	\$ 2,007	\$ 0	\$ 90,068	\$ 43,711	\$ 135	\$ 135,921	\$ 0	\$ 135,921
<u>Expenditures</u>								
Current:								
General Government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 135	\$ 135	\$ 0	\$ 135
Public Safety	0	0	0	8,471	0	8,471	0	8,471
Public Health and Welfare	193,154	0	0	0	0	193,154	0	193,154
Social, Cultural, and Recreational Services	0	0	92,963	0	0	92,963	0	92,963
Capital Projects	0	0	0	0	0	0	1,477	1,477
Total Expenditures	\$ 193,154	\$ 0	\$ 92,963	\$ 8,471	\$ 135	\$ 294,723	\$ 1,477	\$ 296,200
Excess (Deficiency) of Revenues Over Expenditures	\$ (191,147)	\$ 0	\$ (2,895)	\$ 35,240	\$ 0	\$ (158,802)	\$ (1,477)	\$ (160,279)
<u>Other Financing Sources (Uses)</u>								
Transfers In	\$ 156,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 156,000	\$ 0	\$ 156,000
Total Other Financing Sources (Uses)	\$ 156,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 156,000	\$ 0	\$ 156,000
Net Change in Fund Balances	\$ (35,147)	\$ 0	\$ (2,895)	\$ 35,240	\$ 0	\$ (2,802)	\$ (1,477)	\$ (4,279)
Fund Balance, July 1, 2006	33,515	1,415	11,482	33,244	0	79,656	12,198	91,854
Fund Balance, June 30, 2007	\$ (1,632)	\$ 1,415	\$ 8,587	\$ 68,484	\$ 0	\$ 76,854	\$ 10,721	\$ 87,575

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 860	\$ 0	\$ 0	\$ 860
State of Tennessee	1,147	4,500	4,500	(3,353)
Total Revenues	<u>\$ 2,007</u>	<u>\$ 4,500</u>	<u>\$ 4,500</u>	<u>\$ (2,493)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 193,154	\$ 194,050	\$ 194,050	\$ 896
Total Expenditures	<u>\$ 193,154</u>	<u>\$ 194,050</u>	<u>\$ 194,050</u>	<u>\$ 896</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (191,147)</u>	<u>\$ (189,550)</u>	<u>\$ (189,550)</u>	<u>\$ (1,597)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 156,000	\$ 156,000	\$ 156,000	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 156,000</u>	<u>\$ 156,000</u>	<u>\$ 156,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (35,147)	\$ (33,550)	\$ (33,550)	\$ (1,597)
Fund Balance, July 1, 2006	<u>33,515</u>	<u>48,898</u>	<u>48,898</u>	<u>(15,383)</u>
Fund Balance, June 30, 2007	<u>\$ (1,632)</u>	<u>\$ 15,348</u>	<u>\$ 15,348</u>	<u>\$ (16,980)</u>

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 3,855	\$ 2,740	\$ 2,740	\$ 1,115
Federal Government	86,213	86,213	86,213	0
Total Revenues	<u>\$ 90,068</u>	<u>\$ 88,953</u>	<u>\$ 88,953</u>	<u>\$ 1,115</u>
<u>Expenditures</u>				
<u>Social, Cultural, and Recreational Services</u>				
Adult Activities	\$ 92,963	\$ 92,858	\$ 94,499	\$ 1,536
Total Expenditures	<u>\$ 92,963</u>	<u>\$ 92,858</u>	<u>\$ 94,499</u>	<u>\$ 1,536</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (2,895)</u>	<u>\$ (3,905)</u>	<u>\$ (5,546)</u>	<u>\$ 2,651</u>
Net Change in Fund Balance	\$ (2,895)	\$ (3,905)	\$ (5,546)	\$ 2,651
Fund Balance, July 1, 2006	11,482	12,550	12,550	(1,068)
Fund Balance, June 30, 2007	<u>\$ 8,587</u>	<u>\$ 8,645</u>	<u>\$ 7,004</u>	<u>\$ 1,583</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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 43,711	\$ 13,250	\$ 13,250	\$ 30,461
Other Local Revenues	0	1,000	1,000	(1,000)
Total Revenues	<u>\$ 43,711</u>	<u>\$ 14,250</u>	<u>\$ 14,250</u>	<u>\$ 29,461</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 8,471	\$ 2,920	\$ 7,743	\$ (728)
Total Expenditures	<u>\$ 8,471</u>	<u>\$ 2,920</u>	<u>\$ 7,743</u>	<u>\$ (728)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 35,240</u>	<u>\$ 11,330</u>	<u>\$ 6,507</u>	<u>\$ 28,733</u>
Net Change in Fund Balance	\$ 35,240	\$ 11,330	\$ 6,507	\$ 28,733
Fund Balance, July 1, 2006	<u>33,244</u>	<u>33,244</u>	<u>33,244</u>	<u>0</u>
Fund Balance, June 30, 2007	<u>\$ 68,484</u>	<u>\$ 44,574</u>	<u>\$ 39,751</u>	<u>\$ 28,733</u>

Major Governmental Fund

General Debt Service Fund

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

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 639,930	\$ 544,855	\$ 544,855	\$ 95,075
Other Local Revenues	45,987	30,000	30,000	15,987
State of Tennessee	33,930	31,200	31,200	2,730
Other Governments and Citizens Groups	225,000	225,000	225,000	0
Total Revenues	<u>\$ 944,847</u>	<u>\$ 831,055</u>	<u>\$ 831,055</u>	<u>\$ 113,792</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 504,681	\$ 427,153	\$ 504,680	\$ (1)
<u>Interest on Debt</u>				
General Government	207,402	177,968	208,120	718
<u>Other Debt Service</u>				
General Government	13,575	11,800	13,400	(175)
Total Expenditures	<u>\$ 725,658</u>	<u>\$ 616,921</u>	<u>\$ 726,200</u>	<u>\$ 542</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 219,189</u>	<u>\$ 214,134</u>	<u>\$ 104,855</u>	<u>\$ 114,334</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 20,000	\$ 20,000	\$ 20,000	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 239,189	\$ 234,134	\$ 124,855	\$ 114,334
Fund Balance, July 1, 2006	<u>352,894</u>	<u>349,073</u>	<u>349,073</u>	<u>3,821</u>
Fund Balance, June 30, 2007	<u>\$ 592,083</u>	<u>\$ 583,207</u>	<u>\$ 473,928</u>	<u>\$ 118,155</u>

Fiduciary Funds

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

Cities - Sales Tax Fund – The Cities - Sales Tax Fund is used to account for the second half of the sales tax revenues collected inside incorporated 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, 2007

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 349,407	\$ 349,407
Due from Other Governments	30,763	12,213	42,976
Total Assets	<u>\$ 30,763</u>	<u>\$ 361,620</u>	<u>\$ 392,383</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 30,763	\$ 0	\$ 30,763
Due to Litigants, Heirs, and Others	0	361,620	361,620
Total Liabilities	<u>\$ 30,763</u>	<u>\$ 361,620</u>	<u>\$ 392,383</u>

Exhibit G-2

Meigs County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2007

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 180,432	\$ 180,432	\$ 0
Due from Other Governments	27,964	30,763	27,964	30,763
Total Assets	\$ 27,964	\$ 211,195	\$ 208,396	\$ 30,763
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 27,964	\$ 211,195	\$ 208,396	\$ 30,763
Total Liabilities	\$ 27,964	\$ 211,195	\$ 208,396	\$ 30,763
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 269,500	\$ 2,506,525	\$ 2,426,618	\$ 349,407
Due from Other Governments	0	12,213	0	12,213
Total Assets	\$ 269,500	\$ 2,518,738	\$ 2,426,618	\$ 361,620
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 269,500	\$ 2,518,738	\$ 2,426,618	\$ 361,620
Total Liabilities	\$ 269,500	\$ 2,518,738	\$ 2,426,618	\$ 361,620
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 180,432	\$ 180,432	\$ 0
Cash	269,500	2,506,525	2,426,618	349,407
Due from Other Governments	27,964	42,976	27,964	42,976
Total Assets	\$ 297,464	\$ 2,729,933	\$ 2,635,014	\$ 392,383
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 27,964	\$ 211,195	\$ 208,396	\$ 30,763
Due to Litigants, Heirs, and Others	269,500	2,518,738	2,426,618	361,620
Total Liabilities	\$ 297,464	\$ 2,729,933	\$ 2,635,014	\$ 392,383

MISCELLANEOUS SCHEDULES

Exhibit H-1

Meigs County, Tennessee
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds
For the Year Ended June 30, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-07
NOTES PAYABLE								
<u>Payable through the General Debt Service Fund</u>								
Highways	\$ 400,000	5.67%	6-4-1997	6-1-07	\$ 50,000	\$ 0	\$ 50,000	\$ 0
Courthouse	450,000	6.47	5-2-05	5-2-17	422,162	0	27,528	394,634
Total Payable through General Debt Service Fund					\$ 472,162	\$ 0	\$ 77,528	\$ 394,634
<u>Payable through the Highway/Public Works Fund</u>								
Backhoe	62,000	6.15	12-1-05	12-1-08	\$ 57,678	\$ 0	\$ 9,040	\$ 48,638
Paving	250,000	4.85	3-5-02	3-1-09	115,000	0	35,000	80,000
Graders	279,301	5.15	5-16-05	5-16-08	273,306	0	5,861	267,445
Total Payable through Highway/Public Works Fund					\$ 445,984	\$ 0	\$ 49,901	\$ 396,083
Total Notes Payable					\$ 918,146	\$ 0	\$ 127,429	\$ 790,717
CAPITAL LEASES PAYABLE								
<u>Payable through the Highway/Public Works Fund</u>								
Dump Trucks	102,456	5.17	12-15-06	12-15-11	\$ 0	\$ 102,456	\$ 0	\$ 102,456
Total Capital Leases Payable					\$ 0	\$ 102,456	\$ 0	\$ 102,456
BONDS PAYABLE								
<u>Payable through the General Debt Service Fund</u>								
FmHA Issue - Industrial Park	80,000	5	1-15-1982	1-1-22	\$ 51,466	\$ 0	\$ 2,153	\$ 49,313
School Refunding, Series 1999	3,360,000	3.9 to 4.3	3-4-1999	5-1-12	2,735,000	0	425,000	2,310,000
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					\$ 6,284,945	\$ 0	\$ 427,153	\$ 5,857,792

(1) These (CAB) bonds accrete interest that is paid at bond maturity. As of June 30, 2007, approximately \$636,874 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
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
Total	\$ 5,808,479	\$ 3,805,503	\$ 49,313	\$ 21,814	\$ 9,685,109

Exhibit H-3

Meigs County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2007

<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
Highway/Public Works	General	Salary reimbursement	<u>14,491</u>
Total Transfers			<u>\$ 190,491</u>

Exhibit H-4

Meigs County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 53,787	\$ 25,000	Travelers Casualty and Surety
Highway Superintendent	Section 8-24-102, <u>TCA</u>	51,226	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	46,569	461,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	46,569	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	46,569	25,000	"
Circuit and General Sessions Courts Clerk:				
Jacqueline Ware (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	7,762	25,000	St. Paul Travelers Company
Darrell Davis (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	38,807	25,000	Travelers Casualty and Surety
Clerk and Master	Section 8-24-102, <u>TCA</u>	46,569	25,000	"
Register	Section 8-24-102, <u>TCA</u>	46,569	15,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	51,826 (1)	25,000	"
Blanket Bond:				
All County Employees			150,000 (2)	Local Government Insurance Pool

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

(2) Bond coverage is \$150,000 per each occurrence.

