

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

---

**SINGLE AUDIT REPORT**



**FOR THE YEAR ENDED JUNE 30, 2007**



**ANNUAL FINANCIAL REPORT**  
**GILES 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*

*JEFF BAILEY, CPA, CGFM, CFE*  
*Audit Manager*

*KENT WHITE, CPA, CGFM, CFE*  
*Auditor 4*

*RHONDA DAVIS, CFE*  
*DONYA WADE*  
*NATHAN ABBOTT, CISA, CFE*  
*State Auditors*

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

---



---

## GILES COUNTY, TENNESSEE TABLE OF CONTENTS

---



---

	Exhibit	Page(s)
Audit Highlights		1
<u>INTRODUCTORY SECTION</u>		3
Giles County Officials		5
<u>FINANCIAL SECTION</u>		7
Independent Auditor's Report		9-11
BASIC FINANCIAL STATEMENTS:		13
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	A	15-16
Statement of Revenues, Expenditures, and Changes in Fund Balances	B	17-18
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	C	19
Notes to the Financial Statements		21-36
REQUIRED SUPPLEMENTARY INFORMATION:		37
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	D-1	39-42
Special Purpose Fund	D-2	43
Highway/Public Works Fund	D-3	44
Schedule of Funding Progress – Pension Plan	D-4	45
Notes to the Required Supplementary Information		47
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		49
Nonmajor Governmental Funds:		51
Combining Balance Sheet	E-1	53
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	E-2	54
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
Solid Waste/Sanitation Fund	E-3	55
Industrial/Economic Development Fund	E-4	56
Drug Control Fund	E-5	57
General Capital Projects Fund	E-6	58

	Exhibit	Page(s)
Major Governmental Fund:		59
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	F	61
Fiduciary Funds:		63
Combining Statement of Fiduciary Assets and Liabilities	G-1	65
Combining Statement of Changes in Assets and Liabilities	G-2	66
Miscellaneous Schedules:		67
Schedule of Changes in Long-term Bonds	H-1	69
Schedule of Bond and Interest Requirements by Year	H-2	70
Schedule of Transfers	H-3	71
Schedule of Salaries and Official Bonds of Principal Officials	H-4	72
Schedule of Detailed Revenues – All Governmental Fund Types	H-5	73-76
Schedule of Detailed Expenditures – All Governmental Fund Types	H-6	77-92
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	H-7	93

# ***Audit Highlights***

Annual Financial Report  
Giles 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 Giles County as of and for the year ended June 30, 2007.

## ***Results***

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

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

## ***Findings***

The following are summaries of the audit findings:

### **GILES COUNTY**

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

---

### **OFFICE OF COUNTY EXECUTIVE**

- ◆ Some purchase orders were issued after purchases were made while others were not issued for some required purchases.

---

### **OTHER FINDING**

- ◆ Duties were not segregated adequately among the officials and employees in the Offices of Highway Commissioner, Trustee, Clerk and Master, and Register.

---

---

# INTRODUCTORY SECTION

---

---

Giles County Officials  
June 30, 2007

---

**Officials**

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

**Board of County Commissioners**

Janet Vanzant, Chairman  
Alfred Harris  
David Bailey  
William Hughes  
Billy Beets  
Edwin Lovell  
James Woodard  
Bill Holt  
Rose Brown  
Tommy Campbell  
Robert Lee

Ramona Flacy  
Wendell Wilburn  
Stoney Jackson  
David Adams  
Tim Risner  
Roger Reedy  
Connie Howell  
Tommy Pollard  
James Harwell  
Terry Harwell  
Alan Faulkner

---

---

## **FINANCIAL SECTION**

---

---



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

**INDEPENDENT AUDITOR'S REPORT**

November 14, 2007

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

To the County Executive and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Giles County, Tennessee, as of and for the year ended June 30, 2007, as shown on pages 15 through 36, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Giles County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

statements. The amounts that would be reported in government-wide financial statements for the county's governmental activities and discretely presented component units are not reasonably determinable.

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

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Giles County, Tennessee, as of June 30, 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 Giles 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 November 14, 2007, on our consideration of Giles County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison and pension information on pages 39 through 47 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 Giles County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund,

and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

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

John G. Morgan  
Comptroller of the Treasury

JGM/sb

---

---

# BASIC FINANCIAL STATEMENTS

---

---

Exhibit A

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

	Major Funds				Nonmajor Funds	Total Govern- mental Funds
	General	Special Purpose	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<b>ASSETS</b>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 158,711	\$ 158,711
Equity in Pooled Cash and Investments	6,577,907	15,011,737	237,244	2,104,392	220,409	24,151,689
Accounts Receivable	544,372	0	16,112	11,188	77,756	649,428
Allowance for Uncollectibles	(79,147)	0	0	0	0	(79,147)
Due from Other Governments	199,942	0	331,325	151,131	0	682,398
Property Taxes Receivable	5,060,994	0	936,308	1,544,908	0	7,542,210
Allowance for Uncollectible Property Taxes	(107,648)	0	(19,750)	(32,588)	0	(159,986)
<b>Total Assets</b>	<b>\$ 12,196,420</b>	<b>\$ 15,011,737</b>	<b>\$ 1,501,239</b>	<b>\$ 3,779,031</b>	<b>\$ 456,876</b>	<b>\$ 32,945,303</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 44,155	\$ 0	\$ 9,127	\$ 0	\$ 23,518	\$ 76,800
Accrued Payroll	12,918	0	0	0	0	12,918
Payroll Deductions Payable	1,090	0	919	0	0	2,009
Deferred Revenue - Current Property Taxes	4,736,983	0	877,219	1,447,411	0	7,061,613
Deferred Revenue - Delinquent Property Taxes	196,884	0	35,791	58,985	0	291,660
Other Deferred Revenues	197,589	0	165,000	78,503	0	441,092
<b>Total Liabilities</b>	<b>\$ 5,189,619</b>	<b>\$ 0</b>	<b>\$ 1,088,056</b>	<b>\$ 1,584,899</b>	<b>\$ 23,518</b>	<b>\$ 7,886,092</b>
<b>Fund Balances</b>						
Reserved for Alcohol and Drug Treatment	\$ 8,590	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,590
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	324,291	0	0	0	0	324,291
Reserved for Drug Court	24,253	0	0	0	0	24,253
Reserved for Sexual Offender Registration	3,760	0	0	0	0	3,760
Reserved for Courthouse and Jail Maintenance	331,121	0	0	0	0	331,121
Reserved for Computer System - Register	16,557	0	0	0	0	16,557
Reserved for Automation Purposes - Circuit Court	54,770	0	0	0	0	54,770
Reserved for Automation Purposes - Chancery Court	2,370	0	0	0	0	2,370
Reserved for Automation Purposes - Sheriff	14,695	0	0	0	0	14,695
Reserved for Capital Outlay	0	0	0	0	33,279	33,279

(Continued)

Exhibit A

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

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)

Unreserved, Reported In:

	Major Funds			Nonmajor Funds	Total
	General	Special Purpose	Highway / Public Works	Other Govern- mental Funds	Govern- mental Funds
General Fund	\$ 6,226,394	\$ 0	\$ 0	\$ 0	\$ 6,226,394
Special Revenue Funds	0	15,011,737	413,183	398,449	15,823,369
Debt Service Funds	0	0	0	0	2,194,132
Capital Projects Funds	0	0	0	1,630	1,630
<b>Total Fund Balances</b>	<b>\$ 7,006,801</b>	<b>\$ 15,011,737</b>	<b>\$ 413,183</b>	<b>\$ 2,194,132</b>	<b>\$ 433,358</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 12,196,420</b>	<b>\$ 15,011,737</b>	<b>\$ 1,501,239</b>	<b>\$ 3,779,031</b>	<b>\$ 456,876</b>

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

Exhibit B

Giles County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2007

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Special Purpose	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 6,181,878	\$ 0	\$ 902,145	\$ 2,363,190	\$ 0	\$ 9,447,213
Licenses and Permits	12,323	0	0	0	0	12,323
Fines, Forfeitures, and Penalties	149,236	0	0	0	70,787	220,023
Charges for Current Services	1,430,087	0	0	0	736,397	2,166,484
Other Local Revenues	612,234	609,602	14,736	31,678	1,808	1,270,058
Fees Received from County Officials	687,763	0	0	0	0	687,763
State of Tennessee	739,166	0	2,216,082	0	16,231	2,971,479
Federal Government	67,624	0	155,895	0	0	223,519
Other Governments and Citizens Groups	158,482	0	49,691	0	0	208,173
Total Revenues	\$ 10,038,793	\$ 609,602	\$ 3,338,549	\$ 2,394,868	\$ 825,223	\$ 17,207,035
<u>Expenditures</u>						
Current:						
General Government	\$ 1,002,943	\$ 6,108	\$ 0	\$ 0	\$ 252,747	\$ 1,261,798
Finance	409,889	0	0	0	337,111	747,000
Administration of Justice	482,919	0	0	0	265,651	748,570
Public Safety	2,637,591	0	0	0	91,319	2,728,910
Public Health and Welfare	1,749,463	0	0	0	47,014	1,796,477
Social, Cultural, and Recreational Services	190,523	0	0	0	0	190,523
Agriculture and Natural Resources	184,664	0	0	0	0	184,664
Other Operations	2,188,137	0	0	0	29,757	2,217,894
Highways	0	0	4,026,915	0	0	4,026,915
Debt Service:						
Principal on Debt	0	0	0	975,000	0	975,000
Interest on Debt	0	0	0	741,882	0	741,882
Other Debt Service	0	0	0	214,185	0	214,185
Capital Projects	20,817	0	0	0	0	20,817
Total Expenditures	\$ 8,866,946	\$ 6,108	\$ 4,026,915	\$ 1,931,067	\$ 1,023,599	\$ 15,854,635
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,171,847	\$ 603,494	\$ (688,366)	\$ 463,801	\$ (198,376)	\$ 1,352,400

(Continued)

Exhibit B

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

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Special Purpose	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 70,000	\$ 0	\$ 600,000	\$ 0	\$ 135,000	\$ 805,000
Transfers Out	(135,000)	(670,000)	0	0	0	(805,000)
Total Other Financing Sources (Uses)	\$ (65,000)	\$ (670,000)	\$ 600,000	\$ 0	\$ 135,000	\$ 0
Net Change in Fund Balances	\$ 1,106,847	\$ (66,506)	\$ (88,366)	\$ 463,801	\$ (63,376)	\$ 1,352,400
Fund Balance, July 1, 2006	5,899,954	15,078,243	501,549	1,730,331	496,734	23,706,811
Fund Balance, June 30, 2007	\$ 7,006,801	\$ 15,011,737	\$ 413,183	\$ 2,194,132	\$ 433,358	\$ 25,059,211

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

Exhibit C

Giles County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2007

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,549,908
Due from Other Governments	<u>394,891</u>
Total Assets	<u>\$ 1,944,799</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 394,891
Due to Litigants, Heirs, and Others	<u>1,549,908</u>
Total Liabilities	<u>\$ 1,944,799</u>

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

**GILES COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2007**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Giles County's financial statements are not presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

Giles County has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and discretely presented component units. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement No. 34 and accounting principles generally accepted in the United States of America. Giles County has elected instead only to implement the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused Giles County's auditor to issue an adverse opinion on the county's financial statements.

Although Giles County's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement No. 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement No. 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

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

**A. Reporting Entity**

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

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

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

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

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

The Giles County School Department and the Giles County Emergency Communications District issue separate financial statements from those of the county. The School Department’s financial statements are published as a separate report but under the same cover as the county’s financial statements. The Giles County Emergency Communications District’s financial statements are published as a separate report. Complete financial statements of the Giles County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

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

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

Fund financial statements of Giles County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures.

Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, the county does not have any proprietary funds to report. An emphasis is placed on major funds within the governmental category.

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

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

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

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

Giles County reports the following major governmental funds:

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

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

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

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

Additionally, Giles County reports the following fund types:

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

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

C. **Assets, Liabilities, and Equity**

1. **Deposits and Investments**

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

The county trustee maintains a cash and internal investment pool that is used by all Giles County and Giles County School Department funds. Each fund’s portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General and Special Purpose Funds. Giles County and the Giles County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer’s Investment Pool are reported at cost. The State Treasurer’s Investment Pool is not registered with the Securities and

Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

## **2. Receivables and Payables**

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

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

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

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

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

following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.

**3. Capital Assets**

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

**4. Compensated Absences**

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

**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.

## II. 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 Constitutional Officers - Fees Fund (special revenue fund) which is not budgeted. All annual appropriations lapse at fiscal year end.

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

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

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

## III. DETAILED NOTES ON ALL FUNDS

### A. Deposits and Investments

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

## Deposits

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

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

## Investments

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

**Investment Balances.** As of June 30, 2007, Giles County had the following investments carried at cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Giles County and the discretely presented Giles County School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
State Treasurer's Investment Pool	Daily	\$ 9,049,306

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments, as previously disclosed. Giles County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments, as previously explained. Giles County has no investment policy that would further limit its investment choices. As of June 30, 2007, Giles County's investment in the State Treasurer's Investment Pool was unrated.

**B. 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>Highway/ Public Works Fund</u>	<u>Nonmajor Governmental Funds</u>
General Fund	\$ 0	\$ 0	\$ 135,000
Special Purpose Fund	70,000	600,000	0
Total	<u>\$ 70,000</u>	<u>\$ 600,000</u>	<u>\$ 135,000</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. Long-term Debt**

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

General Obligation Bonds

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

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds outstanding were issued for original terms of up to 20 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds included in long-term debt as of June 30, 2007, will be retired from the General Debt Service Fund.

General obligation bonds outstanding as of June 30, 2007, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
General Obligation Bonds	2.25 to 5.75 %	\$ 19,865,000	\$ 5,055,000
General Obligation Bonds - Refunding	1.75 to 5.25	11,625,000	11,245,000

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

Year Ending June 30	Bonds	
	Principal	Interest
2008	\$ 1,020,000	\$ 700,965
2009	1,070,000	656,792
2010	1,120,000	608,951
2011	1,170,000	557,487
2012	1,215,000	515,411
2013-2017	6,865,000	1,834,171
2018-2020	3,840,000	400,911
Total	\$ 16,300,000	\$ 5,274,688

There is \$2,194,132 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$554, based on the 2000 federal census.

Changes in Long-term Liabilities

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

Governmental Activities:	Compensated	
	Bonds	Absences
Balance, July 1, 2006	\$ 17,275,000	\$ 98,112
Additions	0	296,091
Deductions	(975,000)	(207,231)
Balance, June 30, 2007	<u>\$ 16,300,000</u>	<u>\$ 186,972</u>
Balance Due Within One Year	<u>\$ 1,020,000</u>	<u>\$ 186,972</u>

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

Defeasance of Prior Debt

In prior years, Giles County defeased certain outstanding general obligation bonds by placing the proceeds of new bonds into an irrevocable trust to provide for a portion of the future debt service payments on the old bonds. The trustee is empowered and required to pay all principal and interest on the defeased bonds as originally scheduled. Accordingly, the trust accounts and the defeased bonds are not included in the county's financial statements. At June 30, 2007, the following outstanding bonds are considered defeased:

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

**IV. OTHER INFORMATION**

**A. Risk Management**

The county is exposed to various risks related to general liability, property, and casualty losses. The county decided it was more economically feasible to join a public entity risk pool instead of purchasing commercial insurance for general liability, property, and casualty coverage. The county joined the Local Government Property and Casualty Fund (LGPCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The county pays an annual premium to the LGPCF for its general liability, property, and casualty insurance coverage. The creation of the LGPCF provides for it to be self-sustaining through member premiums.

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

**B. Contingent Liabilities**

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

**C. Change in Administration**

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

**D. Joint Ventures**

The Economic Development Commission for Pulaski-Giles County, Tennessee, Inc., is a joint venture between Giles County and the City of Pulaski, and is governed by a 14-member board. The purpose of the board is to promote and facilitate the economic development of the City of Pulaski and Giles County, Tennessee. Giles County and the City of Pulaski provide the majority of the funding for the board. Each of these entities is required to fund 40 percent of the board's annual operating budget. Giles County contributed \$80,316 to the operation of the Economic Development Commission during the year ended June 30, 2007.

The Interlocal Solid Waste Authority was formed by joint resolution of the counties of Giles, Franklin, and Lincoln, and the municipalities of Tullahoma and Fayetteville for the purpose of developing a solid waste regional plan. Each participating County Commission or City Council appointed the authority's board for varying terms of office. Giles County made no contributions to the Interlocal Solid Waste Authority for the year ended June 30, 2007.

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

Administrative Offices:

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

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

**E. Jointly Governed Organizations**

Industrial Development Board

The Industrial Development Board of Giles County and the City of Pulaski was created by Giles County and the City of Pulaski. The Industrial Development Board comprises eight members. The county and the city each appoint four members. However, the county does not have any ongoing financial interest or responsibility for the entity. Giles County made no appropriations to the Industrial Development Board for the year ended June 30, 2007.

Tennessee Southern Railroad Authority

The Tennessee Southern Railroad Authority (TSRA) was created by the county in conjunction with Lawrence and Maury counties, and its board comprises the county mayors/executives and a representative appointed by the respective County Commissions from each of the three counties and a representative from the cities of Mt. Pleasant and Lawrenceburg. However, Giles County does not have any ongoing financial interest or responsibility for the entity. The majority of TSRA's funding is received from various grants from the Tennessee Department of Transportation. Giles County made no appropriations to the Tennessee Southern Railroad Authority for the year ended June 30, 2007.

