

McMinn County, Tennessee

Financial Statements with Accompanying Information
Year Ended June 30, 2006
with
Independent Auditors' Report

McMINN COUNTY, TENNESSEE

Table of Contents

	<u>Pages</u>
Roster of County Officials	i - ii
 Financial Section	
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 13
<i>Basic Financial Statements</i>	
Government-Wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	20 - 22
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Road and Bridge Fund	23
Statement of Net Assets – Proprietary Funds	24
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	25
Statement of Cash Flows – Proprietary Funds	26
Statement of Fiduciary Net Assets	27
Notes to Financial Statements	28 - 59
<i>Required Supplemental Information</i>	
Required Supplementary Information:	
Schedule of Funding Progress	60
 Supplemental Information	
Combining Balance Sheet – Nonmajor Governmental Funds	61
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds	62
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – GAAP Basis:	
Budgeted Nonmajor Special Revenue Funds	63 - 64
Correctional Projects Fund	65
Nonbudgeted Nonmajor Special Revenue Funds:	
Law Library Fund	66
Fraud and Economic Crime Fund	67

(continued)

McMINN COUNTY, TENNESSEE

Table of Contents (continued)

	<u>Pages</u>
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Constitutional Officers (Major Fund)	68
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – GAAP Basis – Debt Service Fund (Major Fund)	69
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Other Capital Projects Fund (Major Fund)	70
Combining Balance Sheet – Agency Funds	71
Combining Statement of Changes in Assets and Liabilities – Agency Funds	72
Combined Schedule of Assets, Liabilities and Equity – Constitutional Officers	73
Combined Schedule of Cash Receipts, Disbursements and Balances – Constitutional Officers	74
Combined Schedule of Changes in Fee and Commission Accounts – Constitutional Officers	75
Schedule of Investments – Constitutional Officers	76
Schedule of Changes in Assets and Liabilities – Constitutional Officers:	
Circuit Court Clerk	77
General Sessions and Probate Courts Clerk	78
Clerk and Master	79
County Clerk	80
Register of Deeds	81
Sheriff	82
Schedule of Long-Term Debt and Interest Requirements	83
Schedule of Salaries and Official Bonds of Principal Officials	84
Capital Assets Used in the Operation of Governmental Funds:	
Schedule By Source	85
Schedule By Function and Activity	86
Schedule of Changes By Function and Activity	87
Government-Wide Revenues By Function – Last Ten Fiscal Years	88
Government-Wide Expenses By Function – Last Ten Fiscal Years	89
Schedule of Cash, Temporary Cash Investments and Restricted Cash	90 - 91
Schedule of Cash Receipts, Cash Disbursements and Transfers – Cash and Investment Balances with Trustee	92
Schedule of Changes in Cash Balances – All Agency Funds with County Trustee	93
Schedule of Tax Rates and Assessments 1995 – 2006	94
Schedule of Uncollected Delinquent Taxes 1996 – 2006	95
Schedule of Insurance Coverage	96 - 98
Component Unit – Board of Education	
<i>Discretely Presented Governmental Component Unit – McMinn County Board of Education</i>	
Balance Sheet – Governmental Funds	99
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets	100

(continued)

McMINN COUNTY, TENNESSEE

Table of Contents (continued)

	<u>Pages</u>
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	101
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	102
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Purpose Schools Fund	103 - 110
Budget and Actual – School Federal Projects Fund	111 - 113
Budget and Actual – Cafeteria Fund	114
Budget and Actual – School Capital Projects Fund	115
 Compliance Section	
Schedule of Expenditures of Federal and State Awards	116 - 117
Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	118 - 119
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	120 - 121
Schedule of Audit Findings and Questioned Costs	122 - 124

McMINN COUNTY, TENNESSEE**ROSTER OF COUNTY OFFICIALS**

June 30, 2006

Title

County Mayor	John Gentry
Director of Finance	Jason Luallen
Commissioner of Highways	Randall R. Moss
Administrator of Schools	John Forgety
Trustee	Phil Tuggle
Assessor of Property	Don Cowart
Members of the County Commission:	
Chairman	David Crews
	James W. McPhail
	Scott Curtis
	Dale Holbrook
	Jeannie King
	Roger Masingale
	Gary L. Mason
	Owen Vincent
	Bob Powers
	Jack Powers
Constitutional Officers:	
Circuit, General Sessions and Probate	
Courts Clerk	Norma C. White
Clerk and Master	Patty S. Gaines
County Clerk	Evonne Hoback
Register of Deeds	Nadean Cunningham
Sheriff	Steven R. Frisbie

McMINN COUNTY, TENNESSEE**ROSTER OF COUNTY OFFICIALS****June 30, 2006****Component Units****Members of the County Board of Education:****Chairperson****Pat Chester
Mike Bivens
Larry Cantrell
Joe Coleman
Kathy Dougherty
Quinten Howard
Glen Ingram
Don Raper
Tad Simpson
Deb Willson****Members of the Woods Memorial Hospital****District & Subsidiary:****Chairman****Don Higdon
Dr. Craig Riley
Katherine Abbott
Emerson Brady
Ed Fiegle
Jerry Howell
Jack Powers
Dr. Harash B. Soni****Members of the McMinn County Emergency****Communications District:****Chairman****Mike Jones
Russ Duggan
Marvin Kelley
Mark Lowry
Howard Massengil
Joe Riley
Wayne Scarbrough
Chris Webb**

Financial Section



HG&A ASSOCIATES, P.C.

Certified Public Accountants

Independent Auditors' Report

The County Mayor and
Members of the County Commission
McMinn County
Athens, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units of the McMinn County Board of Education (including the financial statements included on pages 99 through 115), the Woods Memorial Hospital District & Subsidiary and the McMinn County Emergency Communications District, each major fund, and the aggregate remaining fund information of McMinn County, Tennessee ("County") as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of McMinn County, Tennessee's management. Our responsibility is to express an opinion 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and road and bridge fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statements of the McMinn County Board of Education, a discretely presented component unit as found on pages 99 through 115, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the McMinn County Board of Education as of June 30, 2006, and the changes in financial position thereof and the respective budgetary comparison for the general purpose fund for the year ended in conformity with accounting principles generally accepted in the United States of America.

Richard A. Goldstine • J. Wesley Edmondson • John C. Pannell • Tim Royster • Jenny C. Raines • Michelle Herrell



In accordance with *Government Auditing Standards*, we have also issued our reports dated February 6, 2007, on our consideration of the 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 15 of the notes to financial statements, the County is a party to various litigation, the outcome of which cannot presently be determined. No provision has been made in the financial statements for the effects, if any that may result from the resolution of these matters.

Management's Discussion and Analysis on pages 3 through 13 and the schedule of funding progress of the pension plan on page 60 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedules of expenditures of federal and state awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* on pages 116 and 117 and the combining and individual fund financial statements and other supplemental schedules of the County on pages 61 through 98 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such accompanying information has 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.

We did not audit the statistical information listed in the foregoing table of contents in the audit of the basic financial statements and, accordingly, we express no opinion thereon.

HG & A Associates, P.C.

February 6, 2007

Management's Discussion and Analysis

As management of the McMinn County Government, we offer readers of the McMinn County Government's financial statements this narrative overview and analysis of the financial activities of the McMinn County Government for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented in this report.

Financial Highlights

Primary Government

- The assets of the McMinn County Primary Government exceeded its liabilities at the close of the most recent fiscal year by \$82,967,292 (net assets). Unrestricted net assets of the Primary Government of \$14,210,881 may be used to meet the government's ongoing obligations to citizens.
- The total net assets of the McMinn County Primary Government increased by \$3,092,080 or 15% of 2006 expenses which totaled \$20,326,992.
- At the close of the current fiscal year, the McMinn County Government's governmental funds reported combined ending fund balances of \$15,560,835, an increase of \$1,676,782 in comparison with the prior year. Approximately 87% of this total amount, \$13,580,881, 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 fund was \$1,893,468 or 21% of the total general fund expenditures. This demonstrates the County's fiscal discipline and positions the County well to meet unexpected emergencies, temporary cash needs and other uncertainties the County faces in the normal course of everyday operations.
- McMinn County Government general fund revenues were \$126,121 more than budgeted. The largest factor in this decrease was less than projected expenditures for the Emergency Management reimbursement grants, which resulted in less than expected revenues received.

Component Unit, McMinn County Board of Education

- Governmental fund assets of the McMinn County Board of Education, a component unit, exceeded its liabilities at the close of the most recent fiscal year by \$5,126,760. Of this amount, \$4,368,096 (unreserved and undesignated fund balance) may be used to meet the ongoing obligations of the McMinn County Board of Education, subject to the restrictions imposed by the State of Tennessee. In addition, the Statement of Net Assets shows an investment of \$22,238,929 in capital assets of the Board.
- The McMinn County Board of Education's net assets increased by \$5,077,811. The largest factor contributing to the increase was the transfer of the deed of the McMinn County Vocational Center from the State of Tennessee to the McMinn County Board of Education.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the McMinn County Government's basic financial statements. The McMinn County Government's basic financial statements encompass 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 McMinn County Government's finances in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the McMinn County Government'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 McMinn County Government is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of 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 and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the McMinn County Government 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 McMinn County Government include general government, public safety, public works, health and welfare, economic development, and culture and recreation. The government-wide financial statements also include the business-type activity of the McMinn County Government, a solid waste disposal operation (landfill).

The government-wide financial statements include not only the McMinn County Government itself (known as the *primary government*), but also a legally separate school district for which the McMinn County Government is financially accountable. The activities of the McMinn County Board of Education, a component unit, are governmental in nature. Financial information for the McMinn County Board of Education is reported separately from the financial information presented for the primary government itself. The McMinn County Board of Education does not issue separate financial statements.

Also included in the government-wide financial statements are the activities of the Woods Memorial Hospital District & Subsidiary and the Emergency Communications District, component units for which the County is financially accountable, but which issue their own

financial statements. The government-wide financial statements can be found on pages 14 and 15 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 McMinn County Government, 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 McMinn County Government can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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 McMinn County Government maintains eleven 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 Fund, Road and Bridge Fund, Constitutional Officers Fund, Debt Service Fund, and Capital Projects - Miscellaneous Fund, all of which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The McMinn County Government adopts an annual appropriated budget for its general fund. A budgetary comparison has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16 to 23 of this report.

Proprietary funds. Services for which the McMinn County Government charges customers a fee are generally reported in proprietary funds. The McMinn County Government maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The McMinn County Government uses an enterprise fund to account for its solid waste operation. *Internal service funds* are used to accumulate and allocate costs of life and medical insurance internally among the McMinn County Government's various functions. Because the internal service fund benefits governmental functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 24 to 26 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the McMinn County Government's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 27 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. The notes to the financial statements can be found on pages 28 through 59 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. Management's Discussion and Analysis is included on pages 3 through 13 and McMinn County Government's progress in funding its obligation to provide pension benefits to its employees can be found on page 60 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 61 to 82 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as useful indicator of a government's financial position. In the case of the McMinn County Government, assets exceeded liabilities by \$82,967,292 at the close of the most recent fiscal year. A summary version of the Statement of Net Assets at June 30, 2006 follows:

McMinn County, Tennessee
Net Assets-Primary Government
June 30

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and Other Assets	\$ 25,101,402	23,392,501	2,504,984	2,637,939	27,606,386	26,030,440
Capital Assets	63,345,733	61,471,812	2,778,900	2,746,883	66,124,633	64,218,695
Total Assets	<u>88,447,135</u>	<u>84,864,313</u>	<u>5,283,884</u>	<u>5,384,822</u>	<u>93,731,019</u>	<u>90,249,135</u>
Long-term Liabilities						
Outstanding	-	-	1,409,536	1,373,878	1,409,536	1,373,878
Other Liabilities	9,332,345	8,972,147	21,846	27,898	9,354,191	9,000,045
Total Liabilities	<u>9,332,345</u>	<u>8,972,147</u>	<u>1,431,382</u>	<u>1,401,776</u>	<u>10,763,727</u>	<u>10,373,923</u>
Net Assets:						
Invested in Capital Assets	63,345,733	61,471,812	2,778,900	2,746,883	66,124,633	64,218,695
Restricted	2,631,778	2,388,652	-	-	2,631,778	2,388,652
Unrestricted	13,137,279	12,031,702	1,073,602	1,236,163	14,210,881	13,267,865
Total Net Assets	<u>\$ 79,114,790</u>	<u>75,892,166</u>	<u>3,852,502</u>	<u>3,983,046</u>	<u>82,967,292</u>	<u>79,875,212</u>

The investment in capital assets of the McMinn County Government (e.g., land, buildings, infrastructure, machinery and equipment) accounts for 80% of total net assets. These capital assets are used to provide services to citizens; consequently, these assets are *not* available for future spending.

An additional portion of the McMinn County Government's net assets (3.2%) represents resources that are subject to external restrictions on how they may be used. This 3.2% is restricted for the Debt Service Fund. The remaining balance of *unrestricted net assets* of \$14,210,881 may be used to meet the government's ongoing obligations to citizens.

At the end of the current fiscal year, the McMinn County Government reports a positive balance in governmental activities of net assets and a positive balance for business-type activities.

The government's net assets increased by \$3,092,080 during the current fiscal year.

Governmental activities. Governmental activities increased the McMinn County Government's net assets by \$3,222,624. A summary version of the Statement of Activities is as follows:

McMinn County, Tennessee						
Changes in Net Assets						
For the Fiscal Year-End June 30						
	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2004
Revenues:						
Charges for services	\$ 3,275,305	2,849,592	1,011,417	1,011,850	4,286,722	3,861,442
Operating grants and contributions	6,964,231	2,403,874	38,659	29,441	7,002,890	2,433,315
General revenues:						
Taxes	10,634,150	12,569,377	-	-	10,634,150	12,569,377
Grants and contributions not restricted	192,311	175,842	-	-	192,311	175,842
Investment earnings	626,686	254,375	98,711	56,078	725,397	310,453
Other revenues	577,602	615,354	-	-	577,602	615,354
Transfers	(100,000)	(191,952)	100,000	191,952	-	-
Total revenues	<u>22,170,285</u>	<u>18,676,462</u>	<u>1,248,787</u>	<u>1,289,321</u>	<u>23,419,072</u>	<u>19,965,783</u>
Expenses:						
General government	2,188,773	3,072,170	-	-	2,188,773	3,072,170
Public safety	4,055,209	3,606,242	-	-	4,055,209	3,606,242
Public works	5,177,368	5,662,118	-	-	5,177,368	5,662,118
Health and welfare	2,279,804	2,117,045	-	-	2,279,804	2,117,045
Culture and recreation	207,743	145,654	-	-	207,743	145,654
Capital projects	4,340,788	3,039,299	-	-	4,340,788	3,039,299
Other general government	332,107	579,897	-	-	332,107	579,897
Debt service	365,869	380,770	-	-	365,869	380,770
Solid waste	-	-	1,379,331	1,277,207	1,379,331	1,277,207
Total expenses	<u>18,947,661</u>	<u>18,603,195</u>	<u>1,379,331</u>	<u>1,277,207</u>	<u>20,326,992</u>	<u>19,880,402</u>
Change in net assets	3,222,624	73,267	(130,544)	12,114	3,092,080	85,381
Net assets - beginning	75,892,166	75,818,899	3,983,046	3,970,932	79,875,212	79,789,831
Net assets - ending	<u>\$ 79,114,790</u>	<u>75,892,166</u>	<u>3,852,502</u>	<u>3,983,046</u>	<u>82,967,292</u>	<u>79,875,212</u>

As shown in the table, Public Works, Capital Projects and Public Safety were the three largest governmental activities for this fiscal year, 27.3%, 22.9% and 21.4% respectively, of total governmental activities expense.

The McMinn County's tax levy of \$1.90 on each hundred dollars of assessed taxable property provides revenues for the operation of the County. McMinn County Government maintained the tax rate this fiscal year from the previous year. The 2006-2007 fiscal year budget was balanced maintaining the current tax rate.

Business-type activities. Operating revenues for the Solid Waste Disposal Fund decreased minimally, (.04%), over the prior year and operating expenses increased by \$102,124, or 8%. The resulting change in net assets for the solid waste operation after a transfer from the general fund was a decrease of \$130,544.

Financial Analysis of the Government's Funds

As noted earlier, the McMinn County Government uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

At the end of the current fiscal year, the McMinn County Government's governmental funds reported combined ending fund balances of \$15,560,835, an increase of \$1,676,782 in comparison with the prior year. Approximately 87% of this total amount (\$13,580,881) constitutes unreserved fund balance. 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 (\$93,118), or 2) for a variety of other restricted purposes (\$1,886,836).

The general fund is the chief operating fund of the McMinn County Government. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,893,468, while total fund balance reached \$3,562,615. As a measure of the general 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 21% of total general fund expenditures, while total fund balance represents 40% of that same amount.

The fund balance of the McMinn County Government's general fund increased by \$294,398 during the current fiscal year. The largest factor in the increase from last year can be attributed to decreased spending in economic and community development for the purchase of land for the Interstate Industrial Park.

The debt service fund has a total fund balance of \$2,631,778, all of which is reserved for the payment of debt service of Woods Memorial Hospital District & Subsidiary—a component unit of the McMinn County Government. The net increase in fund balance during the current year in the debt service fund was \$243,126.

Proprietary funds. The McMinn County Government's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the solid waste operation at the end of the year amounted to \$1,073,602. The total change in net assets for the solid waste operation was a decrease of \$130,544. Other factors concerning the finances of this fund have already been addressed in the discussion of the McMinn County Government's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were within the normal course of County business and the increase totaled \$964,026 in appropriations.

The primary differences can be summarized briefly as follows:

- \$236,938 increases in elections, which included an electronic voting system.
- An increase of \$131,572 for jail operations and \$145,191 for additional expenditures in the sheriff's department.
- Budgeted expenditures were increased \$230,272 for emergency management for Homeland Security grant enhancements.

Capital Asset and Debt Administration

Capital assets. The McMinn County Government's investment in capital assets for its governmental and business-type activities as of June 30, 2006 amounts to \$66,124,633 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure (roads and bridges).

The total increase in the McMinn County Government's investment in capital assets for the current year was \$1,905,938 or 3%. Additions to capital assets in the current year can be attributed primarily to the purchase of the Annex Building, the construction in progress of the airport runway extension, and the completion of the Phase III cell of the McMinn County Landfill.

McMinn County, Tennessee Capital Assets
(net of depreciation)

For the Fiscal Year-End June 30

Primary Government

	Governmental		Business-type		Total	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
Land	\$ 1,906,123	1,909,723	438,950	438,950	2,345,073	2,348,673
Buildings	7,586,995	6,844,431	84,738	82,091	7,671,733	6,926,522
Facilities and development	-	-	1,410,916	617,169	1,410,916	617,169
Infrastructure	48,192,140	49,402,139	-	-	48,192,140	49,402,139
Other fixed assets	2,107,284	1,905,278	841,680	943,746	2,948,964	2,849,024
Construction in progress	3,553,191	1,410,241	2,616	664,927	3,555,807	2,075,168
	<u>\$ 63,345,733</u>	<u>61,471,812</u>	<u>2,778,900</u>	<u>2,746,883</u>	<u>66,124,633</u>	<u>64,218,695</u>

McMinn County, Tennessee Change in Capital Assets

For the Fiscal Year-End June 30

Primary Government

	Governmental		Business-type		Total	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
Beginning balance	\$ 101,426,818	99,751,806	6,423,122	5,431,846	107,849,940	105,183,652
Additions	4,717,342	1,934,416	981,725	1,016,360	5,699,067	2,950,776
Deletions	(193,612)	(259,404)	(662,311)	(25,084)	(855,923)	(284,488)
Balance before depreciation	105,950,548	101,426,818	6,742,536	6,423,122	112,693,084	107,849,940
Accumulated depreciation	(42,604,815)	(39,955,006)	(3,963,636)	(3,676,239)	(46,568,451)	(43,631,245)
Balance after depreciation	<u>\$ 63,345,733</u>	<u>61,471,812</u>	<u>2,778,900</u>	<u>2,746,883</u>	<u>66,124,633</u>	<u>64,218,695</u>

Additional information on the McMinn County Government's capital assets can be found in Note 5 of this report on pages 43 and 44.

Long-Term Debt. At the end of the current fiscal year, the Woods Memorial Hospital District & Subsidiary, a component unit of the McMinn County Government had total long-term debt outstanding of \$2,053,482. This amount represents various notes payable and capital lease obligations secured by certain property and facilities under construction as well as other real property and assets of the District.

