

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

SINGLE AUDIT REPORT



FOR THE YEAR ENDED JUNE 30, 2008



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TABLE OF CONTENTS

SUMMARY

	Page(s)
Annual Financial Report:	
Meigs County – Primary Government	5-106
Meigs County School Department – Component Unit	107-182
Single Audit Report	183-213

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ANNUAL FINANCIAL REPORT
MEIGS COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2008

DEPARTMENT OF AUDIT
JUSTIN P. WILSON
Comptroller of the Treasury

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

JAMES R. ARNETTE
Director

CARL LOWE, CGFM
Audit Manager

MICHAEL FORD, CPA, CGFM
Auditor 4

KATHY CLEMENTS, CGFM
TIMOTHY SCOTTON, CGFM
JENI PALADENI
State Auditors

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

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MEIGS COUNTY, TENNESSEE

TABLE OF CONTENTS

	Exhibit	Page(s)
Audit Highlights		9-10
<u>INTRODUCTORY SECTION</u>		11
Meigs County Officials		13
<u>FINANCIAL SECTION</u>		15
Independent Auditor's Report		17-19
BASIC FINANCIAL STATEMENTS:		21
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	A	23
Statement of Revenues, Expenditures, and Changes in Fund Balances	B	24
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	C	25
Notes to the Financial Statements		27-44
REQUIRED SUPPLEMENTARY INFORMATION:		45
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	D-1	47-48
Highway/Public Works Fund	D-2	49
Schedule of Funding Progress – Pension Plan	D-3	50
Notes to the Required Supplementary Information		51
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		53
Nonmajor Governmental Funds:		55-56
Combining Balance Sheet	E-1	57
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	E-2	58-59
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
Solid Waste/Sanitation Fund	E-3	60
Industrial/Economic Development Fund	E-4	61
Special Purpose Fund	E-5	62
Drug Control Fund	E-6	63

	Exhibit	Page(s)
Major Governmental Fund:		65
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	F	67
Fiduciary Funds:		69
Combining Statement of Fiduciary Assets and Liabilities	G-1	71
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	G-2	72
Miscellaneous Schedules:		73
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds	H-1	75-76
Schedule of Long-term Debt Requirements by Year	H-2	77-78
Schedule of Transfers	H-3	79
Schedule of Salaries and Official Bonds of Principal Officials	H-4	80
Schedule of Detailed Revenues – All Governmental Fund Types	H-5	81-90
Schedule of Detailed Expenditures – All Governmental Fund Types	H-6	91-105
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	H-7	106

Audit Highlights
Annual Financial Report
Meigs County, Tennessee
For the Year Ended June 30, 2008

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of Meigs County as of and for the year ended June 30, 2008.

Results

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

Our audit resulted in 16 findings and recommendations, which we have reviewed with Meigs County management. Detailed findings, recommendations, and management's responses are included in the Single Audit Report.

Findings

The following are summaries of the audit findings:

MEIGS COUNTY

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ Meigs County does not have the resources to produce financial statements and notes to the financial statements.

OFFICE OF DIRECTOR OF FINANCE

- ◆ The Solid Waste/Sanitation Fund had a deficit in unreserved fund balance of \$3,004 at June 30, 2008.
 - ◆ The office had deficiencies in purchasing procedures.
 - ◆ The office did not maintain adequate records for state and federal grants.
 - ◆ Deficiencies were noted in the issuance of debt.
 - ◆ The office had deficiencies in the administration of payroll records.
 - ◆ The office had deficiencies in computer system backup procedures.
-

OFFICES OF DIRECTOR OF FINANCE, DIRECTOR OF SCHOOLS, AND TRUSTEE

- ◆ The offices did not implement adequate controls to protect their information resources.
-

AMBULANCE SERVICE DEPARTMENT

- ◆ The Ambulance Service software did not have adequate application controls.
-

OFFICES OF TRUSTEE AND COUNTY CLERK

- ◆ The offices did not review software audit logs.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ The Circuit Court execution docket trial balance did not reconcile with cash control records.
 - ◆ In several instances, Circuit Court funds were not deposited within three days of collection as required by state statute.
 - ◆ The courts software did not have adequate application controls.
-

OFFICE OF CLERK AND MASTER

- ◆ The court software did not have adequate application controls.
-

OTHER FINDING

- ◆ Duties were not segregated adequately among the officials and employees in the Ambulance Service Department and in the Offices of Director of Finance, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.

INTRODUCTORY SECTION

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Meigs County Officials

June 30, 2008

Officials

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

Board of County Commissioners

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

Financial Management Committee

Ken Jones, County Mayor
Tim Jennings, Highway Superintendent
Lisa Ann Knight
Carter Nelson
Billy Ogle
Laura Smith
Mark Vance

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FINANCIAL SECTION

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**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841**

INDEPENDENT AUDITOR'S REPORT

June 15, 2009

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Meigs County, Tennessee, as of and for the year ended June 30, 2008, as shown on pages 23 through 44, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Meigs County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

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

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Meigs County, Tennessee, as of June 30, 2008, or the changes in its financial position for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Meigs County, Tennessee, as of June 30, 2008, 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.

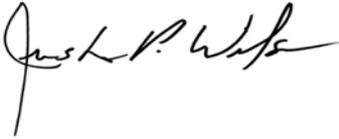
In accordance with Government Auditing Standards, we have also issued our report dated June 15, 2009, on our consideration of Meigs County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note IV. B., Meigs County has implemented the provisions of Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures.

The budgetary comparison and pension information on pages 47 through 51 are not required parts of the basic financial statements but they do provide supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is written in a cursive style with a large initial "J" and "W".

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

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BASIC FINANCIAL STATEMENTS

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Exhibit A

Meigs County, Tennessee
 Balance Sheet
 Governmental Funds
 June 30, 2008

	Major Funds			Nonmajor Funds	Total Govern- mental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 11,831	\$ 0	\$ 0	\$ 2,191	\$ 14,022
Equity in Pooled Cash and Investments	1,274,462	189,335	806,613	187,867	2,458,277
Due from Other Governments	93,964	221,770	26,840	352,575	695,149
Due from Other Funds	2,191	0	1,940	0	4,131
Property Taxes Receivable	2,043,784	0	571,521	0	2,615,305
Allowance for Uncollectible Property Taxes	(66,052)	0	(18,471)	0	(84,523)
Total Assets	<u>\$ 3,360,180</u>	<u>\$ 411,105</u>	<u>\$ 1,388,443</u>	<u>\$ 542,633</u>	<u>\$ 5,702,361</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 6,454	\$ 0	\$ 0	\$ 18,425	\$ 24,879
Payroll Deductions Payable	8,772	0	0	0	8,772
Contracts Payable	0	0	0	74,657	74,657
Due to Other Funds	0	1,940	0	2,191	4,131
Matured Interest on Bonds	0	0	465	0	465
Deferred Revenue - Current Property Taxes	1,873,445	0	523,887	0	2,397,332
Deferred Revenue - Delinquent Property Taxes	91,633	0	25,624	0	117,257
Other Deferred Revenues	49,707	108,414	14,059	0	172,180
Total Liabilities	<u>\$ 2,030,011</u>	<u>\$ 110,354</u>	<u>\$ 564,035</u>	<u>\$ 95,273</u>	<u>\$ 2,799,673</u>
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 536,376	\$ 536,376
Reserved for Purchase of Electronic Fingerprint Imaging System	0	0	0	24,837	24,837
Reserved for Alcohol and Drug Treatment	54,933	0	0	0	54,933
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	91,687	0	0	0	91,687
Reserved for Sexual Offender Registration	3,300	0	0	0	3,300
Reserved for Courthouse and Jail Maintenance	33,724	0	0	0	33,724
Reserved for Computer System - Register	39,114	0	0	0	39,114
Reserved for Automation Purposes - General Sessions Court	3,152	0	0	0	3,152
Reserved for Automation Purposes - Chancery Court	616	0	0	0	616
Reserved for Automation Purposes - Sheriff	2,836	0	0	0	2,836
Unreserved, Reported In:					
General Fund	1,100,807	0	0	0	1,100,807
Special Revenue Funds	0	300,751	0	63,855	364,606
Debt Service Funds	0	0	824,408	0	824,408
Capital Projects Funds (Deficit)	0	0	0	(177,708)	(177,708)
Total Fund Balances	<u>\$ 1,330,169</u>	<u>\$ 300,751</u>	<u>\$ 824,408</u>	<u>\$ 447,360</u>	<u>\$ 2,902,688</u>
Total Liabilities and Fund Balances	<u>\$ 3,360,180</u>	<u>\$ 411,105</u>	<u>\$ 1,388,443</u>	<u>\$ 542,633</u>	<u>\$ 5,702,361</u>

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

Exhibit B

Meigs County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 2,214,225	\$ 3	\$ 676,842	\$ 0	\$ 2,891,070
Licenses and Permits	22,009	0	0	0	22,009
Fines, Forfeitures, and Penalties	213,983	0	0	25,740	239,723
Charges for Current Services	216,478	0	0	600	217,078
Other Local Revenues	57,720	179,371	37,304	8,851	283,246
Fees Received from County Officials	473,129	0	0	0	473,129
State of Tennessee	605,648	1,519,115	38,992	0	2,163,755
Federal Government	199,664	0	0	524,738	724,402
Other Governments and Citizens Groups	96,122	0	225,000	0	321,122
Total Revenues	<u>\$ 4,098,978</u>	<u>\$ 1,698,489</u>	<u>\$ 978,138</u>	<u>\$ 559,929</u>	<u>\$ 7,335,534</u>
<u>Expenditures</u>					
Current:					
General Government	\$ 620,785	\$ 0	\$ 0	\$ 0	\$ 620,785
Finance	445,598	0	0	0	445,598
Administration of Justice	331,605	0	0	600	332,205
Public Safety	1,398,078	0	0	14,183	1,412,261
Public Health and Welfare	406,353	0	0	217,630	623,983
Social, Cultural, and Recreational Services	120,482	0	0	91,190	211,672
Agriculture and Natural Resources	49,868	0	0	0	49,868
Other Operations	534,142	0	0	0	534,142
Highways	0	1,571,153	0	0	1,571,153
Debt Service:					
Principal on Debt	0	198,846	545,422	85,950	830,218
Interest on Debt	0	22,631	186,027	0	208,658
Other Debt Service	0	2,622	14,364	0	16,986
Capital Projects	0	0	0	621,471	621,471
Total Expenditures	<u>\$ 3,906,911</u>	<u>\$ 1,795,252</u>	<u>\$ 745,813</u>	<u>\$ 1,031,024</u>	<u>\$ 7,479,000</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 192,067</u>	<u>\$ (96,763)</u>	<u>\$ 232,325</u>	<u>\$ (471,095)</u>	<u>\$ (143,466)</u>
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 2,307	\$ 0	\$ 606,615	\$ 608,922
Capital Leases Issued	0	77,950	0	0	77,950
Transfers In	1,415	20,000	0	225,680	247,095
Transfers Out	(245,680)	0	0	(1,415)	(247,095)
Total Other Financing Sources (Uses)	<u>\$ (244,265)</u>	<u>\$ 100,257</u>	<u>\$ 0</u>	<u>\$ 830,880</u>	<u>\$ 686,872</u>
Net Change in Fund Balances	\$ (52,198)	\$ 3,494	\$ 232,325	\$ 359,785	\$ 543,406
Fund Balance, July 1, 2007	<u>1,382,367</u>	<u>297,257</u>	<u>592,083</u>	<u>87,575</u>	<u>2,359,282</u>
Fund Balance, June 30, 2008	<u>\$ 1,330,169</u>	<u>\$ 300,751</u>	<u>\$ 824,408</u>	<u>\$ 447,360</u>	<u>\$ 2,902,688</u>

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

Exhibit C

Meigs County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2008

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 579,048
Due from Other Governments	<u>37,610</u>
Total Assets	<u><u>\$ 616,658</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 37,610
Due to Litigants, Heirs, and Others	<u>579,048</u>
Total Liabilities	<u><u>\$ 616,658</u></u>

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

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MEIGS COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A. Reporting Entity

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

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

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

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

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

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

Administrative Office:

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

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

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

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

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

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

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

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

Meigs County reports the following major governmental funds:

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

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

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

Additionally, Meigs County reports the following fund types:

Capital Projects Funds – These funds account for transactions for the acquisition or construction of major capital facilities.

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

C. Assets, Liabilities, and Equity

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all Meigs County and Meigs County School Department funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund and the School Department's General Purpose School Fund. Meigs County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions,

including collateral requirements, as prescribed for other funds invested by the treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.8 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. Meigs County does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, Meigs County does not present government-wide statements.

4. Compensated Absences

It is the county's policy to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from service. In addition, it is the policy of the Meigs County Highway Department to permit employees to accumulate earned but unused sick leave, which will be paid to employees upon separation from service. A liability for these vacation benefits, along with sick leave benefits of the Highway Department, is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

5. Long-term Obligations

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

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

6. Fund Equity

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Management has designated \$94,384 of the unreserved fund balance of the General Fund for ambulance or equipment purchases.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (special revenue fund), which is not budgeted, and the capital projects funds, which adopt project length budgets. All annual appropriations lapse at fiscal year end.

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

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

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

B. Fund Deficits

The Solid Waste/Sanitation Fund had a deficit in unreserved fund balance of \$3,004 at June 30, 2008. The deficit resulted from the county failing to provide funding sufficient for expenditures made from the fund. Subsequent to June 30, 2008, this deficit was liquidated by a transfer from the General Fund.

The General Capital Projects Fund had a deficit in unreserved fund balance of \$183,801 at June 30, 2008. This deficit resulted from the unperformed portion of architects services and construction contracts for the Cherokee Removal Memorial Park being reserved as encumbrances. Funding for future expenditures relating to this project is expected to be received from grants.

C. Deficiencies Were Noted in the Issuance of Debt

The County Commission approved a three-year extension of a capital outlay note that matured June 5, 2008. This note had an outstanding balance of \$136,884; however, the capital outlay note obtained to extend the note totaled \$139,191, a difference of \$2,307. Management could give no explanation for the difference, which resulted in additional debt not approved by the County Commission. Also, a Report on Debt Obligation was not filed with the director of Local Finance for this extension.

D. Expenditures Exceeded Appropriations

Expenditures exceeded total appropriations in the Special Purpose Fund by \$3,332. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county’s own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer’s Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase. The county had no pooled and nonpooled investments as of June 30, 2008.

B. Construction Commitments

At June 30, 2008, Meigs County had uncompleted construction contracts of approximately \$536,376 for construction of the Cherokee Removal Memorial Park. Funding for these future expenditures is expected to be received from federal grants.

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2008, is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor governmental	General	\$ 2,191
General Debt Service	Highway/Public Works	1,940

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

Interfund Transfers:

Interfund transfers for the year ended June 30, 2008, consisted of the following amounts:

Transfers Out	Transfers In		
	General Fund	Highway/ Public Works Fund	Nonmajor Governmental Funds
General Fund	\$ 0	\$ 20,000	\$ 225,680
Nonmajor governmental fund	1,415	0	0
Total	<u>\$ 1,415</u>	<u>\$ 20,000</u>	<u>\$ 225,680</u>

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

D. Capital Leases

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

On October 1, 2007, Meigs County entered into a five-year lease-purchase agreement for an asphalt zipper. The terms of the agreement require total lease payments of \$77,950 plus interest of five percent. The lease payments are being made from the Highway/Public Works Fund.

Since Meigs County is presenting fund financial statements only, the present value of minimum lease payments under the lease agreements has not been 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 the government-wide financial statements, but Meigs County is not presenting government-wide financial statements. Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2008, were as follows:

Year Ending June 30	Governmental Funds
2009	\$ 43,231
2010	43,231
2011	43,231
2012	43,231
2013	19,454
Total Minimum Lease Payments	\$ 192,378
Amount Representing Interest	(30,451)
Present Value of Minimum Lease Payments	<u>\$ 161,927</u>

E. Long-term Debt

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

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes were issued for original terms of up to 26 years for bonds and up to 12 years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds will be retired from the General Debt Service Fund, and all notes will be retired from the Highway/Public Works, General Debt Service, and General Capital Projects funds.

General obligation bonds, capital outlay notes, and capital leases outstanding as of June 30, 2008, are as follows:

Type	Interest Rate		Original Amount of Issue	Balance 6-30-08
General Obligation Bonds	4 to 4.5	% \$	1,410,000	\$ 1,340,000
General Obligation Bonds - Refunding	3.9 to 4.3		3,360,000	1,870,000
General Obligation (CAB) Bonds	4.8 to 5.15		2,088,479	2,088,479
Accreted Interest on (CAB) Bonds	4.8 to 5.15		N/A	774,915
FmHA Issue - Industrial Park	5		80,000	45,694
Capital Outlay Notes	4.2 to 6.47		1,787,107	1,101,519
Capital Leases	5 to 5.17		180,406	161,927

During the 2001-02 year, Meigs County issued Capital Appreciation Bonds (CABs) totaling \$2,088,479. These bonds accrete interest that is paid at bond maturity. Maturity dates for these bonds range from 2015 through 2026. As of June 30, 2008, approximately \$774,915 of interest had accreted on the bonds.

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2008, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2009	\$ 575,694	\$ 137,801	\$ 713,495
2010	555,000	115,448	670,448
2011	575,000	92,103	667,103
2012	595,000	67,665	662,665
2013	400,000	42,167	442,167
2014-2018	1,361,353	874,715	2,236,068
2019-2023	865,935	1,384,065	2,250,000
2024-2026	416,191	933,809	1,350,000
Total	\$ 5,344,173	\$ 3,647,773	\$ 8,991,946

Year Ending June 30	Notes		
	Principal	Interest	Total
2009	\$ 653,932	\$ 47,601	\$ 701,533
2010	64,353	35,008	99,361
2011	121,335	22,673	144,008
2012	38,162	16,077	54,239
2013	40,750	13,504	54,254
2014-2017	182,987	24,807	207,794
Total	\$ 1,101,519	\$ 159,670	\$ 1,261,189

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

There is \$824,408 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$482, based on the 2000 federal census. Debt per capita, including bonds, notes, and capital leases totaled \$596, based on the 2000 federal census.

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Bonds	Accreted Interest on (CAB) Bonds
Balance, July 1, 2007	\$ 5,857,792	\$ 636,874
Additions	0	138,041
Deductions	513,619	0
Balance, June 30, 2008	\$ 5,344,173	\$ 774,915
Balance Due Within One Year	\$ 575,694	\$ 0

	Capital Leases	Notes
Balance, July 1, 2007	\$ 102,456	\$ 790,717
Additions	77,950	608,922
Deductions	18,479	298,120
	<hr/>	<hr/>
Balance, June 30, 2008	\$ 161,927	\$ 1,101,519
	<hr/>	<hr/>
Balance Due Within One Year	\$ 35,025	\$ 653,932
	<hr/>	<hr/>

IV. OTHER INFORMATION

A. Risk Management

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

Employees of Meigs County are provided health insurance coverage through a commercial carrier. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures, became effective for the year ended June 30, 2008.

GASB Statement No. 45 establishes reporting requirements for Other Postemployment Benefits (OPEB). OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. This statement establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the county's financial statements. GASB Statement No. 45 had no effect on the financial statements of Meigs County for the year ended June 30, 2008, since the county does not currently provide any postemployment benefits to its employees. However, it is

reasonably expected that Meigs County may provide OPEB benefits in subsequent years.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions are sales or collateralized borrowings and provides guidance on how to account for sales or pledges of receivables or future revenues. This statement provides additional guidance for sales of receivables and future revenues within the same reporting entity. This statement also requires governments to disclose in the notes to the financial statements the nature of any receivables or future revenues that have been pledged or sold. Tennessee state statutes do not currently allow counties to sell or pledge receivables or sell future revenue streams. Therefore, those provisions of GASB Statement No. 48 that pertain to the sale or pledge receivables or sale of future revenue will not apply to Meigs County. GASB Statement No. 48 had no effect on the financial statements of Meigs County for the year ended June 30, 2008, since the county has not pledged any of its future revenues. However, it is reasonably expected that Meigs County may pledge a future revenue stream toward the payment of debt in subsequent years.