**F. Commitments**

Airport

Giles County and the City of Pulaski jointly own the Abernathy Field Airport; however, the day-to-day operation of the airport is administered by the City of Pulaski. The financial activity of the airport is reported in the General Fund financial statements of the City of Pulaski. Giles County is committed to contributing one-half of the operating expenses of the Abernathy Field Airport. Giles County contributed \$37,216 to the operations of the airport during the year ended June 30, 2007.

Industrial Park

On October 20, 1997, the County Commission adopted a resolution "to participate and fund the county's share or one-half of the costs and expenses associated with the development of the new industrial park ...." Based on this resolution, the county will participate with the City of Pulaski to develop an industrial park. A written contract that documents this arrangement has been approved by a County Commission resolution. As of June 30, 2007, the City of Pulaski had borrowed certain funds and also funded part of this project from its local funds. Giles County made a contribution of \$154,439 to the City of Pulaski to pay its portion of these obligations during the year ended June 30, 2007, from the General Debt Service Fund.

## **G. Retirement Commitments**

### **Employees**

#### **Plan Description**

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

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

#### **Funding Policy**

Giles County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2007, was 8.38 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Giles County is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost**

For the year ended June 30, 2007, Giles County’s annual pension cost of \$797,333 to TCRS was equal to the 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), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Giles County’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was ten 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	\$797,333	100%	\$0
6-30-06	655,487	100	0
6-30-05	631,912	100	0

**H. Purchasing Laws**

Office of County Executive

Purchasing procedures for the Office of County Executive are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated (TCA), which provide for all purchases exceeding \$5,000 (\$10,000 effective May 10, 2007) to be made after public advertisement and solicitation of competitive bids.

Office of Highway Commissioner

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

**I. Implementation of the County Financial Management System of 1981**

In August 2006, Giles County voters adopted the County Financial Management System of 1981 by public referendum. This system creates a Finance Department to administer the finances of the county for all funds of the various departments, agencies, and boards that are handled by the county trustee. Implementation began July 1, 2007, with completion projected by August 1, 2008.

---

---

**REQUIRED SUPPLEMENTARY  
INFORMATION**

---

---

Exhibit D-1

Giles County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Fund  
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 6,181,878	\$ 0	\$ 6,181,878	\$ 5,867,022	\$ 6,050,641	\$ 131,237
Licenses and Permits	12,323	0	12,323	13,500	14,637	(2,314)
Fines, Forfeitures, and Penalties	149,236	0	149,236	133,600	144,344	4,892
Charges for Current Services	1,430,087	0	1,430,087	1,266,750	1,277,118	152,969
Other Local Revenues	612,234	0	612,234	100,000	445,988	166,246
Fees Received from County Officials	687,763	0	687,763	585,000	685,000	2,763
State of Tennessee	739,166	0	739,166	589,453	786,782	(47,616)
Federal Government	67,624	0	67,624	10,000	55,666	11,958
Other Governments and Citizens Groups	158,482	0	158,482	0	108,182	50,300
Total Revenues	\$ 10,038,793	\$ 0	\$ 10,038,793	\$ 8,565,325	\$ 9,568,358	\$ 470,435
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 41,015	\$ 0	\$ 41,015	\$ 27,695	\$ 44,572	\$ 3,557
County Mayor/Executive	130,681	0	130,681	133,116	133,116	2,435
County Attorney	33,083	0	33,083	35,000	35,000	1,917
Election Commission	274,809	(142,150)	132,659	145,278	145,278	12,619
Register of Deeds	24,233	0	24,233	32,900	32,900	8,667
County Buildings	499,122	0	499,122	291,549	595,549	96,427
<u>Finance</u>						
Accounting and Budgeting	92,142	0	92,142	96,202	96,202	4,060
Central Services	2,402	0	2,402	0	67,317	64,915
Property Assessor's Office	245,807	0	245,807	224,505	259,505	13,698
Reappraisal Program	30,179	0	30,179	51,000	51,000	20,821
County Trustee's Office	12,720	0	12,720	13,611	13,611	891
County Clerk's Office	26,639	0	26,639	28,674	28,674	2,035

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Administration of Justice</u>						
Circuit Court	\$ 87,867	\$ 0	\$ 87,867	\$ 105,985	\$ 105,985	\$ 18,118
General Sessions Court	94,694	0	94,694	93,349	95,252	558
Chancery Court	137,465	0	137,465	148,154	148,154	10,689
Judicial Commissioners	27,429	0	27,429	28,710	28,710	1,281
Courtroom Security	135,464	0	135,464	0	186,600	51,136
<u>Public Safety</u>						
Sheriff's Department	1,083,328	0	1,083,328	1,075,074	1,105,327	21,999
Traffic Control	4,515	0	4,515	8,000	8,000	3,485
Administration of the Sexual Offender Registry	435	0	435	1,000	1,000	565
Jail	1,183,139	(65,500)	1,117,639	1,120,799	1,171,782	54,143
Workhouse	0	0	0	1,440	1,440	1,440
Juvenile Services	44,046	0	44,046	50,476	53,676	9,630
Fire Prevention and Control	2,000	0	2,000	2,000	2,000	0
Rescue Squad	190,650	0	190,650	175,000	190,650	0
Other Emergency Management	22,097	0	22,097	6,000	29,900	7,803
County Coroner/Medical Examiner	42,699	0	42,699	35,000	45,000	2,301
Public Safety Grant Programs	55,666	0	55,666	10,000	55,666	0
Other Public Safety	9,016	0	9,016	9,200	9,200	184
<u>Public Health and Welfare</u>						
Local Health Center	91,670	0	91,670	74,450	103,325	11,655
Rabies and Animal Control	41,470	0	41,470	46,950	46,950	5,480
Ambulance/Emergency Medical Services	1,195,780	0	1,195,780	1,244,075	1,247,575	51,795
Regional Mental Health Center	23,000	0	23,000	23,000	23,000	0
Aid to Dependent Children	8,638	0	8,638	8,645	8,645	7
Other Local Welfare Services	32,562	0	32,562	32,162	32,962	400
Sanitation Management	19,112	0	19,112	19,112	19,112	0

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Public Health and Welfare (Cont.)</u>						
Other Public Health and Welfare	\$ 337,231	\$ 0	\$ 337,231	\$ 361,500	\$ 385,000	\$ 47,769
<u>Social, Cultural, and Recreational Services</u>						
Senior Citizens Assistance	26,500	0	26,500	26,500	26,500	0
Libraries	82,888	0	82,888	82,888	82,888	0
Parks and Fair Boards	37,856	0	37,856	69,000	69,000	31,144
Other Social, Cultural, and Recreational	43,279	0	43,279	54,475	54,475	11,196
<u>Agriculture &amp; Natural Resources</u>						
Agriculture Extension Service	125,847	0	125,847	149,174	156,164	30,317
Forest Service	908	0	908	1,000	1,000	92
Soil Conservation	57,909	0	57,909	50,960	60,960	3,051
<u>Other Operations</u>						
Other Economic and Community Development	36,469	0	36,469	30,489	42,489	6,020
Public Transportation	89,500	0	89,500	39,948	89,500	0
Airport	37,216	0	37,216	34,900	37,216	0
Veterans' Services	9,635	0	9,635	9,829	9,829	194
Other Charges	564,580	0	564,580	565,000	590,000	25,420
Contributions to Other Agencies	101,358	(10,000)	91,358	0	250,000	158,642
Employee Benefits	1,348,656	0	1,348,656	1,371,500	1,430,800	82,144
Miscellaneous	723	0	723	5,000	5,000	4,277
<u>Capital Projects</u>						
Highway & Street Capital Projects	20,817	0	20,817	21,137	21,137	320
Total Expenditures	\$ 8,866,946	\$ (217,650)	\$ 8,649,296	\$ 8,271,411	\$ 9,534,593	\$ 885,297
Excess (Deficiency) of Revenues						
Over Expenditures	\$ 1,171,847	\$ 217,650	\$ 1,389,497	\$ 293,914	\$ 33,765	\$ 1,355,732

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 70,000	\$ 0	\$ 70,000	\$ 70,000	\$ 70,000	\$ 0
Transfers Out	(135,000)	0	(135,000)	(221,358)	(236,956)	101,956
Total Other Financing Sources (Uses)	\$ (65,000)	\$ 0	\$ (65,000)	\$ (151,358)	\$ (166,956)	\$ 101,956
Net Change in Fund Balance	\$ 1,106,847	\$ 217,650	\$ 1,324,497	\$ 142,556	\$ (133,191)	\$ 1,457,688
Fund Balance, July 1, 2006	5,899,954	(217,650)	5,682,304	4,946,829	4,946,829	735,475
Fund Balance, June 30, 2007	\$ 7,006,801	\$ 0	\$ 7,006,801	\$ 5,089,385	\$ 4,813,638	\$ 2,193,163

Exhibit D-2

Giles County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Special Purpose Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 609,602	\$ 670,000	\$ 670,000	\$ (60,398)
Total Revenues	\$ 609,602	\$ 670,000	\$ 670,000	\$ (60,398)
<u>Expenditures</u>				
<u>General Government</u>				
Other General Administration	\$ 6,108	\$ 10,000	\$ 10,000	\$ 3,892
Total Expenditures	\$ 6,108	\$ 10,000	\$ 10,000	\$ 3,892
Excess (Deficiency) of Revenues Over Expenditures	\$ 603,494	\$ 660,000	\$ 660,000	\$ (56,506)
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (670,000)	\$ (670,000)	\$ (670,000)	\$ 0
Total Other Financing Sources (Uses)	\$ (670,000)	\$ (670,000)	\$ (670,000)	\$ 0
Net Change in Fund Balance	\$ (66,506)	\$ (10,000)	\$ (10,000)	\$ (56,506)
Fund Balance, July 1, 2006	15,078,243	15,062,087	15,062,087	16,156
Fund Balance, June 30, 2007	\$ 15,011,737	\$ 15,052,087	\$ 15,052,087	\$ (40,350)

Exhibit D-3

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 902,145	\$ 939,160	\$ 899,660	\$ 2,485
Other Local Revenues	14,736	5,000	16,357	(1,621)
State of Tennessee	2,216,082	2,333,700	2,333,700	(117,618)
Federal Government	155,895	150,000	160,500	(4,605)
Other Governments and Citizens Groups	49,691	4,000	42,643	7,048
Total Revenues	<u>\$ 3,338,549</u>	<u>\$ 3,431,860</u>	<u>\$ 3,452,860</u>	<u>\$ (114,311)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 180,246	\$ 196,765	\$ 192,265	\$ 12,019
Highway and Bridge Maintenance	2,092,113	2,071,000	2,110,000	17,887
Operation and Maintenance of Equipment	556,831	561,000	570,500	13,669
Litter and Trash Collection	33,620	35,501	35,501	1,881
Other Charges	166,374	187,500	172,500	6,126
Employee Benefits	509,066	520,000	527,000	17,934
Capital Outlay	488,665	640,000	625,000	136,335
Total Expenditures	<u>\$ 4,026,915</u>	<u>\$ 4,211,766</u>	<u>\$ 4,232,766</u>	<u>\$ 205,851</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (688,366)</u>	<u>\$ (779,906)</u>	<u>\$ (779,906)</u>	<u>\$ 91,540</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 600,000	\$ 600,000	\$ 600,000	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 600,000</u>	<u>\$ 600,000</u>	<u>\$ 600,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (88,366)	(179,906)	(179,906)	\$ 91,540
Fund Balance, July 1, 2006	501,549	424,888	424,888	76,661
Fund Balance, June 30, 2007	<u>\$ 413,183</u>	<u>\$ 244,982</u>	<u>\$ 244,982</u>	<u>\$ 168,201</u>

Exhibit D-4

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

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

(Dollar amounts in thousands)

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

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

**BUDGETARY INFORMATION**

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

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

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

---

---

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

---

---

# Nonmajor Governmental Funds

## Special Revenue Funds

---

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

---

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

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

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

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

## Capital Projects Fund

---

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

---

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

Exhibit E-1

Giles 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	Drug Control	Constitu- tional Officers - Fees	Total	General Capital Projects	
<u>ASSETS</u>							
Cash	\$ 0	\$ 0	\$ 0	\$ 158,711	\$ 158,711	\$ 0	\$ 158,711
Equity in Pooled Cash and Investments	29,149	10,268	146,083	0	185,500	34,909	220,409
Accounts Receivable	1,521	0	3,508	72,727	77,756	0	77,756
<b>Total Assets</b>	<b>\$ 30,670</b>	<b>\$ 10,268</b>	<b>\$ 149,591</b>	<b>\$ 231,438</b>	<b>\$ 421,967</b>	<b>\$ 34,909</b>	<b>\$ 456,876</b>
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Accounts Payable	\$ 4,125	\$ 0	\$ 19,393	\$ 0	\$ 23,518	\$ 0	\$ 23,518
<b>Total Liabilities</b>	<b>\$ 4,125</b>	<b>\$ 0</b>	<b>\$ 19,393</b>	<b>\$ 0</b>	<b>\$ 23,518</b>	<b>\$ 0</b>	<b>\$ 23,518</b>
<u>Fund Balances</u>							
Reserved for Capital Outlay	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 33,279	\$ 33,279
Unreserved	26,545	10,268	130,198	231,438	398,449	1,630	400,079
<b>Total Fund Balances</b>	<b>\$ 26,545</b>	<b>\$ 10,268</b>	<b>\$ 130,198</b>	<b>\$ 231,438</b>	<b>\$ 398,449</b>	<b>\$ 34,909</b>	<b>\$ 433,358</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 30,670</b>	<b>\$ 10,268</b>	<b>\$ 149,591</b>	<b>\$ 231,438</b>	<b>\$ 421,967</b>	<b>\$ 34,909</b>	<b>\$ 456,876</b>

Exhibit E-2

Giles County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2007

	Special Revenue Funds					Capital Projects Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Constitu- tional Officers - Fees	Total	General Capital Projects	
<u>Revenues</u>							
Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 70,787	\$ 0	\$ 70,787	\$ 0	\$ 70,787
Charges for Current Services	0	0	0	736,397	736,397	0	736,397
Other Local Revenues	1,305	0	503	0	1,808	0	1,808
State of Tennessee	15,618	0	613	0	16,231	0	16,231
<b>Total Revenues</b>	<b>\$ 16,923</b>	<b>\$ 0</b>	<b>\$ 71,903</b>	<b>\$ 736,397</b>	<b>\$ 825,223</b>	<b>\$ 0</b>	<b>\$ 825,223</b>
<u>Expenditures</u>							
Current:							
General Government	\$ 40,511	\$ 80,316	\$ 0	\$ 131,920	\$ 252,747	\$ 0	\$ 252,747
Finance	0	0	0	337,111	337,111	0	337,111
Administration of Justice	0	0	0	265,651	265,651	0	265,651
Public Safety	0	0	91,319	0	91,319	0	91,319
Public Health and Welfare	47,014	0	0	0	47,014	0	47,014
Other Operations	0	0	0	0	0	29,757	29,757
<b>Total Expenditures</b>	<b>\$ 87,525</b>	<b>\$ 80,316</b>	<b>\$ 91,319</b>	<b>\$ 734,682</b>	<b>\$ 993,842</b>	<b>\$ 29,757</b>	<b>\$ 1,023,599</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (70,602)	\$ (80,316)	\$ (19,416)	\$ 1,715	\$ (168,619)	\$ (29,757)	\$ (198,376)
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 60,000	\$ 75,000	\$ 0	\$ 0	\$ 135,000	\$ 0	\$ 135,000
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 60,000</b>	<b>\$ 75,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 135,000</b>	<b>\$ 0</b>	<b>\$ 135,000</b>
Net Change in Fund Balances	\$ (10,602)	\$ (5,316)	\$ (19,416)	\$ 1,715	\$ (33,619)	\$ (29,757)	\$ (63,376)
Fund Balance, July 1, 2006	37,147	15,584	149,614	229,723	432,068	64,666	496,734
<b>Fund Balance, June 30, 2007</b>	<b>\$ 26,545</b>	<b>\$ 10,268</b>	<b>\$ 130,198</b>	<b>\$ 231,438</b>	<b>\$ 398,449</b>	<b>\$ 34,909</b>	<b>\$ 433,358</b>

Exhibit E-3

Giles County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 1,305	\$ 1,000	\$ 1,000	\$ 305
State of Tennessee	15,618	16,000	16,000	(382)
Total Revenues	<u>\$ 16,923</u>	<u>\$ 17,000</u>	<u>\$ 17,000</u>	<u>\$ (77)</u>
<u>Expenditures</u>				
<u>General Government</u>				
Other General Administration	\$ 40,511	\$ 46,220	\$ 46,220	\$ 5,709
<u>Public Health and Welfare</u>				
Waste Pickup	20,614	22,000	22,000	1,386
Recycling Center	26,400	29,040	29,040	2,640
Total Expenditures	<u>\$ 87,525</u>	<u>\$ 97,260</u>	<u>\$ 97,260</u>	<u>\$ 9,735</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (70,602)</u>	<u>\$ (80,260)</u>	<u>\$ (80,260)</u>	<u>\$ 9,658</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 60,000	\$ 60,000	\$ 60,000	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (10,602)	\$ (20,260)	\$ (20,260)	\$ 9,658
Fund Balance, July 1, 2006	<u>37,147</u>	<u>35,284</u>	<u>35,284</u>	<u>1,863</u>
Fund Balance, June 30, 2007	<u>\$ 26,545</u>	<u>\$ 15,024</u>	<u>\$ 15,024</u>	<u>\$ 11,521</u>