The County Government may be obligated to fund any deficits arising from the operation and maintenance of the District; hence, the long-term debt of the District is noted in this discussion.

Woods Memorial Hospital District & Subsidiary's Outstanding Debt
A component unit of the McMinn County Government

	<u>2006</u>	<u>2005</u>
General obligation bonds	\$ -	345,000
Notes payable	1,339,870	1,891,550
Capital lease obligations	<u>713,612</u>	<u>184,080</u>
Total	<u>\$2,053,482</u>	<u>2,420,630</u>

The Woods Memorial Hospital District & Subsidiary's total debt decreased \$367,148 (15%) during this fiscal year through principal payments of scheduled annual debt retirement.

Additional information on the Woods Memorial Hospital District & Subsidiary's long-term debt can be found in Notes 9 and 10 on pages 51 through 54 of this report.

The McMinn County Government's debt rating of A- was confirmed by Standard & Poor's with a rating outlook for the intermediate to longer-term of stable.

State statutes set no limit for the amount of general obligation debt a governmental entity may issue. The current debt outstanding for the McMinn County Primary Government is zero.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for McMinn County at the end of this fiscal year was 6.3%, which is a slight decrease from 6.5% at the end of fiscal year 2005. The county's unemployment rate is higher than the state unemployment rate for June 2006 (5.6%); and also higher than the national rate (4.6%) for the same period.
- To help lower the unemployment rate and to help improve the county's economic activity, the McMinn County Government is seeking, along with the McMinn County Economic Development Authority, to attract new industries and further develop existing industries.

These factors were considered in preparing the McMinn County Government's budget for the 2006-2007 fiscal year.

During the current year, unreserved fund balance in the general fund decreased to \$1,893,468. The McMinn County Government has appropriated \$821,214 of this amount for spending in the 2006-2007 fiscal year budgets. It is intended that this use of available fund balance will avoid the need to raise taxes or charges in the 2006-2007 fiscal year. It is the normal, conservative nature of County operations to spend less than is allowed through the adopted budget. Conservative revenue projections and conservative spending have long been strengths of McMinn County's operations.

Requests for Information

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

Office of the Director of Finance
McMinn County Courthouse
6 East Madison Avenue
Athens, TN 37303

Basic Financial Statements

McMINN COUNTY, TENNESSEE

STATEMENT OF NET ASSETS

June 30, 2006

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Board of Education	Woods Memorial Hospital District & Subsidiary	Emergency Communications District
ASSETS						
Petty cash	\$ -	75	75	-	-	-
Equity in pooled cash and investments	12,853,208	2,314,160	15,167,368	4,175,357	-	618,642
Cash and cash equivalents	312,480	-	312,480	-	168,100	-
Marketable securities	-	-	-	-	2,043	-
Receivables:						
Property taxes, net	9,003,776	-	9,003,776	6,937,472	-	-
Other taxes	554,578	-	554,578	665,722	-	-
Accounts receivable, net	828,891	172,582	1,001,473	791,504	3,328,437	78,611
Interest	67,297	-	67,297	23,432	-	-
Notes receivable	200,284	-	200,284	-	-	-
Internal balances	(18,167)	18,167	-	-	-	-
Due from component units	1,273,770	-	1,273,770	-	-	-
Inventories	25,285	-	25,285	-	424,675	-
Prepaid items	-	-	-	-	51,720	-
Board designated cash for:						
Replacement and expansion funds	-	-	-	-	53,292	-
Development Foundation	-	-	-	-	55,558	-
Capital assets not being depreciated:						
Land	1,906,123	438,950	2,345,073	859,941	368,661	-
Construction in progress	3,553,191	2,616	3,555,807	2,669,772	359,335	-
Capital assets net of accumulated depreciation:						
Improvements other than buildings	-	1,410,916	1,410,916	-	59,593	-
Buildings and leasehold improvements	7,586,995	84,738	7,671,733	17,368,033	5,293,743	390,381
Machinery and equipment	2,107,284	841,680	2,948,964	1,341,183	2,119,243	292,347
Infrastructure	48,192,140	-	48,192,140	-	-	-
Goodwill	-	-	-	-	141,989	-
Other assets	-	-	-	-	35,833	-
Total assets	<u>88,447,135</u>	<u>5,283,884</u>	<u>93,731,019</u>	<u>34,832,416</u>	<u>12,462,222</u>	<u>1,379,981</u>
LIABILITIES						
Notes payable	-	-	-	-	124,357	-
Accounts payable	475,774	21,846	497,620	167,314	3,414,256	-
Accrued liabilities	236,025	-	236,025	60,575	1,302,853	-
Deferred revenue	8,620,546	-	8,620,546	6,757,298	-	-
Due to primary government/component unit	-	-	-	225,018	1,048,641	111
Noncurrent liabilities:						
Notes payable - within one year	-	-	-	-	929,223	-
Capital lease obligations - within one year	-	-	-	-	143,461	-
Notes payable - more than one year	-	-	-	-	410,647	-
Capital lease obligations - more than one year	-	-	-	-	570,151	-
Estimated liability for closure and post closure care costs	-	1,409,536	1,409,536	-	-	-
Total liabilities	<u>9,332,345</u>	<u>1,431,382</u>	<u>10,763,727</u>	<u>7,210,205</u>	<u>7,943,589</u>	<u>111</u>
NET ASSETS						
Invested in capital assets	63,345,733	2,778,900	66,124,633	22,238,929	-	682,728
Invested in capital assets, net of related debt	-	-	-	-	6,513,543	-
Restricted for:						
Debt service	2,631,778	-	2,631,778	-	-	-
Unrestricted (deficit)	13,137,279	1,073,602	14,210,881	5,383,282	(1,994,910)	697,142
Total net assets	<u>\$ 79,114,790</u>	<u>3,852,502</u>	<u>82,967,292</u>	<u>27,622,211</u>	<u>4,518,633</u>	<u>1,379,870</u>

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

McMINN COUNTY, TENNESSEE

Statement of Activities
Year Ended June 30, 2006

<u>Functions/Programs</u>	Program Revenues			
	Expenses	Fines, Fees and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,188,773	3,275,305	2,022,755	-
Public safety	4,055,209	-	-	-
Public works	5,177,368	-	2,213,949	-
Health	994,569	-	-	-
Welfare	1,285,235	-	-	-
Culture and recreation	207,743	-	-	-
Conservation of resources	150,075	-	-	-
Economic and community development	182,032	-	-	-
Capital projects	4,340,788	-	2,727,527	-
Debt service:				
Principal	345,000	-	-	-
Interest	17,940	-	-	-
Other	2,929	-	-	-
Total governmental activities	18,947,661	3,275,305	6,964,231	-
Business-type activities:				
Solid waste disposal (landfill)	1,379,331	1,011,417	38,659	-
Total primary government	\$ 20,326,992	4,286,722	7,002,890	-
Component units:				
Board of Education	\$ 31,608,399	1,051,199	25,025,709	-
Woods Memorial Hospital District & Subsidiary	24,297,652	22,466,236	47,110	-
Emergency Communications District	734,110	366,740	40,000	336,750
Total component units	\$ 56,640,161	23,884,175	25,112,819	336,750
General revenues:				
Property taxes				
Interest and penalties on property taxes				
Payments in lieu of taxes				
Sales taxes				
Hotel/motel tax				
Litigation tax				
Wholesale beer tax				
TVA replacement tax				
Other taxes				
Grants and contributions not restricted to specific programs				
Unrestricted investment earnings				
Gain on sale of capital assets and surplus property				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Special item - abandonment of capital asset plan				
Change in net assets				
Net assets - beginning of the year				
Prior period adjustment				
As restated				
Net assets - end of the year				

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

Net (Expense) Revenue and
Changes in Net Assets

Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Board of Education	Woods Memorial Hospital District & Subsidiary	Emergency Communications District
3,109,287	-	3,109,287	-	-	-
(4,055,209)	-	(4,055,209)	-	-	-
(2,963,419)	-	(2,963,419)	-	-	-
(994,569)	-	(994,569)	-	-	-
(1,285,235)	-	(1,285,235)	-	-	-
(207,743)	-	(207,743)	-	-	-
(150,075)	-	(150,075)	-	-	-
(182,032)	-	(182,032)	-	-	-
(1,613,261)	-	(1,613,261)	-	-	-
(345,000)	-	(345,000)	-	-	-
(17,940)	-	(17,940)	-	-	-
(2,929)	-	(2,929)	-	-	-
(8,708,125)	-	(8,708,125)	-	-	-
-	(329,255)	(329,255)	-	-	-
(8,708,125)	(329,255)	(9,037,380)	-	-	-
-	-	-	(5,531,491)	-	-
-	-	-	-	(1,784,306)	-
-	-	-	-	-	9,380
-	-	-	(5,531,491)	(1,784,306)	9,380
8,058,053	-	8,058,053	6,223,742	-	-
85,019	-	85,019	65,141	-	-
116,951	-	116,951	90,188	-	-
566,422	-	566,422	3,818,869	-	-
295,588	-	295,588	-	-	-
288,362	-	288,362	-	-	-
162,663	-	162,663	-	-	-
317,507	-	317,507	-	-	-
743,585	-	743,585	169,958	-	-
192,311	-	192,311	-	-	-
626,686	98,711	725,397	227,602	10,377	23,739
10,303	-	10,303	9,377	-	-
567,299	-	567,299	4,425	-	15,600
(100,000)	100,000	-	-	-	-
11,930,749	198,711	12,129,460	10,609,302	10,377	39,339
-	-	-	-	(50,340)	-
3,222,624	(130,544)	3,092,080	5,077,811	(1,824,269)	48,719
75,892,166	3,983,046	79,875,212	22,544,400	6,715,338	1,331,151
-	-	-	-	(372,436)	-
75,892,166	3,983,046	79,875,212	22,544,400	6,342,902	1,331,151
\$ 79,114,790	3,852,502	82,967,292	27,622,211	4,518,633	1,379,870

McMINN COUNTY, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	General	Road and Bridge	Constitutional Officers	Debt Service	Capital Projects - Miscellaneous	Other Governmental Funds	Total Governmental Funds
ASSETS							
Equity in pooled cash and investments	\$ 2,577,349	660,384	93,579	1,575,311	6,371,005	1,568,422	12,846,050
Cash and cash equivalents	-	-	312,480	-	-	-	312,480
Receivables:							
Property taxes, net	3,846,677	1,423,072	-	55,402	3,678,625	-	9,003,776
Other taxes	196,553	350,745	-	-	7,280	-	554,578
Accounts	611,311	136,445	-	-	33,467	47,668	828,891
Interest	12,069	3,382	-	27,220	24,626	-	67,297
Notes	-	-	-	-	-	200,284	200,284
Due from other funds	79,816	-	-	-	-	-	79,816
Due from component units	244,523	-	-	1,029,247	-	-	1,273,770
Inventories	25,285	-	-	-	-	-	25,285
Total assets	\$ 7,593,583	2,574,028	406,059	2,687,180	10,115,003	1,816,374	25,192,227
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 93,225	141,321	-	-	235,880	5,348	475,774
Accrued liabilities	2,816	-	-	-	-	-	2,816
Deferred revenue	3,915,868	1,418,052	-	55,402	3,665,497	-	9,054,819
Due to other funds	19,059	13,924	60,000	-	-	5,000	97,983
Total liabilities	4,030,968	1,573,297	60,000	55,402	3,901,377	10,348	9,631,392
Fund balances:							
Reserved:							
Encumbrances	93,118	-	-	-	-	-	93,118
Alcohol and drug treatment	174,917	-	-	-	-	-	174,917
Sexual Offender Registration	4,322	-	-	-	-	-	4,322
Register of Deeds - computer system	34,536	-	-	-	-	-	34,536
Inventory	25,285	-	-	-	-	-	25,285
Ambulance service	521,752	-	-	-	-	-	521,752
Hotel/motel tax	571,693	-	-	-	-	-	571,693
Health department	101,329	-	-	-	-	-	101,329
DTF drug prosecutor	141,755	-	-	-	-	-	141,755
Notes receivable	-	-	-	-	-	200,284	200,284
Other	440	4,856	-	-	105,667	-	110,963
Unreserved	1,893,468	995,875	346,059	2,631,778	6,107,959	1,605,742	13,580,881
	3,562,615	1,000,731	346,059	2,631,778	6,213,626	1,806,026	15,560,835
Total liabilities and fund balances	\$ 7,593,583	2,574,028	406,059	2,687,180	10,115,003	1,816,374	25,192,227

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

McMINN COUNTY, TENNESSEE
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE GOVERNMENT-WIDE
STATEMENT OF NET ASSETS
 June 30, 2006

Amounts reported for governmental activities in the statement of net assets are different because:

Ending fund balance - governmental funds	\$ 15,560,835
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	63,345,733
Revenues that have been deferred in the balance sheet of the governmental funds because they were not available to pay current liabilities of the period are recognized in the statement of activities and therefore are not included in the statement of net assets	434,273
The long-term liability, compensated absences, is not due and payable in the current period and therefore are not reported in the funds.	(233,209)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	<u>7,158</u>
Net assets of governmental activities	<u>\$ 79,114,790</u>

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

McMINN COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	General	Road and Bridge	Constitutional Officers	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	\$ 5,296,545	1,462,236	-	-	3,764,399	-	10,523,180
Fines, forfeitures, and penalties	235,396	-	-	-	-	173,921	409,317
Other local revenues	345,828	27,239	34,154	246,055	231,185	12,206	896,667
State of Tennessee	1,550,276	2,251,295	59,575	-	2,413,056	-	6,274,202
Federal government	321,453	2,907	-	-	445,886	-	770,246
Other government and citizens' groups	335,039	20,000	-	-	-	-	355,039
Charges for current services and refunds	245,165	-	2,049,878	-	-	570,945	2,865,988
Other	49,603	-	16,506	362,940	72,800	-	501,849
Total revenues	8,379,305	3,763,677	2,160,113	608,995	6,927,326	757,072	22,596,488
Expenditures:							
General government	2,179,818	-	1,144,310	-	-	61,016	3,385,144
Public safety	3,874,341	-	-	-	-	86,123	3,960,464
Public works	100,478	3,775,244	-	-	-	4,020	3,879,742
Health	997,021	-	-	-	-	-	997,021
Welfare	1,285,235	-	-	-	-	-	1,285,235
Culture and recreation	202,885	-	-	-	-	-	202,885
Conservation of resources	150,075	-	-	-	-	-	150,075
Economic and community development	182,032	-	-	-	-	-	182,032
Capital projects	-	-	-	-	6,410,567	672	6,411,239
Debt service:							
Principal	-	-	-	345,000	-	-	345,000
Interest	-	-	-	17,940	-	-	17,940
Other	-	-	-	2,929	-	-	2,929
Total expenditures	8,971,885	3,775,244	1,144,310	365,869	6,410,567	151,831	20,819,706
Excess of revenues over (under) expenditures	(592,580)	(11,567)	1,015,803	243,126	516,759	605,241	1,776,782
Other financing sources (uses):							
Operating transfers in - other funds	986,978	-	-	-	-	-	986,978
Operating transfers out - other funds	(100,000)	-	(986,978)	-	-	-	(1,086,978)
Total other financing sources (uses)	886,978	-	(986,978)	-	-	-	(100,000)
Net change in fund balances	294,398	(11,567)	28,825	243,126	516,759	605,241	1,676,782
Fund balance, beginning	3,268,217	1,012,298	317,234	2,388,652	5,696,867	1,200,785	13,884,053
Fund balance, ending	\$ 3,562,615	1,000,731	346,059	2,631,778	6,213,626	1,806,026	15,560,835

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

McMINN COUNTY, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Net change in fund balances - total governmental funds	\$ 1,676,782
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays (\$4,717,342) exceeded land disposal (\$72,500) and depreciation (\$2,769,004) in the current period.	1,875,838
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal by reducing the proceeds by the cost less related accumulated depreciation of each asset disposed.	(1,917)
Certain revenues will be collected after year-end but not within the period considered available to pay current period expenditures. Therefore, these amounts were recognized as revenues in the statement of activities but were not reported as revenues in the fund financial statements.	100,349
Amounts reported as fund revenues that met the criteria for revenue recognition under the full accrual method of accounting in the preceding fiscal year have been excluded from the current year statement of activities.	(424,635)
Expenses reported in the statement of activities for the increase in the liability for compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(3,793)</u>
Change in net assets of governmental activities	<u>\$ 3,222,624</u>

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

McMINN COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
Budget and Actual - General Fund
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes:				
Current property taxes	\$ 3,457,124	3,457,124	3,443,504	(13,620)
Trustee's collections - prior year	105,800	105,800	91,679	(14,121)
Clerk and Master collections prior years	43,166	43,166	49,699	6,533
Interest and penalty	33,010	33,010	36,374	3,364
Payment in lieu of taxes - TVA	9,509	9,509	9,507	(2)
Payment in lieu of taxes - local utilities	39,675	39,675	40,528	853
Local option sales tax	540,000	540,000	566,422	26,422
Hotel/motel tax	165,000	165,000	295,588	130,588
Litigation tax - general	279,000	279,000	288,362	9,362
Business tax	141,450	141,450	174,478	33,028
Bank excise tax	23,276	23,276	32,801	9,525
Wholesale beer tax	155,000	155,000	162,663	7,663
Interstate telecommunications tax	4,440	4,440	5,039	599
Cable TV franchise	90,000	90,000	98,001	8,001
Beer permits	1,500	1,500	1,900	400
Total taxes	<u>5,087,950</u>	<u>5,087,950</u>	<u>5,296,545</u>	<u>208,595</u>
Fines, forfeitures, and penalties:				
Fines	110,000	110,000	94,694	(15,306)
Officer cost (Circuit Court)	110,000	110,000	102,685	(7,315)
Drug court fees (Circuit Court)	1,500	1,500	1,413	(87)
Drug court fees (General Sessions Court)	11,500	12,900	12,967	67
DUI treatment fines	18,000	18,000	12,798	(5,202)
Officer cost (Chancery Court)	12,000	12,000	8,902	(3,098)
Data entry fee (Chancery Court)	1,500	1,500	1,937	437
Total fines, forfeitures, and penalties	<u>264,500</u>	<u>265,900</u>	<u>235,396</u>	<u>(30,504)</u>
Use of money or property:				
Interest earned	30,000	30,000	98,226	68,226
Lease/rentals	45,000	45,000	48,988	3,988
Miscellaneous refunds (Juvenile Services)	-	-	4,256	4,256
Cont. other governments (fingerprint equipt.)	-	14,333	14,333	-
Sale of equipment	5,000	5,000	2,047	(2,953)
Contributions and gifts	200,130	200,130	177,978	(22,152)
Total use of money or property	<u>280,130</u>	<u>294,463</u>	<u>345,828</u>	<u>51,365</u>
State of Tennessee:				
Juvenile services program	12,000	12,000	14,008	2,008
Airport maintenance program	9,000	10,000	10,000	-
State reappraisal program	17,964	17,964	17,964	-
Health Department programs	399,200	399,200	339,546	(59,654)
Litter program	41,730	41,730	34,526	(7,204)
Income tax	45,000	45,000	45,129	129
Beer tax	16,500	16,500	17,212	712
Alcoholic beverage	49,000	49,000	55,408	6,408
TVA replacement tax	131,673	131,673	135,839	4,166
Contracted prisoner board	592,000	592,000	615,110	23,110
Other State grants	-	248,000	248,000	-
Other State revenue	16,380	16,380	17,534	1,154
Total State of Tennessee	<u>1,330,447</u>	<u>1,579,447</u>	<u>1,550,276</u>	<u>(29,171)</u>
Federal government	<u>499,371</u>	<u>728,296</u>	<u>321,453</u>	<u>(406,843)</u>

(continued)