GASB Statement No. 50 amends previous guidance concerning pension information. This statement closely aligns the financial reporting requirements for pensions with those for other postemployment benefits and enhances the information disclosed in the notes to the financial statements or presented as required supplementary information for pension plans. This statement requires Meigs County to provide additional and more detailed pension plan note disclosures than in previous years.

C. Subsequent Event

On December 17, 2008, Meigs County entered into a lease-purchase agreement totaling \$84,606 for a backhoe.

D. Contingent Liabilities

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

E. Joint Venture

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

general and is governed by a Board of Directors, which includes the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Meigs County made no contributions to the DTF for the year ended June 30, 2008, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

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

F. Retirement Commitments

Employees

Plan Description

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

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

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

Funding Policy

Meigs County requires employees to contribute five percent of earnable compensation. Meigs County is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2008, was zero percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Meigs County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2008, Meigs County's annual pension cost of zero 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), and (c) projected 3.5 percent annual increase in the Social Security wage base. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Meigs County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was zero years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-08	\$0	100%	\$0
6-30-07	0	100	0
6-30-06	0	100	0

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 335.64 percent funded. The actuarial accrued liability for benefits was \$.18 million, and the actuarial value of assets was \$.63 million, resulting in

an unfunded actuarial accrued liability (UAAL) of (\$.45) million. The covered payroll (annual payroll of active employees covered by the plan) was zero, and the ratio of the UAAL to the covered payroll was zero percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

G. Office of Central Accounting and Budgeting

Meigs County operates under provisions of The Meigs County Financial Management Act of 2007, Chapter 28, Private Acts of 2007. This act provides for a central system of accounting and budgeting covering all funds administered by the county mayor and highway superintendent. These funds are maintained in the Finance Department under the supervision of a director of finance.

H. Purchasing Laws

The Meigs County Financial Management Act of 2007, Chapter 28, Private Acts of 2007, created the Finance Department. The director of the Finance Department is required to make purchases for all county funds and to obtain competitive bids on all purchases of any one class exceeding \$10,000. Purchasing procedures for the Highway Department are also governed by provisions of the Uniform Road Law, Section 54-7-113, Tennessee Code Annotated.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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Exhibit D-1

Meigs County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,214,225	\$ 2,266,170	\$ 2,266,170	\$ (51,945)
Licenses and Permits	22,009	21,500	21,500	509
Fines, Forfeitures, and Penalties	213,983	155,600	155,600	58,383
Charges for Current Services	216,478	246,125	246,125	(29,647)
Other Local Revenues	57,720	42,955	57,015	705
Fees Received from County Officials	473,129	409,200	409,200	63,929
State of Tennessee	605,648	597,424	728,946	(123,298)
Federal Government	199,664	40,455	40,455	159,209
Other Governments and Citizens Groups	96,122	77,446	79,446	16,676
Total Revenues	\$ 4,098,978	\$ 3,856,875	\$ 4,004,457	\$ 94,521
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 39,983	\$ 36,613	\$ 41,573	\$ 1,590
Board of Equalization	180	400	400	220
County Mayor/Executive	84,980	80,095	85,055	75
County Attorney	15,913	15,914	15,914	1
Election Commission	82,089	78,235	86,087	3,998
Register of Deeds	88,579	83,642	91,642	3,063
Planning	25,206	25,192	25,342	136
Geographical Information Systems	16,851	25,500	25,500	8,649
County Buildings	267,004	312,461	369,203	102,199
<u>Finance</u>				
Accounting and Budgeting	83,124	104,119	103,119	19,995
Property Assessor's Office	79,568	84,257	84,257	4,689
Reappraisal Program	19,947	22,018	22,018	2,071
County Trustee's Office	89,901	99,842	99,842	9,941
County Clerk's Office	121,790	127,512	127,512	5,722
Other Finance	51,268	50,000	52,000	732
<u>Administration of Justice</u>				
Circuit Court	141,383	152,706	152,956	11,573
General Sessions Court	97,312	94,292	97,532	220
Chancery Court	90,910	92,442	93,382	2,472
Other Administration of Justice	2,000	0	2,000	0
<u>Public Safety</u>				
Sheriff's Department	564,431	531,251	571,610	7,179
Jail	466,298	458,987	468,349	2,051
Juvenile Services	22,093	22,870	23,532	1,439
Fire Prevention and Control	69,938	71,000	74,126	4,188
Civil Defense	78,998	68,743	85,507	6,509
Rescue Squad	5,048	7,400	7,400	2,352
County Coroner/Medical Examiner	13,033	14,000	15,300	2,267
Other Public Safety	178,239	185,669	185,669	7,430

(Continued)

Exhibit D-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare</u>				
Local Health Center	\$ 48,483	\$ 60,650	\$ 61,288	\$ 12,805
Ambulance/Emergency Medical Services	277,451	284,935	293,966	16,515
Crippled Children Services	500	500	500	0
Other Local Health Services	15,861	0	15,861	0
Appropriation to State	18,000	28,000	18,000	0
Sanitation Management	13,580	10,000	13,600	20
Sanitation Education/Information	32,478	33,538	33,538	1,060
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	17,645	16,908	18,908	1,263
Libraries	34,893	34,583	34,893	0
Parks and Fair Boards	60,999	34,851	94,481	33,482
Other Social, Cultural, and Recreational	6,945	0	6,945	0
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	42,468	49,870	49,870	7,402
Soil Conservation	7,400	4,100	7,400	0
<u>Other Operations</u>				
Tourism	3,817	4,075	4,075	258
Housing and Urban Development	32,017	0	32,017	0
Other Economic and Community Development	70,816	0	70,816	0
Veterans' Services	13,966	14,860	15,550	1,584
Other Charges	66,803	85,003	66,803	0
Contributions to Other Agencies	7,156	0	7,156	0
Employee Benefits	339,567	303,350	356,550	16,983
Total Expenditures	\$ 3,906,911	\$ 3,810,383	\$ 4,209,044	\$ 302,133
Excess (Deficiency) of Revenues Over Expenditures	\$ 192,067	\$ 46,492	\$ (204,587)	\$ 396,654
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 1,415	\$ 0	\$ 0	\$ 1,415
Transfers Out	(245,680)	(180,680)	(245,680)	0
Total Other Financing Sources (Uses)	\$ (244,265)	\$ (180,680)	\$ (245,680)	\$ 1,415
Net Change in Fund Balance	\$ (52,198)	\$ (134,188)	\$ (450,267)	\$ 398,069
Fund Balance, July 1, 2007	1,382,367	1,528,373	1,249,892	132,475
Fund Balance, June 30, 2008	\$ 1,330,169	\$ 1,394,185	\$ 799,625	\$ 530,544

Exhibit D-2

Meigs County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 3 \$	0 \$	3 \$	0 \$	0 \$	3
Other Local Revenues	179,371	0	179,371	0	125,000	54,371
State of Tennessee	1,519,115	0	1,519,115	1,467,158	1,606,732	(87,617)
Total Revenues	\$ 1,698,489 \$	0 \$	1,698,489 \$	1,467,158 \$	1,731,732 \$	(33,243)
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 120,007 \$	0 \$	120,007 \$	122,789 \$	120,007 \$	0
Highway and Bridge Maintenance	629,716	0	629,716	604,776	629,717	1
Operation and Maintenance of Equipment	189,290	0	189,290	176,642	189,398	108
Other Charges	85,943	0	85,943	89,219	85,994	51
Employee Benefits	120,493	0	120,493	141,833	124,120	3,627
Capital Outlay	425,704	(136,118)	289,586	262,000	658,767	369,181
Principal on Debt						
Highways and Streets	198,846	0	198,846	19,517	198,846	0
Interest on Debt						
Highways and Streets	22,631	0	22,631	49,902	22,631	0
Other Debt Service						
Highways and Streets	2,622	0	2,622	0	2,622	0
Total Expenditures	\$ 1,795,252 \$	(136,118) \$	1,659,134 \$	1,466,678 \$	2,032,102 \$	372,968
Excess (Deficiency) of Revenues Over Expenditures	\$ (96,763) \$	136,118 \$	39,355 \$	480 \$	(300,370) \$	339,725
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 2,307 \$	0 \$	2,307 \$	0 \$	122,222 \$	(119,915)
Capital Leases Issued	77,950	0	77,950	0	77,950	0
Transfers In	20,000	0	20,000	20,000	40,000	(20,000)
Total Other Financing Sources (Uses)	\$ 100,257 \$	0 \$	100,257 \$	20,000 \$	240,172 \$	(139,915)
Net Change in Fund Balance	\$ 3,494 \$	136,118 \$	139,612 \$	20,480 \$	(60,198) \$	199,810
Fund Balance, July 1, 2007	297,257	(136,118)	161,139	295,944	217,206	(56,067)
Fund Balance, June 30, 2008	\$ 300,751 \$	0 \$	300,751 \$	316,424 \$	157,008 \$	143,743

Exhibit D-3

Meigs County, Tennessee
Schedule of Funding Progress – Pension Plan
June 30, 2008

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-07	\$ 631	\$ 188	\$ (443)	335.64 %	\$ 0	0.00%

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made during the year; therefore, only the most current year is presented.

MEIGS COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2008

A. Budgetary Information

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

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

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

B. Deficiencies Were Noted in the Issuance of Debt

The County Commission approved a three-year extension of a capital outlay note that matured June 5, 2008. This note had an outstanding balance of \$136,884; however, the capital outlay note obtained to extend the note totaled \$139,191, a difference of \$2,307. Management could give no explanation for the difference, which resulted in additional debt not approved by the County Commission. Also, a Report on Debt Obligation was not filed with the director of Local Finance for this extension.

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

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Nonmajor Governmental Funds

Special Revenue Funds

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

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

Industrial/Economic Development Fund – The Industrial/Economic Development Fund is used to account for transactions of the Meigs County Industrial Park. This fund was closed prior to June 30, 2008.

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

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

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

Capital Projects Funds

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

General Capital Projects Fund – The Other Capital Projects Fund is used to account for the construction of the Cherokee Removal Memorial Park.

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

Exhibit E-1

Meigs County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2008

	Special Revenue Funds				Capital Projects Funds			Total Nonmajor Governmental Funds	
	Solid Waste/ Sanitation	Special Purpose	Drug Control	Constitu- tional Officers - Fees	Total	General Capital Projects	Other Capital Projects		
\$	0	0	0	2,191	\$ 2,191	\$ 0	0	\$ 0	2,191
Equity in Pooled Cash and Investments	15,421	11,655	80,041	0	107,117	74,657	6,093	80,750	187,867
Due from Other Governments	0	0	0	0	0	352,575	0	352,575	352,575
Total Assets	\$ 15,421	\$ 11,655	\$ 80,041	\$ 2,191	\$ 109,308	\$ 427,232	\$ 6,093	\$ 433,325	\$ 542,633
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts Payable	18,425	0	0	0	18,425	0	0	0	18,425
Contracts Payable	0	0	0	0	0	74,657	0	74,657	74,657
Due to Other Funds	0	0	0	2,191	2,191	0	0	0	2,191
Total Liabilities	\$ 18,425	\$ 0	\$ 0	\$ 2,191	\$ 20,616	\$ 74,657	\$ 0	\$ 74,657	\$ 95,273
Fund Balances									
Reserved for Encumbrances	0	0	0	0	0	536,376	0	536,376	536,376
Reserved for Purchase of Electronic Fingerprint Imaging System	0	0	24,837	0	24,837	0	0	0	24,837
Unreserved (Deficit)	(3,004)	11,655	55,204	0	63,855	(183,801)	6,093	(177,708)	(113,853)
Total Fund Balances	\$ (3,004)	\$ 11,655	\$ 80,041	\$ 0	\$ 88,692	\$ 352,575	\$ 6,093	\$ 358,668	\$ 447,360
Total Liabilities and Fund Balances	\$ 15,421	\$ 11,655	\$ 80,041	\$ 2,191	\$ 109,308	\$ 427,232	\$ 6,093	\$ 433,325	\$ 542,633

Meigs County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	Special Revenue Funds					Total
	Solid Waste / Sanitation	Industrial / Economic Development	Special Purpose	Drug Control	Constitutional Officers - Fees	
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 25,740	\$ 0	\$ 25,740
Charges for Current Services	0	0	0	0	600	600
Other Local Revenues	578	0	8,045	0	0	8,623
Federal Government	0	0	86,213	0	0	86,213
<u>Total Revenues</u>	<u>\$ 578</u>	<u>\$ 0</u>	<u>\$ 94,258</u>	<u>\$ 25,740</u>	<u>\$ 600</u>	<u>\$ 121,176</u>
<u>Expenditures</u>						
Current:						
Administration of Justice	\$ 0	\$ 0	\$ 0	\$ 0	\$ 600	\$ 600
Public Safety	0	0	0	14,183	0	14,183
Public Health and Welfare	217,630	0	0	0	0	217,630
Social, Cultural, and Recreational Services	0	0	91,190	0	0	91,190
Debt Service:						
Principal on Debt	0	0	0	0	0	0
Capital Projects	0	0	0	0	0	0
<u>Total Expenditures</u>	<u>\$ 217,630</u>	<u>\$ 0</u>	<u>\$ 91,190</u>	<u>\$ 14,183</u>	<u>\$ 600</u>	<u>\$ 323,603</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (217,052)	\$ 0	\$ 3,068	\$ 11,557	\$ 0	\$ (202,427)
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	215,680	0	0	0	0	215,680
Transfers Out	0	(1,415)	0	0	0	(1,415)
<u>Total Other Financing Sources (Uses)</u>	<u>\$ 215,680</u>	<u>\$ (1,415)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 214,265</u>
Net Change in Fund Balances	\$ (1,372)	\$ (1,415)	\$ 3,068	\$ 11,557	\$ 0	\$ 11,838
Fund Balance, July 1, 2007	(1,632)	1,415	8,587	68,484	0	76,854
<u>Fund Balance, June 30, 2008</u>	<u>\$ (3,004)</u>	<u>\$ 0</u>	<u>\$ 11,655</u>	<u>\$ 80,041</u>	<u>\$ 0</u>	<u>\$ 88,692</u>

(Continued)

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

	Capital Projects Funds			Total Nonmajor Governmental Funds
	General Capital Projects	Other Capital Projects	Total	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 25,740
Charges for Current Services	0	0	0	600
Other Local Revenues	0	228	228	8,851
Federal Government	438,525	0	438,525	524,738
Total Revenues	\$ 438,525	\$ 228	\$ 438,753	\$ 559,929
<u>Expenditures</u>				
Current:				
Administration of Justice	\$ 0	\$ 0	\$ 0	\$ 600
Public Safety	0	0	0	14,183
Public Health and Welfare	0	0	0	217,630
Social, Cultural, and Recreational Services	0	0	0	91,190
Debt Service:				
Principal on Debt	85,950	0	85,950	85,950
Capital Projects	606,615	14,856	621,471	621,471
Total Expenditures	\$ 692,565	\$ 14,856	\$ 707,421	\$ 1,031,024
Excess (Deficiency) of Revenues Over Expenditures	\$ (254,040)	\$ (14,628)	\$ (268,668)	\$ (471,095)
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 606,615	\$ 0	\$ 606,615	\$ 606,615
Transfers In	0	10,000	10,000	225,680
Transfers Out	0	0	0	(1,415)
Total Other Financing Sources (Uses)	\$ 606,615	\$ 10,000	\$ 616,615	\$ 830,880
Net Change in Fund Balances	\$ 352,575	\$ (4,628)	\$ 347,947	\$ 359,785
Fund Balance, July 1, 2007	0	10,721	10,721	87,575
Fund Balance, June 30, 2008	\$ 352,575	\$ 6,093	\$ 358,668	\$ 447,360

Exhibit E-3

Meigs County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 578	\$ 0	\$ 0	\$ 578
State of Tennessee	0	4,500	4,500	(4,500)
Total Revenues	<u>\$ 578</u>	<u>\$ 4,500</u>	<u>\$ 4,500</u>	<u>\$ (3,922)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 217,630	\$ 194,050	\$ 229,050	\$ 11,420
Total Expenditures	<u>\$ 217,630</u>	<u>\$ 194,050</u>	<u>\$ 229,050</u>	<u>\$ 11,420</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (217,052)</u>	<u>\$ (189,550)</u>	<u>\$ (224,550)</u>	<u>\$ 7,498</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 215,680	\$ 156,000	\$ 191,000	\$ 24,680
Total Other Financing Sources (Uses)	<u>\$ 215,680</u>	<u>\$ 156,000</u>	<u>\$ 191,000</u>	<u>\$ 24,680</u>
Net Change in Fund Balance	\$ (1,372)	\$ (33,550)	\$ (33,550)	\$ 32,178
Fund Balance, July 1, 2007	<u>(1,632)</u>	<u>33,550</u>	<u>33,550</u>	<u>(35,182)</u>
Fund Balance, June 30, 2008	<u><u>\$ (3,004)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ (3,004)</u></u>

Exhibit E-4

Meigs County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Industrial/Economic Development Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures	\$ 0	\$ 0	\$ 0	\$ 0
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (1,415)	\$ 0	\$ (1,415)	\$ 0
Total Other Financing Sources (Uses)	\$ (1,415)	\$ 0	\$ (1,415)	\$ 0
Net Change in Fund Balance	\$ (1,415)	\$ 0	\$ (1,415)	\$ 0
Fund Balance, July 1, 2007	1,415	0	1,415	0
Fund Balance, June 30, 2008	\$ 0	\$ 0	\$ 0	\$ 0

Exhibit E-5

Meigs County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Special Purpose Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 8,045	\$ 2,740	\$ 2,740	\$ 5,305
Federal Government	86,213	86,213	86,213	0
Total Revenues	<u>\$ 94,258</u>	<u>\$ 88,953</u>	<u>\$ 88,953</u>	<u>\$ 5,305</u>
<u>Expenditures</u>				
<u>Social, Cultural, and Recreational Services</u>				
Adult Activities	\$ 91,190	\$ 87,858	\$ 87,858	\$ (3,332)
Total Expenditures	<u>\$ 91,190</u>	<u>\$ 87,858</u>	<u>\$ 87,858</u>	<u>\$ (3,332)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 3,068</u>	<u>\$ 1,095</u>	<u>\$ 1,095</u>	<u>\$ 1,973</u>
Net Change in Fund Balance	\$ 3,068	\$ 1,095	\$ 1,095	\$ 1,973
Fund Balance, July 1, 2007	<u>8,587</u>	<u>15,228</u>	<u>15,228</u>	<u>(6,641)</u>
Fund Balance, June 30, 2008	<u>\$ 11,655</u>	<u>\$ 16,323</u>	<u>\$ 16,323</u>	<u>\$ (4,668)</u>

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Exhibit E-6

Meigs County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 25,740	\$ 13,250	\$ 13,250	\$ 12,490
Other Local Revenues	0	1,000	1,000	(1,000)
Total Revenues	<u>\$ 25,740</u>	<u>\$ 14,250</u>	<u>\$ 14,250</u>	<u>\$ 11,490</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 14,183	\$ 4,233	\$ 14,183	\$ 0
Total Expenditures	<u>\$ 14,183</u>	<u>\$ 4,233</u>	<u>\$ 14,183</u>	<u>\$ 0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 11,557</u>	<u>\$ 10,017</u>	<u>\$ 67</u>	<u>\$ 11,490</u>
Net Change in Fund Balance	\$ 11,557	\$ 10,017	\$ 67	\$ 11,490
Fund Balance, July 1, 2007	68,484	68,484	58,534	9,950
Fund Balance, June 30, 2008	<u>\$ 80,041</u>	<u>\$ 78,501</u>	<u>\$ 58,601</u>	<u>\$ 21,440</u>