Exhibit E-4

Giles County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Industrial/Economic Development Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
<u>Expenditures</u>				
<u>General Government</u>				
Other General Administration	\$ 80,316	\$ 88,650	\$ 88,650	\$ 8,334
Total Expenditures	\$ 80,316	\$ 88,650	\$ 88,650	\$ 8,334
Excess (Deficiency) of Revenues Over Expenditures	\$ (80,316)	\$ (88,650)	\$ (88,650)	\$ 8,334
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 75,000	\$ 70,000	\$ 70,000	\$ 5,000
Total Other Financing Sources (Uses)	\$ 75,000	\$ 70,000	\$ 70,000	\$ 5,000
Net Change in Fund Balance	\$ (5,316)	\$ (18,650)	\$ (18,650)	\$ 13,334
Fund Balance, July 1, 2006	15,584	20,990	20,990	(5,406)
Fund Balance, June 30, 2007	\$ 10,268	\$ 2,340	\$ 2,340	\$ 7,928

Exhibit E-5

Giles County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 70,787	\$ 15,100	\$ 15,100	\$ 55,687
Other Local Revenues	503	0	0	503
State of Tennessee	613	0	0	613
Total Revenues	<u>\$ 71,903</u>	<u>\$ 15,100</u>	<u>\$ 15,100</u>	<u>\$ 56,803</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 91,319	\$ 102,900	\$ 102,900	\$ 11,581
Total Expenditures	<u>\$ 91,319</u>	<u>\$ 102,900</u>	<u>\$ 102,900</u>	<u>\$ 11,581</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (19,416)</u>	<u>\$ (87,800)</u>	<u>\$ (87,800)</u>	<u>\$ 68,384</u>
Net Change in Fund Balance	\$ (19,416)	\$ (87,800)	\$ (87,800)	\$ 68,384
Fund Balance, July 1, 2006	<u>149,614</u>	<u>148,985</u>	<u>148,985</u>	<u>629</u>
Fund Balance, June 30, 2007	<u>\$ 130,198</u>	<u>\$ 61,185</u>	<u>\$ 61,185</u>	<u>\$ 69,013</u>

Exhibit E-6

Giles County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Capital Projects Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
<u>Expenditures</u>				
<u>Other Operations</u>				
Contributions to Other Agencies	\$ 29,757	\$ 17,492	\$ 63,036	\$ 33,279
<u>Capital Projects</u>				
Other General Government Projects	0	0	1,630	1,630
Total Expenditures	\$ 29,757	\$ 17,492	\$ 64,666	\$ 34,909
Excess (Deficiency) of Revenues Over Expenditures	\$ (29,757)	\$ (17,492)	\$ (64,666)	\$ 34,909
Net Change in Fund Balance	\$ (29,757)	\$ (17,492)	\$ (64,666)	\$ 34,909
Fund Balance, July 1, 2006	64,666	61,718	64,666	0
Fund Balance, June 30, 2007	\$ 34,909	\$ 44,226	\$ 0	\$ 34,909

# **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

Giles County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,363,190	\$ 2,168,564	\$ 2,168,564	\$ 194,626
Other Local Revenues	31,678	0	0	31,678
Total Revenues	<u>\$ 2,394,868</u>	<u>\$ 2,168,564</u>	<u>\$ 2,168,564</u>	<u>\$ 226,304</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 235,000	\$ 235,000	\$ 235,000	\$ 0
Education	740,000	1,049,023	1,049,023	309,023
<u>Interest on Debt</u>				
General Government	100,653	100,653	100,653	0
Education	641,229	641,230	641,230	1
<u>Other Debt Service</u>				
General Government	212,685	249,500	249,500	36,815
Education	1,500	5,000	5,000	3,500
Total Expenditures	<u>\$ 1,931,067</u>	<u>\$ 2,280,406</u>	<u>\$ 2,280,406</u>	<u>\$ 349,339</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 463,801</u>	<u>\$ (111,842)</u>	<u>\$ (111,842)</u>	<u>\$ 575,643</u>
Net Change in Fund Balance	\$ 463,801	\$ (111,842)	\$ (111,842)	\$ 575,643
Fund Balance, July 1, 2006	<u>1,730,331</u>	<u>1,497,129</u>	<u>1,497,129</u>	<u>233,202</u>
Fund Balance, June 30, 2007	<u>\$ 2,194,132</u>	<u>\$ 1,385,287</u>	<u>\$ 1,385,287</u>	<u>\$ 808,845</u>

# Fiduciary Funds

---

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

---

Cities - Sales Tax Fund – The Cities - Sales Tax Fund is used to account for the second half of the sales tax revenues collected inside incorporated cities of the county. These revenues are received by the county from the State of Tennessee and forwarded to the various cities on a monthly basis.

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

Exhibit G-1

Giles County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2007

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,549,908	\$ 1,549,908
Due from Other Governments	394,891	0	394,891
Total Assets	<u>\$ 394,891</u>	<u>\$ 1,549,908</u>	<u>\$ 1,944,799</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 394,891	\$ 0	\$ 394,891
Due to Litigants, Heirs, and Others	0	1,549,908	1,549,908
Total Liabilities	<u>\$ 394,891</u>	<u>\$ 1,549,908</u>	<u>\$ 1,944,799</u>

## Exhibit G-2

Giles 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	\$ 2,285,497	\$ 2,285,497	\$ 0
Due from Other Governments	377,756	394,891	377,756	394,891
Total Assets	\$ 377,756	\$ 2,680,388	\$ 2,663,253	\$ 394,891
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 377,756	\$ 2,680,388	\$ 2,663,253	\$ 394,891
Total Liabilities	\$ 377,756	\$ 2,680,388	\$ 2,663,253	\$ 394,891
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,198,353	\$ 7,073,253	\$ 6,721,698	\$ 1,549,908
Total Assets	\$ 1,198,353	\$ 7,073,253	\$ 6,721,698	\$ 1,549,908
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,198,353	\$ 7,073,253	\$ 6,721,698	\$ 1,549,908
Total Liabilities	\$ 1,198,353	\$ 7,073,253	\$ 6,721,698	\$ 1,549,908
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,198,353	\$ 7,073,253	\$ 6,721,698	\$ 1,549,908
Equity in Pooled Cash and Investments	0	2,285,497	2,285,497	0
Due from Other Governments	377,756	394,891	377,756	394,891
Total Assets	\$ 1,576,109	\$ 9,753,641	\$ 9,384,951	\$ 1,944,799
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,198,353	\$ 7,073,253	\$ 6,721,698	\$ 1,549,908
Due to Other Taxing Units	377,756	2,680,388	2,663,253	394,891
Total Liabilities	\$ 1,576,109	\$ 9,753,641	\$ 9,384,951	\$ 1,944,799

---

---

## MISCELLANEOUS SCHEDULES

---

---

Exhibit H-1

Giles County, Tennessee  
Schedule of Changes in Long-term 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	Paid and/or Matured During Period	Outstanding 6-30-07
<b><u>BONDS PAYABLE</u></b>							
<b><u>Payable through General Debt Service Fund</u></b>							
School Building	\$ 16,765,000	4.1 to 5.75 %	2-28-00	2-1-20	\$ 2,850,000	\$ 660,000	\$ 2,190,000
School Refunding	11,625,000	1.75 to 5.25	8-1-02	2-1-20	11,325,000	80,000	11,245,000
General Obligation	3,100,000	2.25 to 3.8	8-1-04	4-1-17	3,100,000	235,000	2,865,000
Total Bonds Payable					<u>\$ 17,275,000</u>	<u>\$ 975,000</u>	<u>\$ 16,300,000</u>

Exhibit H-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2008	\$ 1,020,000	\$ 700,965	\$ 1,720,965
2009	1,070,000	656,792	1,726,792
2010	1,120,000	608,951	1,728,951
2011	1,170,000	557,487	1,727,487
2012	1,215,000	515,411	1,730,411
2013	1,265,000	470,782	1,735,782
2014	1,315,000	422,605	1,737,605
2015	1,370,000	370,492	1,740,492
2016	1,430,000	314,734	1,744,734
2017	1,485,000	255,558	1,740,558
2018	1,215,000	192,487	1,407,487
2019	1,280,000	137,812	1,417,812
2020	1,345,000	70,612	1,415,612
Total	<u>\$ 16,300,000</u>	<u>\$ 5,274,688</u>	<u>\$ 21,574,688</u>

Exhibit H-3

Giles 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	Provide funds for operations	\$ 60,000
General	Industrial/Economic Development	"	75,000
Special Purpose	General	"	70,000
Special Purpose	Highway/Public Works	"	<u>600,000</u>
Total Transfers			<u>\$ 805,000</u>

Exhibit H-4

Giles 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 Executive	Section 8-24-102, <u>TCA</u>	\$ 64,759	\$ 50,000	State Automobile Mutual Insurance Company
Highway Commissioner	Section 8-24-102, <u>TCA</u>	61,672	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	56,069	950,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	56,069	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	56,069	50,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, <u>TCA</u>	56,069	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	56,069	60,000	"
Register	Section 8-24-102, <u>TCA</u>	56,069	25,000	"
Sheriff:				
Eddie Bass (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	10,279	25,000	"
Kyle Helton (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	51,997 (1)	25,000	"
<u>Other Bonds</u>				
Ambulance Service Office Staff			25,000	"
Highway Department Bookkeeper			25,000	"
Highway Department Office Manager			25,000	"
Employees Bond - County Executive			50,000	"
Employees Bond - Assessor			10,000	"
Employees Bond - Trustee			60,000	"
Employees Bond - County Clerk			50,000	"
Employees Bond - Circuit and General Sessions Courts Clerk			50,000	"
Employees Bond - Clerk and Master			50,000	"
Employees Bond - Register			25,000	"
Employees Bond - Sheriff			25,000	"
Judicial Commissioner			50,000	"
Judicial Commissioner			50,000	"
Judicial Commissioner			50,000	"

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

Exhibit H-5

Giles 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	\$ 4,700,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 854,649	\$ 1,410,234	\$ 6,965,383
Trustee's Collections - Prior Year	200,761	0	0	0	0	35,983	60,488	297,232
Circuit/Clerk & Master Collections - Prior Years	69,716	0	0	0	0	5,895	20,915	96,526
Interest and Penalty	27,664	0	0	0	0	4,987	8,319	40,970
Payments in-Lieu-of Taxes - T.V.A.	2,142	0	0	0	0	0	0	2,142
Payments in-Lieu-of Taxes - Local Utilities	256,488	0	0	0	0	0	0	256,488
<u>County Local Option Taxes</u>								
Local Option Sales Tax	0	0	0	0	0	0	863,234	863,234
Hotel/Motel Tax	90,660	0	0	0	0	0	0	90,660
Litigation Tax - General	151,518	0	0	0	0	0	0	151,518
Litigation Tax - Jail, Workhouse, or Courthouse	63,006	0	0	0	0	0	0	63,006
Business Tax	172,568	0	0	0	0	0	0	172,568
Mineral Severance Tax	0	0	0	0	0	631	0	631
<u>Statutory Local Taxes</u>								
Bank Excise Tax	283,618	0	0	0	0	0	0	283,618
Wholesale Beer Tax	160,050	0	0	0	0	0	0	160,050
Interstate Telecommunications Tax	3,187	0	0	0	0	0	0	3,187
Total Local Taxes	\$ 6,181,878	\$ 0	\$ 0	\$ 0	\$ 0	\$ 902,145	\$ 2,363,190	\$ 9,447,213
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Animal Vaccination	\$ 5,580	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,580
Cable TV Franchise	4,605	0	0	0	0	0	0	4,605
<u>Permits</u>								
Beer Permits	2,138	0	0	0	0	0	0	2,138
Total Licenses and Permits	\$ 12,323	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,323
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Officers Costs	\$ 34,789	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 34,789
Drug Control Fines	686	0	0	14,437	0	0	0	15,123
Drug Court Fees	3,205	0	0	0	0	0	0	3,205

(Continued)

Exhibit H-5

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

	Special Revenue Funds						Debt Service	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	\$ 2,942	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	2,942
DUI Treatment Fines	3,258	0	0	0	0	0	0	3,258
Data Entry Fee - Circuit Court	617	0	0	0	0	0	0	617
Courtroom Security Fee	402	0	0	0	0	0	0	402
<u>General Sessions Court</u>								
Fines	18,370	0	0	0	0	0	0	18,370
Officers Costs	44,738	0	0	0	0	0	0	44,738
Game and Fish Fines	1,690	0	0	0	0	0	0	1,690
Drug Control Fines	576	0	0	11,618	0	0	0	12,194
Drug Court Fees	5,563	0	0	0	0	0	0	5,563
Jail Fees	13,002	0	0	0	0	0	0	13,002
DUI Treatment Fines	5,457	0	0	0	0	0	0	5,457
Data Entry Fee - General Sessions Court	10,043	0	0	0	0	0	0	10,043
Courtroom Security Fee	169	0	0	0	0	0	0	169
<u>Chancery Court</u>								
Officers Costs	2,836	0	0	0	0	0	0	2,836
Data Entry Fee - Chancery Court	792	0	0	0	0	0	0	792
Courtroom Security Fee	101	0	0	0	0	0	0	101
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	0	0	0	44,732	0	0	0	44,732
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 149,236</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 70,787</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>220,023</b>
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Patient Charges	\$ 1,374,627	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,374,627
Service Charges	24,871	0	0	0	0	0	0	24,871
<u>Fees</u>								
Copy Fees	1,288	0	0	0	0	0	0	1,288
Telephone Commissions	9,382	0	0	0	0	0	0	9,382
Vending Machine Collections	368	0	0	0	0	0	0	368
Constitutional Officers' Fees and Commissions	0	0	0	0	736,397	0	0	736,397
Data Processing Fee - Register	12,950	0	0	0	0	0	0	12,950

(Continued)

Exhibit H-5

Giles 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 - Sheriff	\$ 5,301	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,301
Sexual Offender Registration Fees - Sheriff	1,300	0	0	0	0	0	0	1,300
<b>Total Charges for Current Services</b>	<b>\$ 1,430,087</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 736,397</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,166,484</b>
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 523,598	\$ 0	\$ 609,602	\$ 0	\$ 0	\$ 0	\$ 31,678	\$ 1,164,878
Sale of Materials and Supplies	0	0	0	0	0	614	0	614
Sale of Maps	0	0	0	0	0	20	0	20
Sale of Recycled Materials	249	0	0	0	0	3,958	0	4,207
Commodity Rebates	0	1,305	0	0	0	0	0	1,305
Miscellaneous Refunds	65,875	0	0	3	0	10,144	0	76,022
<u>Nonrecurring Items</u>								
Sale of Equipment	7,012	0	0	500	0	0	0	7,512
Damages Recovered from Individuals	15,500	0	0	0	0	0	0	15,500
<b>Total Other Local Revenues</b>	<b>\$ 612,234</b>	<b>\$ 1,305</b>	<b>\$ 609,602</b>	<b>\$ 503</b>	<b>\$ 0</b>	<b>\$ 14,736</b>	<b>\$ 31,678</b>	<b>\$ 1,270,058</b>
<u>Fees Received from County Officials</u>								
<u>Excess Fees</u>								
County Clerk	\$ 55,216	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 55,216
Circuit Court Clerk	127,544	0	0	0	0	0	0	127,544
Register	25,096	0	0	0	0	0	0	25,096
Trustee	334,437	0	0	0	0	0	0	334,437
<u>Fees-In-Lieu of Salary</u>								
Clerk and Master	134,611	0	0	0	0	0	0	134,611
Sheriff	10,859	0	0	0	0	0	0	10,859
<b>Total Fees Received from County Officials</b>	<b>\$ 687,763</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 687,763</b>
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 10,215	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,215
State Reappraisal Grant	10,706	0	0	0	0	0	0	10,706

(Continued)

Exhibit H-5

Giles 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 (Cont.)</u>								
<u>Public Safety Grants</u>								
Law Enforcement Training Programs	\$ 12,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	12,000
<u>Health and Welfare Grants</u>								
Health Department Programs	343,961	0	0	0	0	0	0	343,961
<u>Public Works Grants</u>								
Bridge Program	0	0	0	0	0	120,152	0	120,152
State Aid Program	0	0	0	0	0	116,607	0	116,607
Litter Program	0	0	0	0	0	34,818	0	34,818
<u>Other State Revenues</u>								
Beer Tax	18,753	0	0	0	0	0	0	18,753
Alcoholic Beverage Tax	50,848	0	0	0	0	0	0	50,848
Mixed Drink Tax	1,892	0	0	0	0	0	0	1,892
Contracted Prisoner Boarding	244,685	0	0	0	0	0	0	244,685
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,920,817	0	1,920,817
Petroleum Special Tax	0	0	0	0	0	23,688	0	23,688
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	16,380
Other State Grants	0	15,618	0	0	0	0	0	15,618
Other State Revenues	29,726	0	0	613	0	0	0	30,339
Total State of Tennessee	\$ 739,166	\$ 15,618	\$ 0	\$ 613	\$ 0	\$ 2,216,082	\$ 0	\$ 2,971,479
<u>Federal Government</u>								
<u>Federal Through State</u>								
USDA - Other	\$ 4,759	\$ 0	\$ 0	\$ 0	\$ 0	\$ 145,297	\$ 0	\$ 150,056
Homeland Security Grants	55,666	0	0	0	0	0	0	55,666
Other Federal through State	7,199	0	0	0	0	10,598	0	17,797
Total Federal Government	\$ 67,624	\$ 0	\$ 0	\$ 0	\$ 0	\$ 155,895	\$ 0	\$ 223,519
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Prisoner Board	\$ 111,575	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 111,575
Paving and Maintenance	0	0	0	0	0	30,943	0	30,943
Contributions	46,907	0	0	0	0	0	0	46,907
<u>Other</u>								
Other	0	0	0	0	0	18,748	0	18,748
Total Other Governments and Citizens Groups	\$ 158,482	\$ 0	\$ 0	\$ 0	\$ 0	\$ 49,691	\$ 0	\$ 208,173
Total	\$ 10,038,793	\$ 16,923	\$ 609,602	\$ 71,903	\$ 736,397	\$ 3,338,549	\$ 2,394,868	\$ 17,207,035

Exhibit H-6

Giles 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	\$	23,820	
Dues and Memberships		1,750	
Travel		8,175	
Other Supplies and Materials		440	
Other Equipment		6,830	
Total County Commission			\$ 41,015

County Mayor/Executive

County Official/Administrative Officer	\$	64,759	
Secretary(ies)		22,021	
Other Salaries & Wages		19,369	
Audit Services		6,746	
Communication		2,138	
Dues and Memberships		1,550	
Postal Charges		1,115	
Other Supplies and Materials		9,563	
Other Charges		3,420	
Total County Mayor/Executive			130,681

County Attorney

Legal Services	\$	33,083	
Total County Attorney			33,083

Election Commission

County Official/Administrative Officer	\$	50,462	
Deputy(ies)		28,369	
Other Salaries & Wages		7,705	
Election Commission		4,675	
Election Workers		20,962	
Communication		1,727	
Legal Notices, Recording, and Court Costs		1,731	
Postal Charges		1,455	
Other Supplies and Materials		5,268	
Other Charges		4,566	
Office Equipment		299	
Voting Machines		147,590	
Total Election Commission			274,809

Register of Deeds

Communication	\$	1,189	
---------------	----	-------	--

(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds (Cont.)