Exhibit H-5

Meigs County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2007

	Special Revenue Funds						Debt Service Fund	Total
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 1,638,612	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 458,220	\$ 2,096,832
Trustee's Collections - Prior Year	129,271	0	0	0	0	0	36,152	165,423
Circuit/Clerk & Master Collections - Prior Years	45,362	0	0	0	0	0	7,212	52,574
Interest and Penalty	16,650	0	0	0	0	0	4,656	21,306
Payments in-Lieu-of Taxes - T.V.A.	3,713	0	0	0	0	0	0	3,713
<u>County Local Option Taxes</u>								
Local Option Sales Tax	132,686	0	0	0	0	0	133,690	266,376
Hotel/Motel Tax	11,991	0	0	0	0	0	0	11,991
Litigation Tax - General	53,576	0	0	0	0	0	0	53,576
Litigation Tax - Special Purpose	73,931	0	0	0	0	0	0	73,931
Litigation Tax - Jail, Workhouse, or Courthouse	18,818	0	0	0	0	0	0	18,818
Business Tax	19,323	0	0	0	0	0	0	19,323
Mineral Severance Tax	0	0	0	0	0	635	0	635
Other County Local Option Taxes	991	0	0	0	0	0	0	991
<u>Statutory Local Taxes</u>								
Bank Excise Tax	6,181	0	0	0	0	0	0	6,181
Wholesale Beer Tax	30,030	0	0	0	0	0	0	30,030
Interstate Telecommunications Tax	1,623	0	0	0	0	0	0	1,623
Total Local Taxes	\$ 2,182,758	\$ 0	\$ 0	\$ 0	\$ 0	\$ 635	\$ 639,930	\$ 2,823,323
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Marriage Licenses	\$ 611	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 611
Cable TV Franchise	6,174	0	0	0	0	0	0	6,174
<u>Permits</u>								
Building Permits	18,160	0	0	0	0	0	0	18,160
Total Licenses and Permits	\$ 24,945	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,945
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 11,789	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,789
Officers Costs	624	0	0	0	0	0	0	624

(Continued)

Exhibit H-5

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>								
<u>Circuit Court (Cont.)</u>								
Jail Fees	\$ 56	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	56
<u>General Sessions Court</u>								
Fines	60,637	0	0	0	0	0	0	60,637
Fines for Littering	48	0	0	0	0	0	0	48
Officers Costs	38,085	0	0	0	0	0	0	38,085
Game and Fish Fines	778	0	0	0	0	0	0	778
Drug Control Fines	2,949	0	0	14,826	0	0	0	17,775
Drug Court Fees	1,068	0	0	0	0	0	0	1,068
Jail Fees	7,512	0	0	0	0	0	0	7,512
DUI Treatment Fines	10,887	0	0	0	0	0	0	10,887
Data Entry Fee - General Sessions Court	6,750	0	0	0	0	0	0	6,750
<u>Juvenile Court</u>								
Fines	195	0	0	0	0	0	0	195
Data Entry Fee - Juvenile Court	7	0	0	0	0	0	0	7
<u>Chancery Court</u>								
Officers Costs	1,198	0	0	0	0	0	0	1,198
Data Entry Fee - Chancery Court	1,514	0	0	0	0	0	0	1,514
<u>Other Courts - In-county</u>								
Fines	47,543	0	0	0	0	0	0	47,543
Drug Control Fines	0	0	0	25,270	0	0	0	25,270
<u>Judicial District Drug Program</u>								
Drug Task Force Forfeitures and Seizures	0	0	0	3,615	0	0	0	3,615
Total Fines, Forfeitures, and Penalties	\$ 191,640	\$ 0	\$ 0	\$ 43,711	\$ 0	\$ 0	\$ 0	235,351
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Patient Charges	\$ 232,757	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	232,757
<u>Fees</u>								
Copy Fees	2,036	0	0	0	0	0	0	2,036
Telephone Commissions	3,726	0	0	0	0	0	0	3,726
Vending Machine Collections	190	0	0	0	0	0	0	190
Constitutional Officers' Fees and Commissions	0	0	0	0	135	0	0	135

(Continued)

Exhibit H-5

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional - Officers - Fees	Highway / Public Works	General Debt Service	
<u>Charges for Current Services (Cont.)</u>								
<u>Fees (Cont.)</u>								
Data Processing Fee - Register	\$ 7,256	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	7,256
Data Processing Fee - Sheriff	2,712	0	0	0	0	0	0	2,712
Sexual Offender Registration Fees - Sheriff	1,700	0	0	0	0	0	0	1,700
<u>Education Charges</u>								
Receipts from Individual Schools	271	0	0	0	0	0	0	271
Total Charges for Current Services	\$ 250,648	\$ 0	\$ 0	\$ 0	\$ 135	\$ 0	\$ 0	250,783
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	45,987	\$ 45,987
Lease/Rentals	1,800	0	0	0	0	0	0	1,800
Commissary Sales	12,187	0	0	0	0	0	0	12,187
Sale of Maps	635	0	0	0	0	0	0	635
Sale of Recycled Materials	0	860	0	0	0	0	0	860
Miscellaneous Refunds	11,580	0	18	0	0	37,941	0	49,539
<u>Nonrecurring Items</u>								
Sale of Equipment	0	0	0	0	0	88,559	0	88,559
Contributions and Gifts	0	0	3,837	0	0	0	0	3,837
Total Other Local Revenues	\$ 26,202	\$ 860	\$ 3,855	\$ 0	\$ 0	\$ 126,500	\$ 45,987	\$ 203,404
<u>Fees Received from County Officials</u>								
<u>Fees-In-Lieu of Salary</u>								
County Clerk	\$ 95,353	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	95,353
Circuit Court Clerk	13,108	0	0	0	0	0	0	13,108
General Sessions Court Clerk	96,687	0	0	0	0	0	0	96,687
Clerk and Master	53,194	0	0	0	0	0	0	53,194
Register	82,195	0	0	0	0	0	0	82,195
Sheriff	6,523	0	0	0	0	0	0	6,523
Trustee	111,653	0	0	0	0	0	0	111,653
Total Fees Received from County Officials	\$ 458,713	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	458,713

(Continued)

Exhibit H-5

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	9,000
Aging Programs	6,601	0	0	0	0	0	0	0	6,601
State Reappraisal Grant	5,178	0	0	0	0	0	0	0	5,178
Solid Waste Grants	0	1,147	0	0	0	0	0	0	1,147
<u>Public Safety Grants</u>									
Law Enforcement Training Programs	4,150	0	0	0	0	0	0	0	4,150
<u>Public Works Grants</u>									
Bridge Program	0	0	0	0	0	172,741	0	0	172,741
State Aid Program	0	0	0	0	0	393,566	0	0	393,566
Litter Program	38,942	0	0	0	0	0	0	0	38,942
<u>Other State Revenues</u>									
Income Tax	2,495	0	0	0	0	0	1,176	0	3,671
Beer Tax	18,753	0	0	0	0	0	0	0	18,753
Alcoholic Beverage Tax	17,719	0	0	0	0	0	0	0	17,719
Mixed Drink Tax	3,946	0	0	0	0	0	0	0	3,946
State Revenue Sharing - T.V.A.	218,358	0	0	0	0	0	32,754	0	251,112
Emergency Hospital - Prisoners	4,203	0	0	0	0	0	0	0	4,203
Contracted Prisoner Boarding	215,265	0	0	0	0	0	0	0	215,265
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,288,214	0	0	1,288,214
Petroleum Special Tax	0	0	0	0	0	8,918	0	0	8,918
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	16,380
Other State Revenues	1,977	0	0	0	0	0	0	0	1,977
Total State of Tennessee	\$ 562,967	\$ 1,147	\$ 0	\$ 0	\$ 0	\$ 1,863,439	\$ 33,930	\$ 0	\$ 2,461,483
<u>Federal Government</u>									
<u>Federal Through State</u>									
Community Development	\$ 261,426	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	261,426
Disaster Relief	0	0	0	0	0	12,677	0	0	12,677
Homeland Security Grants	120,069	0	0	0	0	0	0	0	120,069
Other Federal through State	459,388	0	0	0	0	0	0	0	459,388
<u>Direct Federal Revenue</u>									
Other Direct Federal Revenue	200	0	86,213	0	0	0	0	0	86,413
Total Federal Government	\$ 841,083	\$ 0	\$ 86,213	\$ 0	\$ 0	\$ 12,677	\$ 0	\$ 0	\$ 939,973

(Continued)

Exhibit H-5

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitu - tional - Officers - Fees	Highway / Public Works	General Debt Service	
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 225,000	\$ 225,000
Contracted Services	92,446	0	0	0	0	53,148	0	145,594
<u>Other</u>								
Other	12,985	0	0	0	0	0	0	12,985
Total Other Governments and Citizens Groups	\$ 105,431	\$ 0	\$ 0	\$ 0	\$ 0	\$ 53,148	\$ 225,000	\$ 383,579
Total	\$ 4,644,387	\$ 2,007	\$ 90,068	\$ 43,711	\$ 135	\$ 2,056,399	\$ 944,847	\$ 7,781,554

Exhibit H-6

Meigs County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2007

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	23,880	
Audit Services		2,606	
Contributions		3,538	
Dues and Memberships		5,645	
Legal Services		1,244	
Travel		757	
Other Supplies and Materials		365	
Total County Commission			\$ 38,035

Board of Equalization

Board and Committee Members Fees	\$	150	
Total Board of Equalization			150

County Mayor/Executive

County Official/Administrative Officer	\$	53,787	
Assistant(s)		16,922	
Communication		636	
Travel		1,725	
Office Supplies		890	
Premiums on Corporate Surety Bonds		234	
Refunds		100	
Total County Mayor/Executive			74,294

County Attorney

Legal Services	\$	15,450	
Total County Attorney			15,450

Election Commission

County Official/Administrative Officer	\$	41,912	
Part-time Personnel		1,200	
Election Commission		2,885	
Election Workers		14,870	
Legal Notices, Recording, and Court Costs		5,970	
Printing, Stationery, and Forms		2,363	
Travel		2,535	
Other Contracted Services		2,300	
Office Supplies		1,130	
Data Processing Equipment		2,277	
Voting Machines		86,000	
Total Election Commission			163,442

(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

County Official/Administrative Officer	\$	46,569	
Deputy(ies)		15,697	
Part-time Personnel		3,519	
Travel		259	
Data Processing Supplies		7,257	
Office Supplies		6,812	
Premiums on Corporate Surety Bonds		150	
Total Register of Deeds			\$ 80,263

Planning

Clerical Personnel	\$	1,795	
Part-time Personnel		12,830	
Dues and Memberships		7,000	
Travel		1,731	
Office Supplies		2,337	
Total Planning			25,693

Geographical Information Systems

Other Salaries and Wages	\$	10,258	
Licenses		3,760	
Data Processing Equipment		24,807	
Total Geographical Information Systems			38,825

County Buildings

Custodial Personnel	\$	10,933	
Communication		17,822	
Maintenance Agreements		1,502	
Maintenance and Repair Services - Buildings		20,638	
Maintenance and Repair Services - Equipment		3,640	
Pest Control		1,200	
Custodial Supplies		2,762	
Diesel Fuel		17,302	
Duplicating Supplies		3,945	
Electricity		38,577	
Gasoline		54,255	
Natural Gas		19,232	
Utilities		6,935	
Water and Sewer		2,864	
Other Supplies and Materials		649	
Total County Buildings			202,256