Major Governmental Fund

General Debt Service Fund

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

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Exhibit F

Meigs County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 676,842	\$ 643,976	\$ 643,976	\$ 32,866
Other Local Revenues	37,304	40,000	40,000	(2,696)
State of Tennessee	38,992	34,750	34,750	4,242
Other Governments and Citizens Groups	225,000	0	225,000	0
Total Revenues	<u>\$ 978,138</u>	<u>\$ 718,726</u>	<u>\$ 943,726</u>	<u>\$ 34,412</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 545,422	\$ 555,000	\$ 632,527	\$ 87,105
<u>Interest on Debt</u>				
General Government	186,027	215,000	215,000	28,973
<u>Other Debt Service</u>				
General Government	14,364	15,000	15,000	636
Total Expenditures	<u>\$ 745,813</u>	<u>\$ 785,000</u>	<u>\$ 862,527</u>	<u>\$ 116,714</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 232,325</u>	<u>\$ (66,274)</u>	<u>\$ 81,199</u>	<u>\$ 151,126</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 225,000	\$ 0	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 225,000</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 232,325	\$ 158,726	\$ 81,199	\$ 151,126
Fund Balance, July 1, 2007	<u>592,083</u>	<u>592,935</u>	<u>515,408</u>	<u>76,675</u>
Fund Balance, June 30, 2008	<u>\$ 824,408</u>	<u>\$ 751,661</u>	<u>\$ 596,607</u>	<u>\$ 227,801</u>

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Fiduciary Funds

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

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

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

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Exhibit G-1

Meigs County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2008

	<u>Agency Funds</u>		
	Cities -	Constitu-	
	Sales	tional	
	Tax	Officers -	
		Agency	Total
	<hr/>		
<u>ASSETS</u>			
Cash	\$ 0	\$ 579,048	\$ 579,048
Due from Other Governments	37,610	0	37,610
	<hr/>		
Total Assets	<u>\$ 37,610</u>	<u>\$ 579,048</u>	<u>\$ 616,658</u>
 <u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 37,610	\$ 0	\$ 37,610
Due to Litigants, Heirs, and Others	0	579,048	579,048
	<hr/>		
Total Liabilities	<u>\$ 37,610</u>	<u>\$ 579,048</u>	<u>\$ 616,658</u>

Exhibit G-2

Meigs County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2008

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 209,526	\$ 209,526	\$ 0
Due from Other Governments	30,763	37,610	30,763	37,610
Total Assets	\$ 30,763	\$ 247,136	\$ 240,289	\$ 37,610
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 30,763	\$ 247,136	\$ 240,289	\$ 37,610
Total Liabilities	\$ 30,763	\$ 247,136	\$ 240,289	\$ 37,610
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 349,407	\$ 2,397,624	\$ 2,167,983	\$ 579,048
Due from Other Governments	12,213	0	12,213	0
Total Assets	\$ 361,620	\$ 2,397,624	\$ 2,180,196	\$ 579,048
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 361,620	\$ 2,397,624	\$ 2,180,196	\$ 579,048
Total Liabilities	\$ 361,620	\$ 2,397,624	\$ 2,180,196	\$ 579,048
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 209,526	\$ 209,526	\$ 0
Cash	349,407	2,397,624	2,167,983	579,048
Due from Other Governments	42,976	37,610	42,976	37,610
Total Assets	\$ 392,383	\$ 2,644,760	\$ 2,420,485	\$ 616,658
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 30,763	\$ 247,136	\$ 240,289	\$ 37,610
Due to Litigants, Heirs, and Others	361,620	2,397,624	2,180,196	579,048
Total Liabilities	\$ 392,383	\$ 2,644,760	\$ 2,420,485	\$ 616,658

MISCELLANEOUS SCHEDULES

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Exhibit H-1

Meigs County, Tennessee
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds
For the Year Ended June 30, 2008

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Issued During Period	Paid and/or Matured During Period	Debt Extended	Outstanding 6-30-08
NOTES PAYABLE									
<u>Payable through General Debt Service Fund</u>									
Courthouse	\$ 450,000	6.47%	5-2-05	5-2-17	\$ 394,634	\$ 0	\$ 31,803	\$ 0	\$ 362,831
Total Payable through General Debt Service Fund					\$ 394,634	\$ 0	\$ 31,803	\$ 0	\$ 362,831
<u>Payable through Highway/Public Works Fund</u>									
Backhoe	62,000	6.15	12-1-05	12-1-08	\$ 48,638	\$ 0	\$ 9,806	\$ 0	\$ 38,832
Paving	250,000	4.85	3-5-02	3-1-09	80,000	0	40,000	0	40,000
Graders	279,301	5.15	5-16-05	6-5-08	267,445	0	130,561	(136,884)	0
Graders - Extension of Note Maturity	139,191	4.35	6-5-08	5-5-11	0	2,307	0	136,884	139,191
Total Payable through Highway/Public Works Fund					\$ 396,083	\$ 2,307	\$ 180,367	\$ 0	\$ 218,023
<u>Payable through General Capital Projects Fund</u>									
Cherokee Memorial Park Project	(1)	4.2	4-1-08	4-19-09	\$ 0	\$ 606,615	\$ 85,950	\$ 0	\$ 520,665
Total Payable through General Capital Projects Fund					\$ 0	\$ 606,615	\$ 85,950	\$ 0	\$ 520,665
Total Notes Payable					\$ 790,717	\$ 608,922	\$ 298,120	\$ 0	\$ 1,101,519
CAPITAL LEASES PAYABLE									
<u>Payable through Highway/Public Works Fund</u>									
Dump Trucks	102,456	5.17	12-15-06	12-15-11	\$ 102,456	\$ 0	\$ 18,479	\$ 0	\$ 83,977
Asphalt Zipper	77,950	5	10-1-07	10-1-13	0	77,950	0	0	77,950
Total Capital Leases Payable					\$ 102,456	\$ 77,950	\$ 18,479	\$ 0	\$ 161,927

(Continued)

Exhibit H-1

Meigs County, Tennessee
 Schedule of Changes in Long-term Notes, Capital Leases, and Bonds (Cont.)

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Issued During Period	Paid and/or		Outstanding 6-30-08
							Matured During Period	Debt Extended	
BONDS PAYABLE									
Payable through General Debt Service Fund									
FmHA Issue - Industrial Park	\$ 80,000	5%	1-15-1982	8-31-08	\$ 49,313	0	\$ 3,619	0	\$ 45,694
School Refunding, Series 1999	3,360,000	3.9 to 4.3	3-4-1999	5-1-12	2,310,000	0	440,000	0	1,870,000
General Obligation Bonds, Series 2002A - I	1,410,000	4 to 4.5	2-7-02	5-1-15	1,410,000	0	70,000	0	1,340,000
General Obligation (CAB) Bonds, Series 2002A - II	(2) 2,088,479	4.8 to 5.15	2-7-02	5-1-26	2,088,479	0	0	0	2,088,479
Total Bonds Payable					\$ 5,857,792	0	\$ 513,619	0	\$ 5,344,173

(1) An outstanding balance of up to \$1,000,000 is available if needed.

(2) These (CAB) bonds accrete interest that is paid at bond maturity. As of June 30, 2008, approximately \$774,915 of interest has accreted on the bonds.

Exhibit H-2

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

Year Ending June 30	Note Principal	Note Interest	Total Note Requirements
2009	\$ 653,932	\$ 47,601	\$ 701,533
2010	64,353	35,008	99,361
2011	121,335	22,673	144,008
2012	38,162	16,077	54,239
2013	40,750	13,504	54,254
2014	43,465	10,802	54,267
2015	46,363	7,920	54,283
2016	49,421	4,517	53,938
2017	43,738	1,568	45,306
Total	\$ 1,101,519	\$ 159,670	\$ 1,261,189

Year Ending June 30	Capital Lease Principal	Capital Lease Interest	Total Capital Lease Requirements
2009	\$ 35,025	\$ 8,206	\$ 43,231
2010	36,029	7,202	43,231
2011	37,086	6,145	43,231
2012	38,197	5,034	43,231
2013	15,590	3,864	19,454
Total	\$ 161,927	\$ 30,451	\$ 192,378

Year Ending June 30	Bond Principal	Bond Interest	Total Bond Requirements
2009	\$ 575,694	\$ 137,801	\$ 713,495
2010	555,000	115,448	670,448
2011	575,000	92,103	667,103
2012	595,000	67,665	662,665
2013	400,000	42,167	442,167
2014	415,000	24,768	439,768

(Continued)

Exhibit H-2

Meigs County, Tennessee

Schedule of Long-term Debt Requirements by Year (Cont.)

Year Ending June 30	Bond Principal	Bond Interest	Total Bond Requirements
2015	\$ 300,143	\$ 146,157	\$ 446,300
2016	227,502	222,498	450,000
2017	215,249	234,751	450,000
2018	203,459	246,541	450,000
2019	192,128	257,872	450,000
2020	182,871	267,129	450,000
2021	172,435	277,565	450,000
2022	164,043	285,957	450,000
2023	154,458	295,542	450,000
2024	146,871	303,129	450,000
2025	138,082	311,918	450,000
2026	131,238	318,762	450,000
Total	<u>\$ 5,344,173</u>	<u>\$ 3,647,773</u>	<u>\$ 8,991,946</u>

Exhibit H-3

Meigs County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2008

From Fund	To Fund	Purpose	Amount
General	Solid Waste/Sanitation	Operations	\$ 215,680
General	Highway/Public Works	Road repairs	20,000
General	Other Capital Projects	Health Department	10,000
Industrial Economic Development	General	To close fund	<u>1,415</u>
Total Transfers			<u>\$ 247,095</u>

Exhibit H-4

Meigs County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2008

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 57,025	\$ 25,000	Travelers Casualty and Surety
Highway Superintendent	Section 8-24-102, <u>TCA</u>	54,310	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	49,372	461,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	49,372	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	49,372	25,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, <u>TCA</u>	49,372	25,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	49,372 (1)	25,000	"
Register	Section 8-24-102, <u>TCA</u>	49,372	15,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	54,310 (2)	25,000	"
Director of Finance:				
Randy Baker (9-1-07 through 6-30-08)	County Commission	37,500	50,000	"
Blanket Bond:				
All County Employees			150,000	(3) Tennessee Risk Management Trust

- (1) Does not include special commissioner fees of \$600.
- (2) Does not include a law enforcement training supplement of \$600.
- (3) Bond coverage is \$150,000 per each occurrence.

Exhibit H-5

Meigs County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2008

	Special Revenue Funds					Highway / Public Works
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitu- tional Officers - Fees	
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 1,759,343	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Trustee's Collections - Prior Year	92,238	0	0	0	0	0
Circuit/Clerk & Master Collections - Prior Years	18,059	0	0	0	0	0
Interest and Penalty	17,178	0	0	0	0	0
Pick-up Taxes	28	0	0	0	0	0
Payments in-Lieu-of Taxes - T.V.A.	3,713	0	0	0	0	0
Payments in-Lieu-of Taxes - Local Utilities	677	0	0	0	0	0
<u>County Local Option Taxes</u>						
Local Option Sales Tax	139,202	0	0	0	0	0
Hotel/Motel Tax	13,843	0	0	0	0	0
Litigation Tax - General	39,772	0	0	0	0	0
Litigation Tax - Special Purpose	54,581	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	14,054	0	0	0	0	0
Business Tax	19,084	0	0	0	0	0
Mineral Severance Tax	0	0	0	0	0	3
Other County Local Option Taxes	980	0	0	0	0	0
<u>Statutory Local Taxes</u>						
Bank Excise Tax	10,256	0	0	0	0	0
Wholesale Beer Tax	30,000	0	0	0	0	0
Interstate Telecommunications Tax	1,217	0	0	0	0	0
Total Local Taxes	\$ 2,214,225	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 978	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Cable TV Franchise	3,782	0	0	0	0	0
Permits						
Beer Permits	1,354	0	0	0	0	0
Building Permits	15,895	0	0	0	0	0
Total Licenses and Permits	\$ 22,009	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit H-5

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 19,579	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	3,662	0	0	0	0	0
Drug Control Fines	0	0	0	2,275	0	0
Jail Fees	142	0	0	0	0	0
<u>Criminal Court</u>						
DUI Treatment Fines	304	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	51,707	0	0	0	0	0
Fines for Littering	475	0	0	0	0	0
Officers Costs	39,091	0	0	0	0	0
Game and Fish Fines	500	0	0	0	0	0
Drug Control Fines	2,391	0	0	15,929	0	0
Drug Court Fees	6,209	0	0	0	0	0
Jail Fees	8,078	0	0	0	0	0
DUI Treatment Fines	12,587	0	0	0	0	0
Data Entry Fee - General Sessions Court	3,152	0	0	0	0	0
<u>Chancery Court</u>						
Officers Costs	1,921	0	0	0	0	0
Data Entry Fee - Chancery Court	616	0	0	0	0	0
Courtroom Security Fee	2	0	0	0	0	0
<u>Other Courts - In-county</u>						
Fines	63,548	0	0	0	0	0
<u>Judicial District Drug Program</u>						
Drug Task Force Forfeitures and Seizures	0	0	0	7,536	0	0
<u>Other Fines, Forfeitures, and Penalties</u>						
Other Fines, Forfeitures, and Penalties	19	0	0	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 213,983	\$ 0	\$ 0	\$ 25,740	\$ 0	\$ 0

(Continued)

Exhibit H-5

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Patient Charges	\$ 201,888	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Fees						
Copy Fees	2,005	0	0	0	0	0
Telephone Commissions	2,430	0	0	0	0	0
Vending Machine Collections	19	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	600	0
Data Processing Fee - Register	5,600	0	0	0	0	0
Data Processing Fee - Sheriff	2,836	0	0	0	0	0
Sexual Offender Registration Fees - Sheriff	1,700	0	0	0	0	0
Total Charges for Current Services	\$ 216,478	\$ 0	\$ 0	\$ 0	\$ 600	\$ 0
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	1,800	0	0	0	0	0
Commissary Sales	11,014	0	0	0	0	0
Sale of Gasoline	56	0	0	0	0	0
Sale of Maps	838	0	0	0	0	0
Sale of Recycled Materials	0	578	0	0	0	0
Miscellaneous Refunds	35,796	0	2,528	0	0	6,541
<u>Nonrecurring Items</u>						
Sale of Equipment	6,516	0	0	0	0	172,830
Damages Recovered from Individuals	810	0	0	0	0	0
Contributions and Gifts	890	0	5,517	0	0	0
Total Other Local Revenues	\$ 57,720	\$ 578	\$ 8,045	\$ 0	\$ 0	\$ 179,371
<u>Fees Received from County Officials</u>						
Fees in-Lieu-of Salary	\$ 105,495	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
County Clerk	32,519	0	0	0	0	0
Circuit Court Clerk						

(Continued)

Exhibit H-5

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Fees Received from County Officials (Cont.)</u>						
<u>Fees in-Lieu-of Salary (Cont.)</u>						
General Sessions Court Clerk	\$ 100,372	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Clerk and Master	40,468	0	0	0	0	0
Register	63,679	0	0	0	0	0
Sheriff	6,224	0	0	0	0	0
Trustee	124,372	0	0	0	0	0
Total Fees Received from County Officials	\$ 473,129	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Aging Programs	1,579	0	0	0	0	0
State Reappraisal Grant	5,292	0	0	0	0	0
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	8,400	0	0	0	0	0
Other Public Safety Grants	10,000	0	0	0	0	0
<u>Health and Welfare Grants</u>						
Other Health and Welfare Grants	38,929	0	0	0	0	0
<u>Public Works Grants</u>						
Bridge Program	0	0	0	0	0	139,574
State Aid Program	0	0	0	0	0	47,384
Litter Program	36,644	0	0	0	0	0
<u>Other State Revenues</u>						
Income Tax	8,634	0	0	0	0	0
Beer Tax	19,312	0	0	0	0	0
Alcoholic Beverage Tax	18,768	0	0	0	0	0
Mixed Drink Tax	7,438	0	0	0	0	0
State Revenue Sharing - T.V.A.	243,852	0	0	0	0	0
Contracted Prisoner Boarding	152,220	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,323,254
Petroleum Special Tax	0	0	0	0	0	8,903

(Continued)

Exhibit H-5

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>State of Tennessee (Cont.)</u>						
<u>Other State Revenues (Cont.)</u>						
Registrar's Salary Supplement	\$ 16,380	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other State Grants	4,259	0	0	0	0	0
Other State Revenues	24,941	0	0	0	0	0
Total State of Tennessee	\$ 605,648	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,519,115
<u>Federal Government</u>						
<u>Federal Through State</u>						
Homeland Security Grants	\$ 77,016	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Federal through State	122,048	0	0	0	0	0
<u>Direct Federal Revenue</u>						
Other Direct Federal Revenue	600	0	86,213	0	0	0
Total Federal Government	\$ 199,664	\$ 0	\$ 86,213	\$ 0	\$ 0	\$ 0
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 17,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contracted Services	78,642	0	0	0	0	0
<u>Other</u>						
Other	480	0	0	0	0	0
Total Other Governments and Citizens Groups	\$ 96,122	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total	\$ 4,098,978	\$ 578	\$ 94,258	\$ 25,740	\$ 600	\$ 1,698,489

(Continued)

Exhibit H-5

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

	Debt		Capital Projects Funds			Total
	Service Fund		Capital Projects Funds			
	General Debt Service	Debt Service	General Capital Projects	Other Capital Projects		
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 491,981	\$ 0	\$ 0	\$ 0	\$ 2,251,324	
Trustee's Collections - Prior Year	25,793	0	0	0	118,031	
Circuit/Clerk & Master Collections - Prior Years	9,147	0	0	0	27,206	
Interest and Penalty	3,645	0	0	0	20,823	
Pick-up Taxes	8	0	0	0	36	
Payments in-Lieu-of Taxes - T.V.A.	0	0	0	0	3,713	
Payments in-Lieu-of Taxes - Local Utilities	189	0	0	0	866	
<u>County Local Option Taxes</u>						
Local Option Sales Tax	146,079	0	0	0	285,281	
Hotel/Motel Tax	0	0	0	0	13,843	
Litigation Tax - General	0	0	0	0	39,772	
Litigation Tax - Special Purpose	0	0	0	0	54,581	
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	14,054	
Business Tax	0	0	0	0	19,084	
Mineral Severance Tax	0	0	0	0	3	
Other County Local Option Taxes	0	0	0	0	980	
<u>Statutory Local Taxes</u>						
Bank Excise Tax	0	0	0	0	10,256	
Wholesale Beer Tax	0	0	0	0	30,000	
Interstate Telecommunications Tax	0	0	0	0	1,217	
Total Local Taxes	\$ 676,842	\$ 0	\$ 0	\$ 0	\$ 2,891,070	
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 0	\$ 0	\$ 0	\$ 0	\$ 978	
Cable TV Franchise	0	0	0	0	3,782	
<u>Permits</u>						
Beer Permits	0	0	0	0	1,354	
Building Permits	0	0	0	0	15,895	
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,009	

(Continued)