Maintenance & Repair Services - Office Equipment	\$	727	
Postal Charges		1,677	
Other Supplies and Materials		7,128	
Other Charges		2,685	
Data Processing Equipment		10,827	
Total Register of Deeds			\$ 24,233

County Buildings

Custodial Personnel	\$	63,309	
Communication		6,491	
Maintenance & Repair Services - Buildings		4,448	
Maintenance & Repair Services - Equipment		4,371	
Pest Control		649	
Custodial Supplies		10,580	
Utilities		39,426	
Building Improvements		362,430	
Furniture and Fixtures		7,418	
Total County Buildings			499,122

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	46,789	
Accountants/Bookkeepers		31,969	
Communication		941	
Data Processing Services		6,005	
Postal Charges		1,306	
Other Supplies and Materials		3,363	
Other Charges		1,769	
Total Accounting and Budgeting			92,142

Central Services

Legal Notices, Recording, and Court Costs	\$	2,297	
Other Supplies and Materials		105	
Total Central Services			2,402

Property Assessor's Office

County Official/Administrative Officer	\$	56,069	
Deputy(ies)		28,565	
Assessment Personnel		78,203	
Clerical Personnel		27,462	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Other Salaries & Wages	\$	25,683	
Board and Committee Members Fees		2,250	
Communication		2,126	
Dues and Memberships		1,964	
Maintenance & Repair Services - Vehicles		801	
Postal Charges		1,969	
Rentals		2,634	
Travel		832	
Gasoline		1,640	
Other Supplies and Materials		4,762	
Vehicle and Equipment Insurance		847	
Motor Vehicles		10,000	
Total Property Assessor's Office			\$ 245,807

Reappraisal Program

Contracts with Government Agencies	\$	13,875	
Other Charges		16,304	
Total Reappraisal Program			30,179

County Trustee's Office

Communication	\$	903	
Data Processing Services		5,439	
Postal Charges		4,211	
Other Supplies and Materials		2,167	
Total County Trustee's Office			12,720

County Clerk's Office

Communication	\$	1,658	
Legal Notices, Recording, and Court Costs		439	
Maintenance Agreements		9,926	
Maintenance & Repair Services - Office Equipment		624	
Postal Charges		8,411	
Other Supplies and Materials		3,190	
Other Charges		1,917	
Furniture and Fixtures		174	
Office Equipment		300	
Total County Clerk's Office			26,639

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Administration of Justice

Circuit Court

Jury and Witness Fees	\$	34,377	
Communication		1,774	
Operating Lease Payments		2,963	
Postal Charges		4,235	
Rentals		24,000	
Other Supplies and Materials		13,797	
Other Charges		4,804	
Office Equipment		1,917	
Total Circuit Court			\$ 87,867

General Sessions Court

Judge(s)	\$	87,552	
Other Salaries & Wages		3,600	
Communication		664	
Travel		1,620	
Other Supplies and Materials		724	
Other Charges		534	
Total General Sessions Court			94,694

Chancery Court

County Official/Administrative Officer	\$	56,069	
Deputy(ies)		61,494	
Other Salaries & Wages		7,340	
Communication		1,305	
Postal Charges		2,576	
Other Supplies and Materials		7,506	
Other Charges		1,175	
Total Chancery Court			137,465

Judicial Commissioners

Other Salaries & Wages	\$	26,867	
Communication		137	
Travel		425	
Total Judicial Commissioners			27,429

Courtroom Security

Deputy(ies)	\$	74,113	
In Service/Staff Development		4,000	
Law Enforcement Equipment		4,773	
Motor Vehicles		52,578	
Total Courtroom Security			135,464

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	61,676	
Deputy(ies)		505,454	
Investigator(s)		113,591	
Captain(s)		43,537	
Accountants/Bookkeepers		51,200	
Overtime Pay		37,756	
Communication		25,075	
Dues and Memberships		1,550	
Maintenance & Repair Services - Equipment		2,408	
Maintenance & Repair Services - Vehicles		29,938	
Postal Charges		2,871	
Travel		6,062	
Gasoline		78,954	
Prisoners Clothing		684	
Tires and Tubes		4,921	
Uniforms		7,492	
Other Supplies and Materials		17,125	
Vehicle and Equipment Insurance		28,641	
In Service/Staff Development		2,292	
Other Charges		6,685	
Law Enforcement Equipment		6,116	
Motor Vehicles		49,300	
Total Sheriff's Department			\$ 1,083,328

Traffic Control

Traffic Control Equipment	\$	4,515	
Total Traffic Control			4,515

Administration of the Sexual Offender Registry

Other Charges	\$	435	
Total Administration of the Sexual Offender Registry			435

Jail

Supervisor/Director	\$	24,905	
Foremen		23,734	
Guards		531,094	
Cafeteria Personnel		41,549	
Maintenance Personnel		30,027	
Overtime Pay		33,531	
Maintenance & Repair Services - Buildings		22,954	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Pest Control	\$	1,245	
Drugs and Medical Supplies		131,668	
Food Supplies		125,191	
Utilities		129,697	
Other Charges		22,044	
Other Equipment		65,500	
Total Jail			\$ 1,183,139

Juvenile Services

Supervisor/Director	\$	32,076	
Communication		634	
Travel		1,151	
Other Contracted Services		7,045	
Other Charges		2,836	
Other Equipment		304	
Total Juvenile Services			44,046

Fire Prevention and Control

Contracts with Government Agencies	\$	2,000	
Total Fire Prevention and Control			2,000

Rescue Squad

Contributions	\$	175,000	
Matching Share		7,650	
Uniforms		8,000	
Total Rescue Squad			190,650

Other Emergency Management

Secretary(ies)	\$	6,148	
Other Charges		15,949	
Total Other Emergency Management			22,097

County Coroner/Medical Examiner

Other Contracted Services	\$	42,699	
Total County Coroner/Medical Examiner			42,699

Public Safety Grant Programs

Contracts with Government Agencies	\$	55,666	
Total Public Safety Grant Programs			55,666

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Other Public Safety

Communication	\$	1,016	
Rentals		7,800	
Other Supplies and Materials		200	
Total Other Public Safety			\$ 9,016

Public Health and Welfare

Local Health Center

Communication	\$	3,916	
Janitorial Services		14,431	
Maintenance & Repair Services - Buildings		33,097	
Pest Control		376	
Other Contracted Services		22,000	
Utilities		13,825	
Other Supplies and Materials		3,025	
Furniture and Fixtures		1,000	
Total Local Health Center			91,670

Rabies and Animal Control

Supervisor/Director	\$	25,880	
Communication		1,156	
Maintenance & Repair Services - Vehicles		110	
Animal Food and Supplies		2,589	
Gasoline		3,308	
Tires and Tubes		546	
Utilities		2,097	
Vehicle and Equipment Insurance		1,258	
Other Charges		4,526	
Total Rabies and Animal Control			41,470

Ambulance/Emergency Medical Services

Supervisor/Director	\$	52,482
Accountants/Bookkeepers		49,281
Medical Personnel		669,281
Other Salaries & Wages		218,817
Communication		7,481
Data Processing Services		3,212
Debt Collection Services		3,500
Maintenance & Repair Services - Buildings		5,082
Maintenance & Repair Services - Equipment		2,565
Maintenance & Repair Services - Vehicles		33,682

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Postal Charges	\$	3,062	
Drugs and Medical Supplies		48,497	
Gasoline		48,930	
Lubricants		4,700	
Tires and Tubes		3,787	
Uniforms		7,832	
Utilities		8,828	
Other Supplies and Materials		4,612	
Vehicle and Equipment Insurance		7,521	
Other Charges		12,628	
Total Ambulance/Emergency Medical Services			\$ 1,195,780

Regional Mental Health Center

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

Aid to Dependent Children

Contributions	\$	8,638	
Total Aid to Dependent Children			8,638

Other Local Welfare Services

Contributions	\$	30,162	
Pauper Burials		2,400	
Total Other Local Welfare Services			32,562

Sanitation Management

Contracts with Private Agencies	\$	19,112	
Total Sanitation Management			19,112

Other Public Health and Welfare

Other Salaries & Wages	\$	237,940	
Social Security		18,185	
Employee and Dependent Insurance		45,618	
Life Insurance		403	
Unemployment Compensation		872	
Local Retirement		19,166	
Travel		10,427	
Other Supplies and Materials		4,620	
Total Other Public Health and Welfare			337,231

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$ 26,500	
Total Senior Citizens Assistance		\$ 26,500

Libraries

Contributions	\$ 82,888	
Total Libraries		82,888

Parks and Fair Boards

Contributions	\$ 27,000	
Other Construction	10,856	
Total Parks and Fair Boards		37,856

Other Social, Cultural, and Recreational

Part-time Personnel	\$ 10,289	
Other Salaries & Wages	26,010	
Communication	874	
Maintenance & Repair Services - Office Equipment	1,885	
Postal Charges	124	
Duplicating Supplies	3,800	
Other Supplies and Materials	297	
Total Other Social, Cultural, and Recreational		43,279

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$ 65,412	
Secretary(ies)	322	
Other Salaries & Wages	1,397	
Board and Committee Members Fees	750	
Other Fringe Benefits	18,879	
Communication	4,549	
Maintenance & Repair Services - Buildings	2,193	
Maintenance & Repair Services - Equipment	826	
Maintenance & Repair Services - Vehicles	20	
Postal Charges	700	
Travel	216	
Other Contracted Services	3,044	
Food Preparation Supplies	5,745	
Gasoline	113	
Utilities	6,858	
Other Supplies and Materials	1,313	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

Vehicle and Equipment Insurance	\$	883	
Other Charges		794	
Motor Vehicles		10,750	
Office Equipment		1,083	
Total Agriculture Extension Service			\$ 125,847

Forest Service

Communication	\$	908	
Total Forest Service			908

Soil Conservation

Clerical Personnel	\$	21,229	
Other Salaries & Wages		24,960	
Other Charges		1,736	
Office Equipment		9,984	
Total Soil Conservation			57,909

Other Operations

Other Economic and Community Development

Contributions	\$	30,800	
Dues and Memberships		5,669	
Total Other Economic and Community Development			36,469

Public Transportation

Bridge Construction	\$	89,500	
Total Public Transportation			89,500

Airport

Contributions	\$	37,216	
Total Airport			37,216

Veterans' Services

Supervisor/Director	\$	8,629	
Other Charges		1,006	
Total Veterans' Services			9,635

Other Charges

Building and Contents Insurance	\$	61,323	
Liability Insurance		150,881	
Premiums on Corporate Surety Bonds		12,694	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Other Operations (Cont.)

Other Charges (Cont.)

Trustee's Commission	\$	133,286	
Workers' Compensation Insurance		206,396	
Total Other Charges			\$ 564,580

Contributions to Other Agencies

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

Employee Benefits

Educational Incentive - Other County Employees	\$	15,000	
Social Security		273,075	
Employee and Dependent Insurance		706,508	
Life Insurance		6,147	
Unemployment Compensation		9,650	
Local Retirement		338,276	
Total Employee Benefits			1,348,656

Miscellaneous

Refunds	\$	723	
Total Miscellaneous			723

Capital Projects

Highway & Street Capital Projects

Other Construction	\$	20,817	
Total Highway & Street Capital Projects			20,817

Total General Fund \$ 8,866,946

Solid Waste/Sanitation Fund

General Government

Other General Administration

Supervisor/Director	\$	31,845	
Communication		552	
Travel		695	
Other Contracted Services		6,068	
Other Supplies and Materials		80	
Other Charges		1,271	
Total Other General Administration			\$ 40,511

(Continued)

Exhibit H-6

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare

Waste Pickup

Other Contracted Services	\$ 20,614	
Total Waste Pickup	<u>20,614</u>	\$ 20,614

Recycling Center

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

Total Solid Waste/Sanitation Fund		\$ 87,525
-----------------------------------	--	-----------

Industrial/Economic Development Fund

General Government

Other General Administration

Contributions	\$ 13,666	
Other Charges	56,650	
Other Construction	<u>10,000</u>	
Total Other General Administration	<u>80,316</u>	<u>\$ 80,316</u>

Total Industrial/Economic Development Fund		80,316
--	--	--------

Special Purpose Fund

General Government

Other General Administration

Trustee's Commission	\$ 6,108	
Total Other General Administration	<u>6,108</u>	<u>\$ 6,108</u>

Total Special Purpose Fund		6,108
----------------------------	--	-------

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$ 13,500	
Dues and Memberships	125	
Animal Food and Supplies	2,416	
Other Supplies and Materials	24,188	
Other Charges	47,460	
Law Enforcement Equipment	<u>3,630</u>	
Total Drug Enforcement	<u>91,319</u>	<u>\$ 91,319</u>

Total Drug Control Fund		91,319
-------------------------	--	--------

(Continued)

Exhibit H-6

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

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Constitutional Officers' Operating Expenses	\$ 131,920	
Total Register of Deeds		\$ 131,920

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$ 120,595	
Total County Trustee's Office		120,595

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 216,516	
Total County Clerk's Office		216,516

Administration of Justice

Circuit Court

Constitutional Officers' Operating Expenses	\$ 265,561	
Total Circuit Court		265,561

General Sessions Court

Constitutional Officers' Operating Expenses	\$ 90	
Total General Sessions Court		<u>90</u>

Total Constitutional Officers - Fees Fund		\$ 734,682
---	--	------------

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 61,672
Assistant(s)	61,825
Custodial Personnel	3,640
Educational Incentive - Other County Employees	1,500
In-Service Training	590
Communication	7,124
Data Processing Services	6,452
Dues and Memberships	3,055
Evaluation and Testing	2,715
Legal Notices, Recording, and Court Costs	2,170
Maintenance & Repair Services - Buildings	5,000
Postal Charges	484
Travel	1,915
Custodial Supplies	1,822

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Drugs and Medical Supplies	\$	1,138	
Electricity		15,128	
Office Supplies		3,517	
Office Equipment		499	
Total Administration			\$ 180,246

Highway and Bridge Maintenance

Supervisor/Director	\$	172,343	
Foremen		136,948	
Equipment Operators - Heavy		187,624	
Equipment Operators - Light		243,415	
Truck Drivers		221,581	
Laborers		150,644	
Rentals		826	
Asphalt - Hot Mix		99,214	
Asphalt - Liquid		524,167	
Concrete		10,732	
Crushed Stone		273,134	
Fertilizer, Lime, and Seed		974	
General Construction Materials		4,368	
Other Road Supplies		33,477	
Pipe		12,781	
Road Signs		14,963	
Structural Steel		4,922	
Total Highway and Bridge Maintenance			2,092,113

Operation and Maintenance of Equipment

Mechanic(s)	\$	209,381	
Equipment and Machinery Parts		127,687	
Fuel Oil		198,114	
Garage Supplies		4,253	
Tires and Tubes		17,396	
Total Operation and Maintenance of Equipment			556,831

Litter and Trash Collection

Assistant(s)	\$	3,434	
Truck Drivers		4,820	
Travel		558	
Instructional Supplies and Materials		15,352	
Other Supplies and Materials		9,456	
Total Litter and Trash Collection			33,620

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges

Building and Contents Insurance	\$	1,187	
Liability Insurance		34,079	
Trustee's Commission		40,040	
Vehicle and Equipment Insurance		24,453	
Workers' Compensation Insurance		64,712	
Liability Claims		1,903	
Total Other Charges			\$ 166,374

Employee Benefits

Social Security	\$	110,271	
State Retirement		118,907	
Employee and Dependent Insurance		256,105	
Unemployment Compensation		7,937	
Laundry Service		15,846	
Total Employee Benefits			509,066

Capital Outlay

Engineering Services	\$	12,592	
Matching Share		36,394	
Bridge Construction		135,801	
Highway Equipment		125,920	
Motor Vehicles		24,032	
State Aid Projects		153,926	
Total Capital Outlay			488,665