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Finance

Accounting and Budgeting

Accountants/Bookkeepers	\$	28,431	
Clerical Personnel		14,220	
Legal Notices, Recording, and Court Costs		1,153	
Postal Charges		15,950	
Travel		130	
Other Contracted Services		1,033	
Data Processing Supplies		825	
Office Supplies		5,372	
Total Accounting and Budgeting			\$ 67,114

Property Assessor's Office

County Official/Administrative Officer	\$	46,569	
Deputy(ies)		16,134	
Audit Services		2,905	
Maintenance Agreements		6,017	
Travel		2,000	
Office Supplies		825	
Other Supplies and Materials		480	
Data Processing Equipment		483	
Total Property Assessor's Office			75,413

Reappraisal Program

Clerical Personnel	\$	14,803	
Data Processing Services		1,622	
Travel		1,500	
Office Supplies		132	
Total Reappraisal Program			18,057

County Trustee's Office

County Official/Administrative Officer	\$	46,569	
Deputy(ies)		16,408	
Part-time Personnel		8,867	
Maintenance Agreements		523	
Travel		483	
Office Supplies		1,157	
Premiums on Corporate Surety Bonds		4,550	
Data Processing Equipment		16,974	
Total County Trustee's Office			95,531

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office

County Official/Administrative Officer	\$	46,569	
Deputy(ies)		46,657	
Maintenance and Repair Services - Equipment		299	
Office Supplies		976	
Premiums on Corporate Surety Bonds		234	
Office Equipment		796	
Total County Clerk's Office			\$ 95,531

Other Finance

Trustee's Commission	\$	47,079	
Total Other Finance			47,079

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	46,569	
Deputy(ies)		49,276	
Part-time Personnel		11,237	
Jury and Witness Fees		3,275	
Other Per Diem and Fees		301	
Maintenance Agreements		4,184	
Travel		783	
Other Contracted Services		2,390	
Office Supplies		4,891	
Furniture and Fixtures		1,660	
Office Equipment		3,628	
Total Circuit Court			128,194

General Sessions Court

Judge(s)	\$	74,957	
Probation Officer(s)		12,983	
In-Service Training		1,002	
Office Supplies		196	
Total General Sessions Court			89,138

Chancery Court

County Official/Administrative Officer	\$	46,569	
Deputy(ies)		15,697	
Part-time Personnel		1,546	
Legal Notices, Recording, and Court Costs		5,353	
Postal Charges		702	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Office Supplies	\$ 4,556	
Total Chancery Court		\$ 74,423

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 51,826	
Deputy(ies)	318,523	
Guards	1,312	
In-Service Training	1,702	
Maintenance and Repair Services - Vehicles	13,358	
Printing, Stationery, and Forms	372	
Travel	1,073	
Law Enforcement Supplies	898	
Office Supplies	2,400	
Tires and Tubes	2,529	
Uniforms	3,378	
Data Processing Equipment	2,755	
Motor Vehicles	39,654	
Total Sheriff's Department		439,780

Special Patrols

Deputy(ies)	\$ 27	
Total Special Patrols		27

Jail

Assistant(s)	\$ 25,307
Guards	133,345
Other Salaries and Wages	26,277
In-Service Training	1,028
Payments to Retirees	696
Communication	9,882
Maintenance Agreements	184
Maintenance and Repair Services - Buildings	14,918
Maintenance and Repair Services - Office Equipment	2,942
Medical and Dental Services	27,589
Travel	1,984
Custodial Supplies	10,939
Drugs and Medical Supplies	16,052
Food Preparation Supplies	2,946
Food Supplies	70,830

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Office Supplies	\$	3,696	
Utilities		50,869	
Other Supplies and Materials		2,323	
Total Jail			\$ 401,807

Juvenile Services

Youth Service Officer(s)	\$	14,839	
In-Service Training		292	
Other Contracted Services		300	
Office Supplies		325	
Other Supplies and Materials		200	
Office Equipment		129	
Total Juvenile Services			16,085

Fire Prevention and Control

Other Per Diem and Fees	\$	1,086	
Contributions		500	
Maintenance and Repair Services - Buildings		1,804	
Maintenance and Repair Services - Equipment		3,485	
Maintenance and Repair Services - Vehicles		24,863	
Uniforms		6,077	
Utilities		10,468	
Motor Vehicles		4,900	
Total Fire Prevention and Control			53,183

Civil Defense

Supervisor/Director	\$	35,285	
Maintenance and Repair Services - Buildings		967	
Maintenance and Repair Services - Equipment		16,964	
Maintenance and Repair Services - Vehicles		81	
Travel		364	
Natural Gas		771	
Utilities		13,180	
Other Supplies and Materials		86,439	
Total Civil Defense			154,051

Rescue Squad

Other Per Diem and Fees	\$	596	
Communication		1,511	
Contributions		500	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Rescue Squad (Cont.)

Maintenance and Repair Services - Equipment	\$	965	
Maintenance and Repair Services - Vehicles		<u>1,154</u>	
Total Rescue Squad			\$ 4,726

County Coroner/Medical Examiner

Other Contracted Services	\$	<u>11,928</u>	
Total County Coroner/Medical Examiner			11,928

Other Public Safety

Supervisor/Director	\$	26,874	
Dispatchers/Radio Operators		129,660	
Communication		775	
Maintenance and Repair Services - Buildings		2,373	
Maintenance and Repair Services - Vehicles		500	
Travel		1,481	
Office Supplies		6,082	
Uniforms		<u>1,286</u>	
Total Other Public Safety			169,031

Public Health and Welfare

Local Health Center

Clerical Personnel	\$	19,850	
Custodial Personnel		5,180	
Maintenance and Repair Services - Buildings		4,694	
Travel		2,413	
Office Supplies		2,384	
Utilities		8,496	
Other Supplies and Materials		<u>34</u>	
Total Local Health Center			43,051

Ambulance/Emergency Medical Services

Supervisor/Director	\$	4,391	
Paraprofessionals		210,198	
Salary Supplements		1,650	
Clerical Personnel		22,837	
Communication		1,667	
Licenses		550	
Maintenance and Repair Services - Equipment		651	
Maintenance and Repair Services - Vehicles		6,658	
Printing, Stationery, and Forms		755	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Custodial Supplies	\$	1,174	
Drugs and Medical Supplies		9,287	
Office Supplies		510	
Uniforms		2,232	
Other Supplies and Materials		2,696	
Motor Vehicles		115,231	
Total Ambulance/Emergency Medical Services			\$ 380,487

Crippled Children Services

Contributions	\$	500	
Total Crippled Children Services			500

Appropriation to State

Contracts with Government Agencies	\$	28,000	
Total Appropriation to State			28,000

Sanitation Management

Part-time Personnel	\$	8,470	
Other Contracted Services		1,064	
Total Sanitation Management			9,534

Sanitation Education/Information

Guards	\$	25,687	
Instructional Supplies and Materials		4,650	
Road Signs		1,200	
Other Supplies and Materials		1,204	
Total Sanitation Education/Information			32,741

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$	10,653	
Communication		1,654	
Travel		996	
Custodial Supplies		1,381	
Other Supplies and Materials		249	
Total Senior Citizens Assistance			14,933

Libraries

Assistant(s)	\$	3,720	
Librarians		16,444	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Contributions	\$ 10,000	
Total Libraries		\$ 30,164

Parks and Fair Boards

Electricity	\$ 3,482	
Other Charges	10,000	
Total Parks and Fair Boards		13,482

Other Social, Cultural, and Recreational

Other Contracted Services	\$ 22,722	
Total Other Social, Cultural, and Recreational		22,722

Agriculture and Natural Resources

Agriculture Extension Service

Assistant(s)	\$ 7,000	
Supervisor/Director	12,333	
Secretary(ies)	8,916	
Communication	2,577	
Data Processing Supplies	1,843	
Total Agriculture Extension Service		32,669

Soil Conservation

Assistant(s)	\$ 1,819	
Contributions	3,900	
Total Soil Conservation		5,719

Other Operations

Tourism

Advertising	\$ 655	
Dues and Memberships	250	
Travel	552	
Liability Insurance	350	
Total Tourism		1,807

Other Economic and Community Development

Other Contracted Services	\$ 584,054	
Total Other Economic and Community Development		584,054

Veterans' Services

Other Salaries and Wages	\$ 6,208	
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(Continued)

Exhibit H-6

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services (Cont.)

Communication	\$	861	
Maintenance and Repair Services - Vehicles		1,918	
Travel		170	
Office Supplies		213	
Total Veterans' Services			\$ 9,370

Other Charges

Liability Insurance	\$	42,239	
Workers' Compensation Insurance		33,855	
Total Other Charges			76,094

Employee Benefits

Social Security	\$	144,340	
Handling Charges and Administrative Costs		3,769	
State Retirement		1,295	
Employee and Dependent Insurance		103,683	
Unemployment Compensation		9,401	
Other Fringe Benefits		887	
Total Employee Benefits			263,375

Miscellaneous

Remittance of Revenue Collected	\$	3,994	
Other Charges		53,407	
Total Miscellaneous			57,401

Total General Fund \$ 4,185,609

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Communication	\$	2,328	
Maintenance and Repair Services - Buildings		148	
Other Contracted Services		189,063	
Electricity		1,217	
Water and Sewer		398	
Total Sanitation Management			\$ 193,154

Total Solid Waste/Sanitation Fund 193,154

(Continued)

Exhibit H-6

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

Special Purpose Fund

Social, Cultural, and Recreational Services

Adult Activities

Supervisor/Director	\$	33,630	
Accountants/Bookkeepers		15,972	
Bus Drivers		10,816	
Other Per Diem and Fees		73	
Social Security		4,634	
Employee and Dependent Insurance		972	
Medical Insurance		5,825	
Unemployment Compensation		51	
Communication		4,055	
Dues and Memberships		175	
Maintenance and Repair Services - Vehicles		227	
Postal Charges		766	
Transportation - Other than Students		642	
Travel		4,941	
Data Processing Supplies		1,329	
Gasoline		603	
Office Supplies		1,611	
Other Charges		6,641	
Total Adult Activities			\$ 92,963
Total Special Purpose Fund			\$ 92,963

Drug Control Fund

Public Safety

Drug Enforcement

Other Supplies and Materials	\$	8,075	
Trustee's Commission		396	
Total Drug Enforcement			\$ 8,471
Total Drug Control Fund			8,471

Constitutional Officers - Fees Fund

General Government

Other General Administration

Other Charges	\$	135	
Total Other General Administration			\$ 135
Total Constitutional Officers - Fees Fund			135

(Continued)

Exhibit H-6

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	51,226	
Assistant(s)		34,511	
Secretary(ies)		20,542	
Board and Committee Members Fees		2,120	
Dues and Memberships		2,037	
Travel		1,203	
Other Contracted Services		1,117	
Drugs and Medical Supplies		117	
Office Supplies		1,062	
Premiums on Corporate Surety Bonds		819	
Data Processing Equipment		1,050	
Total Administration			\$ 115,804

Highway and Bridge Maintenance

Equipment Operators	\$	187,433	
Truck Drivers		48,467	
Laborers		44,064	
Rentals		8,116	
Asphalt - Hot Mix		107,860	
Asphalt - Liquid		116,663	
Crushed Stone		73,795	
Lubricants		21	
Pipe		6,762	
Road Signs		3,044	
Other Supplies and Materials		704	
Total Highway and Bridge Maintenance			596,929

Operation and Maintenance of Equipment

Mechanic(s)	\$	46,072	
Licenses		85	
Maintenance and Repair Services - Buildings		2,577	
Diesel Fuel		44,517	
Equipment and Machinery Parts		33,172	
Garage Supplies		15,102	
Gasoline		20,574	
Lubricants		3,786	
Tires and Tubes		13,818	
Highway Equipment		25,817	
Total Operation and Maintenance of Equipment			205,520

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges

Communication	\$	2,611	
Other Contracted Services		21,835	
Electricity		3,570	
Water and Sewer		725	
Liability Insurance		28,019	
Trustee's Commission		13,053	
Workers' Compensation Insurance		24,517	
Total Other Charges			\$ 94,330

Employee Benefits

Social Security	\$	33,680	
Employee and Dependent Insurance		89,422	
Unemployment Compensation		3,820	
Total Employee Benefits			126,922

Capital Outlay

Bridge Construction	\$	268,481	
Highway Construction		233,302	
Highway Equipment		267,720	
Total Capital Outlay			769,503

Principal on Debt

Highways and Streets

Principal on Notes	\$	49,901	
Total Highways and Streets			49,901

Interest on Debt

Highways and Streets

Interest on Notes	\$	22,812	
Total Highways and Streets			22,812

Total Highway/Public Works Fund \$ 1,981,721

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	427,153	
Principal on Notes		77,528	
Total General Government			\$ 504,681

(Continued)

Exhibit H-6

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

General Debt Service Fund (Cont.)