Exhibit H-5

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

	Debt Service Fund		Capital Projects Funds			Total
	General Debt Service	0 \$	Capital Projects		Other Capital Projects	
			General	Capital		
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines		0 \$	0 \$	0 \$	0 \$	19,579
Officers Costs		0	0	0	0	3,662
Drug Control Fines		0	0	0	0	2,275
Jail Fees		0	0	0	0	142
<u>Criminal Court</u>						
DUI Treatment Fines		0	0	0	0	304
<u>General Sessions Court</u>						
Fines		0	0	0	0	51,707
Fines for Littering		0	0	0	0	475
Officers Costs		0	0	0	0	39,091
Game and Fish Fines		0	0	0	0	500
Drug Control Fines		0	0	0	0	18,320
Drug Court Fees		0	0	0	0	6,209
Jail Fees		0	0	0	0	8,078
DUI Treatment Fines		0	0	0	0	12,587
Data Entry Fee - General Sessions Court		0	0	0	0	3,152
<u>Chancery Court</u>						
Officers Costs		0	0	0	0	1,921
Data Entry Fee - Chancery Court		0	0	0	0	616
Courtroom Security Fee		0	0	0	0	2
<u>Other Courts - In-county</u>						
Fines		0	0	0	0	63,548
<u>Judicial District Drug Program</u>						
Drug Task Force Forfeitures and Seizures		0	0	0	0	7,536
<u>Other Fines, Forfeitures, and Penalties</u>						
Other Fines, Forfeitures, and Penalties		0	0	0	0	19
Total Fines, Forfeitures, and Penalties		0 \$	0 \$	0 \$	0 \$	239,723

(Continued)

Exhibit H-5

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

	Debt		Capital Projects Funds			Total
	Service Fund		Capital Projects Funds			
	General Debt Service	Other Capital Projects	General Capital Projects	Other Capital Projects	Capital Projects	
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
<u>Fees</u>						
Patient Charges	\$	0 \$	0 \$	0 \$	0 \$	201,888
Copy Fees		0	0	0	0	2,005
Telephone Commissions		0	0	0	0	2,430
Vending Machine Collections		0	0	0	0	19
Constitutional Officers' Fees and Commissions		0	0	0	0	600
Data Processing Fee - Register		0	0	0	0	5,600
Data Processing Fee - Sheriff		0	0	0	0	2,836
Sexual Offender Registration Fees - Sheriff		0	0	0	0	1,700
Total Charges for Current Services	\$	0 \$	0 \$	0 \$	0 \$	217,078
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$	37,304 \$	0 \$	0 \$	0 \$	37,304
Lease/Rentals		0	0	0	0	1,800
Commissary Sales		0	0	0	0	11,014
Sale of Gasoline		0	0	0	0	56
Sale of Maps		0	0	0	0	838
Sale of Recycled Materials		0	0	0	0	578
Miscellaneous Refunds		0	0	228	0	45,093
<u>Nonrecurring Items</u>						
Sale of Equipment		0	0	0	0	179,346
Damages Recovered from Individuals		0	0	0	0	810
Contributions and Gifts		0	0	0	0	6,407
Total Other Local Revenues	\$	37,304 \$	0 \$	228 \$	0 \$	283,246
<u>Fees Received from County Officials</u>						
Fees in-Lieu-of Salary	\$	0 \$	0 \$	0 \$	0 \$	105,495
County Clerk		0	0	0	0	32,519
Circuit Court Clerk						

(Continued)

Exhibit H-5

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

	Debt Service Fund		Capital Projects Funds			Total
	General Debt Service	Other Capital Projects	General Capital Projects	Other Capital Projects		
				Capital Projects	Other Capital Projects	
<u>Fees Received from County Officials (Cont.)</u>						
<u>Fees in-Lieu-of Salary (Cont.)</u>						
General Sessions Court Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 100,372
Clerk and Master	0	0	0	0	0	40,468
Register	0	0	0	0	0	63,679
Sheriff	0	0	0	0	0	6,224
Trustee	0	0	0	0	0	124,372
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 473,129
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
Aging Programs	0	0	0	0	0	1,579
State Reappraisal Grant	0	0	0	0	0	5,292
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	0	0	0	0	0	8,400
Other Public Safety Grants	0	0	0	0	0	10,000
<u>Health and Welfare Grants</u>						
Other Health and Welfare Grants	0	0	0	0	0	38,929
<u>Public Works Grants</u>						
Bridge Program	0	0	0	0	0	139,574
State Aid Program	0	0	0	0	0	47,384
Litter Program	0	0	0	0	0	36,644
<u>Other State Revenues</u>						
Income Tax	2,414	0	0	0	0	11,048
Beer Tax	0	0	0	0	0	19,312
Alcoholic Beverage Tax	0	0	0	0	0	18,768
Mixed Drink Tax	0	0	0	0	0	7,438
State Revenue Sharing - T.V.A.	36,578	0	0	0	0	280,430
Contracted Prisoner Boarding	0	0	0	0	0	152,220
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,323,254
Petroleum Special Tax	0	0	0	0	0	8,903

(Continued)

Exhibit H-5

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

	Debt		Capital Projects Funds		Total
	Service Fund		Other Capital Projects		
	General Debt Service	Other Capital Projects	General Capital Projects	Other Capital Projects	
<u>State of Tennessee (Cont.)</u>					
<u>Other State Revenues (Cont.)</u>					
Registrar's Salary Supplement	\$ 0	\$ 0	\$ 0	\$ 0	\$ 16,380
Other State Grants	0	0	0	0	4,259
Other State Revenues	0	0	0	0	24,941
Total State of Tennessee	\$ 38,992	\$ 0	\$ 0	\$ 0	\$ 2,163,755
<u>Federal Government</u>					
<u>Federal Through State</u>					
Homeland Security Grants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 77,016
Other Federal through State	0	438,525	0	0	560,573
<u>Direct Federal Revenue</u>					
Other Direct Federal Revenue	0	0	0	0	86,813
Total Federal Government	\$ 0	\$ 438,525	\$ 0	\$ 0	\$ 724,402
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 225,000	\$ 0	\$ 0	\$ 0	\$ 242,000
Contracted Services	0	0	0	0	78,642
<u>Other</u>					
Other	0	0	0	0	480
Total Other Governments and Citizens Groups	\$ 225,000	\$ 0	\$ 0	\$ 0	\$ 321,122
Total	\$ 978,138	\$ 438,525	\$ 238	\$ 7,335,534	

Exhibit H-6

Meigs County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2008

General Fund

General Government

County Commission

Board and Committee Members Fees	\$ 22,080	
Audit Services	2,606	
Contributions	6,000	
Dues and Memberships	5,998	
Legal Services	1,960	
Other Supplies and Materials	1,339	
Total County Commission		\$ 39,983

Board of Equalization

Board and Committee Members Fees	\$ 180	
Total Board of Equalization		180

County Mayor/Executive

County Official/Administrative Officer	\$ 57,025	
Assistant(s)	21,959	
Other Salaries and Wages	2,890	
Communication	606	
Travel	1,500	
Office Supplies	1,000	
Total County Mayor/Executive		84,980

County Attorney

Legal Services	\$ 15,913	
Total County Attorney		15,913

Election Commission

County Official/Administrative Officer	\$ 44,427	
Part-time Personnel	1,200	
Election Commission	3,740	
Election Workers	5,170	
Legal Notices, Recording, and Court Costs	4,170	
Maintenance Agreements	8,400	
Printing, Stationery, and Forms	1,662	
Travel	5,674	
Other Contracted Services	4,800	
Data Processing Supplies	1,782	
Office Supplies	1,064	
Total Election Commission		82,089

(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds

County Official/Administrative Officer	\$ 49,372	
Deputy(ies)	19,570	
Part-time Personnel	7,964	
Travel	308	
Data Processing Supplies	6,512	
Office Supplies	4,853	
Total Register of Deeds		\$ 88,579

Planning

Clerical Personnel	\$ 1,896	
Part-time Personnel	12,641	
Dues and Memberships	7,750	
Travel	2,124	
Office Supplies	795	
Total Planning		25,206

Geographical Information Systems

Other Salaries and Wages	\$ 11,077	
Licenses	3,000	
Maintenance and Repair Services - Equipment	1,270	
Office Supplies	1,504	
Total Geographical Information Systems		16,851

County Buildings

Custodial Personnel	\$ 11,261	
Communication	16,498	
Maintenance and Repair Services - Buildings	15,199	
Maintenance and Repair Services - Equipment	14,882	
Pest Control	1,500	
Postal Charges	14,380	
Custodial Supplies	2,054	
Diesel Fuel	22,517	
Duplicating Supplies	9,612	
Electricity	57,672	
Gasoline	79,830	
Natural Gas	17,972	
Water and Sewer	3,127	
Building Construction	500	
Total County Buildings		267,004

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Finance

Accounting and Budgeting

Supervisor/Director	\$ 37,500	
Accountants/Bookkeepers	29,284	
Clerical Personnel	2,580	
Legal Notices, Recording, and Court Costs	2,059	
Maintenance Agreements	4,385	
Travel	688	
Data Processing Supplies	938	
Office Supplies	5,690	
Total Accounting and Budgeting		\$ 83,124

Property Assessor's Office

County Official/Administrative Officer	\$ 49,372	
Deputy(ies)	19,570	
Audit Services	600	
Maintenance Agreements	5,870	
Travel	2,493	
Office Supplies	869	
Other Supplies and Materials	382	
Data Processing Equipment	412	
Total Property Assessor's Office		79,568

Reappraisal Program

Clerical Personnel	\$ 17,510	
Data Processing Services	1,682	
Travel	574	
Office Supplies	181	
Total Reappraisal Program		19,947

County Trustee's Office

County Official/Administrative Officer	\$ 49,372	
Deputy(ies)	19,570	
Part-time Personnel	14,614	
Maintenance Agreements	4,852	
Travel	1,012	
Office Supplies	481	
Total County Trustee's Office		89,901

County Clerk's Office

County Official/Administrative Officer	\$ 49,372
Deputy(ies)	65,423

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Legal Notices, Recording, and Court Costs	\$ 210	
Maintenance and Repair Services - Equipment	300	
Office Supplies	753	
Office Equipment	5,732	
Total County Clerk's Office		\$ 121,790

Other Finance

Trustee's Commission	\$ 51,268	
Total Other Finance		51,268

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$ 49,372	
Deputy(ies)	71,743	
Other Salaries and Wages	5,143	
Jury and Witness Fees	3,393	
Other Per Diem and Fees	936	
Maintenance Agreements	4,950	
Travel	184	
Data Processing Supplies	1,989	
Office Supplies	3,233	
Premiums on Corporate Surety Bonds	250	
Office Equipment	190	
Total Circuit Court		141,383

General Sessions Court

Judge(s)	\$ 79,619	
Probation Officer(s)	13,373	
In-Service Training	722	
Data Processing Supplies	3,240	
Office Supplies	358	
Total General Sessions Court		97,312

Chancery Court

County Official/Administrative Officer	\$ 49,372	
Deputy(ies)	20,070	
Clerical Personnel	16,736	
Legal Notices, Recording, and Court Costs	702	
Office Supplies	3,792	
Premiums on Corporate Surety Bonds	238	
Total Chancery Court		90,910

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Other Administration of Justice

Other Charges	\$ 2,000	
Total Other Administration of Justice		\$ 2,000

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 54,310	
Deputy(ies)	330,322	
Detective(s)	26,478	
Salary Supplements	4,800	
Guards	24,781	
In-Service Training	1,905	
Maintenance and Repair Services - Vehicles	24,531	
Printing, Stationery, and Forms	966	
Travel	999	
Law Enforcement Supplies	2,615	
Office Supplies	22	
Tires and Tubes	3,834	
Uniforms	5,057	
Premiums on Corporate Surety Bonds	293	
Data Processing Equipment	3,160	
Motor Vehicles	80,358	
Total Sheriff's Department		564,431

Jail

Assistant(s)	\$ 26,446
Guards	158,238
Other Salaries and Wages	26,429
In-Service Training	2,782
Communication	7,147
Maintenance Agreements	9,464
Maintenance and Repair Services - Buildings	17,092
Medical and Dental Services	56,848
Travel	2,113
Custodial Supplies	11,660
Drugs and Medical Supplies	4,862
Food Preparation Supplies	3,498
Food Supplies	70,182
Office Supplies	3,332
Uniforms	540
Utilities	52,052

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Other Supplies and Materials	\$ 10,021	
Data Processing Equipment	3,592	
Total Jail		\$ 466,298

Juvenile Services

Youth Service Officer(s)	\$ 19,570	
In-Service Training	98	
Other Contracted Services	1,262	
Office Supplies	199	
Other Supplies and Materials	369	
Office Equipment	595	
Total Juvenile Services		22,093

Fire Prevention and Control

Other Per Diem and Fees	\$ 2,789	
Contributions	685	
Maintenance and Repair Services - Buildings	1,396	
Maintenance and Repair Services - Equipment	8,317	
Maintenance and Repair Services - Vehicles	32,451	
Uniforms	4,795	
Utilities	9,713	
Motor Vehicles	9,792	
Total Fire Prevention and Control		69,938

Civil Defense

Supervisor/Director	\$ 36,243	
Maintenance and Repair Services - Buildings	776	
Maintenance and Repair Services - Equipment	2,769	
Maintenance and Repair Services - Vehicles	13,981	
Travel	254	
Natural Gas	885	
Utilities	9,757	
Other Supplies and Materials	14,333	
Total Civil Defense		78,998

Rescue Squad

Other Per Diem and Fees	\$ 800	
Communication	1,124	
Contributions	500	
Maintenance and Repair Services - Equipment	534	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Rescue Squad (Cont.)

Maintenance and Repair Services - Vehicles	\$ 2,090	
Total Rescue Squad		\$ 5,048

County Coroner/Medical Examiner

Other Contracted Services	\$ 13,033	
Total County Coroner/Medical Examiner		13,033

Other Public Safety

Supervisor/Director	\$ 28,632	
Dispatchers/Radio Operators	141,558	
Communication	880	
Maintenance and Repair Services - Buildings	1,704	
Travel	733	
Office Supplies	3,539	
Uniforms	1,193	
Total Other Public Safety		178,239

Public Health and Welfare

Local Health Center

Clerical Personnel	\$ 23,562	
Custodial Personnel	6,316	
In-Service Training	245	
Social Security	1,132	
Communication	608	
Maintenance and Repair Services - Buildings	2,978	
Travel	2,075	
Office Supplies	2,279	
Utilities	9,150	
Other Supplies and Materials	138	
Total Local Health Center		48,483

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 4,523	
Paraprofessionals	216,021	
Salary Supplements	2,215	
Clerical Personnel	23,408	
Communication	1,477	
Licenses	600	
Maintenance and Repair Services - Equipment	176	
Maintenance and Repair Services - Vehicles	14,654	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Printing, Stationery, and Forms	\$ 972	
Custodial Supplies	815	
Drugs and Medical Supplies	8,766	
Office Supplies	715	
Uniforms	1,640	
Other Supplies and Materials	1,469	
Total Ambulance/Emergency Medical Services		\$ 277,451

Crippled Children Services

Contributions	\$ 500	
Total Crippled Children Services		500

Other Local Health Services

Temporary Personnel	\$ 203	
Other Salaries and Wages	7,646	
Employee and Dependent Insurance	3,778	
Legal Notices, Recording, and Court Costs	234	
Medical and Dental Services	525	
Travel	1,048	
Data Processing Supplies	2,083	
Office Supplies	344	
Total Other Local Health Services		15,861

Appropriation to State

Contracts with Government Agencies	\$ 18,000	
Total Appropriation to State		18,000

Sanitation Management

Part-time Personnel	\$ 13,580	
Total Sanitation Management		13,580

Sanitation Education/Information

Guards	\$ 18,995	
Instructional Supplies and Materials	12,223	
Office Supplies	13	
Other Supplies and Materials	1,247	
Total Sanitation Education/Information		32,478

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$ 11,304	
Communication	1,313	
Travel	1,236	
Custodial Supplies	1,135	
Other Supplies and Materials	2,657	
Total Senior Citizens Assistance		\$ 17,645

Libraries

Assistant(s)	\$ 7,893	
Librarians	17,000	
Contributions	10,000	
Total Libraries		34,893

Parks and Fair Boards

Other Contracted Services	\$ 59,630	
Electricity	289	
Other Charges	1,080	
Total Parks and Fair Boards		60,999

Other Social, Cultural, and Recreational

Other Contracted Services	\$ 6,945	
Total Other Social, Cultural, and Recreational		6,945

Agriculture and Natural Resources

Agriculture Extension Service

Assistant(s)	\$ 7,600	
Supervisor/Director	12,283	
Secretary(ies)	12,247	
Communication	2,295	
Maintenance and Repair Services - Buildings	7,379	
Other Supplies and Materials	664	
Total Agriculture Extension Service		42,468

Soil Conservation

Assistant(s)	\$ 3,300	
Contributions	3,900	
Dues and Memberships	200	
Total Soil Conservation		7,400

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Other Operations

Tourism

Advertising	\$ 1,542	
Dues and Memberships	1,350	
Travel	500	
Liability Insurance	425	
Total Tourism	<u> </u>	\$ 3,817

Housing and Urban Development

Other Contracted Services	\$ 32,017	
Total Housing and Urban Development	<u> </u>	32,017

Other Economic and Community Development

Other Contracted Services	\$ 70,816	
Total Other Economic and Community Development	<u> </u>	70,816

Veterans' Services

Other Salaries and Wages	\$ 11,845	
Communication	666	
Maintenance and Repair Services - Vehicles	1,194	
Travel	261	
Total Veterans' Services	<u> </u>	13,966

Other Charges

Liability Insurance	\$ 39,872	
Workers' Compensation Insurance	26,931	
Total Other Charges	<u> </u>	66,803

Contributions to Other Agencies

Contributions	\$ 7,156	
Total Contributions to Other Agencies	<u> </u>	7,156

Employee Benefits

Social Security	\$ 165,247	
Extension Service Medicare	260	
State Retirement	1,473	
Employee and Dependent Insurance	167,212	
Unemployment Compensation	3,570	
Other Fringe Benefits	644	
Fines, Assessments, and Penalties	1,161	
Total Employee Benefits	<u> </u>	<u>339,567</u>

Total General Fund \$ 3,906,911

(Continued)

Exhibit H-6

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

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Communication	\$ 2,020	
Maintenance and Repair Services - Buildings	2,341	
Maintenance and Repair Services - Equipment	673	
Other Contracted Services	210,625	
Electricity	1,518	
Utilities	216	
Water and Sewer	237	
Total Sanitation Management		<u>\$ 217,630</u>

Total Solid Waste/Sanitation Fund \$ 217,630

Special Purpose Fund

Social, Cultural, and Recreational Services

Adult Activities

Supervisor/Director	\$ 33,600	
Accountants/Bookkeepers	18,500	
Bus Drivers	10,816	
Social Security	4,036	
Employee and Dependent Insurance	972	
Medical Insurance	6,366	
Unemployment Compensation	841	
Communication	3,677	
Dues and Memberships	280	
Maintenance and Repair Services - Vehicles	72	
Transportation - Other than Students	259	
Travel	4,433	
Gasoline	720	
Office Supplies	1,065	
Other Charges	5,553	
Total Adult Activities		<u>\$ 91,190</u>

Total Special Purpose Fund 91,190

Drug Control Fund

Public Safety

Drug Enforcement

Other Supplies and Materials	\$ 14,001	
Trustee's Commission	182	
Total Drug Enforcement		<u>\$ 14,183</u>

Total Drug Control Fund 14,183

(Continued)

Exhibit H-6

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

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$ 600	
Total Chancery Court		\$ 600

Total Constitutional Officers - Fees Fund \$ 600

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 54,310	
Assistant(s)	37,594	
Secretary(ies)	17,976	
Board and Committee Members Fees	4,062	
Dues and Memberships	2,224	
Legal Notices, Recording, and Court Costs	54	
Travel	379	
Other Contracted Services	234	
Drugs and Medical Supplies	140	
Office Supplies	859	
Data Processing Equipment	2,175	
Total Administration		\$ 120,007

Highway and Bridge Maintenance

Equipment Operators	\$ 186,706	
Truck Drivers	47,471	
Laborers	47,599	
Rentals	3,419	
Asphalt - Hot Mix	131,725	
Asphalt - Liquid	138,286	
Crushed Stone	65,319	
Other Road Supplies	932	
Pipe	6,512	
Road Signs	1,747	
Total Highway and Bridge Maintenance		629,716

Operation and Maintenance of Equipment

Mechanic(s)	\$ 46,930
Licenses	59
Maintenance and Repair Services - Buildings	170
Maintenance and Repair Services - Office Equipment	2,963
Rentals	56

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Other Contracted Services	\$ 1,584	
Custodial Supplies	455	
Diesel Fuel	53,044	
Equipment and Machinery Parts	34,561	
Garage Supplies	9,902	
Gasoline	30,608	
Lubricants	2,897	
Tires and Tubes	6,061	
Total Operation and Maintenance of Equipment		\$ 189,290

Other Charges

Communication	\$ 3,442	
Other Contracted Services	19,832	
Electricity	3,728	
Water and Sewer	475	
Liability Insurance	25,700	
Trustee's Commission	13,264	
Workers' Compensation Insurance	19,502	
Total Other Charges		85,943

Employee Benefits

Social Security	\$ 34,014	
Employee and Dependent Insurance	81,940	
Unemployment Compensation	4,124	
Penalties	415	
Total Employee Benefits		120,493

Capital Outlay

Bridge Construction	\$ 167,643	
Highway Construction	60,196	
Highway Equipment	197,865	
Total Capital Outlay		425,704

Principal on Debt

Highways and Streets

Principal on Notes	\$ 180,367	
Principal on Capital Leases	18,479	
Total Highways and Streets		198,846

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Interest on Debt

Highways and Streets

Interest on Notes	\$ 17,334	
Interest on Capital Leases	5,297	
Total Highways and Streets	<u> </u>	\$ 22,631

Other Debt Service

Highways and Streets

Bank Charges	\$ 315	
Other Debt Service	2,307	
Total Highways and Streets	<u> </u>	2,622

Total Highway/Public Works Fund \$ 1,795,252

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 513,619	
Principal on Notes	31,803	
Total General Government	<u> </u>	\$ 545,422

Interest on Debt

General Government

Interest on Bonds	\$ 159,289	
Interest on Notes	26,738	
Total General Government	<u> </u>	186,027

Other Debt Service

General Government

Bank Charges	\$ 1,477	
Trustee's Commission	12,887	
Total General Government	<u> </u>	14,364

Total General Debt Service Fund 745,813

General Capital Projects Fund

Principal on Debt

General Government

Principal on Notes	\$ 85,950	
Total General Government	<u> </u>	\$ 85,950

(Continued)

Exhibit H-6

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

General Capital Projects Fund (Cont.)