McMINN COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
Budget and Actual - General Fund - Continued
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Favorable (Unfavorable)
Other governments and citizen's groups:				
Contributions (youth affairs)	\$ 99,500	99,500	101,800	2,300
Donations (Keep McMinn Beautiful)	36,705	36,705	33,239	(3,466)
DTF donation - drug prosecutor	-	200,000	200,000	-
Total other governments and citizen's groups	<u>136,205</u>	<u>336,205</u>	<u>335,039</u>	<u>(1,166)</u>
Charges for current services and refunds:				
Ambulance fees	130,000	130,000	199,042	69,042
Other	17,000	17,000	18,248	1,248
Data processing fee - Register of Deeds	17,665	17,665	24,505	6,840
Sexual offender registration fee	1,500	1,500	3,370	1,870
Total charges for current services and refunds	<u>166,165</u>	<u>166,165</u>	<u>245,165</u>	<u>79,000</u>
Other revenues	<u>42,000</u>	<u>47,000</u>	<u>49,603</u>	<u>2,603</u>
Total revenues	<u>7,806,768</u>	<u>8,505,426</u>	<u>8,379,305</u>	<u>(126,121)</u>
Expenditures:				
General government:				
County commission	79,478	84,578	84,517	61
County Mayor	163,704	169,008	159,175	9,833
County Attorney	21,757	22,492	21,871	621
Elections	166,389	403,327	388,960	14,367
Register of Deeds	38,205	38,205	33,495	4,710
Planning commission	19,747	20,411	20,083	328
Courthouse maintenance	331,859	347,960	322,922	25,038
Accounting and budgeting	370,043	381,761	359,152	22,609
Fixed charges - fuel purchases	10,000	10,000	(17,001)	27,001
Property Assessor	317,782	324,862	266,898	57,964
Office of County Trustee	29,290	29,290	26,094	3,196
Office of County Clerk	53,807	54,407	54,358	49
Auditing	22,500	22,500	22,500	-
Circuit and general sessions court	188,099	193,214	190,228	2,986
Drug court	13,000	14,400	14,380	20
Drug prosecutor	-	60,627	58,245	2,382
Chancery court	186,146	191,653	173,941	17,712
Total general government	<u>2,011,806</u>	<u>2,368,695</u>	<u>2,179,818</u>	<u>188,877</u>
Public safety:				
Fire prevention and control	164,050	164,050	123,289	40,761
Civil defense	318,270	318,270	318,270	-
Rescue squad	16,200	16,200	16,200	-
Sheriff's department	1,413,199	1,558,390	1,487,225	71,165
Sexual offender registry	1,500	1,500	570	930
Jail	1,157,589	1,289,161	1,283,626	5,535
Youth affairs	295,946	307,116	255,231	51,885
County medical examiner	48,000	55,250	53,302	1,948
Other emergency management	548,415	778,687	319,795	458,892
Work release program	30,216	31,176	16,833	14,343
Total public safety	<u>3,993,385</u>	<u>4,519,800</u>	<u>3,874,341</u>	<u>645,459</u>
Public works:				
Airport	34,000	37,100	37,098	2
Sanitation and waste removal	78,435	78,883	63,380	15,503
Total public works	<u>112,435</u>	<u>115,983</u>	<u>100,478</u>	<u>15,505</u>

(continued)

McMINN COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
Budget and Actual - General Fund - Continued
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Health:				
Ambulance service	\$ 451,183	456,883	456,872	11
County health center	509,183	512,021	451,397	60,624
Other health services	93,159	93,159	88,752	4,407
Total health	1,053,525	1,062,063	997,021	65,042
Welfare:				
Direct welfare assistance	21,700	21,824	12,522	9,302
Veterans' programs	54,581	58,451	57,507	944
Other public health and welfare	1,284,560	1,305,177	1,215,206	89,971
Total welfare	1,360,841	1,385,452	1,285,235	100,217
Culture and recreation:				
Parks	73,892	75,786	64,252	11,534
Libraries	132,560	132,560	132,560	-
Contributions	6,073	6,073	6,073	-
Total culture and recreation	212,525	214,419	202,885	11,534
Conservation of resources:				
Agricultural resources	137,566	138,383	126,025	12,358
Soil conservation	23,315	24,129	24,050	79
Total conservation of resources	160,881	162,512	150,075	12,437
Economic and community development:				
Industrial development	87,992	87,992	87,136	856
Tourism	54,500	95,000	94,896	104
Total economic and community development	142,492	182,992	182,032	960
General government debt service:				
Other debt service	186,837	186,837	-	186,837
Total expenditures	9,234,727	10,198,753	8,971,885	1,226,868
Excess of revenues over (under) expenditures	(1,427,959)	(1,693,327)	(592,580)	1,100,747
Other financing sources (uses):				
Operating transfers in - other funds	645,000	645,000	986,978	341,978
Operating transfers out- other funds	(100,000)	(100,000)	(100,000)	-
Total other financing sources (uses)	545,000	545,000	886,978	341,978
Net change in fund balances	\$ (882,959)	(1,148,327)	294,398	1,442,725
Fund balances, beginning			3,268,217	
Fund balances, ending			\$ 3,562,615	

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

McMINN COUNTY, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

Budget and Actual - Road and Bridge Fund

Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes:				
Current property taxes	\$ 1,278,940	1,278,940	1,276,465	(2,475)
Trustee's collections - prior year	39,140	39,140	33,916	(5,224)
Clerk and Master collections prior years	15,969	15,969	18,386	2,417
Interest and penalty	12,212	12,212	13,456	1,244
Payment in lieu of taxes - TVA	3,518	3,518	3,517	(1)
Payment in lieu of taxes - local utilities	14,678	14,678	14,993	315
Business tax	13,800	13,800	17,022	3,222
Mineral severance tax	65,000	65,000	72,346	7,346
Bank excise tax	8,611	8,611	12,135	3,524
Total taxes	<u>1,451,868</u>	<u>1,451,868</u>	<u>1,462,236</u>	<u>10,368</u>
Use of money or property:				
Interest earned	11,000	11,000	19,316	8,316
Sale of equipment	5,000	7,922	7,923	1
Total use of money or property	<u>16,000</u>	<u>18,922</u>	<u>27,239</u>	<u>8,317</u>
State of Tennessee:				
Bridge program	69,661	69,661	-	(69,661)
State aid program	183,790	183,790	170,636	(13,154)
TVA replacement tax	48,711	48,711	50,253	1,542
Gas and motor fuel tax	1,755,000	1,755,000	1,858,909	103,909
Gasoline inspection fee	39,430	39,430	39,429	(1)
Other	1,000	1,000	132,068	131,068
Total State of Tennessee	<u>2,097,592</u>	<u>2,097,592</u>	<u>2,251,295</u>	<u>153,703</u>
Federal government	1,545	1,545	2,907	1,362
Other governments and citizen's groups:				
Other	1,000	1,000	20,000	19,000
Total revenues	<u>3,568,005</u>	<u>3,570,927</u>	<u>3,763,677</u>	<u>192,750</u>
Expenditures:				
Administration	161,829	167,386	164,695	2,691
Highway and bridge maintenance	1,830,298	1,894,587	1,894,136	451
Operation and maintenance of equipment	482,884	493,450	491,629	1,821
Employee benefits	476,216	483,293	435,593	47,700
Capital outlay:				
General	499,076	499,076	370,185	128,891
State aid projects	249,171	249,171	250,534	(1,363)
Interest on notes	1,000	1,000	-	1,000
Other	171,368	171,368	168,472	2,896
Total expenditures	<u>3,871,842</u>	<u>3,959,331</u>	<u>3,775,244</u>	<u>184,087</u>
Excess of revenues over (under) expenditures	<u>\$ (303,837)</u>	<u>(388,404)</u>	<u>(11,567)</u>	<u>376,837</u>
Fund balances, beginning			1,012,298	
Fund balances, ending			<u>\$ 1,000,731</u>	

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

McMINN COUNTY, TENNESSEE

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

June 30, 2006

	Business-type Activities	Governmental Activities
	Solid Waste Disposal Fund	Internal Service Fund
ASSETS		
Current assets:		
Petty cash	\$ 75	-
Equity in pooled cash and investments	2,314,160	7,158
Accounts receivable	172,582	-
Due to other funds	19,059	-
Total current assets	<u>2,505,876</u>	<u>7,158</u>
Noncurrent assets:		
Capital assets:		
Land and site improvements	438,950	-
Land facilities and development	4,287,422	-
Building and improvements	156,837	-
Machinery and equipment	1,856,711	-
Construction in progress	2,616	-
Less accumulated depreciation	<u>(3,963,636)</u>	-
Net capital assets	<u>2,778,900</u>	-
Total assets	<u>5,284,776</u>	<u>7,158</u>
LIABILITIES		
Current liabilities:		
Accounts payable	21,846	-
Due to other funds	892	-
Total current liabilities	<u>22,738</u>	-
Estimated liability for closure and post closure care costs	<u>1,409,536</u>	-
Total liabilities	<u>1,432,274</u>	-
NET ASSETS		
Invested in capital assets	2,778,900	-
Unrestricted	<u>1,073,602</u>	<u>7,158</u>
Total net assets	<u>\$ 3,852,502</u>	<u>7,158</u>

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

McMINN COUNTY, TENNESSEE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

PROPRIETARY FUNDS

Year Ended June 30, 2006

	Business-type Activities	Governmental Activities
	Solid Waste Disposal Fund	Internal Service Fund
Operating revenues:		
Charges for current services	\$ 1,011,417	-
Operating expenses:		
Depreciation and amortization	287,397	-
Salaries and wages	337,847	-
Repairs and maintenance	181,043	-
Surcharges	35,765	-
Closure and post closure care costs	80,980	-
Contracts with private agencies	116,843	-
Employee benefits	105,818	-
Fuel	108,616	-
Supplies and materials	18,137	-
Insurance	20,950	-
Other	85,935	-
Life insurance	-	2,358
Total operating expenses	1,379,331	2,358
Operating loss	(367,914)	(2,358)
Nonoperating revenues:		
Interest revenue	98,711	-
Waste tire grants	25,659	-
Other State of Tennessee revenues	13,000	-
Total nonoperating revenues	137,370	-
Loss before operating transfer	(230,544)	(2,358)
Operating transfer from general fund	100,000	-
Change in net assets	(130,544)	(2,358)
Total net assets, beginning	3,983,046	9,516
Total net assets, ending	\$ 3,852,502	7,158

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

McMINN COUNTY, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2006

	Business-type Activities	Governmental Activities
	Solid Waste Disposal Fund	Internal Service Fund
Cash flows from operating activities:		
Receipts from customers	\$ 941,818	-
Payments to employees	(337,847)	-
Payments for goods and services	(724,426)	(2,358)
Net cash used by operating activities	(120,455)	(2,358)
Cash flows provided by noncapital financing activities:		
Transfers from general and special revenue funds	100,000	-
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(319,414)	-
Waste tire grants	25,659	-
Other State of Tennessee revenues	13,000	-
Net cash used by capital and related financing activities	(280,755)	-
Cash flows provided by investing activities:		
Interest revenue	98,711	-
Net decrease in cash and cash equivalents	(202,499)	(2,358)
Cash and cash equivalents, beginning of year	2,516,734	9,516
Cash and cash equivalents, end of year	\$ 2,314,235	7,158
Petty cash	\$ 75	-
Equity in pooled cash and investments	2,314,160	7,158
	\$ 2,314,235	7,158
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (367,914)	(2,358)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	287,397	-
Estimated liability for closure and post closure care costs	35,658	-
Change in assets and liabilities:		
Accounts receivable	(69,599)	-
Accounts payable	(5,997)	-
Net cash provided by operating activities	\$ (120,455)	(2,358)

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

McMINN COUNTY, TENNESSEE

STATEMENT OF FIDUCIARY NET ASSETS

Fiduciary Funds

June 30, 2006

	Athens School Fund	Etowah School Fund	Judicial District Drug Fund	Constitutional Officers
Assets				
Equity in pooled cash and investments	\$ -	-	2,537,145	-
Cash and cash equivalents	-	-	-	1,740,470
Receivables:				
Property taxes, net	1,854,047	396,304	-	-
Other taxes	176,285	37,614	-	-
Accounts	4,069	877	1,950	-
Total assets	\$ 2,034,401	434,795	2,539,095	1,740,470
Liabilities				
Accounts payable	\$ 177,874	37,962	-	-
Due to other governments	1,856,527	396,833	2,539,095	204,822
Due to litigants, heirs, and others	-	-	-	1,535,648
Total liabilities	\$ 2,034,401	434,795	2,539,095	1,740,470

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

Notes to Financial Statements

McMINN COUNTY, TENNESSEE

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

(a) Reporting entity

The financial statements of McMinn County, Tennessee (the "County") have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

An elected county mayor and a ten-member commission govern the County. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. Each discretely presented component unit has a June 30 year-end.

Discretely Presented Component Units

The Board of Education is responsible for elementary and secondary education within the County's jurisdiction. The voters elect the ten-members of the Board of Education. However, the Board of Education is fiscally dependent upon the County because the County Commission approves the Board of Education's budget, levies taxes, and must approve any debt issuances. The Board of Education is made up of four governmental fund type funds: a general fund type, two special revenue funds, and one capital project fund.

The Woods Memorial Hospital District & Subsidiary (District) provides full service medical and nursing home care to the County region, which includes the County's jurisdiction. The District is managed by a nine-member board, which is appointed by the County Mayor and confirmed by the County Commission. The District's bonds may be issued through the County and the County may be obligated to fund any deficits, which may arise from the operation and maintenance of the District. The District is presented as an enterprise type fund.

The Emergency Communications District (E-911 District) was established to provide services under the Emergency Communications District Law, Tennessee Code Annotated, Chapter 86. The E-911 District board members, as appointed by the County Mayor and concurred to by the County Commission, are responsible for the E-911 District operations. However, the E-911 District's inability to issue debt without going through the County requires its presentation in the report as a component unit. The E-911 District is presented as an enterprise type fund.

Complete financial statements for the individual component units may be obtained at the entity's administrative office as follows:

- (1) Woods Memorial Hospital District & Subsidiary
Highway 411 North
Etowah, TN 37331

(continued)

McMINN COUNTY, TENNESSEE

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies (continued)

(a) Reporting entity (continued)

(2) Emergency Communications District
1107 South Congress Parkway
Athens, TN 37303

(3) The Board of Education does not issue separate financial statements. The detailed statements are presented for the Board of Education individual funds following the supplemental section of this comprehensive annual financial report.

(b) Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(c) Measurement focus, basis of accounting, and financial statement presentation

Government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. 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.

(continued)

McMINN COUNTY, TENNESSEE

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies (continued)(c) Measurement focus, basis of accounting, and financial statement presentation (continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial sections. Amounts reported as *program revenues* include 1) fines, fees and 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.

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 are 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Other receipts and taxes are considered to be measurable and available when cash is received by the County and are recognized as revenue at that time.

Fund Accounting: The accounts of the County are organized, operated and presented on the basis of funds. Funds are independent fiscal and accounting entities with self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following is the County's major governmental funds:

General Fund

The General fund is the general operating fund of the County. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

Road and Bridge

The Road and Bridge fund is used to account for the County's share of the State gasoline and motor fuel taxes that are utilized to maintain non-state roads within the county.

(continued)

McMINN COUNTY, TENNESSEE

Notes to Financial Statements
June 30, 2006

- (1) Summary of Significant Accounting Policies (continued)
(c) Measurement focus, basis of accounting, and financial statement presentation (continued)

Constitutional Officers – Special Revenue Funds

These funds account for activities associated with the administrative functions of the County's Constitutional Officers which are as follows:

Trustee – serves as the treasurer and primary investment manager of the County's funds and manages property tax collection efforts.

County Clerk – serves as the Clerk for the County Commission. Principally engaged in the sale of motor vehicle licenses and acceptance of applications of motor vehicle registrations of the State of Tennessee.

Circuit and General Sessions, Criminal Courts Clerk and the Clerk and Master – serve as the clerical and support staff for the various courts for both civil and criminal proceedings.

Register of Deeds – collects various fees for the recording of conveyances, trust deeds, and other legal instruments.

These officials, responsible for the collection and remittance of State, County and other funds, earn fees and commissions for their services.

The operations of these officials are operated under the provisions of Section 8-22-104, Tennessee Code Annotated (TCA). Salaries and related benefits of the officials and staff are paid from fees and commissions earned. Fees earned in excess of these costs are transferred to the County's General Fund, less an allowance of three months of anticipated operating expenses retained in the respective fee account. Salaries for clerical assistance were supported by court decrees that were obtained under provisions of Section 8-20-101, et seq., TCA.

Collections and payments for litigants, heirs, and others are accounted for in the County's Constitutional Officers' Agency Fund.

Debt Service Fund

The Debt Service fund accounts for the servicing of general long-term debt not being financed by proprietary funds.

Capital Projects – Miscellaneous

The Capital Projects – Miscellaneous fund accounts for the acquisition of and construction of major capital projects not being financed by proprietary funds.

(continued)

McMINN COUNTY, TENNESSEE

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies (continued)(c) Measurement focus, basis of accounting, and financial statement presentation (continued)Component Units

The Board of Education uses the same measurement focus and basis of accounting as those of the County. The Woods Memorial Hospital District & Subsidiary and the Emergency Communications District follow the County's proprietary funds measurement focus and basis of accounting.

(d) Assets, liabilities and equityDeposits and investments

The cash and cash equivalents of the County and its component units are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The County maintains a pooled cash system through the McMinn County Trustee. The fair value of purchased investments and investment income at fiscal year end is allocated to each fund on the total cash position of that fund at the fiscal year end.

State statutes and local ordinances authorize the County and the Board of Education to invest in certificates of deposit, the State Local Government Investment Pool, U.S. Treasury obligations, U.S. agency issues, corporate bonds, equity funds, short-term bond funds, and guaranteed investment contracts.

The County and its component units' investments are stated at fair value plus accrued interest receivable. The marketable securities held by the District consist of equity securities that have a readily determined fair value. Management determines the appropriate classification of its investments at the time of donation or purchase and reevaluates such determination at each balance sheet date. The District's investments are reported at fair value, with any unrealized gains reported as revenues and losses reported as expenses. Any realized gains and losses on the marketable securities are determined by specific identification and are charged or credited to current earnings.

Tennessee law requires financial institutions to secure a local government's deposits by pledging governmental securities as collateral. The market value of pledged securities must equal at least 105% of the average daily balance of deposits. Alternatively, financial institutions that hold public deposits may participate in the State's collateral pool. See Note 3 for additional collateralization information.

(continued)

McMINN COUNTY, TENNESSEE

Notes to Financial Statements

June 30, 2006

- (1) Summary of Significant Accounting Policies (continued)
(d) Assets, liabilities and equity (continued)

Receivables, Payables and Deferred Revenues

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Transactions between the County and its component units that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from component units." All other outstanding balances between the County and its component units are reported as "due to/from Component Units/Primary Government."

In the fund financial statements governmental funds report deferred revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current accounting period. Governmental funds also defer recognition of revenues in connection with resources that have been received, but not yet earned. The County accrues additional assets (receivables) for certain nonexchange revenues in governmental funds. As governmental funds are subject to the modified accrual basis of accounting, any additional revenues recognized as receivable before the resources are available have been reported as deferred revenues with no resulting effect on fund equity. Deferred revenue in the government-wide financial statements consists of resources received that have not yet been earned.

All trade receivables are shown net of any allowance for doubtful accounts. Property taxes receivable are recognized as of the date an enforceable legal claim to the property taxes arises. In the State of Tennessee this date is January 1st, and is referred to as the lien date. Revenues from property taxes, however, are recognized in the period for which the taxes are levied, which for the County is October 1 of the ensuing fiscal year. Since the receivable for property taxes is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated amount for uncollectible taxes is reported as deferred revenue in the fund financial statements.

(continued)

McMINN COUNTY, TENNESSEE

Notes to Financial Statements

June 30, 2006

- (1) Summary of Significant Accounting Policies (continued)
 (d) Assets, liabilities and equity (continued)

Property taxes receivable are also reported as of June 30 for the taxes that are levied and uncollected during the current fiscal year as well as the previous ten years. These property taxes receivable are presented on the fund balance sheet with offsetting deferred revenue to reflect amounts available as of June 30. Property taxes collected within 60 days of year-end are considered available and are accrued as revenue. Property taxes collected later than 60 days after year-end are not considered available and are accrued and reported as deferred revenue. An allowance for uncollectible taxes is also recorded representing the estimated amount of delinquent taxes receivable that will be filed with the Chancery Court for collection. Delinquent taxes filed with the court for collection are considered uncollectible and are written-off.

Inventories

Component unit inventories are stated at lower of cost or market. Governmental fund inventory is valued at cost, which is recorded as expenditure at the time individual inventory items are purchased. Cost is determined on the first in, first out (FIFO) method.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year except for buildings and improvements that are capitalized when the cost is \$50,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of the donation.

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

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40 – 50
Infrastructure (roads, bridges, etc.)	40 – 50
Building improvements	10 – 20
Equipment	4 – 20
Vehicles	5

(continued)

McMINN COUNTY, TENNESSEE

Notes to Financial Statements

June 30, 2006

- (1) Summary of Significant Accounting Policies (continued)
(d) Assets, liabilities and equity (continued)

Compensated Absences

It is the policy of the County and its component units to permit employees to accumulate, in varying amounts, earned but unused vacation and sick pay benefits. Annual vacation time accrues at the rate of ½ day per month during the first twelve months of employment, one day per month for employment years two through ten and at one day and a half for each year thereafter. Employees cannot accumulate annual vacation time in excess of 24 days.