Interest on Debt

General Government

Interest on Bonds	\$ 177,967	
Interest on Notes	29,435	
Total General Government	\$ 207,402	

Other Debt Service

General Government

Bank Charges	\$ 1,377	
Trustee's Commission	12,198	
Total General Government	13,575	

Total General Debt Service Fund \$ 725,658

Other Capital Projects Fund

Capital Projects

General Administration Projects

Other Supplies and Materials	\$ 1,477	
Total General Administration Projects	\$ 1,477	

Total Other Capital Projects Fund 1,477

Total Governmental Funds - Primary Government \$ 7,189,188

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, 2007

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 180,432
Total Cash Receipts	<u>\$ 180,432</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 178,628
Trustee's Commission	1,804
Total Cash Disbursements	<u>\$ 180,432</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2006	<u>0</u>
 Cash Balance, June 30, 2007	 <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, 2007

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

JAMES R. ARNETTE
Director

CLIFFORD TUCKER, CPA
Audit Manager

BRYAN W. BURKLIN, CPA, CGFM
Auditor 4

ANGIE COLLINS, CPA, CFE
JENI PALADENI
State Auditors

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

**MEIGS COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF MEIGS COUNTY, TENNESSEE
TABLE OF CONTENTS**

	Exhibit	Page(s)
Audit Highlights		1
<u>INTRODUCTORY SECTION</u>		3
Meigs County School Officials		5
<u>FINANCIAL SECTION</u>		7
Independent Auditor's Report		9-10
Management's Discussion and Analysis		11-16
BASIC FINANCIAL STATEMENTS:		17
Government-wide Financial Statements:		
Statement of Net Assets	A	19
Statement of Activities	B	20
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	21
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	22
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	24
Notes to the Financial Statements		25-37
REQUIRED SUPPLEMENTARY INFORMATION:		39
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	D	41-42
Notes to the Required Supplementary Information		43

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		45
Nonmajor Governmental Funds:		47
Combining Balance Sheet	E-1	49
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	E-2	50
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
School Federal Projects Fund	E-3	51
Central Cafeteria Fund	E-4	52
Miscellaneous Schedules:		53
Schedule of Salaries and Official Bonds of Principal Officials	F-1	55
Schedule of Detailed Revenues – All Governmental Fund Types	F-2	56-57
Schedule of Detailed Expenditures – All Governmental Fund Types	F-3	58-67

Audit Highlights

Annual Financial Report
Meigs County School Department
For the Year Ended June 30, 2007

Scope

We have audited the basic financial statements of the Meigs County School Department as of and for the year ended June 30, 2007.

Results

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

Our audit resulted in three findings and recommendations, which we have reviewed with Meigs County School Department management. Detailed findings and recommendations are included in the Single Audit Report.

Findings

The following are summaries of the audit findings:

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ Members of the Board of Education received compensation increases without proper approval.
- ◆ Duties were not segregated adequately in the Office of Director of Schools.
- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.

INTRODUCTORY SECTION

Meigs County School Officials
June 30, 2007

Official

Donald Roberts, Director of Schools

Board of Education

Chris Clark, Chairman
Angela Melhorn
Jeff Boggess

Terri Lankford
Ross Irwin

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

March 13, 2008

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

To the Director of Schools and the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Meigs County School Department, a component unit of Meigs County, Tennessee, as of and for the year ended June 30, 2007, 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, 2007, 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 March 13, 2008, 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, 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 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 accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/rd

**Meigs County, Tennessee
Management's Discussion and Analysis
For the Year Ended June 30, 2007**

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, 2007. 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, \$5.7 million is invested in capital assets. Unrestricted net assets were \$1.3 million on June 30, 2007.
- The government's total net assets increased by \$33,415. This increase is attributable to additions made to the two elementary schools offset by 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 \$1.5 million, a decrease of \$108,789 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 nine 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

is 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 exceeded 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 (78.1%) 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.

	Governmental Funds	
	2007	2006
	<hr/>	<hr/>
Assets:		
Current and other assets	\$ 2,800,043	\$ 2,802,025
Capital assets	5,708,793	5,576,648
Total Assets	<hr/> \$ 8,508,836	<hr/> \$ 8,378,673
Liabilities:		
Current liabilities	\$ 54,911	\$ 4,172
Deferred revenue - property taxes	1,141,446	1,095,437
Total Liabilities	<hr/> \$ 1,196,357	<hr/> \$ 1,099,609

	Governmental Funds (Cont.)	
	2007	2006
Net Assets:		
Invested in capital assets	\$ 5,708,793	\$ 5,576,648
Restricted	303,517	251,198
Unrestricted	1,300,169	1,451,218
Total Net Assets	<u>\$ 7,312,479</u>	<u>\$ 7,279,064</u>

An additional portion of the School Department's net assets (4.2%) represents resources that are subject to external restrictions on how they may be used.

	Governmental Funds	
	2007	2006
Revenues:		
Program revenues:		
Charges for services	\$ 268,136	\$ 260,468
Operating grants and contributions	2,093,994	1,819,365
General revenues:		
Property taxes	1,222,105	1,124,461
Sales taxes	268,383	256,906
Other taxes	82,279	88,327
Grants and contributions not restricted to specific programs	9,377,004	9,015,590
Unrestricted investment income	47,124	46,600
Miscellaneous	0	36,828
Gain on disposal of capital assets	30,943	3,016
Total Revenues	<u>\$ 13,389,968</u>	<u>\$ 12,651,561</u>
Expenses:		
Instruction	\$ 8,038,837	\$ 7,890,178
Support services	3,767,819	3,508,799
Operation of non-instructional services	1,324,897	1,045,044
Other debt service	225,000	225,000
Total Expenses	<u>\$ 13,356,553</u>	<u>\$ 12,669,021</u>
Increase(decrease) in net assets	\$ 33,415	\$ (17,460)
Net assets, July 1	<u>7,279,064</u>	<u>7,296,524</u>
Net assets, June 30	<u>\$ 7,312,479</u>	<u>\$ 7,279,064</u>

Governmental activities. Governmental activities increased the School Department's net assets by \$33,415. This increase is mainly attributable to additions made to the two elementary schools offset by 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 \$1.5 million, an decrease of \$108,789 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 (\$195,274), and (2) for a variety of other restricted purposes that are listed on the governmental fund balance sheet (\$277,892).

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 \$1,019,362, while total fund balance was \$1,146,741. 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 8.9 percent of total General Purpose School Fund expenditures, while total fund balance represents ten percent of that same amount.

The fund balance of the General Purpose School Fund decreased by \$163,096 during the current fiscal year. The key factor in this nominal decrease was a well-monitored budget operation with revenues exceeding estimates by \$142,859 while expenditures were held under appropriations by \$275,716. This was accomplished even though original budget estimates for approximately \$400,000 of fund balance were to be used to fund current operations.

Capital Assets and Debt Administration

Capital assets. The School Department's investment in capital assets for its governmental activities as of June 30, 2007, amounts to \$5.7 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, 2007. 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 2007-2008 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

BASIC FINANCIAL STATEMENTS

Exhibit A

Meigs County, Tennessee
Statement of Net Assets
Meigs County School Department
June 30, 2007

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 1,444,391
Accounts Receivable	9,352
Due from Other Governments	142,060
Property Taxes Receivable	1,244,303
Allowance for Uncollectible Property Taxes	(40,063)
Capital Assets:	
Assets Not Depreciated:	
Land	354,462
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	4,580,713
Other Capital Assets	773,618
Total Assets	<u>\$ 8,508,836</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 54,050
Accrued Payroll	861
Deferred Revenue - Current Year Property Taxes	1,141,446
Total Liabilities	<u>\$ 1,196,357</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	\$ 5,708,793
Restricted for:	
Capital Projects	75,625
Federal Assistance Programs	227,892
Unrestricted	<u>1,300,169</u>
Total Net Assets	<u>\$ 7,312,479</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, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Total Governmental Activities
Governmental Activities:				
Instruction	\$ 8,038,837	\$ 10,631	\$ 1,536,466	\$ (6,491,740)
Support Services	3,767,819	0	0	(3,767,819)
Operation of Non-Instructional Services	1,324,897	257,505	557,528	(509,864)
Other Debt Service	225,000	0	0	(225,000)
Total Governmental Activities	<u>\$ 13,356,553</u>	<u>\$ 268,136</u>	<u>\$ 2,093,994</u>	<u>\$ (10,994,423)</u>
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 1,222,105
Local Option Sales Taxes				268,383
Other Local Taxes				82,279
Grants and Contributions Not Restricted to Specific Programs				9,377,004
Unrestricted Investment Income				47,124
Gain on Disposal of Capital Assets				30,943
Total General Revenues				<u>\$ 11,027,838</u>
Change in Net Assets				\$ 33,415
Net Assets, July 1, 2006				<u>7,279,064</u>
Net Assets, June 30, 2007				<u>\$ 7,312,479</u>

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

Exhibit C-1

Meigs County, Tennessee
Balance Sheet - Governmental Funds
Meigs County School Department
June 30, 2007

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,111,312	\$ 333,079	\$ 1,444,391
Accounts Receivable	9,352	0	9,352
Due from Other Governments	103,054	39,006	142,060
Property Taxes Receivable	1,244,303	0	1,244,303
Allowance for Uncollectible Property Taxes	(40,063)	0	(40,063)
Total Assets	<u>\$ 2,427,958</u>	<u>\$ 372,085</u>	<u>\$ 2,800,043</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 53,377	\$ 673	\$ 54,050
Accrued Payroll	861	0	861
Deferred Revenue - Current Property Taxes	1,141,446	0	1,141,446
Deferred Revenue - Delinquent Property Taxes	57,562	0	57,562
Other Deferred Revenues	27,971	0	27,971
Total Liabilities	<u>\$ 1,281,217</u>	<u>\$ 673</u>	<u>\$ 1,281,890</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 112,357	\$ 82,917	\$ 195,274
Reserved for Food Service	0	200,154	200,154
Reserved for Career Ladder - Extended Contract	9,629	0	9,629
Reserved for Career Ladder Program	5,393	0	5,393
Reserved for Special Education - Grants to States	0	4,257	4,257
Other Federal Reserves	0	8,459	8,459
Unreserved, Reported In:			
General Fund	1,019,362	0	1,019,362
Capital Projects Funds	0	75,625	75,625
Total Fund Balances	<u>\$ 1,146,741</u>	<u>\$ 371,412</u>	<u>\$ 1,518,153</u>
Total Liabilities and Fund Balances	<u>\$ 2,427,958</u>	<u>\$ 372,085</u>	<u>\$ 2,800,043</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, 2007