Capital Projects

Social, Cultural, and Recreation Projects

Architects	\$ 52,270	
Evaluation and Testing	3,780	
Utilities	2,409	
Other Construction	<u>548,156</u>	
Total Social, Cultural, and Recreation Projects		<u>\$ 606,615</u>

Total General Capital Projects Fund \$ 692,565

Other Capital Projects Fund

Capital Projects

General Administration Projects

Other Supplies and Materials	\$ <u>14,606</u>	
Total General Administration Projects		\$ 14,606

Other General Government Projects

Other Supplies and Materials	\$ <u>250</u>	
Total Other General Government Projects		<u>250</u>

Total Other Capital Projects Fund 14,856

Total Governmental Funds - Primary Government \$ 7,479,000

Exhibit H-7

Meigs County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2008

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 209,526
Total Cash Receipts	<u>\$ 209,526</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 207,431
Trustee's Commission	2,095
Total Cash Disbursements	<u>\$ 209,526</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2007	<u>0</u>
 Cash Balance, June 30, 2008	 <u><u>\$ 0</u></u>

ANNUAL FINANCIAL REPORT
MEIGS COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF MEIGS COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2008

DEPARTMENT OF AUDIT
JUSTIN P. WILSON
Comptroller of the Treasury

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

JAMES R. ARNETTE
Director

CARL LOWE, CGFM
Audit Manager

MICHAEL FORD, CPA, CGFM
Auditor 4

KATHY CLEMENTS, CGFM
TIMOTHY SCOTTON, CGFM
JENI PALADENI
State Auditors

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

	Exhibit	Page(s)
Audit Highlights		111
<u>INTRODUCTORY SECTION</u>		113
Meigs County School Officials		115
<u>FINANCIAL SECTION</u>		117
Independent Auditor’s Report		119-120
Management’s Discussion and Analysis		121-126
BASIC FINANCIAL STATEMENTS:		127
Government-wide Financial Statements:		
Statement of Net Assets	A	129
Statement of Activities	B	130
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	131
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	132
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	133
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	134
Notes to the Financial Statements		135-150
REQUIRED SUPPLEMENTARY INFORMATION:		151
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	D-1	153-154
Schedule of Funding Progress – Other Postemployment Benefits Plan	D-2	155
Notes to the Required Supplementary Information		157
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		159
Nonmajor Governmental Funds:		161
Combining Balance Sheet	E-1	163

	Exhibit	Page(s)
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	E-2	164
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
School Federal Projects Fund	E-3	165
Central Cafeteria Fund	E-4	166
Miscellaneous Schedules:		167
Schedule of Salaries and Official Bonds of Principal Officials	F-1	169
Schedule of Detailed Revenues – All Governmental Fund Types	F-2	170-171
Schedule of Detailed Expenditures – All Governmental Fund Types	F-3	172-182

Audit Highlights

Annual Financial Report
Meigs County School Department
For the Year Ended June 30, 2008

Scope

We have audited the basic financial statements of the Meigs County School Department as of and for the year ended June 30, 2008.

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The office did not implement adequate control to protect its information resources.
- ◆ Duties were not segregated adequately in the Office of Director of Schools.

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INTRODUCTORY SECTION

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Meigs County School Officials
June 30, 2008

Official

Donald Roberts, Director of Schools

Board of Education

Chris Clark, Chairman
Jeff Boggess
Ross Irwin

Terri Lankford
Angela Melhorn

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FINANCIAL SECTION

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**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841**

INDEPENDENT AUDITOR'S REPORT

June 15, 2009

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

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Meigs County School Department, a component unit of Meigs County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise the Meigs County School Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Meigs County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Meigs County School Department as of June 30, 2008, 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.

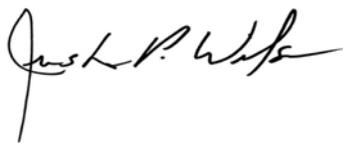
In accordance with Government Auditing Standards, we have also issued our report dated June 15, 2009, on our consideration of the Meigs County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 121 through 126 and the budgetary comparison information on pages 153 through 157 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

As described in Note V. B., the Meigs County School Department has adopted the provisions of Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Meigs County School Department's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, and miscellaneous schedules are presented for purposes of additional analysis and are not required parts 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,



Justin P. Wilson
Comptroller of the Treasury

JPW/yu

**Meigs County, Tennessee
Management's Discussion and Analysis
For the Year Ended June 30, 2008**

As management of the School Department of Meigs County, Tennessee, we offer readers of our financial statements this narrative overview and analysis of the financial activities of the Meigs County School Department for the year ended June 30, 2008. The intent of this discussion and analysis is to look at the School Department's financial performance as a whole. Readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the School Department's financial performance.

Financial Highlights

- The assets of the School Department exceeded its liabilities at the close of the most recent fiscal year by \$7.1 million (net assets). Of this amount, \$5.5 million is invested in capital assets. Unrestricted net assets were \$1.1 million on June 30, 2008.
- The government's total net assets decreased by \$175,817. This is mainly attributed to an increase in total fund balance (\$570,579) offset by the first-time recognition of Other Postemployment Benefits liability (\$638,350).
- As of the close of the current fiscal year, the School Department's governmental funds reported combined ending fund balances of \$2.08 million, an increase of \$570,579 in comparison with the prior year. Of this total amount, \$1.7 million is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Purpose School Fund was \$1.4 million, or 12 percent of total General Purpose School Fund expenditures.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

Required supplementary information. The General Purpose School Fund budget statement is presented in this section as Exhibit D-1. The Schedule of Funding Progress – Other Postemployment Benefits Plan statement is presented in this section as Exhibit D-2.

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the School Department, assets exceeded liabilities by \$7.1 million at the close of the most recent fiscal year.

By far the largest portion of the School Department's net assets (78.1%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment). The School Department uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

	Governmental Funds	
	2008	2007
Assets:		
Current and other assets	\$ 3,439,737	\$ 2,800,043
Capital assets	5,577,241	5,708,793
Total Assets	\$ 9,016,978	\$ 8,508,836
Liabilities:		
Current liabilities	\$ 3,759	\$ 54,911
Deferred revenue - property taxes	1,238,207	1,141,446
Noncurrent liabilities	638,350	0
Total Liabilities	\$ 1,880,316	\$ 1,196,357
Net Assets:		
Invested in capital assets	\$ 5,577,241	\$ 5,708,793
Restricted	378,826	303,517
Unrestricted	1,180,595	1,300,169
Total Net Assets	\$ 7,136,662	\$ 7,312,479

	Governmental Funds	
	2008	2007
Revenues:		
Program revenues:		
Charges for services	\$ 251,014	\$ 268,136
Operating grants and contributions	2,338,691	2,093,994
General revenues:		
Property taxes	1,184,588	1,222,105
Sales taxes	299,481	268,383
Other taxes	86,171	82,279
Grants and contributions not restricted to specific programs	10,172,350	9,377,004
Unrestricted investment income	46,919	47,124
Miscellaneous	35,937	0
Gain on disposal of capital assets	0	30,943
Total Revenues	\$ 14,415,151	\$ 13,389,968
Expenses:		
Instruction	\$ 9,138,484	\$ 8,038,837
Support services	3,860,581	3,767,819
Operation of non-instructional services	1,366,903	1,324,897
Other debt service	225,000	225,000
Total Expenses	\$ 14,590,968	\$ 13,356,553
Increase(decrease) in net assets	\$ (175,817)	\$ 33,415
Net assets, July 1	7,312,479	7,279,064
Net assets, June 30	\$ 7,136,662	\$ 7,312,479

Governmental activities. Governmental activities decreased the School Department's net assets by \$175,817. This is mainly attributed to an increase in total fund balance (\$570,579) offset by the first-time recognition of Other Postemployment Benefits liability (\$638,350).

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the School Department's governmental funds reported combined ending fund balances of \$2.08 million, an increase of \$570,579 in comparison with the prior year. Of this amount, \$1.7 million constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) to liquidate contracts and purchase orders of the prior period (\$311,933), and (2) for a variety of other restricted purposes that are listed on the governmental fund balance sheet (\$40,380).

The General Purpose School Fund is the chief operating fund of the School Department. At the end of the current fiscal year, unreserved fund balance of the General Purpose School Fund was \$1,450,981, while total fund balance was \$1,726,679. As a measure of the General Purpose School Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 12 percent of total General Purpose School Fund expenditures, while total fund balance represents 14 percent of that same amount.

The fund balance of the General Purpose School Fund increased by \$579,938 during the current fiscal year. The key factor in this increase was a well-monitored budget operation with revenues exceeding estimates by \$230,204 while expenditures were held under appropriations by \$619,794.

Capital Assets and Debt Administration

Capital assets. The School Department's investment in capital assets for its governmental activities as of June 30, 2008, amounts to \$5.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, and machinery and equipment.

Long-term debt. The School Department does not have any outstanding long-term debt at June 30, 2008. The Meigs County primary government issues most long-term financing for the School Department. However, the School Department, by resolution of the Board of Education, has pledged \$225,000 per year for the next five years of its non-classroom state

Basic Education Program funding to the Meigs County General Debt Service Fund to provide for the retirement of debt issued by the primary government for school purposes. The School Department had its first-time recognition of Other Postemployment Benefits liability on June 30, 2008, of \$638,350.

Next Year's Budgets and Rates

When preparing the budget for the 2008-2009 fiscal year, the property tax rate was left unchanged. Therefore, operations are anticipated to be similar to those of this year.

Request for Information

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

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

BASIC FINANCIAL STATEMENTS

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Exhibit A

Meigs County, Tennessee
Statement of Net Assets
Meigs County School Department
June 30, 2008

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 1,826,886
Accounts Receivable	65
Due from Other Governments	305,654
Property Taxes Receivable	1,350,788
Allowance for Uncollectible Property Taxes	(43,656)
Capital Assets:	
Assets Not Depreciated:	
Land	354,462
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	4,461,244
Other Capital Assets	<u>761,535</u>
Total Assets	<u>\$ 9,016,978</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 891
Accrued Payroll	2,868
Deferred Revenue - Current Year Property Taxes	1,238,207
Noncurrent Liabilities:	
Due in More Than One Year	<u>638,350</u>
Total Liabilities	<u>\$ 1,880,316</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	\$ 5,577,241
Restricted for:	
General Purposes	16,773
School Federal Projects	76,615
Central Cafeteria	192,084
Capital Projects	93,354
Unrestricted	<u>1,180,595</u>
Total Net Assets	<u>\$ 7,136,662</u>

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

Exhibit B

Meigs County, Tennessee
Statement of Activities
Meigs County School Department
For the Year Ended June 30, 2008

Functions/Programs	Program Revenues		Expenses	Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions		Total Governmental Activities	
Governmental Activities:					
Instruction	\$ 9,138,484	\$ 7,188	\$ 1,541,887	\$ (7,589,409)	
Support Services	3,860,581	5,640	164,293	(3,690,648)	
Operation of Non-Instructional Services	1,366,903	238,186	632,511	(496,206)	
Other Debt Service	225,000	0	0	(225,000)	
Total Governmental Activities	\$ 14,590,968	\$ 251,014	\$ 2,338,691	\$ (12,001,263)	
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				\$ 1,184,588	
Local Option Sales Taxes				299,481	
Wholesale Beer Tax				84,908	
Other Local Taxes				1,263	
Grants and Contributions Not Restricted to Specific Programs				10,172,350	
Unrestricted Investment Income				46,919	
Miscellaneous				35,937	
Total General Revenues				\$ 11,825,446	
Change in Net Assets				\$ (175,817)	
Net Assets, July 1, 2007				7,312,479	
Net Assets, June 30, 2008				\$ 7,136,662	

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

Exhibit C-1

Meigs County, Tennessee
Balance Sheet - Governmental Funds
Meigs County School Department
June 30, 2008

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,463,588	\$ 363,298	\$ 1,826,886
Accounts Receivable	65	0	65
Due from Other Governments	305,654	0	305,654
Property Taxes Receivable	1,350,788	0	1,350,788
Allowance for Uncollectible Property Taxes	(43,656)	0	(43,656)
Total Assets	<u>\$ 3,076,439</u>	<u>\$ 363,298</u>	<u>\$ 3,439,737</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 809	\$ 82	\$ 891
Accrued Payroll	1,705	1,163	2,868
Deferred Revenue - Current Property Taxes	1,238,207	0	1,238,207
Deferred Revenue - Delinquent Property Taxes	60,562	0	60,562
Other Deferred Revenues	48,477	0	48,477
Total Liabilities	<u>\$ 1,349,760</u>	<u>\$ 1,245</u>	<u>\$ 1,351,005</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 258,925	\$ 53,008	\$ 311,933
Reserved for Career Ladder - Extended Contract	11,841	0	11,841
Reserved for Career Ladder Program	4,932	0	4,932
Reserved for Title I Grants to Local Education Agencies	0	9,295	9,295
Reserved for Special Education - Grants to States	0	14,312	14,312
Unreserved, Reported In:			
General Fund	1,450,981	0	1,450,981
Special Revenue Funds	0	192,084	192,084
Capital Projects Funds	0	93,354	93,354
Total Fund Balances	<u>\$ 1,726,679</u>	<u>\$ 362,053</u>	<u>\$ 2,088,732</u>
Total Liabilities and Fund Balances	<u>\$ 3,076,439</u>	<u>\$ 363,298</u>	<u>\$ 3,439,737</u>

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

Exhibit C-2

Meigs County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Assets
Meigs County School Department
June 30, 2008

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)		\$ 2,088,732
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 354,462	
Add: buildings and improvements net of accumulated depreciation	4,461,244	
Add: other capital assets net of accumulated depreciation	<u>761,535</u>	5,577,241
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: other postemployment benefits		(638,350)
(3) Certain earned amounts are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>109,039</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 7,136,662</u>

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

Exhibit C-3

Meigs County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Meigs County School Department
For the Year Ended June 30, 2008

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 1,624,879	\$ 17,908	\$ 1,642,787
Licenses and Permits	978	0	978
Charges for Current Services	3,266	238,570	241,836
Other Local Revenues	95,602	5,850	101,452
State of Tennessee	10,320,637	10,018	10,330,655
Federal Government	232,396	1,802,903	2,035,299
Total Revenues	\$ 12,277,758	\$ 2,075,249	\$ 14,353,007
<u>Expenditures</u>			
Current:			
Instruction	\$ 7,297,649	\$ 882,071	\$ 8,179,720
Support Services	3,469,049	356,631	3,825,680
Operation of Non-Instructional Services	483,089	845,906	1,328,995
Capital Outlay	223,033	0	223,033
Debt Service:			
Other Debt Service	225,000	0	225,000
Total Expenditures	\$ 11,697,820	\$ 2,084,608	\$ 13,782,428
 Excess (Deficiency) of Revenues Over Expenditures	 \$ 579,938	 \$ (9,359)	 \$ 570,579
 Net Change in Fund Balances	 \$ 579,938	 \$ (9,359)	 \$ 570,579
Fund Balance, July 1, 2007	1,146,741	371,412	1,518,153
 Fund Balance, June 30, 2008	 \$ 1,726,679	 \$ 362,053	 \$ 2,088,732

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

Exhibit C-4

Meigs County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Meigs County School Department
For the Year Ended June 30, 2008

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)		\$ 570,579
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 197,233	
Less: current year depreciation expense	<u>(328,785)</u>	(131,552)
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2008	\$ 109,039	
Less: deferred delinquent property taxes and other deferred June 30, 2007	<u>(85,533)</u>	23,506
<p>(3) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Change in other postemployment benefits		<u>(638,350)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (175,817)</u>

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

**MEIGS COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF MEIGS COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2008**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The following are the more significant accounting policies of the School Department.

A. Reporting Entity

The School Department operates the public school system in the county, and the voters of Meigs County elect its five-member board. The School Department is a component unit of Meigs County, the primary government. The School Department is fiscally dependent on 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.

B. Government-wide and Fund Financial Statements

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

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

Separate financial statements are required to be provided for governmental funds, proprietary funds, and fiduciary funds. However, the School Department does not have any proprietary or fiduciary funds to report. The major individual governmental fund is reported as a separate column in the fund financial statements.

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

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

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

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

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

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. State-shared

excise taxes are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the School Department receives cash.

The School Department reports the following major governmental fund:

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

Additionally, the School Department reports the following fund types:

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all funds of the Meigs County primary government and

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

2. Receivables and Payables

All property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.8 percent of total taxes levied.

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

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of

year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

3. Capital Assets

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

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

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

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

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

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

4. Compensated Absences

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

Department does not have a policy to pay any amounts when employees separate from service with the School Department.

5. Net Assets and Fund Equity

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

- a. Invested in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

As of June 30, 2008, Meigs County had \$1,870,000 in outstanding debt for capital purposes for the Meigs County School Department. This debt is a liability of Meigs County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, the School Department received assets significantly increasing its unrestricted net assets with no corresponding increase in the School Department's liabilities.

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

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

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Purpose School Fund major categories: Regular Instruction Program, Special Education Program, Vocational Education Program, Adult Education Program, etc.). Management may make revisions within major categories, but only the Meigs County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net assets represents nonpooled amounts held separately by individual funds.

Deposits

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

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase. The county had no pooled and nonpooled investments as of June 30, 2008.