Total Highway/Public Works Fund \$ 4,026,915

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	235,000	
Total General Government			\$ 235,000

Education

Principal on Bonds	\$	740,000	
Total Education			740,000

Interest on Debt

General Government

Interest on Bonds	\$	100,653	
Total General Government			100,653

(Continued)

Exhibit H-6

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Interest on Debt (Cont.)</u>		
<u>Education</u>		
Interest on Bonds	\$ 641,229	
Total Education		\$ 641,229
 <u>Other Debt Service</u>		
<u>General Government</u>		
Contributions	\$ 154,439	
Trustee's Commission	58,046	
Other Debt Service	200	
Total General Government		212,685
 <u>Education</u>		
Other Debt Service	\$ 1,500	
Total Education		<u>1,500</u>
Total General Debt Service Fund		\$ 1,931,067
 <u>General Capital Projects Fund</u>		
<u>Other Operations</u>		
<u>Contributions to Other Agencies</u>		
Contributions	\$ 29,757	
Total Contributions to Other Agencies		\$ <u>29,757</u>
Total General Capital Projects Fund		<u>29,757</u>
Total Governmental Funds - Primary Government		<u>\$ 15,854,635</u>

Exhibit H-7

Giles County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2007

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 2,285,497
Total Cash Receipts	<u>\$ 2,285,497</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 2,262,852
Trustee's Commission	22,645
Total Cash Disbursements	<u>\$ 2,285,497</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**  
**GILES COUNTY SCHOOL DEPARTMENT**  
**A COMPONENT UNIT OF GILES 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*

*JEFF BAILEY, CPA, CGFM, CFE*  
*Audit Manager*

*KENT WHITE, CPA, CGFM, CFE*  
*Auditor 4*

*RHONDA DAVIS, CFE*  
*DONYA WADE*  
*NATHAN ABBOTT, CISA, CFE*  
*State Auditors*

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

---



---

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

---



---

	Exhibit	Page(s)
Audit Highlights		1
<u>INTRODUCTORY SECTION</u>		3
Giles County School Officials		5
<u>FINANCIAL SECTION</u>		7
Independent Auditor's Report		9-10
BASIC FINANCIAL STATEMENTS:		11
Government-wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	16
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	18
Notes to the Financial Statements		19-32
REQUIRED SUPPLEMENTARY INFORMATION:		33
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	D-1	35-36
Notes to the Required Supplementary Information		37

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		39
Nonmajor Governmental Funds:		41
Combining Balance Sheet	E-1	43
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	E-2	44
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
School Federal Projects Fund	E-3	45
Central Cafeteria Fund	E-4	46
Miscellaneous Schedules:		47
Schedule of Transfers	F-1	49
Schedule of Salary and Official Bond of Principal Official	F-2	50
Schedule of Detailed Revenues – All Governmental Fund Types	F-3	51-52
Schedule of Detailed Expenditures – All Governmental Fund Types	F-4	53-65

# ***Audit Highlights***

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

## ***Scope***

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

## ***Results***

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

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

## ***Findings***

The following are summaries of the audit findings:

### **OFFICE OF DIRECTOR OF SCHOOLS**

- ◆ In several instances, purchase orders were issued after purchases had been made, and disbursements were made without proper documentation of purchases. Also, competitive bids were not solicited for sidewalks built at two schools.
- ◆ There were accounting deficiencies in the areas of medical insurance payments for certain retirees, numerous journal entries which indicated a weakness in internal controls over the recording of financial transactions, the presentation of a large reserve balance that did not exist, and excess funds deposited to a construction escrow account.
- ◆ Accounting personnel did not monitor the request and subsequent receipt of grant reimbursements, resulting in reimbursements being posted to the wrong reserves and funds.
- ◆ Expenditures exceeded total appropriations in the Central Cafeteria Fund. Expenditures exceeded appropriations in two major categories (the legal level of control) of the School Federal Projects Fund.
- ◆ Accounting personnel did not reconcile payroll liability accounts.
- ◆ Duties were not segregated adequately among the official and employees in the Office of Director of Schools.

---

---

# INTRODUCTORY SECTION

---

---

Giles County School Officials  
June 30, 2007

---

**Official**

Terrell Jackson, Director of Schools

**Board of Education**

Kathy Norman, Chairman  
Fred Lindsey  
Mike Young  
Billy Kennedy

Jim Greene  
Rhonda Turner  
Beverly Murrey

---

---

**FINANCIAL SECTION**

---

---



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

**INDEPENDENT AUDITOR'S REPORT**

November 14, 2007

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

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Giles County School Department, a component unit of Giles County, Tennessee, as of and for the year ended June 30, 2007, which collectively comprise the Giles County School Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Giles County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Giles County School Department as of June 30, 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.

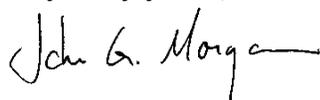
In accordance with Government Auditing Standards, we have also issued our report dated November 14, 2007, on our consideration of the Giles County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

The budgetary comparison information on pages 35 through 37 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Very truly yours,



John G. Morgan  
Comptroller of the Treasury

JGM/sb

---

---

# BASIC FINANCIAL STATEMENTS

---

---

Exhibit A

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

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 4,095,102
Accounts Receivable	5,238
Due from Other Governments	965,357
Property Taxes Receivable	6,830,118
Allowance for Uncollectible Property Taxes	(143,181)
Capital Assets:	
Assets Not Depreciated:	
Land	621,198
Construction in Progress	178,474
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	17,760,844
Other Capital Assets	2,280,461
Total Assets	<u>\$ 32,593,611</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 829,925
Accrued Payroll	1,138
Payroll Deductions Payable	110,397
Deferred Revenue - Current Property Taxes	6,403,699
Total Liabilities	<u>\$ 7,345,159</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	\$ 20,840,977
Restricted for:	
Capital Projects	465,523
Food Service	606,538
Other Purposes	146,870
Unrestricted	<u>3,188,544</u>
Total Net Assets	<u>\$ 25,248,452</u>

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

Exhibit B

Giles County, Tennessee  
Statement of Activities  
Giles County School Department  
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Total Governmental Activities
Component Unit:				
Governmental Activities:				
Instruction	\$ 19,192,870	\$ 35,698	\$ 2,174,734	\$ (16,982,438)
Support Services	11,113,311	89,812	87,000	(10,936,499)
Operation of Non-Instructional Services	2,216,066	781,247	1,192,315	(242,504)
Total Governmental Activities	\$ 32,522,247	\$ 906,757	\$ 3,454,049	\$ (28,161,441)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 6,503,152
Local Option Sales Tax				3,142,630
Other Local Taxes				4,960
Grants and Contributions Not Restricted to Specific Programs				17,755,635
Unrestricted Investment Earnings				13,936
Miscellaneous				55,405
Total General Revenues				\$ 27,475,718
Change in Net Assets				\$ (685,723)
Net Assets, July 1, 2006				25,934,175
Net Assets, June 30, 2007				\$ 25,248,452

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

Exhibit C-1

Giles County, Tennessee  
Balance Sheet - Governmental Funds  
Giles County School Department  
June 30, 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	\$ 2,876,010	\$ 1,219,092	\$ 4,095,102
Accounts Receivable	3,199	2,039	5,238
Due from Other Governments	895,159	70,198	965,357
Due from Other Funds	21,780	0	21,780
Property Taxes Receivable	6,830,118	0	6,830,118
Allowance for Uncollectible Property Taxes	(143,181)	0	(143,181)
Total Assets	<u>\$ 10,483,085</u>	<u>\$ 1,291,329</u>	<u>\$ 11,774,414</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 709,866	\$ 120,059	\$ 829,925
Accrued Payroll	1,138	0	1,138
Payroll Deductions Payable	106,528	3,869	110,397
Due to Other Funds	0	21,780	21,780
Deferred Revenue - Current Property Taxes	6,403,699	0	6,403,699
Deferred Revenue - Delinquent Property Taxes	257,713	0	257,713
Other Deferred Revenues	310,473	0	310,473
Total Liabilities	<u>\$ 7,789,417</u>	<u>\$ 145,708</u>	<u>\$ 7,935,125</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 9,326	\$ 452,804	\$ 462,130
Reserved for Career Ladder - Extended Contract	19,787	0	19,787
Reserved for Career Ladder Program	53,523	0	53,523
Reserved for Title I Grants to Local Education Agencies	0	41,598	41,598
Reserved for Innovative Education Program Strategies	0	2,855	2,855
Reserved for Special Education - Grants to States	0	20,841	20,841
Other Federal Reserves	0	8,266	8,266
Unreserved, Reported In:			
General Fund	2,611,032	0	2,611,032
Special Revenue Funds	0	569,585	569,585
Capital Projects Funds	0	49,672	49,672
Total Fund Balances	<u>\$ 2,693,668</u>	<u>\$ 1,145,621</u>	<u>\$ 3,839,289</u>
Total Liabilities and Fund Balances	<u>\$ 10,483,085</u>	<u>\$ 1,291,329</u>	<u>\$ 11,774,414</u>

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

Exhibit C-2

Giles County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets  
Giles County School Department  
June 30, 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)		\$	3,839,289
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	621,198	
Add: construction in progress		178,474	
Add: buildings and improvements net of accumulated depreciation		17,760,844	
Add: other capital assets net of accumulated depreciation		<u>2,280,461</u>	20,840,977
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>568,186</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>25,248,452</u></u>

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

Exhibit C-3

Giles County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Giles County School Department  
For the Year Ended June 30, 2007

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General	Other	Total
	Purpose	Govern-	Governmental
	School	mental	Funds
		Funds	
<u>Revenues</u>			
Local Taxes	\$ 9,635,833	\$ 0	\$ 9,635,833
Licenses and Permits	2,603	0	2,603
Charges for Current Services	128,242	778,160	906,402
Other Local Revenues	68,367	14,783	83,150
State of Tennessee	17,798,680	26,307	17,824,987
Federal Government	156,080	3,071,957	3,228,037
Total Revenues	<u>\$ 27,789,805</u>	<u>\$ 3,891,207</u>	<u>\$ 31,681,012</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 17,266,641	\$ 1,736,938	\$ 19,003,579
Support Services	10,374,363	213,360	10,587,723
Operation of Non-Instructional Services	223,961	1,871,590	2,095,551
Capital Outlay	71,235	0	71,235
Capital Projects	0	285,936	285,936
Total Expenditures	<u>\$ 27,936,200</u>	<u>\$ 4,107,824</u>	<u>\$ 32,044,024</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (146,395)</u>	<u>\$ (216,617)</u>	<u>\$ (363,012)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 118	\$ 35,394	\$ 35,512
Transfers Out	(35,394)	(118)	(35,512)
Total Other Financing Sources (Uses)	<u>\$ (35,276)</u>	<u>\$ 35,276</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ (181,671)	\$ (181,341)	\$ (363,012)
Fund Balance, July 1, 2006	<u>2,875,339</u>	<u>1,326,962</u>	<u>4,202,301</u>
Fund Balance, June 30, 2007	<u><u>\$ 2,693,668</u></u>	<u><u>\$ 1,145,621</u></u>	<u><u>\$ 3,839,289</u></u>

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

Exhibit C-4

Giles County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Giles County School Department  
For the Year Ended June 30, 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)		\$ (363,012)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized below.		
Add: capital assets purchased in the current period	\$ 727,496	
Less: current year depreciation expense	<u>(1,096,178)</u>	(368,682)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2007	\$ 568,186	
Less: deferred delinquent property taxes and other deferred June 30, 2006	<u>(522,215)</u>	<u>45,971</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (685,723)</u>

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

**GILES COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF GILES COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2007**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

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

**B. Government-wide and Fund Financial Statements**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the

operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School Department considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. The School Department considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

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

The School Department reports the following major governmental fund:

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

Additionally, the School Department reports the following fund types:

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

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

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

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

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

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

**1. Deposits and Investments**

State statutes authorize Giles County, the School Department's primary government, to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or

political subdivision rated A or higher by any nationally recognized rating service; the county's own legally issued bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements.

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

## **2. Receivables and Payables**

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

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

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

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the

period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred revenue as of June 30.

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

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

### **3. Capital Assets**

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

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

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

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

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

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

**4. Compensated Absences**

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

**5. Net Assets and Fund Equity**

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

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

As of June 30, 2007, Giles County had \$13,435,000 in outstanding debt for capital purposes for the School Department. This debt is a liability of Giles County, but the capital assets acquired are reported in the financial statements of the Giles County School Department. The School Department received assets significantly increasing its unrestricted net assets with no corresponding increase in the School Department's liabilities.

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

## II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

### B. **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

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

## III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. **Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the 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 Giles County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

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

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

**B. Expenditures Exceeded Appropriations**

Expenditures exceeded total appropriations approved by the Giles County Commission in the Central Cafeteria Fund by \$19,915. Also, expenditures exceeded appropriations approved by the Giles County Board of Education in the Vocational Education Program (\$546) and Other Student Support (\$25,998) major appropriation categories (the legal level of control) of the School Federal Projects Fund. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balances.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

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

**Deposits**

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

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

## Investments

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

**Investment Balances.** As of June 30, 2007, Giles County had the following investments carried at cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Giles County and the Giles County School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
State Treasurer's Investment Pool	Daily	\$ 9,049,306

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Giles County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Giles County has no investment policy that would further limit their investment choices. As of June 30, 2007, Giles County's investment in the State Treasurer's Investment Pool was unrated.

## **B. Capital Assets**

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

**Governmental Activities:**

	Balance 7-1-06	Increases	Balance 6-30-07
Capital Assets Not Depreciated:			
Land	\$ 621,198	\$ 0	\$ 621,198
Construction in Progress	0	178,474	178,474
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 621,198</b>	<b>\$ 178,474</b>	<b>\$ 799,672</b>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 28,425,588	\$ 179,717	\$ 28,605,305
Other Capital Assets	5,595,103	369,305	5,964,408
<b>Total Capital Assets Depreciated</b>	<b>\$ 34,020,691</b>	<b>\$ 549,022</b>	<b>\$ 34,569,713</b>
Less Accumulated Depreciated For:			
Buildings and Improvements	\$ 10,150,210	\$ 694,251	\$ 10,844,461
Other Capital Assets	3,282,020	401,927	3,683,947
<b>Total Accumulated Depreciation</b>	<b>\$ 13,432,230</b>	<b>\$ 1,096,178</b>	<b>\$ 14,528,408</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 20,588,461</b>	<b>\$ (547,156)</b>	<b>\$ 20,041,305</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 21,209,659</b>	<b>\$ (368,682)</b>	<b>\$ 20,840,977</b>

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

**C. Construction Commitments**

At June 30, 2007, the Education Capital Projects Fund had uncompleted construction contracts of approximately \$415,851 for the construction of the school board office building. Funding has been received for these future expenditures.

**D. Interfund Receivables, Payables, and Transfers**

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

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Purpose School	Nonmajor governmental	\$ 21,780

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 Purpose School Fund</u>	<u>Nonmajor Governmental Fund</u>
General Purpose School Fund	\$ 0	\$ 35,394
Nonmajor governmental fund	118	0
Total	<u>\$ 118</u>	<u>\$ 35,394</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

**V. OTHER INFORMATION**

**A. Risk Management**

The School Department is exposed to various risks related to liability, property, and casualty losses. The School Department decided it was more economically feasible to join a public entity risk pool instead of purchasing commercial insurance for general liability, property, and casualty coverage. The School Department joined the Local Government Property and Casualty Fund (LGPCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The School Department pays an annual premium to the LGPCF for its general liability, property, and casualty insurance coverage. The creation of the LGPCF provides for it to be self-sustaining through member premiums.

The School Department participates in the Local Government Workers' Compensation Fund (LGWCF), a public entity risk pool established by the Tennessee County Services Association, an association of member counties, to provide for liabilities arising under the workers' compensation law. In accordance with Sections 12-9-101 through 12-9-109, Tennessee Code Annotated, inclusive, local governments are eligible to participate. The creation of the LGWCF provides for it to be self-sustaining through member premiums.

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

**B. Contingent Liabilities**

The School Department's attorneys advised that the School Department was not involved in any pending lawsuits at June 30, 2007.

**C. Retirement Commitments**

**Employees**

**Plan Description**

Employees of Giles County, including the School Department, are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Giles County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

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

### **School Teachers**

#### **Plan Description**

The Giles County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <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 Giles County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2007, was 6.13 percent of annual covered payroll. The employer contribution requirement for the Giles County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2007, 2006, and 2005, were \$924,233, \$779,787, and \$761,045, respectively, equal to the required contributions for each year.

### **D. Other Post-employment Benefits**

In addition to the retirement commitments described above, the Giles County School Department provides post-retirement health care benefits, in accordance with contract provisions, to all employees who retire from the school system on or after age 60 with at least 25 years of experience or age 53 with at least 30 years of experience. At least 15 of these years must have been worked in the Giles County School System, and the employee must have been covered under the county group medical plan for at least one year prior to retirement. Currently, 46 school retirees meet these eligibility requirements. The School Department will pay up to \$240 per month for the retiree's individual or family medical/hospitalization premiums not to exceed \$2,880 in any 12-month period. Expenditures for post-retirement health care benefits are recognized monthly based on billing statements. During the year, expenditures totaling \$143,035 were made for post-employment health care.