All accumulated vacation time is paid to employees unless they are terminated for cause. Sick leave accrues at the rate of ½ day per month, during the first five years of continuous employment and increases to one day per month starting in the sixth year. There are no limits on the amount of sick leave that can be accumulated, but no payment is made to employees for unused sick leave unless they meet the requirements for retirement incentives as explained in the heading "Retirement Incentives" below. Any changes in the vacation liability amounts between periods are adjusted to salary costs in the period of those changes.

Vacation pay from the County's and the Board of Education's governmental funds is not reported in their respective fund financial statements because it is not expected to be liquidated with expendable available financial resources. No expenditure is reported for these amounts. The compensated absences liability and the related change in the liability are reported in the government-wide and proprietary fund financial statements of the County and its component units.

Woods Memorial Hospital District & Subsidiary, a component unit, accrues its unpaid vacation and records the balances as a liability. The unpaid vacation accrues for eligible employees based on vacation hours vesting due to nonuse during the year.

Retirement Incentives

Medical insurance – Employees meeting the requirement of a full service retirement under the Tennessee Consolidated Retirement System (TCRS) (thirty years of creditable service and with a minimum of ten years employment with the County) will be reimbursed \$943 of insurance costs for five years or until the employee becomes eligible for Medicare, whichever comes first, on a pay-as-you-go basis.

Sick leave – Employees meeting the requirement of a full service retirement under TCRS will be paid for unused sick leave days on record at retirement. Payment for each unused day will be at the rate of one-half the minimum substitute teacher pay paid by the McMinn County Board of Education.

(continued)

McMINN COUNTY, TENNESSEE

Notes to Financial Statements

June 30, 2006

- (1) Summary of Significant Accounting Policies (continued)
(d) Assets, liabilities and equity (continued)

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Similarly, long-term debt and other obligations of the District are recorded as liabilities in the appropriate fund. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond 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.

Fund Equity

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. Designations of fund balance represent tentative management plans that are subject to change.

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted, and unrestricted. Restricted net assets represent constraints on resources that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by County law.

- (e) Additional Information

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures of propriety funds and similar component units. Accordingly, actual results could differ from those estimates.

(continued)

McMINN COUNTY, TENNESSEE

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies (continued)

(e) Additional information (continued)

Reconciliation of Government-Wide and Fund Financial Statements

Certain differences exist between the governmental fund financial statements and the government-wide financial statements. These differences relate to differences between the modified accrual basis of accounting used in the fund financial statements and the accrual basis of accounting used in the government-wide financial statements and to the consolidation of the internal service fund into the governmental activities in the government-wide financial statements.

Reconciliations between the governmental fund balance sheet and the government-wide statement of net assets and between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities are shown on pages 17 and 19, respectively.

(2) Stewardship, Compliance, and Accountability

Budgetary Data

Budget Basis/Authority

General revenues and expenditures accounted for in all the governmental funds, except for the Law Library Fund, the Fraud and Economic Crimes Fund, and the Constitutional Officers Funds (Special Revenue Fund types) are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements that govern McMinn County operations. The resources of such funds are appropriated based on resolutions adopted by the McMinn County Board of Commissioners that authorized the County to make expenditures. With the exception of project length budgets and grants, all appropriations lapse at year-end.

The Constitutional Officers Special Revenue Fund is used to account for the transactions of the fee and commission accounts of the County Trustee, Register of Deeds, County Clerk, Circuit and General Sessions Court, Clerk and Master and the Sheriff. These separately elected officials pay salaries and related expenditures from fees and commissions earned by their offices.

Excess fees and commissions are transferred to the general fund. Transactions related to the Constitutional officers Special Revenue Fund are not subject to the budgetary control of the County Commission. Therefore, this fund is presented as an unbudgeted special revenue fund.

Budgetary Process

Heads of all County departments and agencies submit requests for appropriations to the County Department of Finance. The Board of Education prepares a comprehensive budgetary request that is also sent to the Department of Finance. This budget has been approved by the members of the Board of Education and is sent to the County for adoption.

(continued)

McMINN COUNTY, TENNESSEE

Notes to Financial Statements

June 30, 2006

(2) Stewardship, Compliance, and Accountability (continued)**Budgetary Data (continued)**

The Department of Finance in conjunction with the Office of the County Mayor compiles the requests, negotiates with the various departments and submits a comprehensive budget to the County Commission. By July 1, the final County and Board budget is adopted by County Commissioners.

The appropriated County budget is prepared by fund, department, and major category level. For the County, the budgetary level is at the major category level, that is, the level at which management cannot overspend funds without a budget amendment approved by the County Commission.

The budget adopted by the County for the Board of Education is recommended by the County Mayor and adopted in total. The County does not exercise control over the Board at the department or major category level. After the budget for the Board of Education is approved, the Board of Education may modify it within the total appropriation granted by the County Commission.

The budget and actual schedules included herein are not intended to demonstrate compliance at the legal level of budgetary control. Such statements and schedules are included in the County's separately issued *The Budget - The Appropriation Resolution - The Tax Levy Resolution of McMinn County, Tennessee*. Copies of the budget report may be obtained from the McMinn County Finance Department at the following address:

McMinn County Finance Department
6 East Madison Avenue
Athens, Tennessee 37303

Encumbrances consisting of open purchase orders, unperformed contracts, and other commitments are recorded, in order to reserve that portion of the applicable appropriation, as a formal budgetary control and are utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Outstanding encumbrances are reappropriated in the subsequent year.

(3) Deposits and Investments

State statutes allow the County to invest in obligations of the federal government, Tennessee governments, repurchase agreements, certificates of deposit, demand and time deposits and in the State of Tennessee Local Government Investment Pool. During 2006 the County's deposits and temporary investments consisted exclusively of checking accounts, money market accounts, and certificates of deposit and, except for Woods Memorial Hospital District and the Constitutional Officers, are recorded by the Trustee's office.

(continued)

McMINN COUNTY, TENNESSEE

Notes to Financial Statements

June 30, 2006

(3) Deposits and Investments (continued)

At June 30, 2006, the carrying amount of the County's deposits is as follows:

Balances with the Trustee are as follows:

Cash on hand	\$	1,452
Bank accounts		5,248,162
Interest-bearing deposits in financial institutions		<u>18,768,335</u>
	\$	<u><u>24,017,949</u></u>

The deposits and investments held by the Trustee are recorded within the financial statements as follows:

	Trustee Balance	Outstanding Warrants	Carrying Value
Primary government	\$ 15,819,620	652,252	15,167,368
Component units:			
Board of Education	4,927,752	752,395	4,175,357
Emergency Communications District	<u>678,823</u>	<u>60,181</u>	<u>618,642</u>
Total government-wide	21,426,195	1,464,828	19,961,367
Agency fund:			
Judicial District Drug	<u>2,591,754</u>	<u>54,609</u>	<u>2,537,145</u>
	\$ <u><u>24,017,949</u></u>	<u><u>1,519,437</u></u>	<u><u>22,498,512</u></u>

Deposits held by Constitutional Officers are as follows:

	Carrying Amounts			
	Special Revenue Funds (Major Fund)	Agency Funds	Total	
Constitutional Officer				
Circuit, General Sessions and Probate Clerks	\$ 105,992	1,376,981	1,482,973	1,617,031
Clerk and Master	-	213,602	213,602	253,530
County Clerk	77,402	106,057	183,459	396,360
Register of Deeds	129,085	-	129,085	248,349
Sheiff Frisbie	1	43,830	43,831	56,923
	\$ <u><u>312,480</u></u>	<u><u>1,740,470</u></u>	<u><u>2,052,950</u></u>	<u><u>2,572,193</u></u>

(continued)

McMINN COUNTY, TENNESSEE

Notes to Financial Statements

June 30, 2006

(3) Deposits and Investments (continued)

The carrying amount of deposits for the Woods Memorial Hospital District & Subsidiary (the "District"), a discretely presented component unit, was \$276,950 of which \$108,850 is board designated, and the bank balances were \$483,195.

Custodial credit risk for the County, the Constitutional Officers and the District deposits is the risk that in the event of a bank failure, the County, the Constitutional Officers and District deposits may not be returned to them. As required by state statutes, the County's, the Constitutional Officer's and the District's policy is to require that financial institutions holding its deposits to be members of the Tennessee Collateral pool or pledge collateral for deposits in excess of federal depository insurance. The collateral is required to be held by the County, the Constitutional Officer and the District or their agents in the County's, the Constitutional Officer's or the District's name. At June 30, 2006 none of the County's, the Constitutional Officer's or District's bank balances was exposed to credit risk.

(4) Receivables

Receivables as of year-end for the County's individual major funds and nonmajor funds, and the internal service fund in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Primary Government

	Major Governmental Funds			
	General	Road and Bridge	Debt Service	Capital Projects Miscellaneous
	General	Bridge	Service	Miscellaneous
Receivables:				
Property taxes	\$ 3,876,856	1,434,237	55,837	3,707,485
Other taxes	196,553	350,745	-	7,280
Interest	12,069	3,382	27,220	24,626
Accounts	611,311	136,445	-	33,467
Notes	-	-	-	-
	4,696,789	1,924,809	83,057	3,772,858
Less: allowance for uncollectibles	(30,179)	(11,165)	(435)	(28,860)
Net receivables	\$ 4,666,610	1,913,644	82,622	3,743,998

(continued)

McMINN COUNTY, TENNESSEE

Notes to Financial Statements

June 30, 2006

(4) Receivables (continued)

	<u>Business-type</u>			
	<u>Activity</u>			
	Solid Waste Disposal	Nonmajor Governmental Funds	Total Government Wide	Agency
Receivables:				
Property taxes	\$ -	-	9,074,415	2,268,006
Other taxes	-	-	554,578	213,899
Interest	-	-	67,297	-
Accounts	172,582	47,668	1,001,473	6,896
Notes	-	200,284	200,284	-
	<u>172,582</u>	<u>247,952</u>	<u>10,898,047</u>	<u>2,488,801</u>
Less: allowance for uncollectibles	-	-	(70,639)	(17,655)
Net receivables	<u>\$ 172,582</u>	<u>247,952</u>	<u>10,827,408</u>	<u>2,471,146</u>

Notes receivable consists of non-interest bearing funds from (1) the City of Etowah - \$85,000 and (2) McMinn County Economic Development Authority - \$115,284 to assist with the purchase of industrial park development. As industrial park property is sold, the notes are to be retired by the City and the Development Authority.

Receivables for the County's component units as of year-end, including the allowance for uncollectible accounts are:

Component Units

	<u>Woods</u>		
	<u>Board of Education</u>	<u>Memorial Hospital District & Subsidiary</u>	<u>Emergency Communications District</u>
Receivables:			
Property taxes	\$ 6,991,899	-	-
Other taxes	665,722	-	-
Interest	23,432	-	-
Accounts	791,504	10,805,382	78,611
Other	-	179,862	-
	<u>8,472,557</u>	<u>10,985,244</u>	<u>78,611</u>
Less: allowance for uncollectibles	(54,427)	(7,656,807)	-
Net receivables	<u>\$ 8,418,130</u>	<u>3,328,437</u>	<u>78,611</u>

McMINN COUNTY, TENNESSEE

Notes to Financial Statements
June 30, 2006

(5) Capital Assets

Activity in the County's and its component units' capital assets for the fiscal year ended June 30, 2006, is as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,909,723	68,900	(72,500)	1,906,123
Construction in progress	1,410,241	2,142,950	-	3,553,191
Total capital assets, not being depreciated	3,319,964	2,211,850	(72,500)	5,459,314
Capital assets, being depreciated:				
Buildings and improvements	10,559,806	1,030,887	-	11,590,693
Machinery and equipment	6,535,158	693,017	(121,112)	7,107,063
Infrastructure	81,011,890	781,588	-	81,793,478
Total capital assets, being depreciated	98,106,854	2,505,492	(121,112)	100,491,234
Less accumulated depreciation for:				
Buildings and improvements	(3,715,375)	(288,323)	-	(4,003,698)
Machinery and equipment	(4,629,880)	(489,094)	119,195	(4,999,779)
Infrastructure	(31,609,751)	(1,991,587)	-	(33,601,338)
Total accumulated depreciation	(39,955,006)	(2,769,004)	119,195	(42,604,815)
Total capital assets being depreciated, net	58,151,848	(263,512)	(1,917)	57,886,419
Governmental activities capital assets, net	\$ 61,471,812	1,948,338	(74,417)	63,345,733
Business type activities:				
Capital assets, not being depreciated:				
Land and site improvement	\$ 438,950	-	-	438,950
Construction in progress	664,927	-	(662,311)	2,616
Total capital assets, not being depreciated	1,103,877	-	(662,311)	441,566
Capital assets being depreciated:				
Landfill facilities and development	3,338,426	948,996	-	4,287,422
Buildings and improvements	147,047	9,790	-	156,837
Machinery and equipment	1,833,772	22,939	-	1,856,711
Total capital assets being depreciated	5,319,245	981,725	-	6,300,970
Less accumulated depreciation for:				
Landfill facilities	(2,721,257)	(155,249)	-	(2,876,506)
Buildings and improvements	(64,956)	(7,143)	-	(72,099)
Machinery and equipment	(890,026)	(125,005)	-	(1,015,031)
Total accumulated depreciation	(3,676,239)	(287,397)	-	(3,963,636)
Total capital assets, being depreciated, net	1,643,006	694,328	-	2,337,334
Business-type activities capital assets, net	\$ 2,746,883	694,328	(662,311)	2,778,900

(continued)

McMINN COUNTY, TENNESSEE

Notes to Financial Statements
June 30, 2006

(5) Capital Assets (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 170,769
Public safety	369,777
Public works	2,135,335
Health	88,265
Culture and recreation	<u>4,858</u>
Total depreciation expense - governmental activities	<u>\$ 2,769,004</u>

Business-type activities:

Solid waste disposal fund	<u>\$ 287,397</u>
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Discretely Presented Component Units
Board of Education

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 556,821	303,120	-	859,941
Construction in progress	<u>2,773,509</u>	<u>407,144</u>	<u>(510,881)</u>	<u>2,669,772</u>
Total capital assets, not being depreciated	<u>3,330,330</u>	<u>710,264</u>	<u>(510,881)</u>	<u>3,529,713</u>
Capital assets, being depreciated:				
Buildings and improvements	25,515,107	5,675,751	-	31,190,858
Machinery and equipment	<u>4,084,978</u>	<u>325,844</u>	<u>(255,653)</u>	<u>4,155,169</u>
Total capital assets, being depreciated	<u>29,600,085</u>	<u>6,001,595</u>	<u>(255,653)</u>	<u>35,346,027</u>
Less accumulated depreciation for:				
Buildings and improvements	(13,131,801)	(691,024)	-	(13,822,825)
Machinery and equipment	<u>(2,769,987)</u>	<u>(292,453)</u>	<u>248,454</u>	<u>(2,813,986)</u>
Total accumulated depreciation	<u>(15,901,788)</u>	<u>(983,477)</u>	<u>248,454</u>	<u>(16,636,811)</u>
Total capital assets being depreciated, net	<u>13,698,297</u>	<u>5,018,118</u>	<u>(7,199)</u>	<u>18,709,216</u>
Governmental activities capital assets, net	<u>\$ 17,028,627</u>	<u>5,728,382</u>	<u>(518,080)</u>	<u>22,238,929</u>

(continued)

McMINN COUNTY, TENNESSEE

Notes to Financial Statements

June 30, 2006

(5) Capital Assets (continued)

Woods Memorial Hospital District

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 368,661	-	-	368,661
Construction in progress	134,242	359,335	134,242	359,335
Total capital assets not being depreciated	<u>502,903</u>	<u>359,335</u>	<u>134,242</u>	<u>727,996</u>
Capital assets, being depreciated:				
Land improvements	535,885	-	-	535,885
Buildings	10,331,440	96,920	-	10,428,360
Leasehold improvements	37,885	11,158	-	49,043
Fixed equipment	2,906,863	11,901	-	2,918,764
Moveable equipment	9,263,999	900,053	(1,223,432)	8,940,620
Total capital assets being depreciated	<u>23,076,072</u>	<u>1,020,032</u>	<u>(1,223,432)</u>	<u>22,872,672</u>
Less accumulated depreciation for:				
Land improvements	(443,775)	(32,517)	-	(476,292)
Buildings	(4,819,343)	(326,246)	-	(5,145,589)
Leasehold improvements	(37,885)	(186)	-	(38,071)
Fixed equipment	(2,342,168)	(115,619)	-	(2,457,787)
Moveable equipment	(8,111,284)	(394,502)	1,223,432	(7,282,354)
Total accumulated depreciation	<u>(15,754,455)</u>	<u>(869,070)</u>	<u>1,223,432</u>	<u>(15,400,093)</u>
Total capital assets being depreciated, net	<u>7,321,617</u>	<u>150,962</u>	<u>-</u>	<u>7,472,579</u>
Capital assets, net	<u>\$ 7,824,520</u>	<u>510,297</u>	<u>134,242</u>	<u>8,200,575</u>

McMinn Emergency Communications District

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Buildings and improvements	\$ 477,345	-	-	477,345
Equipment and furnishings	807,315	8,105	-	815,420
Vehicles	42,070	-	-	42,070
Total capital assets being depreciated	<u>1,326,730</u>	<u>8,105</u>	<u>-</u>	<u>1,334,835</u>
Less accumulated depreciation for:				
Buildings and improvements	(70,649)	(16,315)	-	(86,964)
Equipment and furnishings	(442,730)	(86,360)	-	(529,090)
Vehicles	(31,541)	(4,512)	-	(36,053)
Total accumulated depreciation	<u>(544,920)</u>	<u>(107,187)</u>	<u>-</u>	<u>(652,107)</u>
Total capital assets being depreciated, net	<u>781,810</u>	<u>(99,082)</u>	<u>-</u>	<u>682,728</u>
Capital assets, net	<u>\$ 781,810</u>	<u>(99,082)</u>	<u>-</u>	<u>682,728</u>

McMINN COUNTY, TENNESSEE

Notes to Financial Statements

June 30, 2006

(6) Pension Plans Plan Description

Certain employees of McMinn County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the *Tennessee Code Annotated* (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as McMinn 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 Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

Funding Policy

McMinn County requires employees to contribute up to 5.0 percent of earnable compensation.

McMinn County is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2006 was 5.83% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for McMinn County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2006, McMinn County's annual pension cost of \$1,089,812 to TCRS was equal to McMinn County's required and actual contributions. The required contribution was determined as part of the July 1, 2003 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually.

(continued)

McMINN COUNTY, TENNESSEE

Notes to Financial Statements

June 30, 2006

(6) Pension Plans Plan Description (continued)

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. McMinn County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was 10 years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

Fiscal Year	Annual Pension	Percentage of	Net Pension
<u>Ending</u>	<u>Cost (APC)</u>	<u>APC Contributed</u>	<u>Obligation</u>
6/30/06	\$ 1,089,812	100.00%	-
6/30/05	1,007,891	100.00%	-
6/30/04	843,295	100.00%	-

SCHOOLS -DEFINED BENEFIT PLAN

Plan Description

The McMinn County Schools contribute to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEPP), 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 the *Tennessee Code Annotated* (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are 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.

(continued)

McMINN COUNTY, TENNESSEE

Notes to Financial Statements

June 30, 2006

(6) Pension Plans Plan Description (continued)

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

Funding Policy

Most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for McMinn County Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2006, was 5.50% of annual covered payroll. The employer contribution requirement of McMinn County Schools is established and may be amended by the TCRS Board of Trustees. McMinn County Schools' contributions to TCRS for the years ending June 30, 2006, 2005, and 2004 were \$986,289, \$951,758, and \$579,038, respectively, equal to the required contributions for each year.

(7) Risk Management

McMinn County is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets; errors and emissions; injuries to employees; and natural disasters. The County insures itself against potential losses associated with these risks through purchase of commercial insurance. There were no reductions in limits of liability or coverage of insurance policies in effect during 2006 from those in effect in the preceding year. In addition, there have been no losses in excess of insurance coverage during the last three years.