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)	\$	1,518,153
<p>(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Add: land	\$	354,462
Add: buildings and improvements net of accumulated depreciation		4,580,713
Add: other capital assets net of accumulated depreciation		<u>773,618</u>
		5,708,793
<p>(2) Certain earned amounts are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.</p>		
		<u>85,533</u>
Net assets of governmental activities (Exhibit A)	\$	<u><u>7,312,479</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, 2007

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General	Other	Total
	Purpose	Govern- mental	Governmental
	School	Funds	Funds
<u>Revenues</u>			
Local Taxes	\$ 1,547,956	\$ 13,418	\$ 1,561,374
Licenses and Permits	611	0	611
Charges for Current Services	7,091	257,745	264,836
Other Local Revenues	77,424	5,443	82,867
State of Tennessee	9,476,399	10,041	9,486,440
Federal Government	245,503	1,738,278	1,983,781
Total Revenues	<u>\$ 11,354,984</u>	<u>\$ 2,024,925</u>	<u>\$ 13,379,909</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 6,937,011	\$ 937,353	\$ 7,874,364
Support Services	3,373,244	249,907	3,623,151
Operation of Non-Instructional Services	386,792	783,358	1,170,150
Capital Outlay	596,033	0	596,033
Debt Service:			
Other Debt Service	225,000	0	225,000
Total Expenditures	<u>\$ 11,518,080</u>	<u>\$ 1,970,618</u>	<u>\$ 13,488,698</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (163,096)</u>	<u>\$ 54,307</u>	<u>\$ (108,789)</u>
Net Change in Fund Balances	<u>\$ (163,096)</u>	<u>\$ 54,307</u>	<u>\$ (108,789)</u>
Fund Balance, July 1, 2006	<u>1,309,837</u>	<u>317,105</u>	<u>1,626,942</u>
Fund Balance, June 30, 2007	<u>\$ 1,146,741</u>	<u>\$ 371,412</u>	<u>\$ 1,518,153</u>

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

Exhibit C-4

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, 2007

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)		\$ (108,789)
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 516,353	
Less: current year depreciation expense	(311,545)	
Less: net book value of asset disposals	<u>(72,663)</u>	132,145
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2007	\$ 85,533	
Less: deferred delinquent property taxes and other deferred June 30, 2006	<u>(75,474)</u>	<u>10,059</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 33,415</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, 2007**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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.

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all 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 with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.78 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.

As of June 30, 2007, Meigs County had \$2,310,000 in outstanding debt for capital purposes for the discretely presented Meigs County School Department. This debt is a liability of Meigs County, but the capital assets acquired are reported in the financial statements of the Meigs County 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 except the Education Capital Projects Fund, which adopts project length budgets. All annual appropriations lapse at fiscal year end.

The School Department is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the 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 schedule.

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 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. 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 county had no pooled and nonpooled investments as of June 30, 2007.

B. Capital Assets

Capital assets activity for the year ended June 30, 2007, was as follows:

Governmental Activities:

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
Capital Assets Not Depreciated:				
Land	\$ 354,462	\$ 0	\$ 0	\$ 354,462
Construction in Progress	140,365	0	(140,365)	0
Total Capital Assets Not Depreciated	<u>\$ 494,827</u>	<u>\$ 0</u>	<u>\$ (140,365)</u>	<u>\$ 354,462</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 8,239,200	\$ 472,369	\$ (93,767)	\$ 8,617,802
Other Capital Assets	1,657,426	184,349	(7,130)	1,834,645
Total Capital Assets Depreciated	<u>\$ 9,896,626</u>	<u>\$ 656,718</u>	<u>\$ (100,897)</u>	<u>\$ 10,452,447</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 3,887,307	\$ 170,886	\$ (21,104)	\$ 4,037,089
Other Capital Assets	927,498	140,659	(7,130)	1,061,027
Total Accumulated Depreciation	<u>\$ 4,814,805</u>	<u>\$ 311,545</u>	<u>\$ (28,234)</u>	<u>\$ 5,098,116</u>
Total Capital Assets Depreciated, Net	<u>\$ 5,081,821</u>	<u>\$ 345,173</u>	<u>\$ (72,663)</u>	<u>\$ 5,354,331</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,576,648</u>	<u>\$ 345,173</u>	<u>\$ (213,028)</u>	<u>\$ 5,708,793</u>

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

Governmental Activities:

Instruction	\$ 131,327
Support Services	172,264
Operation of Non-Instruction Services	<u>7,954</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 311,545</u>

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 six 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 participates 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.

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 was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, 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 commercial insurance coverage in any of the past three fiscal years.

B. Contingent Liabilities

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

C. Change in Administration

On March 31, 2007, Robert Greene left the Office of Director of Schools and was succeeded by Donald Roberts.

D. Retirement Commitments

Employees

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 chose 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 <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.F of the Annual Financial Report of Meigs County, Tennessee.

School Teachers

Plan Description

The Meigs County Schools 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 <http://www.treasury.state.tn.us>.

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, 2007, was 6.13 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, 2007, 2006, and 2005, were \$395,319, \$333,745, and \$324,878, respectively, equal to the required contributions for each year.

E. Purchasing Law

During the year, purchasing procedures for the School Department were 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 required 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. On May 17, 2007, the county adopted The Meigs County Financial Management Act of 2007, which abolished the purchasing committee referred to above; however, the School Department was exempted from the new act.

Therefore, on June 30, 2007, purchasing procedures for the Meigs County School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, Tennessee Code Annotated, which provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires that competitive bids be solicited through newspaper advertisement on all purchases exceeding \$10,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 1,547,956	\$ 0	\$ 0	\$ 1,547,956	\$ 1,472,500	\$ 1,472,500	\$ 75,456
Licenses and Permits	611	0	0	611	0	0	611
Charges for Current Services	7,091	0	0	7,091	2,000	2,000	5,091
Other Local Revenues	77,424	0	0	77,424	65,000	66,500	10,924
State of Tennessee	9,476,399	0	0	9,476,399	9,134,555	9,383,295	93,104
Federal Government	245,503	0	0	245,503	244,830	287,830	(42,327)
Total Revenues	\$ 11,354,984	\$ 0	\$ 0	\$ 11,354,984	\$ 10,918,885	\$ 11,212,125	\$ 142,859
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 5,854,825	\$ (13,671)	\$ 34,758	\$ 5,875,912	\$ 5,984,250	\$ 6,035,298	\$ 159,386
Alternative Instruction Program	52,245	0	0	52,245	53,120	53,120	875
Special Education Program	726,659	(2,386)	0	724,273	727,095	727,095	2,822
Vocational Education Program	236,690	0	0	236,690	238,630	241,030	4,340
Adult Education Program	66,592	0	1,613	68,205	70,860	70,579	2,374
<u>Support Services</u>							
Attendance	23,775	0	0	23,775	27,375	27,375	3,600
Health Services	84,839	(1,743)	2,042	85,138	86,375	86,375	1,237
Other Student Support	324,823	(2,840)	2,082	324,065	326,955	328,455	4,390
Regular Instruction Program	220,032	(16)	0	220,016	247,935	240,555	20,539
Special Education Program	113,585	0	0	113,585	113,905	113,905	320
Vocational Education Program	44,552	0	0	44,552	44,830	44,830	278
Adult Programs	86,498	0	0	86,498	85,445	86,526	28
Board of Education	142,659	(5,000)	5,250	142,909	144,590	147,995	5,086
Director of Schools	151,498	(695)	0	150,803	143,550	150,930	127
Office of the Principal	422,604	(380)	0	422,224	430,675	430,675	8,451

(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 7/1/2006	Add: Encumbrances 6/30/2007	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	\$ 43,254	\$ 0	\$ 0	\$ 43,254	\$ 43,665	\$ 43,665	\$ 411
Operation of Plant	687,551	(353)	575	687,773	684,005	696,600	8,827
Maintenance of Plant	126,034	0	0	126,034	131,005	131,005	4,971
Transportation	739,639	(56,878)	435	683,196	697,150	698,150	14,954
Central and Other	161,901	0	1,086	162,987	120,000	163,001	14
<u>Operation of Non-Instructional Services</u>							
Early Childhood Education	386,792	(2,665)	1,942	386,069	186,720	386,069	0
<u>Capital Outlay</u>							
Regular Capital Outlay	596,033	(185,543)	62,574	473,064	505,750	505,750	32,686
<u>Other Debt Service</u>							
Education	225,000	0	0	225,000	225,000	225,000	0
Total Expenditures	\$ 11,518,080	\$ (272,170)	\$ 112,357	\$ 11,358,267	\$ 11,318,885	\$ 11,633,983	\$ 275,716
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (163,096)	\$ 272,170	\$ (112,357)	\$ (3,283)	\$ (400,000)	\$ (421,858)	\$ 418,575
Net Change in Fund Balance							
Fund Balance, July 1, 2006	\$ 1,309,837	(272,170)	0	1,037,667	1,055,136	1,055,136	(17,469)
Fund Balance, June 30, 2007	\$ 1,146,741	\$ 0	\$ (112,357)	\$ 1,034,384	\$ 655,136	\$ 633,278	\$ 401,106

**MEIGS COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF MEIGS COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2007**

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 schedule.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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, 2007

	<u>Special Revenue Funds</u>			<u>Capital</u>	<u>Total</u>
	<u>School</u>	<u>Central</u>	<u>Total</u>	<u>Projects</u>	
	<u>Federal</u>	<u>Cafeteria</u>		<u>Capital</u>	<u>Nonmajor</u>
	<u>Projects</u>			<u>Projects</u>	<u>Funds</u>
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 50,219	\$ 207,235	\$ 257,454	\$ 75,625	\$ 333,079
Due from Other Governments	38,926	80	39,006	0	39,006
Total Assets	\$ 89,145	\$ 207,315	\$ 296,460	\$ 75,625	\$ 372,085
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 473	\$ 200	\$ 673	\$ 0	\$ 673
Total Liabilities	\$ 473	\$ 200	\$ 673	\$ 0	\$ 673
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 75,956	\$ 6,961	\$ 82,917	\$ 0	\$ 82,917
Reserved for Food Service	0	200,154	200,154	0	200,154
Reserved for Special Education - Grants to States	4,257	0	4,257	0	4,257
Other Federal Reserves	8,459	0	8,459	0	8,459
Unreserved	0	0	0	75,625	75,625
Total Fund Balances	\$ 88,672	\$ 207,115	\$ 295,787	\$ 75,625	\$ 371,412
Total Liabilities and Fund Balances	\$ 89,145	\$ 207,315	\$ 296,460	\$ 75,625	\$ 372,085