### **E. Purchasing Law**

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

### **F. Implementation of the County Financial Management System of 1981**

In August 2006, Giles County voters adopted the County Financial Management System of 1981 by public referendum. This system creates a Finance Department to administer the finances of the county for all funds of the various departments, agencies, and boards that are handled by the county trustee. Implementation began July 1, 2007, with completion projected by August 1, 2008.

---

---

**REQUIRED SUPPLEMENTARY  
INFORMATION**

---

---

Exhibit D-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<b>Revenues</b>						
Local Taxes	\$ 9,635,833	\$ 0	\$ 9,635,833	\$ 9,149,552	\$ 9,149,552	\$ 486,281
Licenses and Permits	2,603	0	2,603	3,000	3,000	(397)
Charges for Current Services	128,242	0	128,242	132,000	132,050	(3,808)
Other Local Revenues	68,367	0	68,367	37,500	57,610	10,757
State of Tennessee	17,798,680	0	17,798,680	17,402,638	17,686,195	112,485
Federal Government	156,080	0	156,080	180,000	200,255	(44,175)
<b>Total Revenues</b>	<b>\$ 27,789,805</b>	<b>\$ 0</b>	<b>\$ 27,789,805</b>	<b>\$ 26,904,690</b>	<b>\$ 27,228,662</b>	<b>\$ 561,143</b>
<b>Expenditures</b>						
<b>Instruction</b>						
Regular Instruction Program	\$ 13,960,594	\$ 3,579	\$ 13,964,173	\$ 13,347,940	\$ 14,039,706	\$ 75,533
Alternative Instruction Program	134,071	0	134,071	195,450	168,260	34,189
Special Education Program	2,150,859	954	2,151,813	2,305,715	2,345,854	194,041
Vocational Education Program	974,632	0	974,632	1,034,990	1,015,895	41,263
Adult Education Program	46,485	0	46,485	64,875	60,775	14,290
<b>Support Services</b>						
Attendance	83,047	0	83,047	80,388	84,388	1,341
Health Services	402,174	0	402,174	339,945	431,910	29,736
Other Student Support	703,050	0	703,050	738,515	742,875	39,825
Regular Instruction Program	1,215,621	0	1,215,621	1,214,275	1,229,540	13,919
Alternative Instruction Program	64,129	0	64,129	65,905	66,905	2,776
Special Education Program	228,830	0	228,830	304,995	281,221	52,391
Vocational Education Program	187,886	0	187,886	184,925	189,435	1,549
Adult Programs	67,402	0	67,402	63,730	72,465	5,063
Board of Education	670,717	0	670,717	679,340	707,720	37,003
Director of Schools	234,787	0	234,787	232,556	235,571	784

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	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>						
Office of the Principal	\$ 1,456,282	\$ 1,318	\$ 1,457,600	\$ 1,411,065	\$ 1,464,615	\$ 7,015
Fiscal Services	210,542	0	210,542	181,015	214,100	3,558
Operation of Plant	2,087,046	0	2,087,046	2,170,070	2,128,319	41,273
Maintenance of Plant	646,145	3,300	649,445	581,245	706,800	57,355
Transportation	2,116,705	175	2,116,880	2,219,050	2,150,425	33,545
<u>Operation of Non-Instructional Services</u>						
Food Service	5,384	0	5,384	5,200	5,493	109
Community Services	218,577	0	218,577	75,000	222,203	3,626
<u>Capital Outlay</u>						
Regular Capital Outlay	71,235	0	71,235	80,000	80,000	8,765
Total Expenditures	\$ 27,936,200	\$ 9,326	\$ 27,945,526	\$ 27,576,189	\$ 28,644,475	\$ 698,949
<u>Excess (Deficiency) of Revenues Over Expenditures</u>						
	\$ (146,395)	\$ (9,326)	\$ (155,721)	\$ (671,499)	\$ (1,415,813)	\$ 1,260,092
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 118	\$ 0	\$ 118	\$ 6,500	\$ 6,500	\$ (6,382)
Transfers Out	(35,394)	0	(35,394)	0	(38,515)	3,121
Total Other Financing Sources (Uses)	\$ (35,276)	\$ 0	\$ (35,276)	\$ 6,500	\$ (32,015)	\$ (3,261)
<u>Net Change in Fund Balance</u>						
Fund Balance, July 1, 2006	\$ (181,671)	\$ (9,326)	\$ (190,997)	\$ (664,999)	\$ (1,447,828)	\$ 1,256,831
	2,875,339	0	2,875,339	1,609,688	1,609,688	1,265,651
Fund Balance, June 30, 2007	\$ 2,693,668	\$ (9,326)	\$ 2,684,342	\$ 944,689	\$ 161,860	\$ 2,522,482

**GILES COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF GILES 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 Giles County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

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

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

---

---

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

---

---

# Nonmajor Governmental Funds

## Special Revenue Funds

---

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

---

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

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

## Capital Projects Fund

---

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

---

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

Exhibit E-1

Giles County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Giles County School Department  
June 30, 2007

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Total	Education Capital Projects	
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 77,733	\$ 675,836	\$ 753,569	\$ 465,523	\$ 1,219,092
Accounts Receivable	1,070	969	2,039	0	2,039
Due from Other Governments	70,198	0	70,198	0	70,198
Total Assets	<u>\$ 149,001</u>	<u>\$ 676,805</u>	<u>\$ 825,806</u>	<u>\$ 465,523</u>	<u>\$ 1,291,329</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 50,915	\$ 69,144	\$ 120,059	\$ 0	\$ 120,059
Payroll Deductions Payable	2,746	1,123	3,869	0	3,869
Due to Other Funds	21,780	0	21,780	0	21,780
Total Liabilities	<u>\$ 75,441</u>	<u>\$ 70,267</u>	<u>\$ 145,708</u>	<u>\$ 0</u>	<u>\$ 145,708</u>
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 0	\$ 36,953	\$ 36,953	\$ 415,851	\$ 452,804
Reserved for Title I Grants to Local Education Agencies	41,598	0	41,598	0	41,598
Reserved for Innovative Education Program Strategies	2,855	0	2,855	0	2,855
Reserved for Special Education - Grants to States	20,841	0	20,841	0	20,841
Other Federal Reserves	8,266	0	8,266	0	8,266
Unreserved	0	569,585	569,585	49,672	619,257
Total Fund Balances	<u>\$ 73,560</u>	<u>\$ 606,538</u>	<u>\$ 680,098</u>	<u>\$ 465,523</u>	<u>\$ 1,145,621</u>
Total Liabilities and Fund Balances	<u>\$ 149,001</u>	<u>\$ 676,805</u>	<u>\$ 825,806</u>	<u>\$ 465,523</u>	<u>\$ 1,291,329</u>

Exhibit E-2

Giles County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Giles County School Department  
For the Year Ended June 30, 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>Education</u>	<u>Nonmajor</u>
	<u>Projects</u>			<u>Capital</u>	<u>Governmental</u>
				<u>Projects</u>	<u>Funds</u>
<u>Revenues</u>					
Charges for Current Services	\$ 0	\$ 778,160	\$ 778,160	\$ 0	\$ 778,160
Other Local Revenues	0	14,783	14,783	0	14,783
State of Tennessee	0	26,307	26,307	0	26,307
Federal Government	2,015,490	1,056,467	3,071,957	0	3,071,957
Total Revenues	<u>\$ 2,015,490</u>	<u>\$ 1,875,717</u>	<u>\$ 3,891,207</u>	<u>\$ 0</u>	<u>\$ 3,891,207</u>
<u>Expenditures</u>					
Current:					
Instruction	\$ 1,736,938	\$ 0	\$ 1,736,938	\$ 0	\$ 1,736,938
Support Services	213,253	107	213,360	0	213,360
Operation of Non-Instructional Services	0	1,871,590	1,871,590	0	1,871,590
Capital Projects	0	0	0	285,936	285,936
Total Expenditures	<u>\$ 1,950,191</u>	<u>\$ 1,871,697</u>	<u>\$ 3,821,888</u>	<u>\$ 285,936</u>	<u>\$ 4,107,824</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 65,299</u>	<u>\$ 4,020</u>	<u>\$ 69,319</u>	<u>\$ (285,936)</u>	<u>\$ (216,617)</u>
<u>Other Financing Sources (Uses)</u>					
Transfers In	\$ 0	\$ 35,394	\$ 35,394	\$ 0	\$ 35,394
Transfers Out	(118)	0	(118)	0	(118)
Total Other Financing Sources (Uses)	<u>\$ (118)</u>	<u>\$ 35,394</u>	<u>\$ 35,276</u>	<u>\$ 0</u>	<u>\$ 35,276</u>
Net Change in Fund Balances	\$ 65,181	\$ 39,414	\$ 104,595	\$ (285,936)	\$ (181,341)
Fund Balance, July 1, 2006	8,379	567,124	575,503	751,459	1,326,962
Fund Balance, June 30, 2007	<u>\$ 73,560</u>	<u>\$ 606,538</u>	<u>\$ 680,098</u>	<u>\$ 465,523</u>	<u>\$ 1,145,621</u>

Exhibit E-3

Giles County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Giles County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 2,015,490	\$ 1,563,479	\$ 2,505,399	\$ (489,909)
Total Revenues	\$ 2,015,490	\$ 1,563,479	\$ 2,505,399	\$ (489,909)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 809,548	\$ 981,133	\$ 1,001,086	\$ 191,538
Special Education Program	856,224	291,724	1,177,296	321,072
Vocational Education Program	71,166	70,620	70,620	(546)
<u>Support Services</u>				
Other Student Support	47,498	20,000	21,500	(25,998)
Regular Instruction Program	139,892	176,384	205,281	65,389
Special Education Program	2,363	0	6,000	3,637
Vocational Education Program	23,500	23,500	23,500	0
Total Expenditures	\$ 1,950,191	\$ 1,563,361	\$ 2,505,283	\$ 555,092
Excess (Deficiency) of Revenues Over Expenditures	\$ 65,299	\$ 118	\$ 116	\$ 65,183
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (118)	\$ (118)	\$ (118)	\$ 0
Total Other Financing Sources (Uses)	\$ (118)	\$ (118)	\$ (118)	\$ 0
Net Change in Fund Balance	\$ 65,181	\$ 0	\$ (2)	\$ 65,183
Fund Balance, July 1, 2006	8,379	8,379	8,379	0
Fund Balance, June 30, 2007	\$ 73,560	\$ 8,379	\$ 8,377	\$ 65,183

Exhibit E-4

Giles County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Giles 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	\$ 778,160	\$ 0	\$ 778,160	\$ 824,300	\$ 806,400	\$ (28,240)
Other Local Revenues	14,783	0	14,783	5,716	8,016	6,767
State of Tennessee	26,307	0	26,307	26,719	26,719	(412)
Federal Government	1,056,467	0	1,056,467	989,600	1,011,600	44,867
Total Revenues	<u>\$ 1,875,717</u>	<u>\$ 0</u>	<u>\$ 1,875,717</u>	<u>\$ 1,846,335</u>	<u>\$ 1,852,735</u>	<u>\$ 22,982</u>
<u>Expenditures</u>						
<u>Support Services</u>						
Board of Education	\$ 107	\$ 0	\$ 107	\$ 200	\$ 200	\$ 93
<u>Operation of Non-Instructional Services</u>						
Food Service	1,871,590	36,953	1,908,543	1,846,135	1,888,535	(20,008)
Total Expenditures	<u>\$ 1,871,697</u>	<u>\$ 36,953</u>	<u>\$ 1,908,650</u>	<u>\$ 1,846,335</u>	<u>\$ 1,888,735</u>	<u>\$ (19,915)</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 4,020	\$ (36,953)	\$ (32,933)	\$ 0	\$ (36,000)	\$ 3,067
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 35,394	\$ 0	\$ 35,394	\$ 0	\$ 36,000	\$ (606)
Total Other Financing Sources (Uses)	<u>\$ 35,394</u>	<u>\$ 0</u>	<u>\$ 35,394</u>	<u>\$ 0</u>	<u>\$ 36,000</u>	<u>\$ (606)</u>
Net Change in Fund Balance	\$ 39,414	\$ (36,953)	\$ 2,461	\$ 0	\$ 0	\$ 2,461
Fund Balance, July 1, 2006	567,124	0	567,124	492,703	492,703	74,421
Fund Balance, June 30, 2007	<u>\$ 606,538</u>	<u>\$ (36,953)</u>	<u>\$ 569,585</u>	<u>\$ 492,703</u>	<u>\$ 492,703</u>	<u>\$ 76,882</u>

---

---

# MISCELLANEOUS SCHEDULES

---

---

Exhibit F-1

Giles County, Tennessee  
Schedule of Transfers  
Giles County School Department  
For the Year Ended June 30, 2007

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Purpose School	Central Cafeteria	Provide funds for operations	\$ 35,394
School Federal Projects	General Purpose School	Indirect costs	<u>118</u>
Total Transfers			<u>\$ 35,512</u>

Exhibit F-2

Giles County, Tennessee  
Schedule of Salary and Official Bond of Principal Official  
Giles County School Department  
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools: Terrell Jackson	State Board of Education and County Board of Education	\$ 98,104 (1)	\$ 100,000	State Automobile Mutual Insurance Company

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

Exhibit F-3

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 6,153,405	\$ 0	\$ 0	\$ 6,153,405
Trustee's Collections - Prior Year	263,239	0	0	263,239
Circuit/Clerk & Master Collections - Prior Years	42,442	0	0	42,442
Interest and Penalty	36,239	0	0	36,239
<u>County Local Option Taxes</u>				
Local Option Sales Tax	3,135,548	0	0	3,135,548
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	4,960	0	0	4,960
<b>Total Local Taxes</b>	<b>\$ 9,635,833</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 9,635,833</b>
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 2,603	\$ 0	\$ 0	\$ 2,603
<b>Total Licenses and Permits</b>	<b>\$ 2,603</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,603</b>
<u>Charges for Current Services</u>				
<u>Fees</u>				
Vending Machine Collections	\$ 29	\$ 0	\$ 0	\$ 29
<u>Education Charges</u>				
Tuition - Summer School	3,850	0	0	3,850
Tuition - Out-of-State Systems	31,848	0	0	31,848
Lunch Payments - Children	0	0	476,146	476,146
Lunch Payments - Adults	0	0	55,307	55,307
Income from Breakfast	0	0	91,858	91,858
A la carte Sales	0	0	154,849	154,849
Receipts from Individual Schools	89,457	0	0	89,457
<u>Other Charges for Services</u>				
Other Charges for Services	3,058	0	0	3,058
<b>Total Charges for Current Services</b>	<b>\$ 128,242</b>	<b>\$ 0</b>	<b>\$ 778,160</b>	<b>\$ 906,402</b>
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 100	\$ 0	\$ 13,836	\$ 13,936
Sale of Materials and Supplies	355	0	0	355
Miscellaneous Refunds	56,258	0	947	57,205
<u>Nonrecurring Items</u>				
Sale of Property	88	0	0	88
Damages Recovered from Individuals	180	0	0	180
Contributions & Gifts	10,704	0	0	10,704
<u>Other Local Revenues</u>				
Other Local Revenues	682	0	0	682
<b>Total Other Local Revenues</b>	<b>\$ 68,367</b>	<b>\$ 0</b>	<b>\$ 14,783</b>	<b>\$ 83,150</b>
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 16,340,717	\$ 0	\$ 0	\$ 16,340,717
School Food Service	0	0	26,307	26,307
Driver Education	17,150	0	0	17,150

(Continued)

Exhibit F-3

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
Other State Education Funds	\$ 478,296	\$ 0	\$ 0	\$ 478,296
Career Ladder Program	248,329	0	0	248,329
Career Ladder - Extended Contract	109,631	0	0	109,631
Other Vocational	4,000	0	0	4,000
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	561,145	0	0	561,145
Other State Revenues	39,412	0	0	39,412
Total State of Tennessee	\$ 17,798,680	\$ 0	\$ 26,307	\$ 17,824,987
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 763,013	\$ 763,013
Breakfast	0	0	288,260	288,260
USDA - Other	0	0	5,194	5,194
Adult Education State Grant Program	63,443	0	0	63,443
Vocational Education - Basic Grants to States	0	90,738	0	90,738
Other Vocational	0	15,176	0	15,176
Title I Grants to Local Education Agencies	0	829,444	0	829,444
Innovative Education Program Strategies	0	21,726	0	21,726
Special Education - Grants to States	0	884,762	0	884,762
Special Education Preschool Grants	0	25,826	0	25,826
Eisenhower Professional Development State Grants	0	140,732	0	140,732
Other Federal through State	92,637	7,086	0	99,723
Total Federal Government	\$ 156,080	\$ 2,015,490	\$ 1,056,467	\$ 3,228,037
Total	\$ 27,789,805	\$ 2,015,490	\$ 1,875,717	\$ 31,681,012

Exhibit F-4

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 9,395,345	
Career Ladder Program	144,016	
Career Ladder Extended Contracts	71,400	
Homebound Teachers	8,720	
Educational Assistants	275,797	
Other Salaries & Wages	87,815	
Certified Substitute Teachers	72,107	
Non-certified Substitute Teachers	202,792	
Social Security	603,553	
State Retirement	611,374	
Medical Insurance	1,693,306	
Employer Medicare	141,997	
Tuition	31,848	
Other Contracted Services	454	
Instructional Supplies and Materials	156,029	
Textbooks	235,182	
Other Supplies and Materials	27,604	
Fee Waivers	13,832	
Other Charges	2,250	
Regular Instruction Equipment	185,173	
Total Regular Instruction Program		\$ 13,960,594