B. Capital Assets

Capital assets activity for the year ended June 30, 2008, was as follows:

	<u>7-1-07</u>	<u>Increases</u>	<u>Decreases</u>	<u>6-30-08</u>
Capital Assets Not Depreciated				
Land	\$ 354,462	\$ 0	\$ 0	\$ 354,462
Total Capital Assets Not Depreciated	<u>\$ 354,462</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 354,462</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 8,617,802	\$ 56,808	\$ 0	\$ 8,674,610
Other Capital Assets	1,834,645	140,425	(168,755)	1,806,315
Total Capital Assets Depreciated	<u>\$ 10,452,447</u>	<u>\$ 197,233</u>	<u>\$ (168,755)</u>	<u>\$ 10,480,925</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 4,037,089	\$ 176,277	\$ 0	\$ 4,213,366
Other Capital Assets	1,061,027	152,508	(168,755)	1,044,780
Total Accumulated Depreciation	<u>\$ 5,098,116</u>	<u>\$ 328,785</u>	<u>\$ (168,755)</u>	<u>\$ 5,258,146</u>
Total Capital Assets Depreciated, Net	<u>\$ 5,354,331</u>	<u>\$ (131,552)</u>	<u>\$ 0</u>	<u>\$ 5,222,779</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,708,793</u>	<u>\$ (131,552)</u>	<u>\$ 0</u>	<u>\$ 5,577,241</u>

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

Governmental Activities:

Instruction	\$ 138,146
Support Services	182,649
Operation of Non-Instruction Services	<u>7,990</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 328,785</u>

C. Commitments

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

D. Long-term Liability

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

Governmental Activities:	<u>Other Post- employment Benefits</u>
Balance, July 1, 2007	\$ 0
Additions	693,000
Deductions	<u>(54,650)</u>
Balance, June 30, 2008	<u>\$ 638,350</u>
Balance Due Within One Year	<u>\$ 0</u>

E. On-Behalf Payments

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Meigs County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2008, were \$40,812 and \$5,150, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

The School Department participates in the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental

insurance coverage. The School Department pays an annual premium to the TN-RMT for its workers compensation, general liability, property, and casualty insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

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

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures became effective for the year ended June 30, 2008.

GASB Statement No. 45 establishes reporting requirements for Other Postemployment Benefits (OPEB). OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. This statement establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the School Department's financial statements. In previous years, the School Department had only recognized the current year cost (expense) of these benefits. GASB Statement No. 45 was implemented prospectively with a zero net OPEB obligation at transition.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions are sales or collateralized borrowings and provides guidance on how to account for sales or pledges of receivables or future revenues. This statement provides additional guidance for sales of receivables and future revenues within the same reporting entity. This statement also requires governments to disclose in the notes to the financial statements the nature of any receivables or future revenues that have been pledged or sold. Tennessee state statutes do not currently allow counties to sell or pledge receivables or sell future revenue streams. Therefore, those provisions of GASB Statement No. 48 that pertain to the sale or pledge receivables or sale of future revenue will not apply to the School Department. GASB Statement No. 48 had no effect on the financial statements of the School Department for the year ended June 30, 2008, since the School Department has not pledged any of its future revenues. However, it is reasonably expected that the School Department

may pledge a future revenue stream toward the payment of debt in subsequent years.

GASB Statement No. 50 amends previous guidance concerning pension information. This statement closely aligns the financial reporting requirements for pensions with those for other postemployment benefits and enhances the information disclosed in the notes to the financial statements or presented as required supplementary information for pension plans. This statement requires the School Department to provide additional and more detailed pension plan note disclosures than in previous years.

C. Contingent Liabilities

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

D. Retirement Commitments

Employees

Plan Description

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

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

improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

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

School Teachers

Plan Description

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Meigs County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2008, was 6.24 percent of annual covered payroll. The employer contribution requirement for the Meigs County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2008, 2007, and 2006, were \$420,952, \$395,319, and \$333,745, respectively, equal to the required contributions for each year.

E. Other Postemployment Benefits (OPEB)

Plan Description

The discretely presented Meigs County School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, this plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, Tennessee Code Annotated for teachers. Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tn.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year ended June 30, 2008, the Meigs County School Department contributed \$54,650 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<hr/>
ARC	\$ 693,000
Interest on the NPO	0
Adjustment to the ARC	0
Annual OPEB cost	<hr/> \$ 693,000
Amount of contribution	(54,650)
Increase/decrease in NPO	<hr/> \$ 638,350
Net OPEB obligation, 7-1-07	<hr/> 0
Net OPEB obligation, 6-30-08	<hr/> <hr/> \$ 638,350

Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-08	Local Education Group	\$ 693,000	7.89 %	\$ 638,350

* Data not available for two preceding years.

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2008, was as follows:

	Local Education Group Plan
	<hr/>
Actuarial valuation date	6-30-07
Actuarial accrued liability (AAL)	\$ 5,433,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 5,433,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 5,143,793
UAAL as a % of covered payroll	105.6%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual

results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the June 30, 2007, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of six percent after ten years. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

F. Purchasing Law

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

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Exhibit D-1

Meigs County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 Meigs County School Department
 General Purpose School Fund
 For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	\$ 1,624,879	\$ 0	\$ 0	\$ 1,624,879	\$ 1,535,500	\$ 1,535,500	\$ 89,379
Licenses and Permits	978	0	0	978	0	0	978
Charges for Current Services	3,266	0	0	3,266	2,000	2,000	1,266
Other Local Revenues	95,602	0	0	95,602	70,000	80,191	15,411
State of Tennessee	10,320,637	0	0	10,320,637	10,056,440	10,195,641	124,996
Federal Government	232,396	0	0	232,396	219,675	234,222	(1,826)
Total Revenues	\$ 12,277,758	\$ 0	\$ 0	\$ 12,277,758	\$ 11,883,615	\$ 12,047,554	\$ 230,204
Expenditures							
Instruction							
Regular Instruction Program	\$ 6,206,336	\$ (34,758)	\$ 56,766	\$ 6,228,344	\$ 6,482,480	\$ 6,524,050	\$ 295,706
Alternative Instruction Program	54,376	0	0	54,376	54,670	54,670	294
Special Education Program	732,556	0	0	732,556	739,600	739,600	7,044
Vocational Education Program	250,848	0	0	250,848	252,105	252,105	1,257
Adult Education Program	53,533	(1,613)	5,063	56,983	50,165	58,817	1,834
Support Services							
Attendance	43,769	0	0	43,769	46,745	46,745	2,976
Health Services	89,722	(2,042)	495	88,175	89,900	89,900	1,725
Other Student Support	344,843	(2,082)	2,353	345,114	339,175	345,575	461
Regular Instruction Program	245,093	0	0	245,093	265,410	265,410	20,317
Special Education Program	95,893	0	0	95,893	98,540	98,540	2,647
Vocational Education Program	47,001	0	0	47,001	48,345	48,345	1,344
Adult Programs	88,050	0	0	88,050	88,555	94,450	6,400
Other Programs	45,962	0	0	45,962	0	45,962	0

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Board of Education	\$ 154,099	\$ (5,250)	\$ 6,987	\$ 155,836	\$ 160,490	\$ 160,490	\$ 4,654
Director of Schools	140,603	0	109	140,712	142,250	142,250	1,538
Office of the Principal	417,567	0	0	417,567	424,655	424,655	7,088
Fiscal Services	45,325	0	0	45,325	45,760	45,760	435
Operation of Plant	709,623	(575)	0	709,048	712,845	722,845	13,797
Maintenance of Plant	135,572	0	954	136,526	138,350	138,350	1,824
Transportation	748,871	(435)	3,661	752,097	737,210	758,460	6,363
Central and Other	117,056	(1,086)	4,820	120,790	120,000	120,999	209
<u>Operation of Non-Instructional Services</u>							
Community Services	110,145	0	6,387	116,532	85,000	116,839	307
Early Childhood Education	372,944	(1,942)	26,794	397,796	391,900	397,800	4
<u>Capital Outlay</u>							
Regular Capital Outlay	223,033	(62,574)	144,536	304,995	519,465	546,565	241,570
Principal on Debt	0	0	0	0	225,000	0	0
Education							
Other Debt Service							
Education	225,000	0	0	225,000	0	225,000	0
Total Expenditures	\$ 11,697,820	\$ (112,357)	\$ 258,925	\$ 11,844,388	\$ 12,258,615	\$ 12,464,182	\$ 619,794
Excess (Deficiency) of Revenues Over Expenditures	\$ 579,938	\$ 112,357	\$ (258,925)	\$ 433,370	\$ (375,000)	\$ (416,628)	\$ 849,998
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ 579,938	\$ 112,357	\$ (258,925)	\$ 433,370	\$ (375,000)	\$ (416,628)	\$ 849,998
	1,146,741	(112,357)	0	1,034,384	1,024,096	982,467	51,917
Fund Balance, June 30, 2008	\$ 1,726,679	\$ 0	\$ (258,925)	\$ 1,467,754	\$ 649,096	\$ 565,839	\$ 901,915

Exhibit D-2

Meigs County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Meigs County School Department
June 30, 2008

(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)
6-30-07	\$ 0	\$ 5,433	\$ 5,433	0%	\$ 5,144	105.62 %

*Data not available for two preceding years.

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**MEIGS COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF MEIGS COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2008**

BUDGETARY INFORMATION

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

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Purpose School Fund major categories: Regular Instruction Program, Special Education Program, Vocational Education Program, Adult Education Program, etc.). Management may make revisions within major categories, but only the Meigs County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

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

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Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

Capital Projects Fund

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

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

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Exhibit E-1

Meigs County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Meigs County School Department
June 30, 2008

	Special Revenue Funds			Total	Capital Projects Fund		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria			Education Capital Projects		
\$	77,860	\$ 192,084	\$	269,944	\$	93,354	\$ 363,298
\$	77,860	\$ 192,084	\$	269,944	\$	93,354	\$ 363,298

ASSETS

Equity in Pooled Cash and Investments

Total Assets

LIABILITIES AND FUND BALANCES

Liabilities

Accounts Payable

Accrued Payroll

Total Liabilities

Fund Balances

Reserved for Encumbrances

Reserved for Title I Grants to Local Education Agencies

Reserved for Special Education - Grants to States

Unreserved

Total Fund Balances

Total Liabilities and Fund Balances

\$	82	\$	0	\$	82	\$	0	\$	82
\$	1,163	\$	0	\$	1,163	\$	0	\$	1,163
\$	1,245	\$	0	\$	1,245	\$	0	\$	1,245
\$	53,008	\$	0	\$	53,008	\$	0	\$	53,008
\$	9,295	\$	0	\$	9,295	\$	0	\$	9,295
\$	14,312	\$	0	\$	14,312	\$	0	\$	14,312
\$	0	\$	192,084	\$	192,084	\$	93,354	\$	285,438
\$	76,615	\$	192,084	\$	268,699	\$	93,354	\$	362,053
\$	77,860	\$	192,084	\$	269,944	\$	93,354	\$	363,298

Exhibit E-2

Meigs County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Meigs County School Department
For the Year Ended June 30, 2008

	Special Revenue Funds				Capital Projects Fund		Total Nonmajor Governmental Funds
	School Federal Projects		Central Cafeteria	Total	Education Capital Projects		
<u>Revenues</u>							
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,908	\$ 17,908	\$ 17,908
Charges for Current Services	0	238,570	238,570	238,570	0	238,570	238,570
Other Local Revenues	0	5,850	5,850	5,850	0	5,850	5,850
State of Tennessee	0	10,018	10,018	10,018	0	10,018	10,018
Federal Government	1,226,466	576,437	1,802,903	1,802,903	0	1,802,903	1,802,903
Total Revenues	\$ 1,226,466	\$ 830,875	\$ 2,057,341	\$ 2,057,341	\$ 17,908	\$ 2,075,249	\$ 2,075,249
<u>Expenditures</u>							
Current:							
Instruction	\$ 881,892	\$ 0	\$ 881,892	\$ 881,892	\$ 179	\$ 882,071	\$ 882,071
Support Services	356,631	0	356,631	356,631	0	356,631	356,631
Operation of Non-Instructional Services	0	845,906	845,906	845,906	0	845,906	845,906
Total Expenditures	\$ 1,238,523	\$ 845,906	\$ 2,084,429	\$ 2,084,429	\$ 179	\$ 2,084,608	\$ 2,084,608
Excess (Deficiency) of Revenues Over Expenditures	\$ (12,057)	\$ (15,031)	\$ (27,088)	\$ (27,088)	\$ 17,729	\$ (9,359)	\$ (9,359)
Net Change in Fund Balances	\$ (12,057)	\$ (15,031)	\$ (27,088)	\$ (27,088)	\$ 17,729	\$ (9,359)	\$ (9,359)
Fund Balance, July 1, 2007	88,672	207,115	295,787	295,787	75,625	371,412	371,412
Fund Balance, June 30, 2008	\$ 76,615	\$ 192,084	\$ 268,699	\$ 268,699	\$ 93,354	\$ 362,053	\$ 362,053

Exhibit E-3

Meigs County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Meigs County School Department
School Federal Projects Fund
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 1,226,466 \$	0 \$	0 \$	1,226,466 \$	1,328,811 \$	1,331,179 \$	(104,713)
Total Revenues	\$ 1,226,466 \$	0 \$	0 \$	1,226,466 \$	1,328,811 \$	1,331,179 \$	(104,713)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 524,858 \$	(20,456) \$	12,807 \$	517,209 \$	568,785 \$	565,261 \$	48,052
Special Education Program	338,593	(13,046)	15,689	341,236	334,037	382,526	41,290
Vocational Education Program	18,441	(4,164)	15,623	29,900	28,960	29,900	0
<u>Support Services</u>							
Health Services	27,252	(5,060)	0	22,192	22,128	22,350	158
Other Student Support	53,609	0	6,330	59,939	18,100	68,303	8,364
Regular Instruction Program	102,239	(29,416)	0	72,823	127,637	82,769	9,946
Special Education Program	114,044	(3,814)	2,559	112,789	182,462	134,124	21,335
Vocational Education Program	1,800	0	0	1,800	1,800	1,800	0
Transportation	57,687	0	0	57,687	68,923	57,695	8
Total Expenditures	\$ 1,238,523 \$	(75,956) \$	53,008 \$	1,215,575 \$	1,352,832 \$	1,344,728 \$	129,153
Excess (Deficiency) of Revenues Over Expenditures	\$ (12,057) \$	75,956 \$	(53,008) \$	10,891 \$	(24,021) \$	(13,549) \$	24,440
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ (12,057) \$	75,956 \$	(53,008) \$	10,891 \$	(24,021) \$	(13,549) \$	24,440
	88,672	(75,956)	0	12,716	24,021	13,549	(833)
Fund Balance, June 30, 2008	\$ 76,615 \$	0 \$	(53,008) \$	23,607 \$	0 \$	0 \$	23,607

Exhibit E-4

Meigs County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Meigs County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 238,570	0	238,570	257,500	257,500	\$ (18,930)
Other Local Revenues	5,850	0	5,850	2,500	2,500	3,350
State of Tennessee	10,018	0	10,018	10,000	10,000	18
Federal Government	576,437	0	576,437	560,000	560,000	16,437
Total Revenues	\$ 830,875	0	830,875	830,000	830,000	\$ 875
<u>Expenditures</u>						
<u>Operation of Non-Instructional Services</u>						
Food Service	\$ 845,906	(6,961)	838,945	830,000	850,000	\$ 11,055
Total Expenditures	\$ 845,906	(6,961)	838,945	830,000	850,000	\$ 11,055
Excess (Deficiency) of Revenues Over Expenditures	\$ (15,031)	6,961	(8,070)	0	(20,000)	\$ 11,930
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ (15,031)	6,961	(8,070)	0	(20,000)	\$ 11,930
	207,115	(6,961)	200,154	200,141	200,141	13
Fund Balance, June 30, 2008	\$ 192,084	0	192,084	200,141	180,141	\$ 11,943

MISCELLANEOUS SCHEDULES

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Exhibit F-1

Meigs County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Meigs County School Department
For the Year Ended June 30, 2008

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and County Board of Education	\$ 84,865 (1)	\$100,000	Western Surety Company
Blanket Bond: All School Employees			150,000	Tennessee Risk Management Trust

(1) Includes chief executive officer supplement of \$1,000. Does not include a travel allowance of \$5,400.

Exhibit F-2

Meigs County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Meigs County School Department
For the Year Ended June 30, 2008

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 1,090,371	\$ 0	\$ 0	\$ 0	\$ 1,090,371
Trustee's Collections - Prior Year	60,963	0	0	0	60,963
Circuit/Clerk & Master Collections - Prior Years	18,882	0	0	0	18,882
Interest and Penalty	11,354	0	0	0	11,354
Pick-up Taxes	18	0	0	0	18
Payments in-Lieu-of Taxes - Local Utilities	78,097	0	0	0	78,097
<u>County Local Option Taxes</u>					
Local Option Sales Tax	296,777	0	0	0	296,777
<u>Statutory Local Taxes</u>					
Wholesale Beer Tax	67,000	0	0	17,908	84,908
Interstate Telecommunications Tax	1,417	0	0	0	1,417
Total Local Taxes	\$ 1,624,879	\$ 0	\$ 0	\$ 17,908	\$ 1,642,787
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 978	\$ 0	\$ 0	\$ 0	\$ 978
Total Licenses and Permits	\$ 978	\$ 0	\$ 0	\$ 0	\$ 978
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Regular Day Students	\$ 2,510	\$ 0	\$ 0	\$ 0	\$ 2,510
Receipts from Individual Schools	0	0	229,121	0	229,121
TBI Criminal Background Fees	756	0	384	0	1,140
<u>Other Charges for Services</u>					
Other Charges for Services	0	0	9,065	0	9,065
Total Charges for Current Services	\$ 3,266	\$ 0	\$ 238,570	\$ 0	\$ 241,836
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 45,000	\$ 0	\$ 1,919	\$ 0	\$ 46,919
Lease/Rentals	4,500	0	0	0	4,500
Miscellaneous Refunds	32,093	0	440	0	32,533
<u>Nonrecurring Items</u>					
Sale of Equipment	8,822	0	2,000	0	10,822
Contributions and Gifts	2,000	0	0	0	2,000
<u>Other Local Revenues</u>					
Other Local Revenues	3,187	0	1,491	0	4,678
Total Other Local Revenues	\$ 95,602	\$ 0	\$ 5,850	\$ 0	\$ 101,452
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-Behalf Contributions for OPEB	\$ 45,962	\$ 0	\$ 0	\$ 0	\$ 45,962
<u>State Education Funds</u>					
Basic Education Program	9,185,000	0	0	0	9,185,000
School Food Service	0	0	10,018	0	10,018
Driver Education	7,345	0	0	0	7,345
Other State Education Funds	119,394	0	0	0	119,394
Career Ladder Program	89,512	0	0	0	89,512

(Continued)

Exhibit F-2

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>State of Tennessee (Cont.)</u>					
<u>State Education Funds (Cont.)</u>					
Career Ladder - Extended Contract	\$ 77,897	\$ 0	\$ 0	\$ 0	\$ 77,897
<u>Other State Revenues</u>					
Income Tax	10,331	0	0	0	10,331
State Revenue Sharing - T.V.A.	329,200	0	0	0	329,200
Other State Grants	440,678	0	0	0	440,678
Other State Revenues	15,318	0	0	0	15,318
Total State of Tennessee	\$ 10,320,637	\$ 0	\$ 10,018	\$ 0	\$ 10,330,655
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 428,157	\$ 0	\$ 428,157
Breakfast	0	0	148,280	0	148,280
Adult Education State Grant Program	112,400	0	0	0	112,400
Vocational Education - Basic Grants to States	0	42,228	0	0	42,228
Title I Grants to Local Education Agencies	0	456,544	0	0	456,544
Innovative Education Program Strategies	0	3,074	0	0	3,074
Special Education - Grants to States	0	527,897	0	0	527,897
Special Education Preschool Grants	0	15,786	0	0	15,786
Safe and Drug-Free Schools - State Grants	0	9,451	0	0	9,451
Rural Education	0	54,113	0	0	54,113
Eisenhower Professional Development State Grants	0	117,373	0	0	117,373
Other Federal through State	119,996	0	0	0	119,996
Total Federal Government	\$ 232,396	\$ 1,226,466	\$ 576,437	\$ 0	\$ 2,035,299
Total	\$ 12,277,758	\$ 1,226,466	\$ 830,875	\$ 17,908	\$ 14,353,007

Exhibit F-3

Meigs County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Meigs County School Department
For the Year Ended June 30, 2008

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 4,167,039	
Career Ladder Program	47,000	
Career Ladder Extended Contracts	53,966	
Clerical Personnel	30,400	
Educational Assistants	133,481	
Other Salaries and Wages	44,227	
Certified Substitute Teachers	8,145	
Non-certified Substitute Teachers	46,772	
Social Security	264,365	
State Retirement	262,459	
Life Insurance	8,514	
Medical Insurance	626,575	
Unemployment Compensation	48	
Employer Medicare	62,500	
Other Fringe Benefits	33,505	
Tuition	3,380	
Instructional Supplies and Materials	199,829	
Textbooks	99,680	
Other Supplies and Materials	5,766	
Fee Waivers	9,090	
Regular Instruction Equipment	99,595	
Total Regular Instruction Program		\$ 6,206,336

Alternative Instruction Program

Teachers	\$ 46,995	
Career Ladder Program	1,000	
Social Security	2,744	
State Retirement	2,995	
Employer Medicare	642	
Total Alternative Instruction Program		54,376

Special Education Program

Teachers	\$ 567,332
Career Ladder Program	8,000
Career Ladder Extended Contracts	2,500
Homebound Teachers	1,936
Educational Assistants	61,553
Non-certified Substitute Teachers	3,420
Social Security	38,712

(Continued)

Exhibit F-3

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

State Retirement	\$ 36,199	
Employer Medicare	9,054	
Instructional Supplies and Materials	3,850	
Total Special Education Program		\$ 732,556

Vocational Education Program

Teachers	\$ 217,385	
Career Ladder Program	1,000	
Non-certified Substitute Teachers	1,755	
Social Security	12,425	
State Retirement	13,627	
Employer Medicare	2,906	
Instructional Supplies and Materials	1,750	
Total Vocational Education Program		250,848

Adult Education Program

Teachers	\$ 36,964	
Clerical Personnel	5,991	
Social Security	1,178	
Employer Medicare	625	
Instructional Supplies and Materials	7,913	
Other Charges	862	
Total Adult Education Program		53,533

Support Services

Attendance

Supervisor/Director	\$ 21,359	
Career Ladder Program	2,000	
Other Salaries and Wages	15,425	
Social Security	2,287	
State Retirement	1,473	
Employer Medicare	535	
Travel	391	
Other Supplies and Materials	299	
Total Attendance		43,769

Health Services

Medical Personnel	\$ 74,383	
Social Security	4,612	

(Continued)

Exhibit F-3

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services (Cont.)