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, 2007

	<u>Special Revenue Funds</u>			<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
	<u>School</u> <u>Federal</u> <u>Projects</u>	<u>Central</u> <u>Cafeteria</u>	<u>Total</u>	<u>Education</u> <u>Capital</u> <u>Projects</u>	
<u>Revenues</u>					
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 13,418	\$ 13,418
Charges for Current Services	0	257,745	257,745	0	257,745
Other Local Revenues	0	5,443	5,443	0	5,443
State of Tennessee	0	10,041	10,041	0	10,041
Federal Government	1,180,750	557,528	1,738,278	0	1,738,278
Total Revenues	\$ 1,180,750	\$ 830,757	\$ 2,011,507	\$ 13,418	\$ 2,024,925
<u>Expenditures</u>					
Current:					
Instruction	\$ 937,084	\$ 0	\$ 937,084	\$ 269	\$ 937,353
Support Services	249,907	0	249,907	0	249,907
Operation of Non-Instructional Services	0	783,358	783,358	0	783,358
Total Expenditures	\$ 1,186,991	\$ 783,358	\$ 1,970,349	\$ 269	\$ 1,970,618
Excess (Deficiency) of Revenues Over Expenditures	\$ (6,241)	\$ 47,399	\$ 41,158	\$ 13,149	\$ 54,307
Net Change in Fund Balances	\$ (6,241)	\$ 47,399	\$ 41,158	\$ 13,149	\$ 54,307
Fund Balance, July 1, 2006	94,913	159,716	254,629	62,476	317,105
Fund Balance, June 30, 2007	\$ 88,672	\$ 207,115	\$ 295,787	\$ 75,625	\$ 371,412

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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 1,180,750	\$ 0	\$ 0	\$ 1,180,750	\$ 1,332,595	\$ 1,332,595	\$ (151,845)
Total Revenues	\$ 1,180,750	\$ 0	\$ 0	\$ 1,180,750	\$ 1,332,595	\$ 1,332,595	\$ (151,845)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 552,822	\$ (31,538)	\$ 20,456	\$ 541,740	\$ 541,747	\$ 541,743	\$ 3
Special Education Program	345,551	(17,139)	13,046	341,458	371,873	406,972	65,514
Vocational Education Program	38,711	(4,700)	4,164	38,175	39,625	38,175	0
<u>Support Services</u>							
Health Services	27,541	0	5,060	32,601	33,491	32,379	(222)
Other Student Support	6,860	0	0	6,860	5,410	6,860	0
Regular Instruction Program	91,389	(23)	29,416	120,782	129,240	129,241	8,459
Special Education Program	96,904	(2,364)	3,814	98,354	193,211	159,237	60,883
Transportation	27,213	(15,000)	0	12,213	42,146	42,136	29,923
Total Expenditures	\$ 1,186,991	\$ (70,764)	\$ 75,956	\$ 1,192,183	\$ 1,356,743	\$ 1,356,743	\$ 164,560
Excess (Deficiency) of Revenues Over Expenditures	\$ (6,241)	\$ 70,764	\$ (75,956)	\$ (11,433)	\$ (24,148)	\$ (24,148)	\$ 12,715
Net Change in Fund Balance	\$ (6,241)	\$ 70,764	\$ (75,956)	\$ (11,433)	\$ (24,148)	\$ (24,148)	\$ 12,715
Fund Balance, July 1, 2006	94,913	(70,764)	0	24,149	24,148	24,148	1
Fund Balance, June 30, 2007	\$ 88,672	\$ 0	\$ (75,956)	\$ 12,716	\$ 0	\$ 0	\$ 12,716

Exhibit E-4

Meigs County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Meigs County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 257,745	\$ 0	\$ 257,745	\$ 277,000	\$ 277,000	\$ (19,255)
Other Local Revenues	5,443	0	5,443	2,500	2,500	2,943
State of Tennessee	10,041	0	10,041	10,500	10,500	(459)
Federal Government	557,528	0	557,528	510,000	510,000	47,528
Total Revenues	<u>\$ 830,757</u>	<u>\$ 0</u>	<u>\$ 830,757</u>	<u>\$ 800,000</u>	<u>\$ 800,000</u>	<u>\$ 30,757</u>
<u>Expenditures</u>						
<u>Operation of Non-Instructional Services</u>						
Food Service	\$ 783,358	\$ 6,961	\$ 790,319	\$ 800,000	\$ 800,000	\$ 9,681
Total Expenditures	<u>\$ 783,358</u>	<u>\$ 6,961</u>	<u>\$ 790,319</u>	<u>\$ 800,000</u>	<u>\$ 800,000</u>	<u>\$ 9,681</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 47,399</u>	<u>\$ (6,961)</u>	<u>\$ 40,438</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 40,438</u>
Net Change in Fund Balance	\$ 47,399	\$ (6,961)	\$ 40,438	\$ 0	\$ 0	\$ 40,438
Fund Balance, July 1, 2006	159,716	0	159,716	159,716	159,716	0
Fund Balance, June 30, 2007	<u>\$ 207,115</u>	<u>\$ (6,961)</u>	<u>\$ 200,154</u>	<u>\$ 159,716</u>	<u>\$ 159,716</u>	<u>\$ 40,438</u>

MISCELLANEOUS SCHEDULES

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, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools:	State Board of Education and County Board of Education	\$ 76,854 (1)	\$100,000	Western Surety Company
Robert Greene (7-1-06 through 3-31-07)		21,700	100,000	Western Surety Company
Donald Roberts (4-1-07 through 6-30-07)				
Blanket Bond:				
All School Employees			150,000	Tennessee Risk Management Trust

(1) Includes chief executive officer supplement of \$500.

Exhibit F-2

Meigs County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Meigs County School Department
For the Year Ended June 30, 2007

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 1,087,931	\$ 0	\$ 0	\$ 0	\$ 1,087,931
Trustee's Collections - Prior Year	80,524	0	0	0	80,524
Circuit/Clerk & Master Collections - Prior Years	31,251	0	0	0	31,251
Interest and Penalty	11,006	0	0	0	11,006
<u>County Local Option Taxes</u>					
Local Option Sales Tax	268,383	0	0	0	268,383
<u>Statutory Local Taxes</u>					
Wholesale Beer Tax	67,000	0	0	13,418	80,418
Interstate Telecommunications Tax	1,861	0	0	0	1,861
Total Local Taxes	\$ 1,547,956	\$ 0	\$ 0	\$ 13,418	\$ 1,561,374
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 611	\$ 0	\$ 0	\$ 0	\$ 611
Total Licenses and Permits	\$ 611	\$ 0	\$ 0	\$ 0	\$ 611
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Regular Day Students	\$ 5,075	\$ 0	\$ 0	\$ 0	\$ 5,075
Receipts from Individual Schools	0	0	244,630	0	244,630
TBI Criminal Background Fees	2,016	0	240	0	2,256
<u>Other Charges for Services</u>					
Other Charges for Services	0	0	12,875	0	12,875
Total Charges for Current Services	\$ 7,091	\$ 0	\$ 257,745	\$ 0	\$ 264,836
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 45,000	\$ 0	\$ 2,124	\$ 0	\$ 47,124
Lease/Rentals	3,300	0	0	0	3,300
Miscellaneous Refunds	27,624	0	80	0	27,704
<u>Nonrecurring Items</u>					
Contributions & Gifts	1,500	0	0	0	1,500
<u>Other Local Revenues</u>					
Other Local Revenues	0	0	3,239	0	3,239
Total Other Local Revenues	\$ 77,424	\$ 0	\$ 5,443	\$ 0	\$ 82,867
<u>State of Tennessee</u>					
<u>State Education Funds</u>					
Basic Education Program	\$ 8,516,947	\$ 0	\$ 0	\$ 0	\$ 8,516,947
School Food Service	0	0	10,041	0	10,041
Driver Education	6,163	0	0	0	6,163
Other State Education Funds	60,997	0	0	0	60,997
Career Ladder Program	100,968	0	0	0	100,968
Career Ladder - Extended Contract	77,897	0	0	0	77,897
<u>Other State Revenues</u>					
Income Tax	1,896	0	0	0	1,896
State Revenue Sharing - T.V.A.	294,783	0	0	0	294,783
Other State Grants	386,069	0	0	0	386,069

(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 (Cont.)</u>					
Other State Revenues	\$ 30,679	\$ 0	\$ 0	\$ 0	\$ 30,679
Total State of Tennessee	\$ 9,476,399	\$ 0	\$ 10,041	\$ 0	\$ 9,486,440
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 406,662	\$ 0	\$ 406,662
Breakfast	0	0	150,866	0	150,866
Adult Education State Grant Program	74,432	0	0	0	74,432
Vocational Education - Basic Grants to States	0	45,035	0	0	45,035
Title I Grants to Local Education Agencies	0	476,079	0	0	476,079
Innovative Education Program Strategies	0	57,016	0	0	57,016
Special Education - Grants to States	0	458,840	0	0	458,840
Special Education Preschool Grants	0	15,236	0	0	15,236
Eisenhower Professional Development State Grants	0	118,997	0	0	118,997
Other Federal through State	171,071	9,547	0	0	180,618
Total Federal Government	\$ 245,503	\$ 1,180,750	\$ 557,528	\$ 0	\$ 1,983,781
Total	\$ 11,354,984	\$ 1,180,750	\$ 830,757	\$ 13,418	\$ 13,379,909

Exhibit F-3

Meigs County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Meigs County School Department
For the Year Ended June 30, 2007

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	3,998,785	
Career Ladder Program		53,500	
Career Ladder Extended Contracts		44,351	
Clerical Personnel		30,355	
Educational Assistants		121,967	
Other Salaries & Wages		34,986	
Certified Substitute Teachers		10,939	
Non-certified Substitute Teachers		48,938	
Social Security		254,314	
State Retirement		246,891	
Life Insurance		8,280	
Medical Insurance		586,525	
Unemployment Compensation		25	
Employer Medicare		60,192	
Other Fringe Benefits		32,620	
Tuition		5,860	
Other Contracted Services		11,505	
Instructional Supplies and Materials		103,155	
Textbooks		97,436	
Other Supplies and Materials		6,588	
Fee Waivers		7,020	
Regular Instruction Equipment		90,593	
Total Regular Instruction Program			\$ 5,854,825

Alternative Instruction Program

Teachers	\$	45,693	
Career Ladder Program		500	
Social Security		2,610	
State Retirement		2,832	
Employer Medicare		610	
Total Alternative Instruction Program			52,245

Special Education Program

Teachers	\$	567,767
Career Ladder Program		7,000
Educational Assistants		63,823
Non-certified Substitute Teachers		2,632
Social Security		37,900
State Retirement		35,233

(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.)

Employer Medicare	\$	8,864	
Instructional Supplies and Materials		3,440	
Total Special Education Program			\$ 726,659

Vocational Education Program

Teachers	\$	206,584	
Career Ladder Program		1,000	
Non-certified Substitute Teachers		1,688	
Social Security		11,908	
State Retirement		12,725	
Employer Medicare		2,785	
Total Vocational Education Program			236,690

Adult Education Program

Teachers	\$	41,656	
Clerical Personnel		5,000	
Social Security		1,632	
State Retirement		84	
Employer Medicare		675	
Instructional Supplies and Materials		15,281	
Other Charges		2,264	
Total Adult Education Program			66,592

Support Services

Attendance

Supervisor/Director	\$	18,888	
Career Ladder Program		2,000	
Social Security		1,112	
State Retirement		1,219	
Employer Medicare		260	
Travel		100	
Other Supplies and Materials		196	
Total Attendance			23,775

Health Services

Medical Personnel	\$	71,623	
Social Security		4,441	
State Retirement		2,080	
Employer Medicare		1,039	

(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 (Cont.)