The County provides life and medical protection for all employees in the General Fund, the Road and Bridge Fund, and the Fee Offices through its contract with a commercial insurance carrier. The County pays 100% of the employee premium for the program and 45% of family premiums for covered employees. Prior to fiscal year ended June 30, 2002 the County paid insurance premiums into the Insurance Fund (an internal service fund) from the General Fund and the Road and Bridge Fund to cover the medical costs of the covered employees. The County still maintains a small amount in this fund to pay the medical costs of those covered employees incurred prior to the adoption of the new insurance program, but that were not approved for final payment until after June 30, 2001. There was \$2,358 of approved claims paid out of the Insurance Fund in this fiscal year.

The schedule below represents the changes in claims liabilities for the current and prior fiscal years:

		2006	2005	2004
Unpaid claims and expenses at beginning of year	\$	-	-	-
Incurred claims and expenses		2,358	-	2,500
Payments of claims and expenses at end of year		(2,358)	-	(2,500)
	\$	-	-	-

McMINN COUNTY, TENNESSEE

Notes to Financial Statements

June 30, 2006

(8) Interfund and Component Unit Receivables, Payables, and Transfers

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The composition of the County and component unit interfund balances as of June 30, 2006, is as follows:

Due to/from other funds - Primary Government

Receivable Fund	Payable Fund	Amount
<u>Major Funds</u>		
General	Road and Bridge	\$ 13,924
	Constitutional officers:	
	Trustee	20,000
	Register of Deeds	40,000
	Nonmajor special revenue funds:	
	Drug control	5,000
		78,924
	Business-type activities:	
	Solid Waste Disposal	892
Total governmental funds		\$ 79,816
Business-type activities:	Governmental fund:	
Solid Waste Disposal	General fund	\$ 19,059

Due to/from Primary Government and Component Units

General	Board of Education	\$ 225,018
	Woods Memorial Hospital District & Subsidiary	19,394
	Emergency Communications District	111
		244,523
Debt Service	Woods Memorial Hospital District & Subsidiary	1,029,247
		\$ 1,273,770

Transfers and Similar Transactions

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires them or (2) use unrestricted revenues collected in the general fund or capital projects – miscellaneous fund to finance various programs or construction projects accounted for in other funds in accordance with budgetary authorizations.

(continued)

McMINN COUNTY, TENNESSEE

Notes to Financial Statements

June 30, 2006

(8) Interfund and Component Unit Receivables, Payables, and Transfers (continued)

The composition of primary government transfers for the year ended June 30, 2006, is as follows:

Primary Government

<u>Fund Transferred From</u>	<u>Funds Transferred To</u>	
	Business-type activities:	
General fund (major fund)	Solid waste disposal	\$ <u>100,000</u>
Constitutional Officers - Special Revenue Fund (major fund):		
Trustee	General Fund (major fund)	360,000
County Clerk	General Fund (major fund)	91,000
Circuit, General Sessions and Probate Clerk	General Fund (major fund)	125,000
Clerk and Master	General Fund (major fund)	245,978
Register of Deeds	General Fund (major fund)	<u>165,000</u>
		<u>986,978</u>
		\$ <u><u>1,086,978</u></u>

The transfers were properly approved by the County Commission.

McMINN COUNTY, TENNESSEE

Notes to Financial Statements

June 30, 2006

(9) Long-Term Debt

Bonds and notes payable at June 30, 2006, are as follows:

	<u>Component Unit</u>
	<u>Woods Memorial Hospital District & Subsidiary</u>
Notes Payable:	
(a) Note payable to a management company with interest on the unpaid principal at the rate of 6.75%. The note is payable in 77 monthly payments of \$1,203 with all remaining unpaid principal and interest due at the end of those payments. The note is collateralized by a service agreement with the same company for management services for the District's psychiatric unit.	\$ 71,850
(b) Note payable to a local bank together with interest at the rate of 4.55%. The note is payable in 35 monthly installments of \$1,862 with all remaining unpaid principal and interest due at the end of those payments. The note is collateralized by a deed of trust on the property located at 305 Grady Road, Etowah, TN.	147,199
(c) Note payable to a local bank together with interest at the rate of 4.55%. The note is payable in 35 monthly installments of \$4,578 with all remaining unpaid principal and interest due at the end of those payments. The note is cross-collateralized with note (b) by a deed of trust on the property located at 305 Grady Road, Etowah, TN.	361,940
(d) Note payable to Southeast Local Development Corporation, due in 240 monthly payments of principal and interest of \$1,161 beginning in September 1, 1998, through final payment in August 2018. The note bears interest at a rate of 4.25% beginning September 1, 2003, (6.98% prior to that date) subject to review at the end of each five-year interval of the note. This note holds as a second mortgage on the collateral pledged in notes (b) and (c) above.	103,991
(e) Note payable to Southeast Local Development Corporation, due in 240 monthly payments of principal and interest of \$1,161 beginning in September 1, 1998, through final payment in August 2018. The note bears interest at a rate of 4.25% beginning September 1, 2003, (6.98% prior to that date) subject to review at the end of each five-year interval of the note. This note holds as a second mortgage on the collateral pledged in notes (b) and (c) above.	103,991

(continued)

McMINN COUNTY, TENNESSEE

Notes to Financial Statements

June 30, 2006

(9) Long-Term Debt (continued)

	<u>Component Unit</u>
	<u>Woods Memorial Hospital District & Subsidiary</u>
Bonds Payable:	
(f) Note payable to a local bank together with interest at the rate of 4.35%. The note is payable in 30 monthly payments of \$31,140 beginning in July 2004 and with a final payment in December 2006. The note is collateralized by the District's property and equipment and accounts receivable. In addition, by agreement with McMinn County, Tennessee, if the District is unable to make any monthly payments the County will appropriate funds from its general fund and remit to the District the payment amount so that the debt remains current.	\$ 184,449
(g) Note payable to the United States Government payable by a down payment of \$100,000 due January 2003 plus 20 quarterly payments of \$55,000 through January 2008. The note will include interest accruing at a simple interest rate of 5.0%.	<u>366,450</u>
	1,339,870
Less current maturities	<u>929,223</u>
	<u>\$ 410,647</u>

Changes in long-term debt during the year ended June 30, 2006, are as follows:

<u>Primary Government</u>					
Compensated absences	\$	<u>229,416</u>	<u>3,793</u>	<u>-</u>	<u>233,209</u>
<u>Component Unit</u>					
<u>Woods Memorial Hospital District & Subsidiary:</u>					
General obligation bond	\$	345,000	-	345,000	-
Notes payable		<u>1,891,550</u>	<u>-</u>	<u>551,680</u>	<u>1,339,870</u>
	\$	<u>2,236,550</u>	<u>-</u>	<u>896,680</u>	<u>1,339,870</u>
Less current installments					<u>929,223</u>
	\$				<u>410,647</u>

(continued)

McMINN COUNTY, TENNESSEE

Notes to Financial Statements

June 30, 2006

(9) Long-Term Debt (continued)

The notes payable retired by the Woods Memorial Hospital District & Subsidiary were paid directly by the District and were not paid through the Debt Service fund of McMinn County.

Annual requirements to retire all debt outstanding for the District is as follows:

Year Ending	Notes Payable	
	Principal	Interest
2007	\$ 929,223	48,951
2008	191,838	15,464
2009	32,494	9,808
2010	34,195	8,107
2011	35,985	6,317
2012 - 2015	116,135	9,768
	\$ 1,339,870	98,415

Ad valorem taxes are to provide for the retirement of the above obligations except for the Woods Memorial Hospital District.

By resolution, the note guaranteed by the McMinn County Commission for the Woods Memorial Hospital District, item (f) on page 52, serves as additional security for the payment of the principal and interest on the outstanding note in addition to the net revenues of the District that are pledged. To the extent that any such County funds are actually needed for the payment of such principal and interest, the ad valorem taxes to be levied by the County may be proportionately reduced.

(10) Lease Commitments and Notes Payable

Woods Memorial Hospital District & Subsidiary

Note Payable

The District entered into an agreement with a local bank for a maximum of \$250,000 with interest to be paid at 6.25% with a six-month maturity date ending July 17, 2006. The note has a provision that allows the District to extend the note at maturity for another six months or for 36 months at the banks' prime rate plus .5%, provided the District pays a minimum of 25% of the outstanding balance. The balance on the note at June 30, 2006 totaled \$124,357.

(continued)

McMINN COUNTY, TENNESSEE

Notes to Financial Statements

June 30, 2006

(10) Lease Commitments and Notes Payable (continued)

Leases

a) 8.06% lease obligation due in monthly installments of \$2,693 through February 2011; collateralized by ultrasound equipment with a cost of \$132,596	\$ 125,317
b) 2.12% lease obligation due in monthly installments of \$9,465 through February 2011; collateralized by a CT Scanner with a cost of \$538,423	504,272
c) 4.64% lease obligation due in monthly installments of \$1,672 through February 2011; collateralized by ultrasound equipment with a cost of \$89,358	<div style="border-top: 1px solid black;">84,023</div>
	<div style="border-top: 1px solid black;">713,612</div>
Less current installments	<div style="border-top: 1px solid black;">143,461</div>
	<div style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 570,151</div>
Net book value of all assets under capital lease at June 30, 2006	<div style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 753,862</div>

The future installments of obligations under capital leases are as follows:

<u>Year Ending</u>	
2007	\$ 165,951
2008	165,951
2009	165,951
2010	165,951
2011	<div style="border-top: 1px solid black;">110,635</div>
	<div style="border-top: 1px solid black;">774,439</div>
Less portion attributable to interest	<div style="border-top: 1px solid black;">60,827</div>
	<div style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 713,612</div>

(continued)

McMINN COUNTY, TENNESSEE

Notes to Financial Statements

June 30, 2006

(10) Lease Commitments

Operating Leases:

Details for current leases of office space and equipment are as follows:

<u>Lease Type</u>	<u>Maturity Date</u>	<u>Monthly Payment as of June 30, 2006</u>
Office space:		
EMS	June 2007	\$ 875
Dialysis	February 2007	1,880
Equipment:		
Various medical equipment	September 2008	1,954

Future minimum payments required under these leases are as follows:

<u>Year Ending June 30</u>	
2007	\$ 48,988
2008	23,448
2009	<u>7,816</u>
	<u>\$ 80,252</u>

The amount paid under these operating leases plus various month-to-month operating leases for the District totaled \$197,069 during the year ended June 30, 2006.

(11) Joint Ventures

Hiwassee Utilities Commission

The County is a participant in a joint venture with Bradley County in the operation of the Hiwassee Utilities Commission (the "Commission"). The Commission was established in 1972 under the Interlocal Cooperation Act and under Tennessee Code Sections 12-801 and 5-1601 to provide service as an urban public utility and the Commission became operational in 1982. Each of the participants appoints three members of the Board to oversee the operations. In 1980, the Counties' authorized the issuance of \$5,000,000 of water revenue and tax bonds, Series 1980, to finance the construction of a public water supply and distribution system. As of June 30, 1982, these bonds had been sold and the proceeds disbursed to the "Commission" for construction purposes. While these are revenue bonds, the Counties' will levy ad valorem taxes on all taxable property within the corporate limits of each County in the event such revenues are insufficient. The bonds bear interest at a rate of 5% per annum. The remaining balance at June 30, 2006, is \$1,254,000 of which McMinn County's exposure would be 50% or \$627,000. Complete separate financial statements for the Commission may be obtained at 3973 Chatata Valley Road, Charleston, Tennessee 37310.

(continued)

McMINN COUNTY, TENNESSEE

Notes to Financial Statements
June 30, 2006

(11) Joint Ventures (Continued)

E.G. Fisher Public Library

In 1995, the Library was formed as a not-for-profit corporation under the laws of the State of Tennessee. The Library is a full service library offering circulation and reference services, reader's advisory, children's services and programs, and a strong genealogical collection to residents of McMinn County.

The City of Athens and McMinn County participate in the joint operation of the Library in that the Library's Board consists of four members appointed by the McMinn County Commission and three members appointed by the Athens City Council. However, the Library's operations have been excluded from McMinn County's reporting entity because of their limited oversight responsibility and their lack of involvement in directing the Library's budgets, fees, or debt obligations.

The Library issues separate financial statements which are available from the E.G. Fisher Public Library Board, 1289 Ingleside Avenue, Athens, Tennessee.

McMinn County's contributions for the year ending June 30, 2006 totaled \$132,560.

Summarized information for the Library's fiscal year ending June 30, 2005, the latest available audited financial statements, is as follows:

Total assets	\$690,729
Total liabilities	18,048
Total net assets	672,681

(12) Contingent Liabilities

Primary Government

Federal financial assistance

McMinn County participates in a number of federal financial assistance programs. These programs have been audited through June 30, 2006 in accordance with provisions of the Single Audit Act of 1984.

Property tax adjustments

Certain large taxpayers of the County have filed claims for property assessment amendments and tax adjustments for 2005 and prior years. Since the financial impact of such adjustments, if any, is not measurable or determinable, no provision has been made in these financial statements to record the effect of such adjustments.

McMINN COUNTY, TENNESSEE

Notes to Financial Statements
June 30, 2006

(12) Contingent Liabilities (continued)

Retirement incentives

The County has established a policy, see Note 1, to provide retirement incentives to employees meeting full service retirement under the Tennessee Consolidated Retirement System ("TCRS") definition of creditable service of thirty years and with a minimum of ten years of service with McMinn County. Since the County relies on the TCRS to establish the fulfillment of the creditable service requirement at retirement, no provision has been made in these financial statements to record any liability for employees meeting the requirements but have not yet retired.

Component Unit

As of July 1, 2005 the District no longer self-insured regarding the health insurance coverage of its employees. At that date the District began to fully fund a health benefit plan for its employees. Prior to that change management had established a liability to cover costs of incurred but unpaid or unreported claims that required adjustment to the financial statements. There was a stop-loss coverage of \$30,000 per employee per year and a \$1,000,000 limit over the lifetime of the covered individual. As there was no overall aggregate stop-loss per group, the District could have had a material exposure.

The schedule below represents the changes in claims liabilities for the current and prior two fiscal years:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Unpaid claims and expenses - beginning of year	\$ 168,862	90,269	99,124
Incurred claims and expenses	-	407,062	325,560
Payments of claims and expenses		<u>(328,469)</u>	<u>(334,415)</u>
Unpaid claims and expenses - end of year	\$ <u>168,862</u>	<u>168,862</u>	<u>90,269</u>

(13) Major Taxpayers

The County has one taxpayer that paid 14% of the total 2005 property taxes billed and collected prior to June 30, 2006.

McMINN COUNTY, TENNESSEE

Notes to Financial Statements

June 30, 2006

(14) Solid Waste Disposal Fund**Closure and Postclosure Care Costs**

State and federal laws and regulations require that McMinn County place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, *an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste.*

The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill space used during the fiscal year. The estimated liability for landfill closure and postclosure care costs is \$1,409,536 as of June 30, 2006, which is based on 40.89% usage of the landfill. It is estimated that an additional \$3,479,366 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2021). The estimated total current cost of the landfill closure and postclosure care (\$4,888,902) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2006. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

(15) Litigation

McMinn County is named as defendant in several lawsuits seeking damages in various amounts, none of which is expected to exceed insurance coverage. The County attorney has stated that it is difficult to estimate the outcome of these cases at this time and that any potential claims *against the County not covered by insurance resulting from the litigation cannot specifically be estimated.* Therefore, no amounts have been accrued as of June 30, 2006.

(16) Budgetary Violation

During the year ended June 30, 2006, the McMinn County Board of Education, a component unit of McMinn County, Tennessee, expended amounts in excess of legally adopted departmental budgets within the General Purpose School fund. The Office of the Superintendent section for Support Services budget expenditures was exceeded by actual expenditures by \$32,413.

(17) Prior Period Adjustment

During the year the component unit, Woods Memorial Hospital District & Subsidiary, discovered that errors were made in prior periods. Accounts receivable other was overstated by \$506,962, due to Medicare and Medicaid was understated by \$115,861 and the patient credit liability was overstated by \$250,387. Adjustments related to these corrections resulted in increasing the negative change in net assets at June 30, 2005 by \$118,200 from \$(305,946) to \$(424,146) and the total net assets at June 30, 2005 decreased by \$254,236 from \$7,021,284 to \$6,767,048.

McMINN COUNTY, TENNESSEE

Notes to Financial Statements

June 30, 2006

(18) Subsequent Events**Woods Memorial Hospital District & Subsidiary**

Subsequent to the District's year-end the District entered into the following loan and lease agreements:

- On July 28, 2006, the District agreed to a promissory note with a bank for \$1,700,000 payable in 60 monthly installments of \$34,035, with interest to be paid on the unpaid balance of 7.375% per annum and with the final outstanding interest and principal to be paid on July 25, 2011. The loan has been guaranteed by McMinn County, Tennessee based upon their resolution of July 5, 2006. The proceeds were used to consolidate various notes and accounts payable balances outstanding on June 30, 2006. The proceeds retired the outstanding debt in Note 9 (f) and Note 10 as on pages 52 to 53.
- The District entered into a lease agreement with a credit company to lease computer software and equipment for \$2,549 per month for 36 months with a \$1 buy-out option at the end of the lease.
- The District entered into a lease agreement with a credit company to lease X-ray equipment for \$483 per month for 60 months with a \$1 buy-out option at the end of the lease.
- The District entered into a lease agreement with a credit company to lease a NovaPACS system for \$693 per month for 60 months with a \$1 buy-out option at the end of the lease.

Required Supplemental Information

MCMINN COUNTY, TENNESSEE
Required Supplementary Information (Unaudited)
Schedule of Funding Progress

June 30, 2006

Pension Plan - Schedule of Funding Progress

(Dollar amounts in thousands)

Date of Actuarial Valuation June 30	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2005	\$ 35,274	36,933	1,659	95.51%	17,395	9.54%
2003	31,407	33,276	1,869	94.38%	15,634	11.95%
2001	28,311	30,347	2,036	93.29%	16,069	12.67%
1999	23,969	25,129	1,160	95.38%	14,108	8.22%
1997	19,748	20,052	304	98.48%	12,723	2.39%
1995	14,829	16,509	1,680	89.82%	11,143	15.08%
1993	12,180	13,396	1,216	90.92%	9,547	12.74%
1991	9,308	11,069	1,761	84.09%	7,868	22.38%

Supplemental Information

McMINN COUNTY, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006

Special Revenue Funds

<u>Assets</u>	<u>Law Library Fund</u>	<u>Solid/Waste Sanitation Fund</u>	<u>Drug Control Fund</u>	<u>Fraud and Economic Crime Fund</u>	<u>Economic Development and Assistance Fund</u>
Equity in pooled cash and investments	\$ 16,487	1,019,158	210,608	23,820	198,791
Receivables:					
Accounts	989	37,007	155	3,153	805
Notes	-	-	-	-	200,284
Total assets	<u>\$ 17,476</u>	<u>1,056,165</u>	<u>210,763</u>	<u>26,973</u>	<u>399,880</u>
 <u>Liabilities and Fund Balance</u>					
Liabilities:					
Accounts payable	\$ -	-	40	-	-
Due to other funds	-	-	5,000	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>5,040</u>	<u>-</u>	<u>-</u>
Fund balance:					
Reserved	-	-	-	-	200,284
Unreserved and undesignated	<u>17,476</u>	<u>1,056,165</u>	<u>205,723</u>	<u>26,973</u>	<u>199,596</u>
Total fund balance	<u>17,476</u>	<u>1,056,165</u>	<u>205,723</u>	<u>26,973</u>	<u>399,880</u>
Total liabilities and fund balance	<u>\$ 17,476</u>	<u>1,056,165</u>	<u>210,763</u>	<u>26,973</u>	<u>399,880</u>

	<u>Capital Projects</u>	
<u>Total</u>	<u>Correctional Projects</u>	<u>Total Nonmajor Governmental Funds</u>
1,468,864	99,558	1,568,422
42,109	5,559	47,668
<u>200,284</u>	<u>-</u>	<u>200,284</u>
<u>1,711,257</u>	<u>105,117</u>	<u>1,816,374</u>
40	5,308	5,348
<u>5,000</u>	<u>-</u>	<u>5,000</u>
<u>5,040</u>	<u>5,308</u>	<u>10,348</u>
200,284	-	200,284
<u>1,505,933</u>	<u>99,809</u>	<u>1,605,742</u>
<u>1,706,217</u>	<u>99,809</u>	<u>1,806,026</u>
<u>1,711,257</u>	<u>105,117</u>	<u>1,816,374</u>