State Retirement	\$	2,231	
Employer Medicare		1,079	
Other Fringe Benefits		1,350	
Other Contracted Services		3,103	
Drugs and Medical Supplies		2,964	
Total Health Services			\$ 89,722

Other Student Support

Career Ladder Program	\$	2,000	
Guidance Personnel		248,126	
School Resource Officer		24,796	
Social Security		15,411	
State Retirement		15,608	
Employer Medicare		3,604	
Evaluation and Testing		3,903	
Other Supplies and Materials		2,657	
Other Charges		28,738	
Total Other Student Support			344,843

Regular Instruction Program

Supervisor/Director	\$	104,950	
Career Ladder Program		5,000	
Career Ladder Extended Contracts		2,000	
Librarians		87,376	
In-Service Training		1,149	
Social Security		11,932	
State Retirement		12,438	
Employer Medicare		2,791	
Travel		11,918	
In Service/Staff Development		5,539	
Total Regular Instruction Program			245,093

Special Education Program

Supervisor/Director	\$	28,466	
Career Ladder Program		2,000	
Career Ladder Extended Contracts		4,000	
Assessment Personnel		48,710	
Social Security		4,901	
State Retirement		5,174	

(Continued)

Exhibit F-3

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Employer Medicare	\$ 1,145	
Travel	1,497	
Total Special Education Program		\$ 95,893

Vocational Education Program

Clerical Personnel	\$ 5,524	
Other Salaries and Wages	9,907	
Social Security	306	
Employer Medicare	72	
Travel	192	
Other Charges	31,000	
Total Vocational Education Program		47,001

Adult Programs

Supervisor/Director	\$ 69,435	
Career Ladder Program	3,000	
Career Ladder Extended Contracts	4,000	
Other Salaries and Wages	800	
Social Security	4,658	
State Retirement	4,770	
Employer Medicare	1,089	
Travel	298	
Total Adult Programs		88,050

Other Programs

On-Behalf Payments to OPEB	\$ 45,962	
Total Other Programs		45,962

Board of Education

Board and Committee Members Fees	\$ 8,040	
Social Security	498	
Employer Medicare	117	
Audit Services	5,250	
Dues and Memberships	8,747	
Legal Services	519	
Travel	4,498	
Other Contracted Services	5,925	
Liability Insurance	16,000	
Trustee's Commission	44,569	

(Continued)

Exhibit F-3

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Workers' Compensation Insurance	\$	53,999	
Criminal Investigation of Applicants - TBI		1,356	
Refund to Applicant for Criminal Investigation		650	
Other Charges		3,931	
Total Board of Education			\$ 154,099

Director of Schools

County Official/Administrative Officer	\$	89,265	
Career Ladder Program		1,000	
Secretary(ies)		26,867	
Social Security		7,175	
State Retirement		5,632	
Employer Medicare		1,678	
Communication		3,939	
Postal Charges		2,156	
Office Supplies		2,891	
Total Director of Schools			140,603

Office of the Principal

Principals	\$	267,700	
Career Ladder Program		7,000	
Secretary(ies)		90,133	
Social Security		21,842	
State Retirement		17,141	
Employer Medicare		5,108	
Communication		3,840	
Travel		4,803	
Total Office of the Principal			417,567

Fiscal Services

Accountants/Bookkeepers	\$	31,277	
Secretary(ies)		11,200	
Social Security		2,308	
Employer Medicare		540	
Total Fiscal Services			45,325

Operation of Plant

Supervisor/Director	\$	30,475	
Custodial Personnel		244,958	

(Continued)

Exhibit F-3

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Other Salaries and Wages	\$	2,505	
Social Security		16,433	
Employer Medicare		3,843	
Disposal Fees		5,101	
Other Contracted Services		2,646	
Electricity		309,122	
Natural Gas		13,471	
Water and Sewer		14,435	
Other Supplies and Materials		48,299	
Building and Contents Insurance		18,335	
Total Operation of Plant			\$ 709,623

Maintenance of Plant

Maintenance Personnel	\$	54,450	
Other Salaries and Wages		459	
Social Security		3,176	
Employer Medicare		743	
Communication		11,947	
Maintenance and Repair Services - Buildings		41,874	
Other Contracted Services		21,283	
Other Charges		1,640	
Total Maintenance of Plant			135,572

Transportation

Supervisor/Director	\$	30,475	
Mechanic(s)		27,225	
Bus Drivers		313,655	
Other Salaries and Wages		10,655	
Social Security		23,603	
Employer Medicare		5,520	
Communication		679	
Maintenance and Repair Services - Vehicles		77,775	
Medical and Dental Services		2,571	
Travel		474	
Gasoline		143,086	
Tires and Tubes		17,130	
Vehicle and Equipment Insurance		10,000	
In Service/Staff Development		595	
Transportation Equipment		85,428	
Total Transportation			748,871

(Continued)

Exhibit F-3

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Central and Other

Supervisor/Director	\$	47,426	
Other Salaries and Wages		5,468	
Social Security		2,801	
State Retirement		2,959	
Medical Insurance		9,499	
Employer Medicare		708	
Data Processing Services		185	
Travel		11,510	
Other Contracted Services		4,505	
Office Supplies		1,000	
Other Supplies and Materials		22,826	
In Service/Staff Development		3,305	
Other Charges		4,082	
Administration Equipment		782	
Total Central and Other			\$ 117,056

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	47,156	
Other Salaries and Wages		270	
Social Security		2,937	
State Retirement		2,704	
Medical Insurance		8,988	
Employer Medicare		631	
Travel		2,796	
Other Contracted Services		100	
Other Supplies and Materials		44,148	
Other Charges		415	
Total Community Services			110,145

Early Childhood Education

Supervisor/Director	\$	20,000
Teachers		160,940
Educational Assistants		91,573
Non-certified Substitute Teachers		995
Social Security		16,230
State Retirement		11,291
Medical Insurance		23,093
Employer Medicare		3,836

(Continued)

Exhibit F-3

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

Travel	\$ 1,320	
Instructional Supplies and Materials	31,006	
Other Supplies and Materials	417	
In Service/Staff Development	5,294	
Other Charges	4,184	
Other Equipment	<u>2,765</u>	
Total Early Childhood Education		\$ 372,944

Capital Outlay

Regular Capital Outlay

Architects	\$ 4,500	
Building Improvements	110,143	
Other Capital Outlay	<u>108,390</u>	
Total Regular Capital Outlay		223,033

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 225,000	
Total Education		<u>225,000</u>

Total General Purpose School Fund \$ 11,697,820

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 314,920	
Educational Assistants	89,425	
Other Salaries and Wages	3,100	
Social Security	24,012	
State Retirement	19,552	
Medical Insurance	36,583	
Employer Medicare	5,581	
Other Supplies and Materials	16,272	
Other Charges	<u>15,413</u>	
Total Regular Instruction Program		\$ 524,858

Special Education Program

Homebound Teachers	\$ 5,386	
Educational Assistants	168,550	

(Continued)

Exhibit F-3

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Non-certified Substitute Teachers	\$	1,418	
Social Security		9,998	
State Retirement		336	
Medical Insurance		10,690	
Employer Medicare		2,334	
Contracts with Private Agencies		22,950	
Maintenance and Repair Services - Equipment		6,079	
Other Contracted Services		61,040	
Instructional Supplies and Materials		25,371	
Textbooks		2,822	
Other Supplies and Materials		21,619	
Total Special Education Program			\$ 338,593

Vocational Education Program

Instructional Supplies and Materials	\$	4,446	
Vocational Instruction Equipment		13,995	
Total Vocational Education Program			18,441

Support Services

Health Services

Medical Personnel	\$	19,360	
Social Security		1,200	
Employer Medicare		281	
Travel		448	
Drugs and Medical Supplies		1,903	
Other Charges		4,060	
Total Health Services			27,252

Other Student Support

Other Salaries and Wages	\$	11,339	
Social Security		8	
Employer Medicare		2	
Travel		9,049	
Other Supplies and Materials		13	
In Service/Staff Development		19,762	
Other Charges		13,436	
Total Other Student Support			53,609

(Continued)

Exhibit F-3

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program

Supervisor/Director	\$ 42,145	
Secretary(ies)	12,821	
Other Salaries and Wages	90	
Social Security	3,400	
State Retirement	2,630	
Employer Medicare	795	
Travel	2,000	
In Service/Staff Development	17,865	
Other Charges	20,493	
Total Regular Instruction Program		\$ 102,239

Special Education Program

Supervisor/Director	\$ 21,355	
Assessment Personnel	1,679	
Secretary(ies)	14,421	
Social Security	2,444	
State Retirement	1,401	
Employer Medicare	572	
Maintenance and Repair Services - Equipment	3,383	
Travel	4,000	
Other Contracted Services	36,030	
Other Supplies and Materials	25,577	
In Service/Staff Development	3,182	
Total Special Education Program		114,044

Vocational Education Program

Travel	\$ 1,800	
Total Vocational Education Program		1,800

Transportation

Bus Drivers	\$ 11,785	
Social Security	731	
Employer Medicare	171	
Transportation Equipment	45,000	
Total Transportation		57,687

Total School Federal Projects Fund \$ 1,238,523

(Continued)

Exhibit F-3

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

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	20,800	
Clerical Personnel		21,784	
Cafeteria Personnel		293,612	
Other Salaries and Wages		11,069	
Social Security		21,136	
Life Insurance		972	
Medical Insurance		12,460	
Unemployment Compensation		9	
Employer Medicare		4,943	
Other Fringe Benefits		8,000	
Maintenance and Repair Services - Equipment		1,564	
Transportation - Other than Students		3,328	
Travel		1,117	
Other Contracted Services		6,272	
Food Supplies		350,192	
Office Supplies		60	
Utilities		33,494	
Other Supplies and Materials		20,064	
In Service/Staff Development		135	
Other Charges		2,023	
Food Service Equipment		32,872	
Total Food Service			<u>\$ 845,906</u>

Total Central Cafeteria Fund \$ 845,906

Education Capital Projects Fund

Instruction

Other

Trustee's Commission	\$	179	
Total Other			<u>\$ 179</u>

Total Education Capital Projects Fund 179

Total Governmental Funds - Meigs County School Department \$ 13,782,428

SINGLE AUDIT REPORT
MEIGS COUNTY, TENNESSEE
AND
MEIGS COUNTY SCHOOL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2008

DEPARTMENT OF AUDIT
JUSTIN P. WILSON
Comptroller of the Treasury

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

JAMES R. ARNETTE
Director

CARL LOWE, CGFM
Audit Manager

MICHAEL FORD, CPA, CGFM
Auditor 4

KATHY CLEMENTS, CGFM
TIMOTHY SCOTTON, CGFM
JENI PALADENI
State Auditors

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

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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>	187-189
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>	191-193
Schedule of Expenditures of Federal Awards and State Grants	195-196
Schedule of Audit Findings Not Corrected	197-198
Schedule of Findings and Questioned Costs	199-211
Auditee Reporting Responsibilities	213

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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

June 15, 2009

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

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

We have audited the financial statements of each major fund and the aggregate remaining fund information of Meigs County, Tennessee, and the governmental activities, the major fund, and the aggregate remaining fund information of the Meigs County School Department, as of and for the year ended June 30, 2008, which collectively comprise a portion of Meigs County's and the Meigs County School Department's basic financial statements and have issued our report thereon dated June 15, 2009. Our report on the financial statements of Meigs County, Tennessee, expresses an adverse opinion because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Meigs County School Department was unqualified. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Meigs County's and the Meigs County School Department's internal control over financial reporting as a basis for designing our

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 08.02, 08.03, 08.04(A,B,C,D), 08.05, 08.07, 08.08, 08.09, 08.10, 08.11, 08.15, and 08.16.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 08.02 to be a material weakness.

Compliance and Other Matters

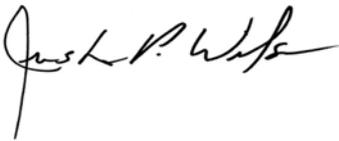
As part of obtaining reasonable assurance about whether Meigs County's and the Meigs County School Department's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 08.01, 08.04(E,F), 08.06, 08.12, 08.13, and 08.14.

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

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

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke extending downwards from the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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

June 15, 2009

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

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

Compliance

We have audited the compliance of Meigs County and the Meigs County School Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of their major federal programs for the year ended June 30, 2008. Meigs County's and the Meigs County School Department's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of their major federal programs is the responsibility of Meigs County's and the Meigs County School Department's management. Our responsibility is to express an opinion on Meigs County's and the Meigs County School Department's compliance based on our audit.

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

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

In our opinion, Meigs County and the Meigs County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Meigs County and the Meigs County School Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Meigs County's and the Meigs County School Department's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Meigs County's and the Meigs County School Department's internal control over compliance.

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

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

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

Schedule of Expenditures of Federal Awards

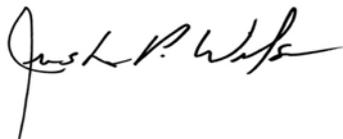
We have audited the financial statements of each major fund and the aggregate remaining fund information of Meigs County, Tennessee, and the governmental activities, the major fund, and the aggregate remaining fund information of the Meigs County School

Department, as of and for the year ended June 30, 2008, which collectively comprise a portion of Meigs County's and the Meigs County School Department's basic financial statements and have issued our reports thereon dated June 15, 2009. Our report on the financial statements of Meigs County, Tennessee, expresses an adverse opinion because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Meigs County School Department was unqualified. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Meigs County's and the Meigs County School Department's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is written in a cursive style with a large initial "J" and "W".

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

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Meigs County, Tennessee, and the Meigs County School Department
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2008

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ 46,056 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	148,280
National School Lunch Program	10.555	N/A	428,157 (3)
Total U.S. Department of Agriculture			<u>\$ 622,493</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Housing Development Agency:			
HOME Investment Partnerships Program	14.239	(2)	\$ 102,833
Total U.S. Department of Housing and Urban Development			<u>\$ 102,833</u>
U.S. Department of Transportation Federal Highway Administration:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	(2)	\$ 606,615
Total U.S. Department of Transportation Federal Highway Administration			<u>\$ 606,615</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Adult Education - State Grant Program	84.002	Z-08-020806-00	\$ 73,390
Title I Grants to Local Educational Agencies	84.010	N/A	478,099
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	517,986
Special Education - Preschool Grants	84.173	N/A	15,083
Career and Technical Education - Basic Grants to States	84.048	N/A	31,152
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	9,785
State Grants for Innovative Programs	84.298	N/A	3,103
Education Technology State Grants	84.318	(2)	4,657
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	GG-08-21822-00	119,996
Rural Education	84.358	N/A	54,437
Improving Teacher Quality State Grants	84.367	N/A	124,221
Total U.S. Department of Education			<u>\$ 1,431,909</u>
U.S. Election Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	(2)	\$ 1,773
Total U.S. Election Assistance Commission			<u>\$ 1,773</u>
U.S. Department of Health and Human Services:			
Passed-through East Tennessee Human Resource Agency:			
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	(2)	\$ 15,410
Total U.S. Department of Health and Human Services			<u>\$ 15,410</u>
U.S. Corporation for National and Community Service:			
Direct Programs:			
Retired and Senior Volunteer Program	94.002	N/A	\$ 86,213
Total U.S. Corporation for National and Community Service			<u>\$ 86,213</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance	97.036	GG-06-12182-00	\$ 37,980
Homeland Security Grant Program	97.067	GG-07-21340-00	39,036
Total U.S. Department of Homeland Security			<u>\$ 77,016</u>
Total Expenditures of Federal Awards			<u>\$ 2,944,262</u>
<u>State Grants</u>		<u>Contract Number</u>	
Juvenile Services Program - State Children's Services Commission	N/A	(2)	\$ 9,000
Aging Grant - State Commission on Aging	N/A	(2)	1,579
Imagination Library - Department of Economic and Community Development	N/A	GG-07-21599-00	7,156
Litter Program - State Department of Transportation	N/A	(4)	31,992
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	5,292
Health Department Grant - State Department of Health	N/A	(5)	36,929
Health Promotions Grant - State Department of Health	N/A	(2)	2,000
Highway Safety Grant - State Department of Transportation	N/A	(2)	4,259
Community Enhancement Grant - Tennessee Secretary of State	N/A	(2)	43,000
Adult Education - State Department of Education	N/A	(6)	39,010
Early Childhood Education - Voluntary Lottery - Lottery Commission	N/A	(2)	195,946
Early Childhood Education - Pilot/State - Lottery Commission	N/A	(2)	195,943
Driver's Education - State Department of Education	N/A	(2)	7,345
Coordinated School Health Improvement Grant - State Department of Education	N/A	GZ8/AAX9	94,893
Safe Schools Act of 2003 - State Department of Education	N/A	(2)	12,400
Tobacco Grant - State Department of Health	N/A	(2)	15,789
Total State Grants			<u>\$ 702,533</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Number not available.
- (3) Total for CFDA No. 10.555 is \$474,213.
- (4) Z-07-033829-00: \$19,450; Z-08-021026-00: \$12,542.
- (5) Z-07-031541-00: \$15,293; Z-08-020372-00: \$21,636.
- (6) Z-08-020806-00: \$24,463; Z-08-201234-00: \$14,547.