Other Fringe Benefits	\$	1,170	
Other Contracted Services		2,472	
Drugs and Medical Supplies		2,014	
Total Health Services			\$ 84,839

Other Student Support

Career Ladder Program	\$	2,000	
Guidance Personnel		239,955	
School Resource Officer		17,755	
Social Security		14,363	
State Retirement		14,832	
Employer Medicare		3,359	
Evaluation and Testing		3,520	
Other Supplies and Materials		3,773	
Other Charges		25,266	
Total Other Student Support			324,823

Regular Instruction Program

Supervisor/Director	\$	86,406	
Career Ladder Program		2,000	
Librarians		89,141	
In-Service Training		4,378	
Social Security		10,674	
State Retirement		10,945	
Employer Medicare		2,496	
Travel		13,992	
Total Regular Instruction Program			220,032

Special Education Program

Supervisor/Director	\$	27,350	
Career Ladder Program		2,000	
Career Ladder Extended Contracts		2,000	
Assessment Personnel		66,428	
Social Security		5,852	
State Retirement		6,055	
Employer Medicare		1,369	
Travel		2,531	
Total Special Education Program			113,585

(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.)

Vocational Education Program

Clerical Personnel	\$	5,359	
Other Salaries & Wages		9,622	
Social Security		888	
Employer Medicare		208	
Travel		475	
Other Charges		28,000	
Total Vocational Education Program			\$ 44,552

Adult Programs

Supervisor/Director	\$	67,878	
Career Ladder Program		3,000	
Career Ladder Extended Contracts		4,000	
Other Salaries & Wages		800	
Social Security		4,565	
State Retirement		4,467	
Employer Medicare		1,068	
Travel		720	
Total Adult Programs			86,498

Board of Education

Board and Committee Members Fees	\$	13,024	
Social Security		804	
Employer Medicare		188	
Audit Services		5,000	
Dues and Memberships		5,300	
Travel		4,188	
Other Contracted Services		3,827	
Liability Insurance		18,450	
Trustee's Commission		37,072	
Workers' Compensation Insurance		51,350	
Criminal Investigation of Applicants - TBI		2,544	
Refund to Applicant for Criminal Investigation		912	
Total Board of Education			142,659

Director of Schools

County Official/Administrative Officer	\$	98,554	
Career Ladder Program		1,000	
Secretary(ies)		25,501	
Social Security		7,823	

(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.)

Director of Schools (Cont.)

State Retirement	\$	6,103	
Employer Medicare		1,771	
Communication		4,490	
Postal Charges		2,566	
Office Supplies		3,690	
Total Director of Schools			\$ 151,498

Office of the Principal

Principals	\$	263,700	
Career Ladder Program		10,000	
Career Ladder Extended Contracts		10,000	
Secretary(ies)		86,963	
Social Security		22,217	
State Retirement		17,391	
Employer Medicare		5,196	
Communication		3,840	
Travel		3,297	
Total Office of the Principal			422,604

Fiscal Services

Accountants/Bookkeepers	\$	29,851	
Secretary(ies)		10,695	
Social Security		2,195	
Employer Medicare		513	
Total Fiscal Services			43,254

Operation of Plant

Supervisor/Director	\$	29,085	
Custodial Personnel		235,841	
Other Salaries & Wages		1,510	
Social Security		15,738	
Employer Medicare		3,681	
Disposal Fees		3,809	
Other Contracted Services		2,620	
Electricity		290,246	
Natural Gas		19,042	
Water and Sewer		15,457	
Other Supplies and Materials		52,107	
Building and Contents Insurance		18,415	
Total Operation of Plant			687,551

(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.)

Maintenance of Plant

Maintenance Personnel	\$	51,860	
Other Salaries & Wages		80	
Social Security		2,755	
Employer Medicare		703	
Communication		8,274	
Maintenance & Repair Services - Buildings		44,801	
Other Contracted Services		16,001	
Other Charges		1,560	
Total Maintenance of Plant			\$ 126,034

Transportation

Supervisor/Director	\$	29,085	
Mechanic(s)		25,930	
Bus Drivers		304,818	
Other Salaries & Wages		7,806	
Social Security		22,573	
Employer Medicare		5,279	
Communication		666	
Maintenance & Repair Services - Vehicles		90,034	
Medical and Dental Services		2,720	
Travel		594	
Gasoline		106,323	
Tires and Tubes		18,871	
Vehicle and Equipment Insurance		10,000	
In Service/Staff Development		1,068	
Transportation Equipment		113,872	
Total Transportation			739,639

Central and Other

Supervisor/Director	\$	32,000	
Other Salaries & Wages		9,062	
Social Security		2,035	
State Retirement		1,962	
Medical Insurance		9,013	
Employer Medicare		534	
Data Processing Services		412	
Travel		5,895	
Office Supplies		516	
Other Supplies and Materials		41,404	

(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 (Cont.)

Other Charges	\$	5,721	
Administration Equipment		2,887	
Data Processing Equipment		46,966	
Other Equipment		3,494	
Total Central and Other			\$ 161,901

Operation of Non-Instructional Services

Early Childhood Education

Teachers	\$	157,987	
Educational Assistants		88,686	
Social Security		14,642	
State Retirement		10,443	
Medical Insurance		25,317	
Employer Medicare		3,433	
Maintenance & Repair Services - Equipment		20,229	
Travel		3,766	
Instructional Supplies and Materials		40,062	
Other Supplies and Materials		571	
In Service/Staff Development		600	
Other Charges		991	
Other Equipment		20,065	
Total Early Childhood Education			386,792

Capital Outlay

Regular Capital Outlay

Architects	\$	12,822	
Building Construction		82,484	
Building Improvements		353,934	
Other Capital Outlay		146,793	
Total Regular Capital Outlay			596,033

Other Debt Service

Education

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

Total General Purpose School Fund \$ 11,518,080

(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	\$	298,758	
Educational Assistants		86,150	
Other Salaries & Wages		21,605	
Certified Substitute Teachers		562	
Social Security		23,191	
State Retirement		17,558	
Medical Insurance		37,731	
Employer Medicare		6,754	
Instructional Supplies and Materials		12,553	
Other Supplies and Materials		6,748	
Other Charges		17,777	
Regular Instruction Equipment		23,435	
Total Regular Instruction Program			\$ 552,822

Special Education Program

Homebound Teachers	\$	3,527	
Educational Assistants		136,635	
Social Security		7,953	
State Retirement		99	
Medical Insurance		10,980	
Employer Medicare		1,860	
Contracts with Private Agencies		45,324	
Maintenance & Repair Services - Equipment		6,579	
Other Contracted Services		78,463	
Instructional Supplies and Materials		32,622	
Textbooks		210	
Other Supplies and Materials		21,299	
Total Special Education Program			345,551

Vocational Education Program

Instructional Supplies and Materials	\$	11,625	
Vocational Instruction Equipment		27,086	
Total Vocational Education Program			38,711

Support Services

Health Services

Medical Personnel	\$	18,795	
Social Security		1,053	
Employer Medicare		246	

(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.)

Travel	\$	528	
Drugs and Medical Supplies		388	
Other Charges		6,531	
Total Health Services			\$ 27,541

Other Student Support

Travel	\$	5,510	
In Service/Staff Development		1,350	
Total Other Student Support			6,860

Regular Instruction Program

Supervisor/Director	\$	41,103	
Secretary(ies)		12,445	
Social Security		2,906	
State Retirement		2,268	
Employer Medicare		680	
Travel		3,338	
Library Books/Media		8,916	
Other Supplies and Materials		862	
In Service/Staff Development		12,915	
Other Charges		5,956	
Total Regular Instruction Program			91,389

Special Education Program

Supervisor/Director	\$	22,820	
Assessment Personnel		2,399	
Secretary(ies)		13,114	
Social Security		2,394	
State Retirement		1,648	
Employer Medicare		560	
Maintenance & Repair Services - Equipment		1,921	
Travel		2,992	
Other Contracted Services		31,716	
Other Supplies and Materials		14,142	
In Service/Staff Development		3,198	
Total Special Education Program			96,904

Transportation

Bus Drivers	\$	11,345	
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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.)

Transportation (Cont.)

Social Security	\$	703	
Employer Medicare		165	
Transportation Equipment		15,000	
Total Transportation			\$ 27,213

Total School Federal Projects Fund \$ 1,186,991

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	19,870	
Clerical Personnel		21,215	
Cafeteria Personnel		293,286	
Other Salaries & Wages		5,899	
Social Security		20,514	
Life Insurance		954	
Medical Insurance		10,920	
Unemployment Compensation		819	
Employer Medicare		4,798	
Other Fringe Benefits		8,000	
Maintenance & Repair Services - Equipment		2,844	
Transportation - Other than Students		3,918	
Travel		1,720	
Other Contracted Services		5,566	
Food Supplies		323,808	
Office Supplies		419	
Utilities		32,582	
Other Supplies and Materials		21,920	
In Service/Staff Development		348	
Other Charges		1,369	
Food Service Equipment		2,589	
Total Food Service			\$ 783,358

Total Central Cafeteria Fund 783,358

Education Capital Projects Fund

Instruction

Other

Trustee's Commission	\$	269	
Total Other			\$ 269

Total Education Capital Projects Fund 269

Total Governmental Funds - Meigs County School Department \$ 13,488,698

SINGLE AUDIT REPORT
MEIGS COUNTY, TENNESSEE
AND
MEIGS COUNTY SCHOOL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2007

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

JAMES R. ARNETTE
Director

CLIFFORD TUCKER, CPA
Audit Manager

BRYAN W. BURKLIN, CPA, CGFM
Auditor 4

ANGIE COLLINS, CPA, CFE
ANDREW WAY, CPA
JENI PALADENI
State Auditors

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

SINGLE AUDIT REPORT TABLE OF CONTENTS

	Page(s)
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	1-3
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>	5-7
Schedule of Expenditures of Federal Awards and State Grants	9-10
Schedule of Audit Findings Not Corrected	11
Schedule of Findings and Questioned Costs	13-21
Auditee Reporting Responsibilities	23



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

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

March 13, 2008

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, 2007, which collectively comprise a portion of Meigs County's and the Meigs County School Department's basic financial statements and have issued our report thereon dated March 13, 2008. 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 as a basis for designing our

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 07.02, 07.05, 07.09, and 07.10.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Meigs County's and the Meigs County School Department's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Meigs County's and the Meigs County School Department's financial 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 are described in the accompanying Schedule of Findings and Questioned Costs as items 07.01, 07.03, 07.04, 07.06, 07.07, and 07.08.

We consider item 07.11 described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations. We also noted certain matters that we reported to management of Meigs County in separate communications.

Meigs County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Meigs County's responses and, accordingly, we express no opinion on them.

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

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal flourish at the end.

John G. Morgan
Comptroller of the Treasury

JGM/rd



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
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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

March 13, 2008

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, 2007. 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, 2007.

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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Meigs County's and the Meigs County School Department's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

Schedule of Expenditures 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, the major fund, and the aggregate remaining fund information of the Meigs County School

Department, as of and for the year ended June 30, 2007, 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 March 13, 2008. 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 our opinions on the financial statements that collectively comprise Meigs County's and the Meigs County School Department's basic financial statements. 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.

Meigs County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Meigs County's responses and, accordingly, we express no opinion on them.