McMINN COUNTY, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	<u>Special Revenue Funds</u>			
	<u>Law Library Fund</u>	<u>Solid/Waste Sanitation Fund</u>	<u>Drug Control Fund</u>	<u>Fraud and Economic Crime Fund</u>
Revenues:				
Fines, forfeitures, and penalties	\$ 4,945	-	109,960	59,016
Other local revenues	-	-	-	-
Charges for services	-	570,945	-	-
Total revenues	<u>4,945</u>	<u>570,945</u>	<u>109,960</u>	<u>59,016</u>
Expenditures:				
General government	2,700	-	-	58,316
Public safety	-	-	86,123	-
Public works	-	4,020	-	-
Capital projects	-	-	-	-
Total expenditures	<u>2,700</u>	<u>4,020</u>	<u>86,123</u>	<u>58,316</u>
Excess of revenues over (under) expenditures	2,245	566,925	23,837	700
Fund balance, beginning	<u>15,231</u>	<u>489,240</u>	<u>181,886</u>	<u>26,273</u>
Fund balance, ending	<u>\$ 17,476</u>	<u>1,056,165</u>	<u>205,723</u>	<u>26,973</u>

Economic Development and Assistance Fund		Capital Projects	
Fund	Total	Correctional Projects	Total Nonmajor Governmental Funds
-	173,921	-	173,921
8,266	8,266	3,940	12,206
-	570,945	-	570,945
8,266	753,132	3,940	757,072
-	61,016	-	61,016
-	86,123	-	86,123
-	4,020	-	4,020
-	-	672	672
-	151,159	672	151,831
8,266	601,973	3,268	605,241
391,614	1,104,244	96,541	1,200,785
399,880	1,706,217	99,809	1,806,026

McMINN COUNTY, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL - GAAP BASIS

BUDGETED NONMAJOR SPECIAL REVENUE FUNDS

Year Ended June 30, 2006

Solid Waste/Sanitation Fund				
	Budget		Actual	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Fines, forfeitures, and penalties	\$ -	-	-	-
Other local revenues	-	-	-	-
Charges for services	350,000	350,000	570,945	220,945
Total revenues	350,000	350,000	570,945	220,945
Expenditures:				
Public safety	-	-	-	-
Public works	350,000	350,000	4,020	345,980
Other	-	-	-	-
Total expenditures	350,000	350,000	4,020	345,980
Excess of revenues over expenditures	\$ -	-	566,925	566,925
Fund balance, beginning			489,240	
Fund balance, ending			\$ 1,056,165	

<u>Drug Control Fund</u>				<u>Economic Development and Assistance Fund</u>			
<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
<u>Original</u>	<u>Final</u>			<u>Original</u>	<u>Final</u>		
109,261	109,261	109,960	699	-	-	-	-
-	-	-	-	4,000	4,000	8,266	4,266
-	-	-	-	-	-	-	-
<u>109,261</u>	<u>109,261</u>	<u>109,960</u>	<u>699</u>	<u>4,000</u>	<u>4,000</u>	<u>8,266</u>	<u>4,266</u>
109,261	109,261	86,123	23,138	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	100	100	-	100
<u>109,261</u>	<u>109,261</u>	<u>86,123</u>	<u>23,138</u>	<u>100</u>	<u>100</u>	<u>-</u>	<u>100</u>
-	-	23,837	23,837	3,900	3,900	8,266	4,366
-	-	<u>181,886</u>	-	-	-	<u>391,614</u>	-
-	-	<u>205,723</u>	-	-	-	<u>399,880</u>	-

(continued)

McMINN COUNTY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GAAP BASIS
BUDGETED NONMAJOR SPECIAL REVENUE FUNDS (continued)
Year Ended June 30, 2006

	Total			Variance with Final Budget - Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Fines, forfeitures, and penalties	\$ 109,261	109,261	109,960	699
Other local revenues	4,000	4,000	8,266	4,266
Charges for services	350,000	350,000	570,945	220,945
Total revenues	<u>463,261</u>	<u>463,261</u>	<u>689,171</u>	<u>225,910</u>
Expenditures:				
Public safety	109,261	109,261	86,123	23,138
Public works	350,000	350,000	4,020	345,980
Other	100	100	-	100
Total expenditures	<u>459,361</u>	<u>459,361</u>	<u>90,143</u>	<u>369,218</u>
Excess of revenues over expenditures	<u>\$ 3,900</u>	<u>3,900</u>	599,028	<u>595,128</u>
Fund balance, beginning			<u>1,062,740</u>	
Fund balance, ending			<u>\$ 1,661,768</u>	

McMINN COUNTY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
Budget and Actual - Correctional Projects Fund
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other local revenues:				
Interest earned	\$ -	-	3,940	3,940
Expenditures:				
Building and construction	-	57,104	672	56,432
Furniture and fixtures	-	4,418	-	4,418
Total expenditures	-	61,522	672	60,850
Excess of revenue over (under) expenditures	\$ -	(61,522)	3,268	64,790
Fund balance, beginning			96,541	
Fund balance, ending			\$ 99,809	

McMINN COUNTY, TENNESSEE**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -****Law Library Fund****Year Ended June 30, 2006****Revenues:**

Fines, forfeitures, and penalties		\$	4,945
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Expenditures:

Library books	\$	2,640	
Trustee commission		<u>60</u>	

Total expenditures			<u>2,700</u>
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Excess of revenues over expenditures			2,245
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Fund balance, beginning			<u>15,231</u>
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Fund balance, ending		\$	<u><u>17,476</u></u>
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McMINN COUNTY, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

Fraud and Economic Crime Fund

Year Ended June 30, 2006

Revenues:	
Fines, forfeitures, and penalties	\$ 59,016
Expenditures:	
General government	<u>58,316</u>
Excess of revenues over expenditures	700
Fund balance, beginning	<u>26,273</u>
Fund balance, ending	<u><u>\$ 26,973</u></u>

McMINN COUNTY, TENNESSEE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
Constitutional Officers (Major Fund)
Year Ended June 30, 2006

	<u>Trustee</u>	<u>County Clerk</u>	<u>Circuit, General Sessions, and Probate Clerk</u>
Revenues:			
Charges for services:			
Commissions	\$ 524,479	119,567	-
Motor vehicle licenses	-	142,673	-
Title applications	-	99,490	-
Civil rule and execution docket	-	-	106,245
State rule and execution docket	-	-	364,017
Support docket	-	-	51,144
Juvenile docket	-	-	38,295
Probate rule and execution docket	-	-	1,398
Witness fee, reimbursement	-	-	5,454
Warranty deeds	-	-	-
Trust deeds	-	-	-
Certified copies and marginal releases	-	-	-
UCC fees	-	-	-
Data processing fees	-	-	-
Other (including record search and passport fees)	-	-	8,480
State of Tennessee	-	59,575	-
Interest	-	17,305	11,211
Other	-	15,506	-
Total revenues	<u>524,479</u>	<u>454,116</u>	<u>586,244</u>
Expenditures:			
Salaries - office holder	57,256	57,256	62,982
Salaries - staff	61,531	239,390	263,548
Health insurance	19,870	43,763	50,047
Payroll taxes	9,333	24,709	25,341
Copier and computer costs	-	-	31,649
Clerk expenses	-	-	21,991
Office equipment	-	-	685
Confidential drug buys	-	-	-
Data processing fees	-	-	-
Total expenditures	<u>147,990</u>	<u>365,118</u>	<u>456,243</u>
Excess of revenues over (under) expenditures	376,489	88,998	130,001
Other financing uses:			
Operating transfers - out	<u>(360,000)</u>	<u>(91,000)</u>	<u>(125,000)</u>
Excess of revenues over (under) expenditures and other financing uses	16,489	(2,002)	5,001
Fund balance, beginning	57,090	79,404	100,991
Fund balance, ending	<u>\$ 73,579</u>	<u>77,402</u>	<u>105,992</u>

<u>Clerk and Master</u>	<u>Register of Deeds</u>	<u>Sheriff's Narcotic Division</u>	<u>Total</u>
245,978	35,951	-	925,975
-	-	-	142,673
-	-	-	99,490
-	-	-	106,245
-	-	-	364,017
-	-	-	51,144
-	-	-	38,295
-	-	-	1,398
-	-	-	5,454
-	165,426	-	165,426
-	35,087	-	35,087
-	39,908	-	39,908
-	529	-	529
-	24,343	-	24,343
-	41,414	-	49,894
-	-	-	59,575
-	5,638	-	34,154
-	-	1,000	16,506
<u>245,978</u>	<u>348,296</u>	<u>1,000</u>	<u>2,160,113</u>
-	57,256	-	234,750
-	68,620	-	633,089
-	13,612	-	127,292
-	9,766	-	69,149
-	-	-	31,649
-	-	-	21,991
-	-	-	685
-	-	1,200	1,200
-	24,505	-	24,505
-	<u>173,759</u>	<u>1,200</u>	<u>1,144,310</u>
245,978	174,537	(200)	1,015,803
<u>(245,978)</u>	<u>(165,000)</u>	<u>-</u>	<u>(986,978)</u>
-	9,537	(200)	28,825
-	79,548	201	317,234
-	<u>89,085</u>	<u>1</u>	<u>346,059</u>

McMINN COUNTY, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL - GAAP BASIS

Debt Service Fund (Major Fund)

Year Ended June 30, 2006

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Other local revenues:				
Interest earned	\$ 150,000	150,000	246,055	96,055
Other	371,910	371,910	362,940	(8,970)
Total revenues	<u>521,910</u>	<u>521,910</u>	<u>608,995</u>	<u>87,085</u>
Expenditures:				
Trustee's commission	5,000	5,000	2,329	2,671
Principal on bonds	353,970	353,970	345,000	8,970
Interest on bonds	17,940	17,940	17,940	-
Other debt service fees	4,000	4,000	600	3,400
Total expenditures	<u>380,910</u>	<u>380,910</u>	<u>365,869</u>	<u>15,041</u>
Excess of revenues over expenditures	<u>\$ 141,000</u>	<u>141,000</u>	243,126	<u>102,126</u>
Fund balance, beginning			<u>2,388,652</u>	
Fund balance, ending			<u>\$ 2,631,778</u>	

McMINN COUNTY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
Budget and Actual - Other Capital Projects Fund (Major Fund)
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes:				
Current property tax	\$ 3,344,555	3,344,555	3,338,084	(6,471)
Trustee's collection - prior year	102,355	102,355	88,694	(13,661)
Clerk and Masters collections (prior years)	41,761	41,761	48,081	6,320
Interest and penalty	31,935	31,935	35,189	3,254
Payments in lieu of taxes - TVA	9,200	9,200	9,197	(3)
Payments in lieu of taxes - local utilities	38,383	38,383	39,209	826
Litigation tax, Jail, Courthouse	50,000	50,000	72,078	22,078
Business tax	82,800	82,800	102,134	19,334
Bank excise tax	22,518	22,518	31,733	9,215
Total taxes	<u>3,723,507</u>	<u>3,723,507</u>	<u>3,764,399</u>	<u>40,892</u>
Other local revenues:				
Interest earned	85,000	85,000	228,935	143,935
Sale of equipment	-	-	2,250	2,250
Total other local revenues	<u>85,000</u>	<u>85,000</u>	<u>231,185</u>	<u>146,185</u>
State of Tennessee:				
Airport maintenance program	-	2,682,608	2,281,641	(400,967)
TVA replacement tax	127,385	127,385	131,415	4,030
Other State of TN grants	-	97,899	-	(97,899)
Total State of Tennessee	<u>127,385</u>	<u>2,907,892</u>	<u>2,413,056</u>	<u>(494,836)</u>
Federal government	-	462,675	445,886	(16,789)
Other revenues	-	-	72,800	72,800
Total revenues	<u>3,935,892</u>	<u>7,179,074</u>	<u>6,927,326</u>	<u>(251,748)</u>
Expenditures:				
General administration projects:				
Trustee's commission	75,000	75,000	70,769	4,231
Airport improvement	100,000	2,915,502	2,182,782	732,720
Building construction (Expo. Center/Rec)	-	252,905	19,037	233,868
Building improvements - Juvenile Center	-	100,000	-	100,000
Communication equipment	-	83,651	-	83,651
Data processing equipment (G.I.S.)	-	2,245	-	2,245
Land - economic development	300,000	1,371,500	-	1,371,500
Site development (Animal Shelter)	-	34,088	34,087	1
Building purchases (Courthouse Improvements)	1,300,000	1,455,334	1,324,625	130,709
Other equipment - Rural Fire	200,000	500,000	34,650	465,350
Other construction (Senior Center)	-	100,000	-	100,000
Other capital outlay (Old Jail Renovation)	-	250,000	-	250,000
Total general administration projects	<u>1,975,000</u>	<u>7,140,225</u>	<u>3,665,950</u>	<u>3,474,275</u>
Administration of Justice projects:				
Building construction and improvements	50,000	385,710	29,429	356,281
Public health projects:				
Other capital outlay (water)	200,000	1,319,417	623,261	696,156
Highway capital projects:				
Highway construction	500,000	1,308,284	1,308,192	92
Educational capital projects:				
Building construction	1,200,000	2,620,054	-	2,620,054
Construction assistance to McMinn County Board of Education	-	-	783,735	(783,735)
Total educational capital projects	<u>1,200,000</u>	<u>2,620,054</u>	<u>783,735</u>	<u>1,836,319</u>
Total expenditures	<u>3,925,000</u>	<u>12,773,690</u>	<u>6,410,567</u>	<u>6,363,123</u>
Excess of revenues over (under) expenditures	<u>\$ 10,892</u>	<u>(5,594,616)</u>	<u>516,759</u>	<u>6,111,375</u>
Fund balance, beginning			5,696,867	
Fund balance, ending			<u>\$ 6,213,626</u>	

McMINN COUNTY, TENNESSEE
COMBINING BALANCE SHEET - AGENCY FUNDS
June 30, 2006

	Athens School Fund	Etowah School Fund	Judicial District Drug Fund	Constitutional Officers	Total
<u>Assets</u>					
Equity in pooled cash and investments	\$ -	-	2,537,145	-	2,537,145
Cash and cash equivalents	-	-	-	1,740,470	1,740,470
Property taxes receivable (net allowance for uncollectible)	1,854,047	396,304	-	-	2,250,351
Accounts receivable	180,354	38,491	1,950	-	220,795
Total assets	<u>\$ 2,034,401</u>	<u>434,795</u>	<u>2,539,095</u>	<u>1,740,470</u>	<u>6,748,761</u>
<u>Liabilities</u>					
Liabilities:					
Accounts payable	\$ 177,874	37,962	-	-	215,836
Due to other governments	1,856,527	396,833	2,539,095	204,822	4,997,277
Due to litigants, heirs, and others	-	-	-	1,535,648	1,535,648
Total liabilities	<u>\$ 2,034,401</u>	<u>434,795</u>	<u>2,539,095</u>	<u>1,740,470</u>	<u>6,748,761</u>

McMINN COUNTY, TENNESSEE

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS

Year Ended June 30, 2006

<u>Fund</u>	Balance			Balance June 30, 2006
	July 1, 2005	Additions	Deductions	
Athens School Fund	\$ 2,024,425	2,828,438	2,996,336	1,856,527
Etowah School Fund	448,361	603,211	654,739	396,833
Judicial District Drug Fund	1,900,494	1,549,200	910,599	2,539,095
Constitutional Officers:				
Circuit Court Clerk	1,144,392	1,092,431	898,801	1,338,022
General Sessions and Probate Courts Clerk	50,635	2,097,519	2,109,195	38,959
Clerk and Master	147,425	3,019,578	2,953,401	213,602
County Clerk	139,341	4,131,423	4,164,707	106,057
Register of Deeds	-	1,273,533	1,273,533	-
Sheriff	57,159	362,529	375,858	43,830
	\$ <u>5,912,232</u>	<u>16,957,862</u>	<u>16,337,169</u>	<u>6,532,925</u>

McMINN COUNTY, TENNESSEE
COMBINED SCHEDULE OF ASSETS, LIABILITIES AND EQUITY
Constitutional Officers
June 30, 2006

<u>Assets</u>	<u>Trustee</u>	<u>County Clerk</u>	<u>Circuit, General Sessions, and Probate Clerk</u>	<u>Clerk and Master</u>
Petty cash	\$ 1,452	500	70	60
Cash	5,248,162	182,959	320,392	79,610
Investments	18,768,335	-	1,162,511	133,932
Total assets	\$ 24,017,949	183,459	1,482,973	213,602

Liabilities and Fund Balance

Liabilities:

Due to other funds	\$ 20,000	-	-	-
Due to other governments	-	106,057	98,765	-
Due to litigants, heirs and others	-	-	1,278,216	213,602

Amounts held in custody for other funds:

General	2,747,513	-	-	-
Road and bridge	1,058,257	-	-	-
Law library	16,487	-	-	-
Solid waste/sanitation	1,019,158	-	-	-
Drug control	216,673	-	-	-
Fraud and economic crime	27,397	-	-	-
Debt service	1,575,311	-	-	-
Correctional projects	99,589	-	-	-
Miscellaneous capital projects	6,371,005	-	-	-
Enterprise (landfill)	2,388,702	-	-	-
Internal service	7,158	-	-	-
Economic development and assistance	198,791	-	-	-
Judicial district drug	2,591,754	-	-	-
Board of Education:				
General	4,444,585	-	-	-
Federal projects	92,558	-	-	-
Cafeteria	386,895	-	-	-
Capital projects	3,714	-	-	-
Emergency Communications District	678,823	-	-	-
Total liabilities	23,944,370	106,057	1,376,981	213,602

Fund Balance:

Fee and commission account	73,579	77,402	105,992	-
Total liabilities and fund balance	\$ 24,017,949	183,459	1,482,973	213,602

<u>Register of Deeds</u>	<u>Sheriff</u>	<u>Total</u>
-	-	2,082
129,085	43,831	6,004,039
-	-	20,064,778
<u>129,085</u>	<u>43,831</u>	<u>26,070,899</u>
40,000	-	60,000
-	-	204,822
-	43,830	1,535,648
-	-	2,747,513
-	-	1,058,257
-	-	16,487
-	-	1,019,158
-	-	216,673
-	-	27,397
-	-	1,575,311
-	-	99,589
-	-	6,371,005
-	-	2,388,702
-	-	7,158
-	-	198,791
-	-	2,591,754
-	-	4,444,585
-	-	92,558
-	-	386,895
-	-	3,714
-	-	678,823
<u>40,000</u>	<u>43,830</u>	<u>25,724,840</u>
<u>89,085</u>	<u>1</u>	<u>346,059</u>
<u>129,085</u>	<u>43,831</u>	<u>26,070,899</u>

McMINN COUNTY, TENNESSEE
COMBINED SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND BALANCES
Constitutional Officers
Year Ended June 30, 2006

	<u>Trustee</u>	<u>County Clerk</u>	<u>Circuit, General Sessions, and Probate Clerk</u>	<u>Clerk and Master</u>
Receipts:				
Fund accounts	\$ 71,363,513	4,129,667	2,010,434	483,801
Litigants, heirs and others	-	1,756	1,179,516	2,535,777
Fee and commission account	<u>524,479</u>	<u>454,116</u>	<u>586,244</u>	<u>245,978</u>
Total receipts	<u>71,887,992</u>	<u>4,585,539</u>	<u>3,776,194</u>	<u>3,265,556</u>
Disbursements	<u>69,895,259</u>	<u>4,620,825</u>	<u>3,589,239</u>	<u>3,199,379</u>
Excess of receipts over (under) disbursements	1,992,733	(35,286)	186,955	66,177
Balance - July 1, 2005	<u>22,025,216</u>	<u>218,745</u>	<u>1,296,018</u>	<u>147,425</u>
Balance - June 30, 2006	<u>\$ 24,017,949</u>	<u>183,459</u>	<u>1,482,973</u>	<u>213,602</u>

<u>Register of Deeds</u>	<u>Sheriff</u>	<u>Total</u>
1,273,533	362,529	79,623,477
-	-	3,717,049
<u>348,296</u>	<u>1,000</u>	<u>2,160,113</u>
1,621,829	363,529	85,500,639
<u>1,602,292</u>	<u>377,058</u>	<u>83,284,052</u>
19,537	(13,529)	2,216,587
<u>109,548</u>	<u>57,360</u>	<u>23,854,312</u>
<u>129,085</u>	<u>43,831</u>	<u>26,070,899</u>

McMINN COUNTY, TENNESSEE
COMBINED SCHEDULE OF CHANGES IN FEE AND COMMISSION ACCOUNTS -
Constitutional Officers
Year Ended June 30, 2006