Meigs County, Tennessee, and the Meigs County School Department
Schedule of Audit Findings Not Corrected
June 30, 2008

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Meigs County, Tennessee, and the Meigs County School Department for the year ended June 30, 2007, which have not been corrected.

MEIGS COUNTY

Finding Number	Page Number	Subject
07.01	14	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

OFFICE OF COUNTY MAYOR

Finding Number	Page Number	Subject
07.02	15	The Solid Waste/Sanitation Fund had a deficit in unreserved fund balance

OFFICES OF COUNTY MAYOR AND HIGHWAY SUPERINTENDENT

Finding Number	Page Number	Subject
07.05	16	Purchase orders were not properly issued

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

Finding Number	Page Number	Subject
07.07	17	The execution docket trial balance for circuit court did not reconcile with cash control records
07.08	18	The Office of Circuit Court Clerk did not deposit funds within three days of collection

OFFICE OF CLERK AND MASTER

Finding Number	Page Number	Subject
07.09	19	The Office of Clerk and Master had not implemented adequate controls to protect its information resources

OTHER FINDING

Finding Number	Page Number	Subject
07.10	19	Duties were not segregated adequately in the Offices of Director of Finance, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2008

PART I, SUMMARY OF AUDITOR'S RESULTS

1. An adverse opinion was issued on the financial statements of Meigs County, and an unqualified opinion was issued on the financial statements of the Meigs County School Department.
2. The audit of the financial statements of Meigs County and the Meigs County School Department disclosed significant deficiencies in internal control. One of these deficiencies was considered to be a material weakness in Meigs County. None of the significant deficiencies was considered to be a material weakness in the Meigs County School Department.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Meigs County. The audit did not disclose any instances of noncompliance that are material to the financial statements of the Meigs County School Department.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555), Highway Planning and Construction (CFDA No. 20.205), Title I Grants to Local Education Agencies (CFDA No. 84.010), and the Special Education Cluster: Special Education Grants to States and Special Education Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Meigs County and the Meigs County School Department did not qualify as low-risk auditees.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written responses of the circuit and general sessions courts clerk are paraphrased in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

MEIGS COUNTY

FINDING 08.01 **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**
(Material Noncompliance Under Government Auditing Standards)

Meigs County did not identify and determine the historical value of its capital assets and the related depreciation amounts of these assets. Therefore, Meigs County was unable to provide the information necessary to prepare government-wide financial statements for all of its activities, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. GASB is the standard-setting body for accounting principles that state and local governments are required to follow. As a result of this omission, Meigs County’s financial statements are not presented in accordance with generally accepted accounting principles; thus, we have issued an adverse opinion on the county’s financial statements. This deficiency can be attributed to the failure of management to correct the finding noted in the prior-year audit report. Section 9-3-404, Tennessee Code Annotated, provides penalties and restrictions for failure to implement GASB Statement No. 34 by June 30, 2008. These penalties and restrictions include:

- A. “The local government shall not be eligible for economic and community development grants funded by the state and administered by the department of economic and community development as mutually agreed upon by the comptroller and the commissioner of economic and community development, and bank excise tax and hall income tax revenues that are collected and distributed by the state shall be reduced to an amount agreed upon by the comptroller and the commissioner of revenue, but not to exceed five percent (5%) of the total amount due the local government in any fiscal year, until the local government is in compliance with accounting and financial reporting standards required by GASB.” The comptroller and the commissioner of economic and community development have agreed to deny the county’s eligibility for new economic and community development grants, and the comptroller and the commissioner of revenue have agreed to withhold two percent of the county’s excise tax and hall income tax until the county complies with GASB Statement No. 34. The county was notified by letter of these penalties and restrictions.
- B. “If a county highway department fails to comply, the comptroller and the commissioner of revenue shall agree on an amount whereby the funds that the county highway fund would otherwise receive from state gasoline tax

proceeds as allocated pursuant to Section 67-3-901 shall be reduced. After such amount is agreed upon, the department of revenue shall make the reductions from the monthly allocations of gasoline tax proceeds to the county. The amounts so reduced shall be held in reserve by the department of revenue and allocated to the county upon the county becoming compliant as determined by the comptroller.” The comptroller and the commissioner of revenue have agreed to withhold two percent of the county’s monthly gasoline tax until the county complies with GASB Statement No. 34. The county was notified by letter of this penalty and restriction.

- C. “The comptroller shall provide the local government with a list of professional firms available to assist in implementation of the work plan.” In accordance with this statute, we provided the county with a listing of professional firms by letter.
- D. “In those county governments that fail to implement accounting and financial reporting standards required by GASB on or after the required implementation date of June 30, 2008, the comptroller shall review and evaluate the county’s financial management system and make a recommendation to the county legislative body on how to improve the financial management system to facilitate compliance with accounting and financial reporting standards. The county legislative body shall act upon the recommendation of the comptroller within ninety (90) days of notification.” Our recommendations for improvements to the county’s financial management system are included in the recommendations to this finding.

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement No. 34 to issue a financial report in compliance with Financial Reporting Standards for County Governments, Component Units of County Governments, and Special School Districts That Do Not Implement Governmental Accounting Standards Board Statement No. 34, established by the Comptroller of the Treasury. Meigs County’s financial statements are presented in compliance with these requirements.

RECOMMENDATION

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

Meigs County should provide the necessary funds, personnel, and commitment to implement provisions of GASB Statement No. 34. The county should hire one of the recommended professional firms to assist in the implementation of GASB Statement No. 34. To improve the financial management of the county’s funds, the county should consider adopting a system of central accounting and employ accounting personnel with sufficient knowledge of current generally accepted accounting principles.

FINDING 08.02 MEIGS COUNTY DOES NOT HAVE THE RESOURCES TO PRODUCE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS
(Internal Control – Material Weakness Under Government Auditing Standards)

Generally accepted auditing standards require that Meigs County’s financial statements be the product of a financial reporting system that offers reasonable assurance that management is able to produce financial statements and notes to the financial statements that comply with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires that the county have internal controls over reporting government-wide and fund financial information and preparing the related notes. It is permissible for us, as the county’s external auditors, to assist Meigs County in preparing its financial statements and notes as a matter of convenience as long as the county has the skills needed to prepare its financial statements and notes. However, management, including the accounting staff, does not have the technical skills to prepare GAAP financial statements and disclosures. The inability to prepare financial statements and notes is an indication of a lack of controls, or ineffective controls, because material misstatements may not be detected.

RECOMMENDATION

Meigs County should develop the ability to produce financial statements and notes to the financial statements that comply with GAAP. This could include having at least one staff member trained in financial statement preparation. This staff member should have sufficient skills necessary to prepare a complete set of year-end financial statements even though the external auditors prepare the county’s financial statements as a matter of convenience. If we, as the external auditors, continue to prepare the county’s financial statements, this individual must have sufficient knowledge to determine the completeness of financial statement information and disclosures.

OFFICE OF DIRECTOR OF FINANCE

FINDING 08.03 THE SOLID WASTE/SANITATION FUND HAD A DEFICIT IN UNRESERVED FUND BALANCE AT JUNE 30, 2008
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The Solid Waste/Sanitation Fund had a deficit in unreserved fund balance of \$3,004 at June 30, 2008. This deficit resulted from the county failing to provide funding sufficient for the expenditures made from the fund and the failure of management to correct the finding noted in the prior-year audit report. Subsequent to June 30, 2008, this deficit was liquidated by a transfer from the General Fund.

RECOMMENDATION

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

FINDING 08.04

THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES

(A., B., C., and D. – Internal Control – Significant Deficiency Under Government Auditing Standards; E. and F. – Noncompliance Under Government Auditing Standards)

Our examination of purchasing procedures revealed the following deficiencies. These deficiencies can be attributed to the failure of management to adequately monitor purchasing procedures.

- A. Purchase orders were not issued in some instances. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments. Also, in some instances, purchase orders were issued after the purchases were made. This practice defeats the purpose of the purchase order and makes it an approval of payment rather than an approval of the purchase. Furthermore, all purchase orders issued did not have an authorizing signature. Sound business practices dictate supervisory review evidenced by an authorized signature.
- B. In some instances, requisitions were issued without an authorizing signature, and several requisitions were issued after the date of the invoice. The failure to issue a requisition prior to the purchase and without an authorizing signature defeats the purpose for the requisition system.
- C. In some instances, invoices were paid without documentation that goods had been received or services rendered. The practice of paying invoices without documentation that goods were received and services rendered increases the risk of paying for something that was never received.
- D. In some instances, travel claims filed by employees were not approved by their supervisor. The practice of paying travel claims without supervisory approval increases the risk of fraud and abuse.
- E. Management did not provide auditors with evidence that bids were solicited for the paving of a parking lot (\$19,616) and for the purchase of food at the jail (\$70,182). Meigs County operates under provisions of the Meigs County Financial Management Act of 2007, Chapter 28, Private Acts of 2007. This act provides for public advertising and solicitation of competitive bids for purchases exceeding \$10,000.
- F. The office solicited and received one bid (\$21,463) for the purchase of a Ford Explorer XLT for the Sheriff's Department. Bid specifications were written for an Explorer XLT; therefore these bid specifications could be met by only one manufacturer. Using bid specifications that apply only to a particular brand of equipment violates the intent of the Meigs County Financial Management Act of 2007, Section 20(b), which states "Specifications shall not be written to exclude vendors and contractors or limit bidding to a specific vendor or contractor."

RECOMMENDATION

The office should issue purchase orders for all applicable purchases before purchases are made, and approval should be evidenced by an authorizing signature. Purchase requisitions should have an authorizing signature and should be issued before purchases are made. The office should maintain documentation that goods have been received or services rendered before invoices are paid. Employees' travel claims should be signed by their supervisor as evidence of supervisory review and approval. Competitive bids should be solicited for all purchases exceeding \$10,000 as required by the Meigs County Financial Management Act of 2007. All bid documentation should be on file in the Finance Department. The office should develop bid specifications that are not brand specific. Bids should be evaluated on the basis of several criteria, including price, quality, availability, warranty, maintenance costs, experience, etc.

FINDING 08.05 THE OFFICE DID NOT MAINTAIN ADEQUATE RECORDS FOR STATE AND FEDERAL GRANTS
(Internal Control – Significant Deficiency Under Government Audit Standards)

The office did not maintain adequate records for state and federal grants received by the county. The office could not provide auditors with a list of the federal awards and their Catalog of Federal Domestic Assistance (CFDA) numbers. We obtained the grant information for the Schedule of Expenditures of Federal Awards and State Grants from revenue transmittals, direct deposit information maintained by the county trustee, and from state pass-through agencies.

RECOMMENDATION

The Finance Department should maintain a list of federal awards received by the county, including each grant's CFDA number.

FINDING 08.06 DEFICIENCIES WERE NOTED IN THE ISSUANCE OF DEBT
(Noncompliance Under Government Auditing Standards)

Our examination of debt issues revealed the following deficiencies.

- A. The office did not file a Report on Debt Obligation with the state director of Local Finance for a \$77,950 lease-purchase agreement and a \$1,000,000 capital outlay note that were issued during the year. Section 9-21-151, Tennessee Code Annotated, requires that within 45 days following the issuance of debt, a county must provide to the state director of Local Finance certain information, such as a description of the purchase for which the debt is issued, a description of the debt obligation, and an itemized description of the cost of issuance.

- B. The County Commission approved a three-year extension of a capital outlay note that matured June 5, 2008. This note had an outstanding balance of \$136,884; however, the capital outlay note obtained to extend the note totaled \$139,191, a difference of \$2,307. Management could give no explanation for the difference, which resulted in additional debt not approved by the County Commission. Also, a Report on Debt Obligation was not filed with the director of Local Finance for this extension.

RECOMMENDATION

The office should file a Report on Debt Obligation with the state director of Local Finance for each debt issuance. Officials should determine the reason for the difference in funding of \$2,307. Capital outlay notes obtained by the county should not exceed amounts approved by the County Commission.

FINDING 08.07 **THE OFFICE HAD DEFICIENCIES IN THE ADMINISTRATION OF PAYROLL RECORDS**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Our examination of payroll procedures revealed the following deficiencies.

- A. Management did not require time and attendance records to be submitted to the Finance Department to support payroll disbursements on some salaried employees. The failure to submit time and attendance records could result in improper payroll payments.

- B. Each county office/department provides its own leave policy, maintains leave records for respective employees, or allows employees to keep up with their own leave. Therefore, records documenting accrued leave balances at June 30, 2008, were not properly maintained or centrally filed. Accounting standards require Meigs County to account for the dollar value of accrued leave since the county guarantees payment for accrued leave when employees separate from service with the government. This information will also be necessary when the county complies with Governmental Accounting Standards Board Statement No. 34.

RECOMMENDATION

Time and attendance records should be maintained for all employees and be centrally filed in the Finance Office to support payroll disbursements and leave balances. The Finance Department should maintain summary accrued leave information by account function for all county offices and departments. These records should reflect the dollar value of the leave at the beginning of the year, amount earned, amount used, and the value of the leave at year-end.

FINDING 08.08 **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The following weaknesses regarding computer system backup procedures in the office were identified during the audit period:

- A. Backups were not performed on a routine basis. Inadequate backup procedures could result in the loss of data in the event of a hardware or software failure. Without current system backups, the cost of re-creating data could be substantial.
- B. System backups were not stored off-site on a regular basis. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process.

Sound business practices dictate that proper backup procedures be implemented. This deficiency is the result of management’s failure to implement adequate disaster recovery planning procedures.

RECOMMENDATION

Management should implement daily system backup procedures. A backup labeled for each day of the week should be maintained. In addition to daily system backups, a weekly system backup should be rotated off-site on a weekly basis. Year-end backups should be stored off-site and retained for three years. Some possibilities for an off-site storage location would be another county office building with a fireproof vault or a safe-deposit box at a local bank.

OFFICES OF DIRECTOR OF FINANCE, DIRECTOR OF SCHOOLS, AND TRUSTEE

FINDING 08.09 **THE OFFICES DID NOT IMPLEMENT ADEQUATE CONTROLS TO PROTECT THEIR INFORMATION RESOURCES**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The Offices of Director of Finance, Director of Schools, and Trustee did not implement adequate controls to protect their information resources. This finding does not identify specific vulnerabilities that could allow someone to exploit the offices’ information systems or misuse county funds. Disclosing those vulnerabilities could present a potential security risk by providing the readers with information that might be confidential pursuant to Section 10-7-504(i), Tennessee Code Annotated. Sound business practices dictate that proper controls be implemented. Without these controls, unauthorized system activity could occur.

RECOMMENDATION

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

AMBULANCE SERVICE DEPARTMENT

FINDING 08.10 **THE AMBULANCE SERVICE SOFTWARE DID NOT HAVE ADEQUATE APPLICATION CONTROLS**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Users could delete or alter patient charges and payments without leaving an audit trail. The audit log available in the application could be turned on and off at will by the user. Sound business practices dictate that proper application controls be implemented. The lack of application controls could allow for inappropriate system activity.

RECOMMENDATION

Management should contact the vendor to remove the capability to delete or alter payments and the capability to turn off the audit log.

OFFICES OF TRUSTEE AND COUNTY CLERK

FINDING 08.11 **THE OFFICES DID NOT REVIEW SOFTWARE AUDIT LOGS**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The software applications used by the Offices of Trustee and County Clerk generated daily logs that displayed changes made by users. Since these logs provided the only audit trails of these changes, they should be reviewed daily for inappropriate activity. Since they were not aware of its existence, management did not begin reviewing these logs until several months into the fiscal year. Procedures for reviewing these logs are currently in place.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 08.12 **THE CIRCUIT COURT EXECUTION DOCKET TRIAL BALANCE DID NOT RECONCILE WITH CASH CONTROL RECORDS**
(Noncompliance Under Government Auditing Standards)

The execution docket trial balance prepared for Circuit Court did not reconcile with cash control records. Therefore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-110, Tennessee Code Annotated

(TCA). This statute provides that any funds held by the court for one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer's Office.

RECOMMENDATION

The execution docket trial balance should be reconciled with cash control records in Circuit Court. Any funds held by the court for one year and unclaimed by the owner are considered abandoned and should be reported and paid to the state Treasurer's Office in compliance with state statute.

MANAGEMENT'S RESPONSE – CIRCUIT AND GENERAL SESSIONS COURTS CLERK

I concur. This administration has worked diligently to identify all monies and its recipients. In September 2007, I made the decision to place the Circuit Court records on the state recommended software package. Due to ongoing software issues and updates, there have been some reconciliation issues. This office turned over all recognized unclaimed funds in May 2009. We will continue to work diligently to ensure we are in compliance with all governing entities.

FINDING 08.13 **THE CIRCUIT COURT DID NOT DEPOSIT FUNDS WITHIN THREE DAYS OF COLLECTION AS REQUIRED BY STATE STATUTE**

(Noncompliance Under Government Auditing Standards)

In several instances, the circuit court clerk did not deposit funds within three days of collection. Section 5-8-207, Tennessee Code Annotated, requires county officials to deposit public funds to the office bank account within three days after receipt of the funds. In most instances, this failure to adequately deposit funds to the office bank account is a result of management's decision to group several days' collections together before making a deposit. This deficiency can also be attributed to the failure of management to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – CIRCUIT COURT CLERK

I concur. The daily balancing process we now use is as follows:

1. Batches are closed at the end of the day.
2. A new batch is opened. The remainder of the day is receipted as a new batch, as are the following days receipts.

3. Due to our work schedule, when the batch is opened on Tuesday evening, this batch is used for receipting the remainder of Tuesday evening, Wednesday and Thursday. Our office hours are 8:30 a.m. until 12:00 p.m. on Wednesday, and due to these hours, we do minimum, if any, receipting in our Circuit Court.
4. Our deposits are dropped off Monday, Tuesday, Thursday, and Friday evenings. This causes the bank to receipt our deposits on the next business day.

Changes have been made in our daily deposit procedures to ensure compliance with state statutes.

FINDING 08.14 THE COURTS SOFTWARE DID NOT HAVE ADEQUATE APPLICATION CONTROLS
(Noncompliance Under Government Auditing Standards)

Users had the ability to reset receipt numbers. Section 9-2-103, Tennessee Code Annotated, provides for receipts to be prenumbered consecutively. In-lieu-of prenumbered receipts, computer-generated receipts may be printed on plain paper if the receipt number generated by the software cannot be manipulated. The lack of application controls could allow for inappropriate activity. This application control weakness has been corrected by the vendor.

OFFICE OF CLERK AND MASTER

FINDING 08.15 THE COURT SOFTWARE DID NOT HAVE ADEQUATE APPLICATION CONTROLS
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Previously entered financial transactions could be deleted or changed in the office's computer system, and the application did not maintain a record of these deletions or changes. Sound business practices dictate that proper application controls be implemented. Since this software was designed using an off-the-shelf software package, management could not alter the software program to implement the appropriate controls. Therefore, inappropriate system activity could occur.

RECOMMENDATION

Management should implement an accounting system that provides an audit trail for all financial transactions.

OTHER FINDING AND RECOMMENDATION

FINDING 08.16 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE AMBULANCE SERVICE DEPARTMENT AND IN THE OFFICES OF DIRECTOR OF FINANCE, DIRECTOR OF SCHOOLS, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Ambulance Service Department and in the Offices of Director of Finance, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. The officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to give reasonable assurance of the reliability in financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – CIRCUIT AND GENERAL SESSIONS COURTS CLERK

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

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

There were no findings and questioned costs for federal awards.

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**MEIGS COUNTY, TENNESSEE, AND THE
MEIGS COUNTY SCHOOL DEPARTMENT
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2008**

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