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

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/rd

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, 2007

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 Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 42,126
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	150,866
National School Lunch Program	10.555	N/A	406,662
Total U.S. Department of Agriculture			<u>\$ 599,654</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	\$ 159,609
Passed-through State Housing Development Agency:			
HOME Investment Partnerships Program	14.239	(2)	319,009
Total U.S. Department of Housing and Urban Development			<u>\$ 478,618</u>
U.S. Department of Highway Administration:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	(2)	\$ 18,178
Total U.S. Department of Highway Administration			<u>\$ 18,178</u>
Environmental Protection Agency			
Passed-through State Department of Economic and Community Development:			
Congressionally Mandated Programs	66.202	(2)	\$ 69,684
Total Environmental Protection Agency			<u>\$ 69,684</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Adult Education - State Grant Program	84.002	Z-06-027799-00	\$ 74,432
Title I Grants to Local Educational Agencies	84.010	N/A	443,714
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	441,301
Special Education - Preschool Grants	84.173	N/A	14,874
Vocational Education - Basic Grants to States	84.048	N/A	40,871
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	11,180
State Grants for Innovative Programs	84.298	N/A	2,626
Education Technology State Grants	84.318	(2)	5,545
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	GG-07-12486-00	163,000
Rural Education	84.358	N/A	60,841
Improving Teacher Quality State Grants	84.367	N/A	95,274
Total U.S. Department of Education			<u>\$ 1,353,658</u>
U.S. Election Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	(2)	\$ 88,375
Total U.S. Election Assistance Commission			<u>\$ 88,375</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. Department of Health and Human Services:			
Passed-through East Tennessee Human Resource Agency: Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	(2)	\$ 7,630
Passed-through State Department of Health: Grants to States for Operation of Offices of Rural Health	93.913	(3)	26,196
Passed-through State Department of Labor and Workforce Development: Temporary Assistance for Needy Families	93.558	(2)	8,071
Total U.S. Department of Health and Human Services			<u>\$ 41,897</u>
U.S. Corporation for National and Community Service:			
Direct Programs: Retired and Senior Volunteer Program	94.002	N/A	\$ 86,213
Total U.S. Corporation for National and Community Service			<u>\$ 86,213</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military: Homeland Security Cluster: State Domestic Preparedness Equipment Support Program	97.004	(4)	\$ 87,880
Homeland Security Grant Program	97.067	Z-05-025190-00	32,189
Disaster Grants - Public Assistance	97.036	FEMA-1456/1464	12,677
Total U.S. Department of Homeland Security			<u>\$ 132,746</u>
Total Expenditures of Federal Awards			<u>\$ 2,869,023</u>
		<u>Contract Number</u>	
<u>State Grants</u>			
State Reappraisal - Comptroller of the Treasury	N/A	(2)	\$ 5,178
Juvenile Services - State Children's Services Commission	N/A	(2)	9,000
Adult Education - State Department of Education	N/A	(2)	24,811
Temporary Assistance for Needy Families - State Department of Labor and Workforce Development	N/A	(2)	15,091
Litter Program - State Department of Transportation	N/A	(2)	38,942
Safe Schools Act of 2001 - State Department of Education	N/A	(2)	11,935
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	1,147
Aging Grant - State Commission on Aging	N/A	(2)	6,601
Driver's Education - State Department of Education	N/A	(2)	6,163
Early Childhood Education - Lottery and Expansion - State Department of Education	N/A	(2)	386,069
Total State Grants			<u>\$ 504,937</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-06-025953-00: \$18,396; Z-07-031541-00: \$7,800.
- (4) Z-04-022475-00: \$25,827; GG-06-12182-00: \$62,053.

Meigs County, Tennessee, and the Meigs County School Department
Schedule of Audit Findings Not Corrected
June 30, 2007

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, 2006, which have not been corrected.

MEIGS COUNTY

Finding Number	Page Number	Subject
06.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

OFFICE OF GENERAL SESSIONS COURT CLERK

Finding Number	Page Number	Subject
06.08	16	The execution docket trial balance did not reconcile with cash control records

OFFICE OF CLERK AND MASTER

Finding Number	Page Number	Subject
06.11	18	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
06.12	18	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
06.14	19	A central system of accounting, budgeting, and purchasing had not been adopted

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2007

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 significant deficiencies in internal control. None of the significant deficiencies was considered to be a material weakness.
3. The audit disclosed four 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 significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: 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), the Special Education Cluster: Special Education Grants to States and Special Education Preschool Grants (CFDA Nos. 84.027 and 84.173), and the HOME Investment Partnership Program (CFDA No. 14.239) were determined to be major programs.
8. A \$300,000 threshold 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 reviewed these findings and recommendations with management to provide an opportunity for their response. The written responses of the highway superintendent and the circuit and general sessions courts clerk are paraphrased in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

MEIGS COUNTY

FINDING 07.01 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 No. 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 No. 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.

OFFICE OF COUNTY MAYOR

FINDING 07.02 **THE SOLID WASTE/SANITATION FUND HAD A DEFICIT IN UNRESERVED FUND BALANCE OF \$1,632 AT JUNE 30, 2007**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The Solid Waste/Sanitation Fund had a deficit in unreserved fund balance of \$1,632 at June 30, 2007. The deficit resulted from the county failing to provide funding sufficient for the expenditures made from the fund. Subsequent to June 30, 2007, this deficit was liquidated by a transfer from the General Fund.

RECOMMENDATION

The office should continually monitor funds to ensure that adequate funding is provided.

OFFICE OF HIGHWAY SUPERINTENDENT

FINDING 07.03 **THE COUNTY FAILED TO COMPLY WITH STATE STATUTES AND A PRIVATE ACT WHEN ENTERING INTO A LEASE-PURCHASE AGREEMENT**
(Material Noncompliance Under Government Auditing Standards)

In October 2006, the County Commission approved a capital outlay note for the purchase of two dump trucks. However, in-lieu-of issuing the capital outlay note, on December 15, 2006, the highway superintendent entered into a five-year lease-purchase agreement for the trucks (\$102,456). Section 7-51-904, Tennessee Code Annotated (TCA), requires lease-purchase agreements to be approved by the County Commission. Additionally, the superintendent did not file a Report on Debt Obligations with the state director of Local Finance as required by Section 9-21-151, TCA. This statute requires that within 45 days following the issuance of debt, a county must provide to the state director of Local Finance certain information, such as a description of the purchase for which the debt is issued, a description of the debt obligation, and an itemized description of the cost of issuance. Furthermore, the highway superintendent signed the lease-purchase agreement instead of the chairman of the Purchase and Finance Commission. Purchasing procedures for the various departments of Meigs County are governed by Chapter 403, Private Acts of 1949, as amended. This act provides for the Purchase and Finance Commission to make purchases for all county departments.

RECOMMENDATION

Lease-purchase agreements should be approved by the County Commission, and all debt obligations should be reported to the state director of Local Finance. Also, all purchases should be made in compliance with Chapter 403, Private Acts of 1949, as amended.

MANAGEMENT'S RESPONSE – HIGHWAY SUPERINTENDENT

I entered this agreement the same way I have previously done purchases since obtaining office in 2002. After approval from the County Commission and the Purchase and Finance Commission, I sign all the paperwork and agreements.

REBUTTAL

As stated in the finding, the approval by the County Commission was for a capital outlay note, not a capital lease. Also, in accordance with the county's private act, the highway superintendent does not have authority to sign debt instruments for Meigs County.

OFFICES OF COUNTY MAYOR AND HIGHWAY SUPERINTENDENT

FINDING 07.04 **EXPENDITURES EXCEEDED APPROPRIATIONS**
(Material Noncompliance Under Government Auditing Standards)

We noted the following budgetary deficiencies:

- A. Expenditures exceeded appropriations in the Other Finance (\$1,079) and Other Economic and Community Development (\$141,916) major appropriation categories (the legal level of control) in the General Fund.
- B. Expenditures exceeded total appropriations in the Highway/Public Works Fund (\$60,797) and the Drug Control Fund (\$728).

RECOMMENDATION

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

FINDING 07.05 **PURCHASE ORDERS WERE NOT PROPERLY ISSUED**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

In some instances, purchase orders were issued after the purchases were made. This practice defeats the purpose of the purchase order and makes it an approval of payment rather than an approval of the purchase.

RECOMMENDATION

Purchase orders should be issued for all applicable purchases before purchases are made.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 07.06 MEMBERS OF THE BOARD OF EDUCATION RECEIVED COMPENSATION INCREASES WITHOUT PROPER APPROVAL

(Noncompliance Under Government Auditing Standards)

In September 2006, compensation paid to members of the Meigs County Board of Education for their attendance at regular and called meetings was increased, and the board also approved paying members for time missed without pay from their regular employment while attending board meetings. These increases were not approved by the Meigs County Commission as required by Section 49-2-202(d), Tennessee Code Annotated. This statute provides for the compensation of the members of the Board of Education to be fixed by the County Commission. Furthermore, the board members who received compensation for the time missed without pay from their regular employment did not provide any documentation from their employers to support the time missed. On September 20, 2007, these increases in compensation were approved by the County Commission after these issues were brought to the attention of School Department officials. The Board of Education has also taken action subsequent to June 30, 2007, to require verification from the board members' regular employers that any time missed from their job to attend board functions was indeed time without pay, prior to any such compensation being paid.

RECOMMENDATION

All increases to compensation rates should be preapproved by the County Commission. The members of the Board of Education should provide adequate documentation that time missed from regular employment was without pay before being compensated in accordance with the above policy.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 07.07 THE EXECUTION DOCKET TRIAL BALANCE PREPARED FOR GENERAL SESSIONS COURT DID NOT RECONCILE WITH CASH CONTROL RECORDS

(Material Noncompliance Under Government Auditing Standards)

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, Tennessee Code Annotated (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

The execution docket trial balance should be reconciled with cash control records in General Sessions Court. 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.

MANAGEMENT'S RESPONSE – CIRCUIT AND GENERAL SESSIONS COURTS CLERK

We concur. This administration and the interim administration have worked diligently to identify all monies and its legal recipients. The combination of unresolved software issues and inadequate accounting records from the prior administration has made the reconciliation difficult and extremely slow. The reconciliation between our manual workpapers and computer records is now complete, and we have begun the process of adding the required adjustments. The adjustments require programming changes, and this should be completed by March 31, 2008. This office will be preparing a detailed list of all funds considered abandoned and will be transferring these monies to the state Treasurer's Office in April 2008.

FINDING 07.08 **THE OFFICE DID NOT DEPOSIT FUNDS WITHIN THREE DAYS OF COLLECTION** (Noncompliance Under Government Auditing Standards)

In several instances, the circuit and general sessions courts clerk did not deposit funds within three days of collection. Section 5-8-207, Tennessee Code Annotated, requires county officials to deposit public funds to the office bank account within three days after receipt of the funds.

RECOMMENDATION

The circuit and general sessions courts clerk should ensure that all funds are deposited to the office bank account within three days of collection, as required by state statute.

MANAGEMENT'S RESPONSE – CIRCUIT AND GENERAL SESSIONS COURTS CLERK

We concur. This was an issue for the first few months of the fiscal year due to the training of new staff members. We fully understand the requirement of the three-day deposit law, and we are now in full compliance.

OFFICE OF CLERK AND MASTER

FINDING 07.09 **THE OFFICE HAD NOT IMPLEMENTED ADEQUATE CONTROLS TO PROTECT ITS INFORMATION RESOURCES AGAINST UNAUTHORIZED ACCESS, MODIFICATION, DESTRUCTION, OR DISCLOSURE**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The office did not implement adequate controls to protect its information resources. 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 provided the official with detailed information regarding the specific vulnerabilities we identified, as well as our recommendations for improvement.

RECOMMENDATION

The office should ensure that adequate controls over information systems and the resources associated with those systems are implemented.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 07.10 **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 – Significant Deficiency 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.

MANAGEMENT'S RESPONSE – CIRCUIT AND GENERAL SESSIONS COURTS CLERK

We concur. We are an extremely busy office with a small staff. We make every effort to separate the duties within the limitations of our staff.

FINDING 07.11 **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Control Deficiency 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, 2007**

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