	<u>Trustee</u>	<u>County Clerk</u>	<u>Circuit, General Sessions, and Probate Clerk</u>
Revenues:			
Charges for services:			
Commissions	\$ 524,479	119,567	-
Motor vehicle licenses	-	142,673	-
Title applications	-	99,490	-
Civil rule and execution docket	-	-	106,245
State rule and execution docket	-	-	364,017
Support docket	-	-	51,144
Juvenile docket	-	-	38,295
Probate rule and execution docket	-	-	1,398
Witness fee, reimbursement	-	-	5,454
Warranty deeds	-	-	-
Trust deeds	-	-	-
Certified copies and marginal releases	-	-	-
UCC fees	-	-	-
Data processing fees	-	-	-
Other (including record search and passport fees)	-	-	8,480
State of Tennessee	-	59,575	-
Interest	-	17,305	11,211
Other	-	15,506	-
Total revenues	<u>524,479</u>	<u>454,116</u>	<u>586,244</u>
Expenditures:			
Salaries - office holder	57,256	57,256	62,982
Salaries - staff	61,531	239,390	263,548
Health insurance	19,870	43,763	50,047
Payroll taxes	9,333	24,709	25,341
Copier and computer costs	-	-	31,649
Clerk expenses	-	-	21,991
Office equipment	-	-	685
Confidential drug buys	-	-	-
Data processing fees	-	-	-
Total expenditures	<u>147,990</u>	<u>365,118</u>	<u>456,243</u>
Excess of revenues over (under) expenditures	376,489	88,998	130,001
Other financing uses:			
Operating transfers - out	<u>(360,000)</u>	<u>(91,000)</u>	<u>(125,000)</u>
Excess of revenues over (under) expenditures and other financing uses	16,489	(2,002)	5,001
Fund balance, beginning	57,090	79,404	100,991
Fund balance, ending	<u>\$ 73,579</u>	<u>77,402</u>	<u>105,992</u>

<u>Clerk and Master</u>	<u>Register of Deeds</u>	<u>Sheriff's Narcotic Division</u>	<u>Total</u>
245,978	35,951	-	925,975
-	-	-	142,673
-	-	-	99,490
-	-	-	106,245
-	-	-	364,017
-	-	-	51,144
-	-	-	38,295
-	-	-	1,398
-	-	-	5,454
-	165,426	-	165,426
-	35,087	-	35,087
-	39,908	-	39,908
-	529	-	529
-	24,343	-	24,343
-	41,414	-	49,894
-	-	-	59,575
-	5,638	-	34,154
-	-	1,000	16,506
<u>245,978</u>	<u>348,296</u>	<u>1,000</u>	<u>2,160,113</u>
-	57,256	-	234,750
-	68,620	-	633,089
-	13,612	-	127,292
-	9,766	-	69,149
-	-	-	31,649
-	-	-	21,991
-	-	-	685
-	-	1,200	1,200
-	24,505	-	24,505
-	<u>173,759</u>	<u>1,200</u>	<u>1,144,310</u>
245,978	174,537	(200)	1,015,803
<u>(245,978)</u>	<u>(165,000)</u>	<u>-</u>	<u>(986,978)</u>
-	9,537	(200)	28,825
-	79,548	201	317,234
-	<u>89,085</u>	<u>1</u>	<u>346,059</u>

McMINN COUNTY, TENNESSEE
SCHEDULE OF INVESTMENTS

Constitutional Officers

June 30, 2006

Office of Trustee

Pooled investments

Certificate of deposit:

FSG Bank	\$ 3,200,000
Bank of Athens	11,568,335
First National Bank (formerly BB&T)	4,000,000
Total Office of Trustee	<u>\$ 18,768,335</u>

Office of Circuit, General Session and Probate Clerk

Court ordered invested funds:

Bank of Athens	\$ 16,411
First National Bank (formerly BB&T)	104,532
Citizens National Bank	739,878
AmSouth National Bank	6,901
Athens Federal Savings & Loan	51,466
Regions Bank	17,603
Southeast Bank & Trust	<u>225,720</u>
Total Office of Circuit, General Sessions and Probate Clerk	<u>\$ 1,162,511</u>

Office of Clerk and Master:

Court ordered invested funds:

Athens Federal Savings and Loan	\$ 11,572
Citizens National Bank	61,908
First National Bank (formerly BB&T)	60,452
Total Office of Clerk and Master	<u>\$ 133,932</u>

McMINN COUNTY, TENNESSEE
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
Constitutional Officer - Circuit Court Clerk
Year Ended June 30, 2006

	<u>Balances</u> <u>July 1, 2005</u>	<u>Revenues</u> <u>Collected</u>	<u>Expenditures</u> <u>Paid</u>	<u>Balances</u> <u>June 30, 2006</u>
Probate rule and execution docket cases	\$ 321,766	9,362	68,583	262,545
Civil rule and execution docket cases	483,218	498,000	448,610	532,608
State rule and execution docket cases	11,990	345,492	297,676	59,806
Jury fee fund	4,759	16,512	15,186	6,085
Juvenile rule and execution cases	154,654	111,690	67,042	199,302
Bonding company deposits	168,005	111,375	1,704	277,676
Totals	<u>\$ 1,144,392</u>	<u>1,092,431</u>	<u>898,801</u>	<u>1,338,022</u>

McMINN COUNTY, TENNESSEE
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
Constitutional Officers - General Sessions and Probate Courts Clerk
Year Ended June 30, 2006

	Balance July 1, 2005	Revenues Collected	Expenditures Paid	Balance June 30, 2006
Civil Division:				
Deposits, unearned clerk fees, and cost	\$ 9,367	39,366	36,703	12,030
Support and alimony	2,072	173,811	173,454	2,429
Clerk fees, earned	-	103,318	103,318	-
Officer costs, earned	-	31,377	31,377	-
State privilege tax	-	23,835	23,835	-
County privilege tax	-	41,857	41,857	-
Library tax	-	356	356	-
Data processing	-	3,004	3,004	-
Jail tax	-	14,230	14,230	-
Judges retirement tax	-	1,423	1,423	-
	<u>11,439</u>	<u>432,577</u>	<u>429,557</u>	<u>14,459</u>
State Division:				
Cash bonds and other costs	39,196	393,061	407,757	24,500
Officer costs	-	139,389	139,389	-
Clerk commissions	-	203,181	203,181	-
State fines	-	64,705	64,705	-
County fines	-	165,843	165,843	-
City fines	-	61,864	61,864	-
Game and fish fines	-	970	970	-
State privilege tax	-	159,611	159,611	-
Jail fees	-	38,580	38,580	-
State lab fees	-	6,397	6,397	-
County tax	-	221,117	221,117	-
Library tax	-	1,348	1,348	-
C.I.C. tax	-	32,158	32,158	-
Judgments	-	115,967	115,967	-
Refunds/forfeited bonds	-	29,078	29,078	-
Other	-	31,673	31,673	-
	<u>39,196</u>	<u>1,664,942</u>	<u>1,679,638</u>	<u>24,500</u>
Totals	\$ 50,635	2,097,519	2,109,195	38,959

McMINN COUNTY, TENNESSEE
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
Constitutional Officer - Clerk and Master
Year Ended June 30, 2006

	Balances July 1, 2005	Revenues Collected	Expenditures Paid	Balances June 30, 2006
Trust funds	\$ 146,616	2,426,156	2,361,458	211,314
Rule and execution docket	809	48,138	46,659	2,288
Attorney fees	-	26,728	26,728	-
Officers' costs	-	10,074	10,074	-
Alimony and child support	-	24,681	24,681	-
Delinquent taxes, county	-	377,271	377,271	-
Delinquent taxes, cities	-	79,879	79,879	-
County litigation tax	-	13,230	13,230	-
State litigation tax	-	13,421	13,421	-
Totals	<u>\$ 147,425</u>	<u>3,019,578</u>	<u>2,953,401</u>	<u>213,602</u>

McMINN COUNTY, TENNESSEE
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
 Constitutional Officer - County Clerk
 Year Ended June 30, 2006

	<u>Balances</u> <u>July 1, 2005</u>	<u>Revenues</u> <u>Collected</u>	<u>Expenditures</u> <u>Paid</u>	<u>Balances</u> <u>June 30, 2006</u>
State of Tennessee:				
Business tax and marriage licenses	\$ 54,361	400,226	426,325	28,262
Motor vehicle, titles	-	107,491	107,491	-
Motor vehicle, registrations	-	1,639,898	1,639,898	-
Manufactured homes installation permit	-	13,246	13,246	-
Sales tax	84,997	977,061	984,184	77,874
County officials' retirement tax	-	9,889	9,889	-
Notary commission	(17)	731	793	(79)
Premarital training	-	21,660	21,660	-
Drivers license	-	20,650	20,650	-
McMinn County:				
Business tax and marriage licenses	-	453,485	453,485	-
Hotel/motel tax	-	311,145	311,145	-
Beer tax and license renewals	-	173,224	173,224	-
Helping schools	-	961	961	-
Due to Litigants, Heirs and Others:				
Organ donor awareness	-	1,756	1,756	-
Total	\$ <u>139,341</u>	<u>4,131,423</u>	<u>4,164,707</u>	<u>106,057</u>

McMINN COUNTY, TENNESSEE
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
Constitutional Officer - Register of Deeds
Year Ended June 30, 2006

Balance, beginning		\$ -
Revenues, probate fees		1,273,533
Expenditures:		
State of Tennessee	\$ 1,242,968	
Clerk's commission	<u>30,565</u>	
Totals		<u>1,273,533</u>
Balance, ending		<u>\$ -</u>

McMINN COUNTY, TENNESSEE
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
Constitutional Officer - Sheriff
Year Ended June 30, 2006

	<u>Balances</u> <u>July 1, 2005</u>	<u>Revenues</u> <u>Collected</u>	<u>Expenditures</u> <u>Paid</u>	<u>Balances</u> <u>June 30, 2006</u>
Fines and Fees Collected and Remitted to:				
McMinn County Trustee	\$ -	18,248	18,248	-
McMinn County Circuit Court	-	215,335	215,335	-
McMinn County Misdemeanor Probation	-	76,600	76,600	-
McMinn County Chancery Court	-	21,479	21,479	-
Bradley County Criminal Court	-	500	500	-
Seized drug funds	57,123	30,367	43,696	43,794
Other	36	-	-	36
Total	\$ 57,159	362,529	375,858	43,830

McMINN COUNTY, TENNESSEE
SCHEDULE OF LONG-TERM DEBT AND INTEREST REQUIREMENTS
 June 30, 2006

<u>Component Unit - Woods Memorial Hospital District</u>					
<u>Year Ending</u>	<u>Notes Payable</u>		<u>Capital Lease Obligations</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2007	\$ 929,223	48,951	143,461	22,490	1,144,125
2008	191,838	15,464	148,394	17,557	373,253
2009	32,494	9,808	153,573	12,378	208,253
2010	34,195	8,107	159,014	6,937	208,253
2011	35,985	6,317	109,170	1,465	152,937
2012	37,867	4,434	-	-	42,301
2013	24,959	2,908	-	-	27,867
2014	26,004	1,863	-	-	27,867
2015	27,305	563	-	-	27,868
	<u>\$ 1,339,870</u>	<u>98,415</u>	<u>713,612</u>	<u>60,827</u>	<u>2,212,724</u>

McMINN COUNTY, TENNESSEE
SCHEDULE OF SALARIES AND OFFICIAL BONDS OF PRINCIPAL OFFICIALS
 June 30, 2006

Official	Amount of Salary	Statutory Provisions for Salary	Amount of Bond	Surety	Expiration Date
County Mayor	\$ 84,053	County Commission	\$ 50,000	Travelers Casualty & Surety	9/1/06
Director of Finance	72,204	Section 5-21-109, T.C.A.	50,000	Continental Casualty Co.	3/1/10
Commissioner of Highways	67,646	County Commission	100,000	Travelers Casualty & Surety	9/1/06
Trustee	57,256	Section 8-24-102, T.C.A.	841,700	Travelers Casualty & Surety	9/1/06
Assessor of Property	61,010	Section 8-24-104 (B), T.C.A.	10,000	Western Surety	10/14/08
Administrator of Schools	98,007	State Board of Education and School Boards	100,000	Travelers Casualty & Surety	8/1/06
<u>Constitutional Officers:</u>					
Circuit, General Sessions, and Probate Courts Clerk	62,982	Section 8-24-102, TCA	50,000	Travelers Casualty & Surety	9/1/06
Clerk and Master	59,387	Section 8-24-102, TCA	50,000	Travelers Casualty & Surety	9/1/08
County Clerk	57,256	Section 8-24-102, TCA	50,000	Travelers Casualty & Surety	9/1/06
Register of Deeds	57,256	Section 8-24-102, TCA	25,000	Travelers Casualty & Surety	9/1/06
Sheriff	65,325	Section 8-24-102, TCA	25,000	Travelers Casualty & Surety	9/1/06

McMINN COUNTY, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
June 30, 2006

Governmental funds capital assets:

Land	\$ 1,906,123
Buildings and improvements	11,590,693
Machinery and equipment	7,107,063
Infrastructure	81,793,478
Construction in progress	<u>3,553,191</u>
Total governmental funds capital assets	<u>\$ 105,950,548</u>

Investments in governmental funds capital assets

by source:

General fund	\$ 21,638,016
Special revenue funds	<u>84,312,532</u>
Total governmental funds capital assets	<u>\$ 105,950,548</u>

McMINN COUNTY, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF
GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
June 30, 2006

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
General government:						
Administration	\$ 137,164	3,704,316	442,391	-	-	4,283,871
Finance	-	-	176,478	-	-	176,478
Administration of Justice	-	-	71,207	-	-	71,207
Other	1,542,504	1,426,789	186,829	-	3,553,191	6,709,313
Total general government	<u>1,679,668</u>	<u>5,131,105</u>	<u>876,905</u>	<u>-</u>	<u>3,553,191</u>	<u>11,240,869</u>
Public safety:						
Police	203,500	5,595,120	1,237,972	-	-	7,036,592
Drug Unit	-	-	80,718	-	-	80,718
Fire	-	-	1,632,968	-	-	1,632,968
Total public safety	<u>203,500</u>	<u>5,595,120</u>	<u>2,951,658</u>	<u>-</u>	<u>-</u>	<u>8,750,278</u>
Public works	-	-	2,438,336	81,793,478	-	84,231,814
Health	-	695,526	815,715	-	-	1,511,241
Culture and recreation	15,955	168,942	18,081	-	-	202,978
Conservation of resources	<u>7,000</u>	<u>-</u>	<u>6,368</u>	<u>-</u>	<u>-</u>	<u>13,368</u>
Total governmental funds capital assets	<u>\$ 1,906,123</u>	<u>11,590,693</u>	<u>7,107,063</u>	<u>81,793,478</u>	<u>3,553,191</u>	<u>105,950,548</u>

MCMINN COUNTY, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF
GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
Year Ended June 30, 2006

<u>Function and Activity</u>	Governmental Funds Capital Assets			Governmental Funds Capital Assets
	<u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2006</u>
General government:				
Administration	\$ 2,931,398	1,352,473	-	4,283,871
Finance	168,978	7,500	-	176,478
Administration of Justice	71,207	-	-	71,207
Other	4,638,862	2,142,951	72,500	6,709,313
Total general government	<u>7,810,445</u>	<u>3,502,924</u>	<u>72,500</u>	<u>11,240,869</u>
Public safety:				
Police	6,842,072	275,032	80,512	7,036,592
Drug Unit	80,718	-	-	80,718
Fire	1,632,968	-	-	1,632,968
Total public safety	<u>8,555,758</u>	<u>275,032</u>	<u>80,512</u>	<u>8,750,278</u>
Public works	83,423,745	848,669	40,600	84,231,814
Health	1,420,524	90,717	-	1,511,241
Culture and recreation	202,978	-	-	202,978
Conservation of resources	<u>13,368</u>	<u>-</u>	<u>-</u>	<u>13,368</u>
Total governmental funds capital assets	<u>\$ 101,426,818</u>	<u>4,717,342</u>	<u>193,612</u>	<u>105,950,548</u>

McMINN COUNTY, TENNESSEE
GOVERNMENT-WIDE REVENUES BY FUNCTION
LAST TEN FISCAL YEARS

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES					Total
	Fines, Fees and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Grants and Contributions Not Restricted to Specific Programs	Unrestricted Investment Earnings	Other		
2006	\$ 4,286,722	7,002,890	-	10,634,150	192,311	725,397	577,602	23,419,072	
2005	3,861,442	4,324,266	-	10,678,426	175,842	310,453	615,354	19,965,783	
2004	3,850,959	3,784,408	-	10,808,182	276,600	156,426	534,074	19,410,649	
2003	2,964,149	3,865,111	-	10,421,810	161,366	178,638	537,981	18,129,055	

(Note - The Program Revenues category "Operating Grants and Contributions" has been increased and the General Revenues category "Taxes" has been decreased in 2003, 2004, and 2005 by the gas and motor fuels taxes and inspection fees to comply with the classifications reported in 2006)

Only four years listed as McMinn County implemented GASB 34 in fiscal year 2003. Additional years will be added in the future.

McMINN COUNTY, TENNESSEE
GOVERNMENT-WIDE EXPENSES BY FUNCTION
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health</u>	<u>Welfare</u>	<u>Culture and Recreation</u>
2006	\$ 2,188,773	4,055,209	5,177,368	994,569	1,285,235	207,743
2005	3,072,170	3,606,242	5,662,118	908,627	1,208,418	145,654
2004	2,988,961	3,664,220	6,311,921	739,365	1,237,034	190,861
2003	2,995,431	3,522,632	5,436,048	663,165	1,119,471	198,112

Only four years listed as McMinn County implemented GASB 34 in fiscal year 2003.
 Additional years will be added in the future.