Alternative Instruction Program

Teachers	\$ 112,479	
Career Ladder Program	625	
Social Security	6,836	
State Retirement	6,895	
Medical Insurance	4,688	
Employer Medicare	1,608	
Other Contracted Services	440	
Instructional Supplies and Materials	500	
Total Alternative Instruction Program		134,071

Special Education Program

Teachers	\$ 1,167,889
Career Ladder Program	18,749
Homebound Teachers	9,580
Educational Assistants	219,354
Certified Substitute Teachers	4,112

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Non-certified Substitute Teachers	\$	25,898	
Social Security		86,873	
State Retirement		90,360	
Medical Insurance		169,325	
Employer Medicare		20,321	
Contracts with Private Agencies		120,765	
Other Contracted Services		173,304	
Instructional Supplies and Materials		30,948	
Other Supplies and Materials		8,882	
Special Education Equipment		4,499	
Total Special Education Program			\$ 2,150,859

Vocational Education Program

Teachers	\$	680,190	
Career Ladder Program		7,978	
Career Ladder Extended Contracts		5,200	
Other Salaries & Wages		1,600	
Certified Substitute Teachers		1,402	
Non-certified Substitute Teachers		11,438	
Social Security		39,783	
State Retirement		41,656	
Medical Insurance		85,229	
Employer Medicare		9,528	
Maintenance & Repair Services - Equipment		1,836	
Other Contracted Services		9,365	
Instructional Supplies and Materials		31,304	
Textbooks		11,239	
Other Supplies and Materials		14,583	
Vocational Instruction Equipment		22,301	
Total Vocational Education Program			974,632

Adult Education Program

Teachers	\$	40,365	
Social Security		2,503	
State Retirement		2,211	
Employer Medicare		585	
Instructional Supplies and Materials		821	
Total Adult Education Program			46,485

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)

Support Services

Attendance

Supervisor/Director	\$	54,381	
Career Ladder Program		1,000	
Other Salaries & Wages		7,488	
Social Security		3,335	
State Retirement		3,395	
Medical Insurance		10,033	
Employer Medicare		888	
Travel		2,527	
Total Attendance			\$ 83,047

Health Services

Supervisor/Director	\$	24,620	
Career Ladder Program		417	
Medical Personnel		255,847	
Clerical Personnel		7,970	
Social Security		16,833	
State Retirement		22,905	
Medical Insurance		29,447	
Employer Medicare		3,937	
Travel		2,389	
Drugs and Medical Supplies		1,441	
Other Supplies and Materials		36,368	
Total Health Services			402,174

Other Student Support

Career Ladder Program	\$	7,666	
Guidance Personnel		416,856	
Career Ladder Extended Contracts		13,367	
Clerical Personnel		32,069	
Social Security		30,678	
State Retirement		32,729	
Medical Insurance		70,260	
Employer Medicare		7,175	
Contracts with Government Agencies		68,898	
Evaluation and Testing		22,571	
Other Supplies and Materials		781	
Total Other Student Support			703,050

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program

Supervisor/Director	\$	137,914	
Career Ladder Program		14,716	
Career Ladder Extended Contracts		21,700	
Librarians		440,374	
Instructional Computer Personnel		139,715	
Clerical Personnel		75,903	
Other Salaries & Wages		88,624	
Social Security		54,639	
State Retirement		58,685	
Medical Insurance		108,556	
Employer Medicare		12,779	
Travel		15,379	
Other Contracted Services		6,801	
Library Books/Media		9,488	
Periodicals		3,176	
Other Supplies and Materials		7,431	
In Service/Staff Development		13,717	
Other Charges		6,024	
Total Regular Instruction Program			\$ 1,215,621

Alternative Instruction Program

Supervisor/Director	\$	51,827	
Career Ladder Program		83	
Social Security		3,178	
State Retirement		3,182	
Medical Insurance		5,116	
Employer Medicare		743	
Total Alternative Instruction Program			64,129

Special Education Program

Supervisor/Director	\$	45,379
Career Ladder Program		3,625
Psychological Personnel		92,936
Career Ladder Extended Contracts		2,000
Assessment Personnel		10,422
Secretary(ies)		13,122
Social Security		7,320
State Retirement		7,817
Medical Insurance		9,757

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Employer Medicare	\$	2,361	
Travel		16,095	
Other Contracted Services		876	
Other Supplies and Materials		12,074	
In Service/Staff Development		3,083	
Other Equipment		1,963	
Total Special Education Program			\$ 228,830

Vocational Education Program

Supervisor/Director	\$	59,649	
Career Ladder Program		1,083	
Secretary(ies)		24,144	
Other Salaries & Wages		45,513	
Social Security		7,847	
State Retirement		8,544	
Medical Insurance		13,307	
Employer Medicare		1,835	
Travel		23,494	
Other Supplies and Materials		1,991	
Other Equipment		479	
Total Vocational Education Program			187,886

Adult Programs

Supervisor/Director	\$	45,787	
Social Security		2,546	
State Retirement		2,782	
Medical Insurance		8,518	
Employer Medicare		595	
Travel		126	
Other Supplies and Materials		5,191	
In Service/Staff Development		1,790	
Other Charges		67	
Total Adult Programs			67,402

Board of Education

Secretary to Board	\$	1,500	
Board and Committee Members Fees		3,467	
In-Service Training		1,505	
Social Security		308	

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

State Retirement	\$	169	
Life Insurance		7,237	
Unemployment Compensation		16,870	
Employer Medicare		72	
Audit Services		5,200	
Dues and Memberships		5,700	
Legal Services		8,727	
Travel		4,273	
Other Supplies and Materials		1,328	
Liability Insurance		113,476	
Premiums on Corporate Surety Bonds		350	
Trustee's Commission		214,522	
Workers' Compensation Insurance		274,335	
Criminal Investigation of Applicants - TBI		2,208	
Other Charges		9,470	
Total Board of Education			\$ 670,717

Director of Schools

County Official/Administrative Officer	\$	98,104	
Secretary(ies)		63,819	
Social Security		10,000	
State Retirement		11,368	
Medical Insurance		8,580	
Employer Medicare		2,339	
Communication		21,732	
Dues and Memberships		2,373	
Postal Charges		4,155	
Travel		4,606	
Other Contracted Services		2,178	
Office Supplies		3,168	
Other Supplies and Materials		1,548	
In Service/Staff Development		50	
Other Charges		360	
Administration Equipment		407	
Total Director of Schools			234,787

Office of the Principal

Principals	\$	515,270	
Career Ladder Program		18,516	

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Career Ladder Extended Contracts	\$	14,000	
Assistant Principals		293,358	
Secretary(ies)		252,529	
Clerical Personnel		53,373	
Social Security		69,806	
State Retirement		74,690	
Medical Insurance		106,561	
Employer Medicare		16,326	
Communication		32,587	
Postal Charges		39	
Other Contracted Services		9,227	
Total Office of the Principal			\$ 1,456,282

Fiscal Services

Internal Audit Personnel	\$	32,994	
Accountants/Bookkeepers		42,080	
Clerical Personnel		53,859	
Social Security		7,598	
State Retirement		9,958	
Medical Insurance		13,997	
Employer Medicare		1,777	
Advertising		30,862	
Travel		3,135	
Other Contracted Services		12,223	
Data Processing Supplies		1,076	
Office Supplies		391	
Other Supplies and Materials		592	
Total Fiscal Services			210,542

Operation of Plant

Custodial Personnel	\$	384,450	
Social Security		23,611	
State Retirement		31,341	
Medical Insurance		92,573	
Employer Medicare		5,522	
Laundry Service		6,155	
Pest Control		6,119	
Other Contracted Services		53,922	
Custodial Supplies		38,793	

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Electricity	\$	948,312	
Natural Gas		235,086	
Propane Gas		14,656	
Water and Sewer		131,264	
Other Supplies and Materials		2,832	
Building and Contents Insurance		106,342	
Plant Operation Equipment		6,068	
Total Operation of Plant			\$ 2,087,046

Maintenance of Plant

Supervisor/Director	\$	44,214	
Maintenance Personnel		190,506	
Social Security		14,524	
State Retirement		19,670	
Medical Insurance		37,534	
Employer Medicare		3,397	
Laundry Service		3,591	
Maintenance & Repair Services - Buildings		46,706	
Maintenance & Repair Services - Equipment		12,405	
Travel		761	
Other Contracted Services		69,199	
Diesel Fuel		523	
Equipment and Machinery Parts		61,437	
Gasoline		15,836	
Other Supplies and Materials		90,291	
Other Charges		35,551	
Total Maintenance of Plant			646,145

Transportation

Supervisor/Director	\$	59,649
Mechanic(s)		119,549
Bus Drivers		710,976
Clerical Personnel		26,604
Other Salaries & Wages		10,225
Social Security		54,714
State Retirement		75,486
Medical Insurance		284,968
Employer Medicare		12,796
Laundry Service		2,101

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Maintenance & Repair Services - Vehicles	\$	1,298	
Medical and Dental Services		3,360	
Travel		1,374	
Other Contracted Services		7,977	
Diesel Fuel		220,179	
Equipment and Machinery Parts		526	
Gasoline		10,918	
Lubricants		5,881	
Tires and Tubes		21,144	
Vehicle Parts		77,233	
Other Supplies and Materials		15,092	
Vehicle and Equipment Insurance		47,530	
Transportation Equipment		347,125	
Total Transportation			\$ 2,116,705

Operation of Non-Instructional Services

Food Service

Other Salaries & Wages	\$	257	
Social Security		16	
State Retirement		16	
Medical Insurance		5,091	
Employer Medicare		4	
Total Food Service			5,384

Community Services

Supervisor/Director	\$	23,000	
Teachers		39,853	
Bus Drivers		4,226	
Secretary(ies)		18,541	
Educational Assistants		17,830	
Part-time Personnel		22,954	
Certified Substitute Teachers		3,363	
Non-certified Substitute Teachers		45	
Social Security		7,862	
State Retirement		6,390	
Employer Medicare		1,839	
Travel		7,632	
Other Contracted Services		5,538	
Diesel Fuel		1,980	

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services (Cont.)

Food Supplies	\$	6,137	
Instructional Supplies and Materials		10,913	
Other Supplies and Materials		31,182	
Other Charges		4,172	
Other Equipment		5,120	
Total Community Services			\$ 218,577

Capital Outlay

Regular Capital Outlay

Consultants	\$	5,235	
Building Improvements		66,000	
Total Regular Capital Outlay			71,235

Total General Purpose School Fund \$ 27,936,200

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	537,911	
Other Salaries & Wages		3,604	
Non-certified Substitute Teachers		1,325	
Social Security		32,255	
State Retirement		33,195	
Medical Insurance		99,735	
Employer Medicare		7,544	
Instructional Supplies and Materials		38,817	
Other Supplies and Materials		1,943	
In Service/Staff Development		33,315	
Other Charges		4,855	
Regular Instruction Equipment		15,049	
Total Regular Instruction Program			\$ 809,548

Special Education Program

Educational Assistants	\$	478,592	
Social Security		28,482	
State Retirement		40,019	
Medical Insurance		146,268	
Employer Medicare		6,661	
Other Contracted Services		84,019	

(Continued)

Exhibit F-4

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Instructional Supplies and Materials	\$	50,915	
Other Supplies and Materials		<u>21,268</u>	
Total Special Education Program			\$ 856,224

Vocational Education Program

Clerical Personnel	\$	14,284	
Social Security		886	
State Retirement		1,197	
Medical Insurance		4,734	
Employer Medicare		207	
Other Supplies and Materials		15,075	
Vocational Instruction Equipment		<u>34,783</u>	
Total Vocational Education Program			71,166

Support Services

Other Student Support

Travel	\$	14,498	
Other Contracted Services		28,000	
In Service/Staff Development		<u>5,000</u>	
Total Other Student Support			47,498

Regular Instruction Program

Supervisor/Director	\$	99,596	
Instructional Computer Personnel		8,513	
Other Salaries & Wages		257	
Social Security		6,558	
State Retirement		6,658	
Employer Medicare		1,533	
Instructional Supplies and Materials		5,610	
In Service/Staff Development		7,828	
Other Charges		1,459	
Regular Instruction Equipment		1,338	
Other Equipment		<u>542</u>	
Total Regular Instruction Program			139,892

Special Education Program

Consultants	\$	300	
Other Supplies and Materials		1,351	
In Service/Staff Development		<u>712</u>	
Total Special Education Program			2,363

(Continued)

Exhibit F-4

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Vocational Education Program

Other Contracted Services	\$	8,513	
Other Supplies and Materials		566	
In Service/Staff Development		14,421	
Total Vocational Education Program		<u>14,421</u>	\$ <u>23,500</u>

Total School Federal Projects Fund \$ 1,950,191

Central Cafeteria Fund

Support Services

Board of Education

Trustee's Commission	\$	107	
Total Board of Education		<u>107</u>	\$ 107

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	56,236	
Cafeteria Personnel		592,648	
Social Security		39,485	
State Retirement		42,756	
Medical Insurance		139,436	
Employer Medicare		9,351	
Communication		2,797	
Maintenance & Repair Services - Equipment		12,016	
Transportation - Other than Students		21,522	
Travel		3,198	
Other Contracted Services		1,184	
Food Supplies		809,232	
Other Supplies and Materials		96,283	
Food Service Equipment		45,446	
Total Food Service		<u>1,871,590</u>	<u>1,871,590</u>

Total Central Cafeteria Fund 1,871,697

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Advertising	\$	1,606	
Architects		16,850	
Consultants		14,382	

(Continued)

Exhibit F-4

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

<u>Education Capital Projects Fund (Cont.)</u>		
<u>Capital Projects (Cont.)</u>		
<u>Education Capital Projects (Cont.)</u>		
Contributions	\$ 11,500	
Other Contracted Services	15,180	
Other Supplies and Materials	14,857	
Building Construction	146,710	
Building Improvements	<u>64,851</u>	
Total Education Capital Projects		<u>\$ 285,936</u>
Total Education Capital Projects Fund		<u>\$ 285,936</u>
Total Governmental Funds - Giles County School Department		<u><u>\$ 32,044,024</u></u>

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

*JEFF BAILEY, CPA, CGFM, CFE*  
*Audit Manager*

*KENT WHITE, CPA, CGFM, CFE*  
*Auditor 4*

*RHONDA DAVIS, CFE*  
*DONYA WADE*  
*NATHAN ABBOTT, CISA, CFE*  
*State Auditors*

This report is available at [www.comptroller.state.tn.us](http://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	23-24



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

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

November 14, 2007

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

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

We have audited the financial statements of each major fund and the aggregate remaining fund information of Giles County, Tennessee, and the governmental activities, the major fund, and the aggregate remaining fund information of the Giles County School Department as of and for the year ended June 30, 2007, which collectively comprise a portion of Giles County's and the Giles County School Department's basic financial statements and have issued our reports thereon dated November 14, 2007. Our report on the financial statements of Giles County, Tennessee, expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Giles County School Department is unqualified. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Giles County's and the Giles County School Department's internal control over financial reporting 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 Giles County's and the Giles County School Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Giles County's and the Giles 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, 07.03(A,B), 07.04, 07.05, 07.06, 07.07, and 07.08.

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 Giles County's and the Giles 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, of the significant deficiencies described above, we consider item 07.04(C,D) to be a material weakness.

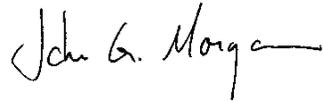
### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Giles County's and the Giles County School Department's financial statements are free of material misstatement, we performed tests of 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 two 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 and 07.03(C).

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

This report is intended solely for the information and use of management, the county executive, director of schools, highway commissioner, County Commission, Board of Education, others within Giles 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/sb



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

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

November 14, 2007

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

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

Compliance

We have audited the compliance of Giles County and the Giles County School Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of their major federal programs for the year ended June 30, 2007. Giles County's and the Giles County School Department's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of their major federal programs is the responsibility of Giles County's and the Giles County School Department's management. Our responsibility is to express an opinion on Giles County's and the Giles County School Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with

the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Giles County's and the Giles County School Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Giles County's and the Giles County School Department's compliance with those requirements.

In our opinion, Giles County and the Giles County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2007.

#### Internal Control Over Compliance

Giles County's and the Giles County School Department's management 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 Giles County's and the Giles County School Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Giles County's and the Giles 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. Significant deficiencies are described in the accompanying Schedule of Findings and Questioned Costs at items 07.03(A,B), 07.04(B), 07.05, 07.06, 07.08, 07.09, 07.10, 07.11, 07.12, and 07.13.

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. However, we believe none of the significant deficiencies described above is a material weakness.

## Schedule of Expenditures of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Giles County, Tennessee, and the governmental activities, the major fund, and the aggregate remaining fund information of the Giles County School Department as of and for the year ended June 30, 2007, and have issued our reports thereon dated November 14, 2007. Our report on the financial statements of Giles County expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Giles County School Department expresses an unqualified opinion. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

This report is intended solely for the information and use of management, the county executive, director of schools, highway commissioner, County Commission, Board of Education, others within Giles 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/sb

Giles County, Tennessee, and the Giles County School Department  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2007

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Watershed Surveys and Planning	10.906	(3)	\$ 145,297
Passed-through State Department of Agriculture:			
Food Distribution (noncash assistance)	10.550	(2)	109,541
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	288,260
National School Lunch Program	10.555	(2)	768,207
Total U.S. Department of Agriculture			\$ 1,311,305
U.S. Department of Labor:			
Passed-through State Department of Labor and Workforce Development:			
WIA Youth Activities	17.259	(2)	\$ 45,900
Total U.S. Department of Labor			\$ 45,900
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grant	20.601	Z-07-035809-00	\$ 2,499
Safety Belt Performance Grants	20.609	Z-07-035809-00	2,500
Total U.S. Department of Transportation			\$ 4,999
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	(4)	\$ 63,443
Passed-through State Department of Education:			
Title 1 Grant to Local Educational Agencies	84.010	N/A	804,090
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	830,878
Special Education - Preschool Grants	84.173	N/A	27,176
Vocational Education - Basic Grants to States	84.048	N/A	90,782
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	18,000
State Grants for Innovative Programs	84.298	N/A	18,988
Education Technology State Grants	84.318	(2)	7,817
Dropout Prevention Programs	84.360	(2)	23,500
English Language Acquisition Grants	84.365	(2)	542
Improving Teacher Quality State Grants	84.367	N/A	128,536
Hurricane Education Recovery	84.938	(2)	38,610
Total U.S. Department of Education			\$ 2,052,362
U.S. Elections Assistance Commission:			
Passed-through Tennessee Secretary of State's Office:			
Help America Vote Act Requirements Payments	90.401	Z-07-037411-00	\$ 2,200
Total U.S. Elections Assistance Commission			\$ 2,200
U.S. Department of Health and Human Services:			
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families	93.558	Z-07-034219-00	\$ 8,127
Total U.S. Department of Health and Human Services			\$ 8,127

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance	97.036	Z-05-024726-00	\$ 10,598
Homeland Security Grant Program	97.067	(5)	55,666
Total U.S. Department of Homeland Security			<u>\$ 66,264</u>
Total Expenditures of Federal Awards			<u>\$ 3,491,157</u>
<u>State Grants</u>		<u>Contract Number</u>	
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 10,706
Health Department Programs - State Department of Health	N/A	Z-07-031542-01	343,961
Adult Education - State Grant Program - State Department of Labor and Workforce Development	N/A	(6)	21,147
Safe Schools Act 2003 - State Department of Education	N/A	(2)	23,219
Lottery for Education Afterschool Program - State Department of Education	N/A	(2)	247,352
Temporary Assistance for Needy Families - State Department of Education	N/A	Z-06-027182-00	15,093
Coordinated School Health - State Department of Health	N/A	(2)	67,000
Litter Program - State Department of Transportation	N/A	Z-07-033796-00	34,818
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	15,618
Juvenile Justice and Delinquency Prevention - State Commission on Children and Youth	N/A	Z-06-002594-00	<u>10,215</u>
Total State Grants			<u>\$ 789,129</u>

CFDA - Catalog of Federal Domestic Assistance

N/A - Not Applicable

(1) - Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.

(2) - Information not available.

(3) - 68-4741-5-551: \$86,998; 68-4741-7-678: \$58,299.

(4) - Z-06-030903-00: \$3,436; Z-07-033691-00: \$60,007.

(5) - Z-05-025157-00: \$41,666; GG-07-20593-00: \$14,000.

(6) - Z-06-030903-00: \$1,145; Z-07-033691-00: \$20,002.

Giles County, Tennessee, and the Giles 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 Giles County, Tennessee, and the Giles County School Department for the year ended June 30, 2006, which have not been corrected.

**GILES 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 COUNTY EXECUTIVE**

Finding Number	Page Number	Subject
06.03(A)	13	The office had deficiencies in purchasing procedures

**OFFICE OF DIRECTOR OF SCHOOLS**

Finding Number	Page Number	Subject
06.08(A)	16	The office had deficiencies in purchasing procedures
06.09(A,B)	17	The office had accounting deficiencies

**OTHER FINDING**

Finding Number	Page Number	Subject
06.12	20	Duties were not segregated adequately in the Offices of Highway Commissioner, Director of Schools, Trustee, Clerk and Master, and Register

---

---

**GILES COUNTY, TENNESSEE, AND THE  
GILES 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 Giles County. Our report on the financial statements of the Giles County School Department is unqualified.
2. The audit of the financial statements of Giles County and the Giles County School Department disclosed significant deficiencies in internal control. One of these deficiencies was considered to be a material weakness for the Giles County School Department.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Giles County and no instances of noncompliance that are material to the financial statements of the Giles County School Department.
4. Our audit disclosed significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed five findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Title I Grants to Local Educational Agencies (CFDA No. 84.010), Special Education Cluster: Special Education Grants to States and Preschool Grants (CFDA Nos. 84.027 and 84.173), and the Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Giles County and the Giles County School Department did not qualify as low-risk auditees.

## PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written responses of the director of schools and register 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.

### GILES COUNTY

FINDING 07.01      **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**  
(Material Noncompliance Under Government Auditing Standards)

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

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement 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. Giles County’s financial statements are presented in compliance with these requirements.

### RECOMMENDATION

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

---

**OFFICE OF COUNTY EXECUTIVE**

**FINDING 07.02      **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)**

Our examination of purchasing procedures revealed the following deficiencies:

- A.     The office did not issue purchase orders for some required purchases. Purchases orders are necessary to control who has purchasing authority for the office and to document purchasing commitments.
  
- B.     In some instances, purchase orders were issued after purchases were made. This practice defeats the purpose of issuing a purchase order and makes the purchase order an approval for payment, rather than an approval of the purchase.

**RECOMMENDATION**

The office should issue purchase orders for all applicable purchases before making purchases.

---

**OFFICE OF DIRECTOR OF SCHOOLS**

**FINDING 07.03      **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**  
(A. and B. – Internal Control – Significant Deficiency Under Government Auditing Standards and OMB Circular A-133;  
C. – Noncompliance Under Government Auditing Standards)**

Our examination of purchasing procedures revealed the following deficiencies:

- A.     In several instances, purchase orders were issued after purchases were made. This practice defeats the purpose of issuing a purchase order and makes the purchase order an approval for payment, rather than an approval of the purchase.
  
- B.     In several instances, disbursements were made without proper documentation of purchases. This practice weakens controls over the purchasing process.
  
- C.     Competitive bids were not solicited for sidewalks (\$15,100) built at two schools during the 2006-2007 year. Section 49-2-203, Tennessee Code Annotated, requires competitive bids solicited through newspaper advertisement on all purchases exceeding \$10,000.

## RECOMMENDATION

The office should issue purchase orders for all applicable purchases before making purchases and obtain proper documentation before disbursing funds. Competitive bids should be solicited for all purchases exceeding \$10,000.

## MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

- A. The Giles County Board of Education implemented purchasing procedures effective July 1, 2006, to provide more accountability and improved internal control. We are continuing to improve internal controls within our purchasing procedures to ensure that purchase orders are not issued after purchases have been made.
  - B. We realize this is an area of concern and have established improved internal controls requiring documentation at the time a purchase order is requested.
- 

## FINDING 07.04

### **THE OFFICE HAD ACCOUNTING DEFICIENCIES**

(A. – Internal Control – Significant Deficiency Under Government Auditing Standards; B. – Internal Control – Significant Deficiency Under Government Auditing Standards and OMB Circular A-133; C. and D. – Internal Control – Material Weakness Under Government Auditing Standards)

Our audit disclosed the following accounting deficiencies:

- A. Post-employment medical insurance benefits were not paid in compliance with the School Department's negotiated agreement with employees. The agreement provides for the School Department to pay for retiree's medical insurance premiums up to a maximum of \$2,880 per year. Insurance premiums paid on seven retired employees exceeded this maximum by amounts ranging from \$324 to \$2,186. The total amount paid in excess of the maximum for the year ended June 30, 2007, was \$8,409.
- B. Our examination disclosed a total of 223 journal entries that were posted to the general ledgers for the four funds maintained by the School Department. Many of these journal entries were not adequately explained. Such a high number of journal entries indicates weaknesses in internal controls over the recording of financial transactions. Fifty-four of these entries were to correct previous entries. In addition to these entries, accounting personnel used the cash disbursements journal and the cash receipts journal to make various adjustments to the general ledger. The cash disbursements and cash receipts journals should not be used to adjust the general ledger.

- C. Financial records of the General Purpose School Fund reflected a reservation of fund balance for the Basic Education Program (BEP) totaling \$697,729 at June 30, 2007. However, school personnel were unable to provide any documentation to support this reservation of fund balance. Our examination disclosed that there was no reserve for the BEP at June 30, 2007. We discussed this with management and with their concurrence, the financial statements of this report have been adjusted to reflect no BEP reserve.
  
- D. During the year, the School Department opened an escrow account to deposit funds withheld from contractor payments as required by Section 66-11-144, Tennessee Code Annotated. The funds held in the escrow account are paid to the contractor at the conclusion of the project if the contractor fulfills the terms of the contract. At June 30, 2007, the School Department had deposited the proper amount to the escrow account. However, subsequent to June 30, 2007, construction billings indicated that the School Department should have deposited an additional \$42,294 to the escrow account, but it actually deposited an additional \$109,276. Future deposits to the escrow account should be reduced by the overpayment of \$66,982.

#### RECOMMENDATION

- A. Post-employment insurance benefits should be paid in compliance with the School Department's negotiated agreement.
  
- B. The number of journal entries should be kept to a minimum. This requires identifying transactions correctly by nature, account, and fund when transactions are initiated. Each journal entry should be accompanied by a complete explanation of the transaction.
  
- C. Reservations of legally restricted revenues should be adequately documented.
  
- D. School Department officials should ensure that escrow deposits are calculated correctly.

#### MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

- B. We will make every effort to decrease the number of journal entries made in the General Purpose School Fund and in the Central Cafeteria Fund. Also, we will try to improve the supporting documentation for journal entries.
  
- D. The overall contract was never overpaid, and the project was still ongoing at June 30, 2007. The funds in question were not accessible by the contractor. The excess deposits were corrected with the payment of the next pay request after we discovered the situation. At no time was the contractor overpaid. We will be more diligent in the future concerning escrow calculations and deposits during construction projects.

FINDING 07.05      **THE OFFICE HAD DEFICIENCIES IN THE ADMINISTRATION OF FEDERAL GRANTS**  
(Internal Control – Significant Deficiency Under Government Auditing Standards and OMB Circular A-133)

Our audit disclosed the following deficiencies in the School Federal Projects Fund related to the administration of federal grants:

- A. The School Department did not designate a person to be responsible for monitoring the request and subsequent receipt of grant reimbursements. This resulted in a May 2006 reimbursement payment (\$6,327) for the Education Technology State Grants program (CFDA No. 84.318) being mistakenly deposited into the Improving Teacher Quality State Grants program (CFDA No. 84.367). This error went undetected until discovered by auditors in October 2007.
- B. During the year, the School Department received Hurricane Education Recovery Act grant funds of \$21,780. These grant funds were posted to the School Federal Projects Fund. However, these grant funds should have been posted to the General Purpose School Fund. School Department personnel were not aware of this error until notified by auditors in October 2007. We have discussed this error with management, and with their concurrence, have adjusted the financial statements of this report to properly reflect the grant funds in the General Purpose School Fund.

RECOMMENDATION

Requests and reimbursements for federal funds should be monitored by grant administrators to ensure proper accountability. Revenues should be correctly identified and posted to the proper fund.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

- A. Federal projects grant administrators will monitor the projects that they are responsible for to ensure accurate reporting.
  - B. We will try to be more detail oriented in the future in regard to revenues. Sometimes there is a problem identifying specific or non-recurring revenues due to revenue being reported on the monthly trustee's report as a total.
-

FINDING 07.06

**EXPENDITURES EXCEEDED APPROPRIATIONS**

(Internal Control – Significant Deficiency Under Government Auditing Standards and OMB Circular A-133)

Expenditures exceeded total appropriations approved by the County Commission in the Central Cafeteria Fund by \$19,915. Expenditures exceeded appropriations in the Vocational Education Program (\$546) and Other Student Support (\$25,998) major appropriation categories (the legal level of control) of the School Federal Projects Fund.

Section 5-9-401, Tennessee Code Annotated, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

RECOMMENDATION

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

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS

This has not occurred in the past in the Central Cafeteria Fund, and every effort will be made to ensure that this does not happen again.

---

FINDING 07.07

**GENERAL LEDGER PAYROLL LIABILITY ACCOUNTS WERE NOT RECONCILED**

(Internal Control – Significant Deficiency Under Government Auditing Standards)

General ledger payroll liability accounts were not reconciled with payroll reports and payments. The failure to reconcile payroll liability accounts on a regular basis allows errors to remain undiscovered and uncorrected. Records of the School Department reflected negative account balances in 23 payroll liability accounts at June 30, 2007. The failure of School Department personnel to reconcile these accounts led to these negative account balances not being corrected. We discussed these deficiencies with management and provided them with adjusting entries. Management accepted the adjustments and posted entries to eliminate the negative balances in 23 payroll liability accounts.

RECOMMENDATION

General ledger payroll liability accounts should be reconciled monthly with payroll reports and payments, and errors should be corrected promptly.

---

## OTHER FINDING AND RECOMMENDATION

### FINDING 07.08      **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF HIGHWAY COMMISSIONER, DIRECTOR OF SCHOOLS, TRUSTEE, CLERK AND MASTER, AND REGISTER** (Internal Control – Significant Deficiency Under Government Auditing Standards and OMB Circular A-133)

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

### RECOMMENDATION

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

### MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

Giles County is now under a centralized system of accounting resulting from the adoption of the County Financial Management System of 1981 by a vote of the people in the last General Election. This new system should ensure the segregation of duties for all county departments including the Office of Director of Schools.

### MANAGEMENT'S RESPONSE – REGISTER

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

### REBUTTAL TO REGISTER

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

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

Federal/Pass-through Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Education: Passed-through State Department of Education: Title I Grants to Local Educational Agencies Special Education Cluster: Special Education - Grants to States Special Education - Preschool Grants	07.09	84.010 84.027 84.173	Circular A-133, Section 500(c)(3)	Significant Deficiency in Internal Control. See Finding 07.03 (A,B) - The office had deficiencies in purchasing procedures.	\$ 0
U.S. Department of Agriculture: Passed-through State Department of Education: Child Nutrition Cluster: School Breakfast Program School Lunch Program	07.10	10.553 10.555	Circular A-133, Section 500(c)(3)	Significant Deficiency in Internal Control. See Finding 07.04 (B) - The office had accounting deficiencies.	0
U.S. Department of Education: Passed-through State Department of Education: Title I Grants to Local Educational Agencies Special Education Cluster: Special Education - Grants to States Special Education - Preschool Grants		84.010 84.027 84.173			
U.S. Department of Education: Passed-through State Department of Education: Title I Grants to Local Educational Agencies Special Education Cluster: Special Education - Grants to States Special Education - Preschool Grants	07.11	84.010 84.027 84.173	Circular A-133, Section 500(c)(3)	Significant Deficiency in Internal Control. See Finding 07.05 - The office had deficiencies in the administration of federal grants.	0
U.S. Department of Agriculture: Passed-through State Department of Education: Child Nutrition Cluster: School Breakfast Program School Lunch Program	07.12	10.553 10.555	Circular A-133, Section 500(c)(3)	Significant Deficiency in Internal Control. See Finding 07.06 - Expenditures exceeded appropriations.	0
U.S. Department of Agriculture: Passed-through State Department of Education: Child Nutrition Cluster: School Breakfast Program School Lunch Program	07.13	10.553 10.555	Circular A-133, Section 500(c)(3)	Significant Deficiency in Internal Control. See Finding 07.08 - Duties were not adequately segregated in the Office of Director of Schools.	0
U.S. Department of Education: Passed-through State Department of Education: Title I Grants to Local Educational Agencies Special Education Cluster: Special Education - Grants to States Special Education - Preschool Grants		84.010 84.027 84.173			

**GILES COUNTY, TENNESSEE, AND THE  
GILES COUNTY SCHOOL DEPARTMENT  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2007**

There were audit findings relative to federal awards presented in the current and prior years' Schedules of Findings and Questioned Costs.

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

**FINDINGS 07.03(A,B) and 07.09**

Contact Person: Terrell Jackson

Corrective Action Plan:

- A. The Giles County Board of Education implemented purchasing procedures effective July 1, 2006, to provide more accountability and improved internal control. We are continuing to improve internal controls within our purchasing procedures to ensure that purchase orders are not issued after purchases have been made.
- B. We realize this is an area of concern and have established improved internal controls requiring documentation at the time a purchase order is requested.

Anticipated Completion Date: 2007-08

**FINDINGS 07.04(B) and 07.10**

Contact Person: Terrell Jackson

Corrective Action Plan: We will make every effort to decrease the number of journal entries made in the General Purpose School Fund and the Central Cafeteria Fund. Also, we will try to improve the supporting documentation for journal entries.

Anticipated Completion Date: 2007-08

FINDINGS 07.05 and 07.11

Contact Person: Terrell Jackson

Corrective Action Plan: Federal projects grant administrators will monitor the projects that they are responsible for to ensure accurate reporting.

Anticipated Completion Date: 2007-08

FINDINGS 07.06 and 07.12

Contact Person: Terrell Jackson

Corrective Action Plan: This has not occurred in the past in the Central Cafeteria Fund, and every effort will be made to ensure that this does not happen again.

Anticipated Completion Date: 2007-08

FINDINGS 07.08 and 07.13

Contact Person: Terrell Jackson

Corrective Action Plan: Giles County is now under a centralized system of accounting resulting from the adoption of the County Financial Management System of 1981 by a vote of the people in the last General Election. This new system should ensure the segregation of duties for all county departments including the Office of Director of Schools.

Anticipated Completion Date: 2007-08

**Summary Schedule of Prior Year Audit Findings**

Findings 06.09(B) and 06.13

Findings were not corrected during the 2006-07 year.

Findings 06.12 and 06.14

Findings were not corrected during the 2006-07 year.