<u>Conservation of Resources</u>	<u>Economic and Community Development</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Solid Waste Disposal</u>	<u>Total</u>
150,075	182,032	4,340,788	365,869	1,379,331	20,326,992
137,195	442,702	3,039,299	380,770	1,277,207	19,880,402
123,426	196,684	2,618,661	375,812	1,318,495	19,765,440
98,945	351,692	600,828	376,839	1,300,291	16,663,454

McMINN COUNTY, TENNESSEE
SCHEDULE OF CASH, TEMPORARY CASH INVESTMENTS AND RESTRICTED CASH
 June 30, 2006

Funds invested by Phil Tuggle, County Trustee:		<u>Interest Rate</u>
Cash on hand	\$ 1,452	-
Checking accounts:		
Citizens National Bank	5,248,162	4.61%
Certificates of deposit:		
Bank of Athens	11,568,335	5.23%
FSG Bank	3,200,000	4.38%
First National Bank (formerly BB&T)	4,000,000	5.30%
	<u>\$ 24,017,949</u>	

These deposits were distributed by fund as follows:

<u>Equity in pooled cash and investments:</u>	<u>Cash and Investment Balance</u>	<u>Less: Outstanding Warrants</u>	<u>Carrying Value</u>
Primary Government			
<u>Governmental funds</u>			
<u>Major funds</u>			
General fund	\$ 2,747,513	170,164	2,577,349
Road and bridge	1,058,257	397,873	660,384
Constitutional officers:			
County Trustee	93,579	-	93,579
Debt service	1,575,311	-	1,575,311
Capital projects fund - Miscellaneous	6,371,005	-	6,371,005
Total major funds	<u>11,845,665</u>	<u>568,037</u>	<u>11,277,628</u>
<u>Nonmajor funds</u>			
<u>Special revenue funds</u>			
Law library fund	16,487	-	16,487
Solid/waste sanitation fund	1,019,158	-	1,019,158
Drug control fund	216,673	6,065	210,608
Fraud and economic crime fund	27,397	3,577	23,820
Economic development and assistance fund	198,791	-	198,791
	<u>1,478,506</u>	<u>9,642</u>	<u>1,468,864</u>
Capital projects fund - Correctional projects	99,589	31	99,558
Total nonmajor funds	<u>1,578,095</u>	<u>9,673</u>	<u>1,568,422</u>
Total governmental funds	<u>13,423,760</u>	<u>577,710</u>	<u>12,846,050</u>
Internal service fund	7,158	-	7,158
Total governmental activities	<u>13,430,918</u>	<u>577,710</u>	<u>12,853,208</u>
<u>Business-type activity</u>			
Major fund			
Solid waste disposal fund	2,388,702	74,542	2,314,160
Total primary government	<u>15,819,620</u>	<u>652,252</u>	<u>15,167,368</u>
Discretely Presented Component Units:			
Board of Education:			
General	4,444,585	656,880	3,787,705
Federal projects	92,558	78,965	13,593
Cafeteria	386,895	12,836	374,059
Capital projects	3,714	3,714	-
	<u>4,927,752</u>	<u>752,395</u>	<u>4,175,357</u>
Emergency Communications District	678,823	60,181	618,642
Total component units	<u>5,606,575</u>	<u>812,576</u>	<u>4,793,999</u>
Total government-wide statement	21,426,195	1,464,828	19,961,367
Agency Funds:			
Judicial district drug fund	2,591,754	54,609	2,537,145
Total with County Trustee	<u>\$ 24,017,949</u>	<u>1,519,437</u>	<u>22,498,512</u>

(continued)

McMINN COUNTY, TENNESSEE

SCHEDULE OF CASH, TEMPORARY CASH INVESTMENTS AND RESTRICTED CASH (CONTINUED) June 30, 2006

<u>Cash and cash equivalents:</u>	<u>Carrying Value</u>
<u>Constitutional Officers</u>	
Circuit, General Sessions, and Probate	
Courts Clerk:	
Cash on hand	\$ 70
Checking and savings accounts:	
Citizens National Bank	264,102
Athens Federal Savings & Loan	56,290
Court ordered invested funds:	
Bank of Athens	16,411
First National Bank (formerly BB&T)	104,532
Citizens National Bank	739,878
AmSouth Bank	6,901
Athens Federal Savings & Loan	51,466
Regions Bank	17,603
Southeast Bank & Trust	225,720
Total	<u>1,482,973</u>
Clerk and Master:	
Cash on hand	60
Checking account:	
Citizens National Bank	79,610
Court ordered invested funds:	
Athens Federal Savings & Loan	11,572
Citizens National Bank	61,908
First National Bank (formerly BB&T)	60,452
Total	<u>213,602</u>
County Clerk:	
Cash on hand	500
Checking accounts:	
Citizens Bank	182,959
Total	<u>183,459</u>
Register of Deeds:	
Checking account:	
Athens Federal Community Bank	<u>129,085</u>
Sheriff:	
Checking account:	
First Citizens Bank	43,831
Total Constitutional Officers	2,052,950
Less amount held for agency type activity	1,740,470
Held for special revenue activity	<u>\$ 312,480</u>
<u>Component Unit - Woods Memorial Hospital District & Subsidiary</u>	
Cash on hand	\$ 425
Checking accounts:	
First National Bank (formerly BB&T)	166,618
First Volunteer	1,057
Board designated funds:	
Checking account - First National Bank (formerly BB&T):	
Replacement and expansion funds	53,292
Development Foundation	55,558
	<u>\$ 276,950</u>

McMINN COUNTY, TENNESSEE
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND TRANSFERS -
Cash and Investment Balances with Trustee
Year Ended June 30, 2006

	Cash and Investment Balances June 30, 2005	Receipts	Transfers	Disbursements	Commissions and Transfers to Trustee Commission Account	Cash and Investment Balances June 30, 2006
General fund	\$ 2,702,444	11,223,745	-	11,072,800	105,876	2,747,513
Road and bridge fund	787,925	3,676,395	-	3,358,568	47,495	1,058,257
General school fund	4,664,881	30,737,490	79,490	30,863,099	174,177	4,444,585
School federal projects fund	176,843	2,683,103	-	2,767,388	-	92,558
Law library fund	13,185	6,002	-	2,640	60	16,487
Solid waste/sanitation fund	457,565	565,612	-	-	4,019	1,019,158
Fraud and economic crime fund	23,388	61,233	-	56,625	599	27,397
Debt service fund	1,699,302	241,878	-	363,540	2,329	1,575,311
School capital projects fund	50,504	783,736	-	830,526	-	3,714
Insurance fund	9,516	142	-	2,500	-	7,158
Economic development and assistance fund	190,844	7,947	-	-	-	198,791
Athens school fund	-	2,874,627	(48,664)	2,779,734	46,229	-
Etowah school fund	-	634,977	(30,826)	593,926	10,225	-
Cities sales tax	-	4,454,194	-	4,409,652	44,542	-
School cafeteria fund	312,028	2,297,276	-	2,222,409	-	386,895
Judicial district drug fund	1,871,218	1,612,789	-	892,253	-	2,591,754
Overpayment refund	-	33,897	-	33,897	-	-
Public improvement construction fund	96,362	7,152	-	3,925	-	99,589
E-911 Agency	506,474	758,048	-	578,169	7,530	678,823
Other capital projects fund	5,656,396	7,393,700	-	6,608,322	70,769	6,371,005
Drug control fund	185,096	111,495	-	79,918	-	216,673
Solid waste disposal fund	2,539,155	1,198,075	-	1,337,899	10,629	2,388,702
Total county funds	21,943,126	71,363,513	-	68,857,790	524,479	23,924,370
Commissions	82,090	524,479	-	512,990	-	93,579
	<u>\$ 22,025,216</u>	<u>71,887,992</u>	<u>-</u>	<u>69,370,780</u>	<u>524,479</u>	<u>24,017,949</u>

McMINN COUNTY, TENNESSEE
SCHEDULE OF CHANGES IN CASH BALANCES
All Agency Funds with County Trustee
Year Ended June 30, 2006

	<u>Phil Tuggle, Trustee</u>					<u>Total</u>
	<u>County Funds</u>	<u>Commission Account</u>	<u>Athens School Fund</u>	<u>Etowah School Fund</u>	<u>Judicial District Drug Fund</u>	
Sources of cash:						
Taxes received	\$ 14,631,754	-	1,739,878	385,645	-	16,757,277
Penalties and interest	78,966	-	9,365	2,067	-	90,398
Receivable warrants	51,533,100	-	1,125,384	247,265	1,513,991	54,419,740
Federal government	-	-	-	-	98,798	98,798
Commissions	-	524,479	-	-	-	524,479
Transfers in	79,490	-	-	-	-	79,490
Total sources of cash	66,323,310	524,479	2,874,627	634,977	1,612,789	71,970,182
Uses of cash:						
Payments to cities	-	-	2,779,734	593,926	-	3,373,660
Trustee commissions	-	-	46,229	10,225	-	56,454
Operating expenses	-	147,990	-	-	-	147,990
Excess fees to County	-	365,000	-	-	-	365,000
Transfers out	-	-	48,664	30,826	-	79,490
Disbursement warrants	64,549,612	-	-	-	-	64,549,612
Transfers to commission account	512,990	-	-	-	-	512,990
Drug enforcement	-	-	-	-	892,253	892,253
Total uses of cash	65,062,602	512,990	2,874,627	634,977	892,253	69,977,449
Excess of sources of cash over uses of cash	1,260,708	11,489	-	-	720,536	1,992,733
Cash balance, beginning	20,071,908	82,090	-	-	1,871,218	22,025,216
Cash balance, ending	21,332,616	93,579	-	-	2,591,754	24,017,949
Less: outstanding warrants	(1,464,828)	-	-	-	(54,609)	(1,519,437)
\$	19,867,788	93,579	-	-	2,537,145	22,498,512

McMINN COUNTY, TENNESSEE
SCHEDULE OF TAX RATES AND ASSESSMENTS 1995-2006

June 30, 2006

Year	Tax Rate	Assessed Values			Total Taxes
		Property, Personal and Real	Total Utilities	Total	
2006	\$ 1.900	872,491,181	34,506,307	906,997,488	17,232,952 *
2005	1.900	868,385,843	39,608,210	907,994,053	17,251,887
2004	1.900	867,591,950	30,588,630	898,180,580	17,065,431
2003	1.900	693,407,951	27,306,392	720,714,343	16,071,930
2002	2.230	722,469,036	30,293,833	752,763,139	16,786,618
2001	2.230	697,540,607	30,293,833	727,834,440	16,230,708
2000	1.980	688,571,869	29,999,242	718,571,111	14,227,708
1999	1.980	653,407,473	31,671,617	685,079,090	13,564,566
1998	1.980	610,394,400	30,473,450	640,867,850	12,689,190
1997	2.532	451,043,771	25,354,491	476,398,262	12,062,404
1996	2.532	447,984,680	28,881,710	476,866,390	12,074,257
1995	2.532	443,526,256	27,762,764	471,289,020	11,933,038

* Based upon estimated assessed values for Public Utilities

McMINN COUNTY, TENNESSEE
SCHEDULE OF UNCOLLECTED DELINQUENT TAXES 1996-2006
 June 30, 2006

<u>Year</u>	<u>Amount</u>
2005	\$ 1,038,012
2004	55,540
2003	82,787
2002	50,634
2001	32,204
2000	232,169
1999	100,954
1998	10,202
1997	12,701
1996	44,893
1995	25,381
	<hr/>
	1,685,477
Less: Estimated uncollectible taxes	142,721
	<hr/>
Total delinquent taxes	1,542,756
Add: 2005 property tax levy (net of estimated uncollectible taxes)	16,648,843
	<hr/>
	\$ 18,191,599
	<hr/> <hr/>

The above outstanding receivables are recorded in the McMinn County, Tennessee financial statements at June 30, 2006, as follows:

Government wide funds:	
General fund	\$ 3,846,677
Road and bridge fund	1,423,072
Debt service fund	55,402
Capital projects fund - miscellaneous	3,678,625
Component unit funds:	
Board of education	6,937,472
	<hr/>
	15,941,248
Accounted for in agency funds:	
Athens school funds	1,854,047
Etowah school funds	396,304
	<hr/>
	\$ 18,191,599
	<hr/> <hr/>

McMINN COUNTY, TENNESSEE
SCHEDULE OF INSURANCE COVERAGE

Year Ended June 30, 2006

Primary Government

Comprehensive Business Policy:		
General Liability and Property	\$1,000,000	7-1-05 to 7-1-06
Automobile	1,000,000	7-1-05 to 7-1-06
Public Officials and Employee Liability	1,000,000	7-1-05 to 7-1-06
Public Employee Dishonesty and Faithful		
Performance Coverage - Finance	50,000	10-18-05 to 10-18-06
Commercial Crime (Finance Director)	50,000	3-1-06 to 3-1-10
Law Enforcement Professional Liability	500/1,000,000	7-1-05 to 7-1-06
Workers Compensation	State Statutes	7-1-05 to 7-1-06
Volunteer Fire Fighters Accident	25,000	11-11-05 to 11-11-06
Boiler and Machinery	Replacement Cost	7-1-05 to 7-1-06

Component Units

Board of Education

Comprehensive Business Policy:		
General Liability and Property	2,000,000	7-1-05 to 7-1-06
Automobile	1,000,000	7-1-05 to 7-1-06
Crime	125,000	7-1-05 to 7-1-06
Workers Compensation	State Statutes	7-1-05 to 7-1-06
School Leaders Errors & Omissions	1,000,000	7-1-05 to 7-1-06
Boiler and Machinery	Replacement Cost	7-1-05 to 7-1-06

Woods Memorial Hospital District & Subsidiary

Property coverage:		
Buildings and contents (Replacement Cost)	23,373,500	7-31-05 to 7-31-06
A/R coverage – on premises	5,000,000	7-31-05 to 7-31-06
A/R coverage – off premises	50,000	7-31-05 to 7-31-06

(continued)

McMINN COUNTY, TENNESSEE
SCHEDULE OF INSURANCE COVERAGE (CONTINUED)
Year Ended June 30, 2006

Crime Coverage:**Theft, disappearance and destruction:**

Inside premises	\$50,000	7-31-05 to 7-31-06
Outside premises	50,000	7-31-05 to 7-31-06

Automobile Coverage:

Liability	1,000,000	7-31-05 to 7-31-06
Hired and nonowned liability	1,000,000	7-31-05 to 7-31-06
Uninsured motorists	1,000,000	7-31-05 to 7-31-06
Auto medical payments	2,000	7-31-05 to 7-31-06

Employee Benefits Liability	1,000/3,000,000	7-1-05 to 7-1-06
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Boiler and Machinery Coverage:

Property Damage	10,000,000	7-31-05 to 7-31-06
Business Income	1,500,000	7-31-05 to 7-31-06

General/Professional Liability	1,000/3,000,000	7-1-05 to 7-1-06
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Workers Compensation	State Statutes	7-1-05 to 7-1-06
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Directors, Officers, and Trustees	1,000,000	7-1-05 to 7-1-06
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Emergency Communications District**Property:****Risks of Direct Physical Loss Subject to Normal
Conditions and Exclusions:**

 Business personal property - \$250 property deductible;
 \$1,000 earthquake and flood deductible

Real property (guaranteed replacement cost)	\$ 380,713 limit
Personal property (replacement cost)	409,450 limit
Equipment breakdown	Loss sustained
Valuable papers, records	Costs to restore
Accounts receivable	Costs incurred
Business income	Loss sustained
Commandeered property	Replacement cost

(continued)

McMINN COUNTY, TENNESSEE
SCHEDULE OF INSURANCE COVERAGE (CONTINUED)
Year Ended June 30, 2006

Automobile Liability:	
Liability – any auto	\$1,000,000
Uninsured motorists	300,000
Medical payments	5,000
General Liability:	
General Aggregate Limit	2,000,000
Products/Completed Operations Aggregate limit	2,000,000
Personal and Advertising Injury Each Occurrence Limit	1,000,000
Fire Damage Legal Liability Limit (Any One Fire)	1,000,000
Medical Expense Limit (Any One Person)	5,000
Management Liability:	
Each Claim Limit (each wrongful act)	1,000,000
(injunctive relief)	5,000
Annual Aggregate Limit	2,000,000

Component Unit – Board of Education

McMINN COUNTY, TENNESSEE
BALANCE SHEET - McMINN COUNTY BOARD OF EDUCATION
Governmental Funds
(Discretely Presented Component Unit)
June 30, 2006

<u>Assets</u>	General Purpose School	Nonmajor		Capital Projects	Total Governmental Funds
		Special Revenue			
		Federal Projects	Cafeteria		
Assets:					
Equity in pooled cash and investments	\$ 3,787,705	13,593	374,059	-	4,175,357
Property taxes receivable, net of allowance for uncollectible	6,937,472	-	-	-	6,937,472
Accounts receivable:					
Other taxes	665,722	-	-	-	665,722
Accounts	635,856	151,960	3,688	-	791,504
Interest	23,432	-	-	-	23,432
Total assets	<u>\$ 12,050,187</u>	<u>165,553</u>	<u>377,747</u>	<u>-</u>	<u>12,593,487</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 102,776	64,490	48	-	167,314
Accrued expenses	59,959	224	392	-	60,575
Deferred revenue	6,912,981	100,839	-	-	7,013,820
Due to primary government	225,018	-	-	-	225,018
Total liabilities	<u>7,300,734</u>	<u>165,553</u>	<u>440</u>	<u>-</u>	<u>7,466,727</u>
Fund balances:					
Reserved for encumbrances	305,463	-	-	-	305,463
Reserved for vocational projects	9,942	-	-	-	9,942
Reserved for career ladder	1,290	-	-	-	1,290
Reserved for BEP non-classroom	402,305	-	-	-	402,305
Reserved for technology	12,316	-	-	-	12,316
Other reserves	27,348	-	-	-	27,348
Unreserved and undesignated	3,990,789	-	377,307	-	4,368,096
Total fund balances	<u>4,749,453</u>	<u>-</u>	<u>377,307</u>	<u>-</u>	<u>5,126,760</u>
Total liabilities and fund balances	<u>\$ 12,050,187</u>	<u>165,553</u>	<u>377,747</u>	<u>-</u>	<u>12,593,487</u>

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

McMINN COUNTY, TENNESSEE
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE GOVERNMENT-WIDE
STATEMENT OF NET ASSETS -
MCMINN COUNTY BOARD OF EDUCATION
(Discretely Presented Component Unit)
June 30, 2006

Amounts reported for governmental activities in the statement of net assets
are different because:

Ending fund balance - governmental funds	\$ 5,126,760
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	22,238,929
Revenues that have been deferred in the balance sheet of the governmental funds because they were not available to pay current liabilities of the period are recognized in the statement of activities and therefore are not included in the statement of net assets.	<u>256,522</u>
Net assets of governmental activities	<u>\$ 27,622,211</u>

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

McMINN COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
McMinn County Board of Education
Governmental Funds
(Discretely Presented Component Unit)
Year Ended June 30, 2006

	General Purpose Schools	Nonmajor Special Revenue			Total Governmental Funds
		Federal Projects	Cafeteria	Capital Projects	
Revenues:					
Taxes	\$ 10,620,201	-	-	-	10,620,201
Other local revenues	244,178	-	-	-	244,178
State of Tennessee	19,880,102	-	29,301	-	19,909,403
Federal government	280,655	2,797,229	1,252,137	-	4,330,021
Other governments and citizens groups	2,550	-	-	783,735	786,285
Charges for current services	40,168	-	1,011,031	-	1,051,199
Other	4,425	-	-	-	4,425
Total revenues	31,072,279	2,797,229	2,292,469	783,735	36,945,712
Expenditures:					
Education:					
Instruction	19,440,826	2,095,424	-	-	21,536,250
Support services	5,837,253	517,233	-	-	6,354,486
Operations and maintenance	3,082,443	-	-	-	3,082,443
Transportation	1,872,934	184,572	-	-	2,057,506
Community service	79,520	-	-	-	79,520
Pre-school	155,151	-	-	-	155,151
Capital outlay	560,349	-	-	783,736	1,344,085
Food services	-	-	2,216,189	-	2,216,189
Total expenditures	31,028,476	2,797,229	2,216,189	783,736	36,825,630
Excess of revenues over (under) expenditures	43,803	-	76,280	(1)	120,082
Fund balance, beginning	4,705,650	-	301,027	1	5,006,678
Fund balance, ending	\$ 4,749,453	-	377,307	-	5,126,760

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

McMINN COUNTY, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES -
McMINN COUNTY BOARD OF EDUCATION
(Discretely Presented Component Unit)
Year Ended June 30, 2006

Amounts reported for governmental activities in the
statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 120,082
Governmental funds report capital outlays as expenditures while the statement of activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays (\$6,200,978) exceeded depreciation (\$983,477) in the current period.	5,217,501
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal by reducing the proceeds by the cost less related accumulated depreciation of each asset disposed.	(7,199)
Certain revenues will be collected after year-end, but not within the period considered available to pay current period expenditures. Therefore, these amounts were recognized as revenues in the statement of activities, but were not reported as revenues in the fund financial statements.	13,581
Amounts reported as fund revenues that met the criteria for revenue recognition under the full accrual method of accounting in the preceding fiscal year have been excluded from the current year statement of activities.	(266,154)
	<hr/>
Change in net assets of governmental activities	<u>\$ 5,077,811</u>

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

McMINN COUNTY, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - Budget and Actual - McMinn County Board of Education - General Purpose Schools (Discretely Presented Component Unit) Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes:				
Current property taxes	\$ 6,183,939	6,183,939	6,223,742	39,803
Trustee's collections - prior year	189,560	189,560	163,992	(25,568)
Clerk and Master collections prior years	77,340	77,340	88,899	11,559
Interest and penalty	59,153	59,153	65,141	5,988
Payment in lieu of taxes - TVA	17,038	17,038	17,044	6
Payment in lieu of taxes - local utilities	71,085	71,085	73,144	2,059
Local option sales tax	3,307,962	3,307,962	3,818,869	510,907
Business tax	80,226	80,226	103,763	23,537
Bank excise tax	41,703	41,703	59,196	17,493
Interstate telecommunications tax	5,671	5,671	6,411	740
Total taxes	10,033,677	10,033,677	10,620,201	586,524
Other local revenues:				
Interest earned	100,000	100,000	227,602	127,602
Sale of equipment	5,000	5,000	16,576	11,576
Total use of money or property	105,000	105,000	244,178	139,178
State of Tennessee:				
Basic education program	18,862,000	18,862,000	18,866,165	4,165
Early childhood education	-	160,616	185,165	24,549
Driver education	20,000	20,000	18,691	(1,309)
Other State of TN education (Network 21st)	-	96,921	71,099	(25,822)
Career ladder program	360,295	360,295	334,723	(25,572)
Career ladder - extended contract	160,251	160,251	160,185	(66)
TVA replacement tax	235,915	235,915	244,074	8,159
Total State of Tennessee	19,638,461	19,895,998	19,880,102	(15,896)
Federal government:				
Education of the Handicapped Act	-	30,482	32,299	1,817
Eisenhower Prof Development State Grant	-	105,000	105,000	-
Other federal thru State of TN	71,675	176,293	141,888	(34,405)
Forest service	1,359	1,359	1,468	109
Total federal government	73,034	313,134	280,655	(32,479)
Other governments and citizen's groups:				
Contributions and gifts	-	-	2,550	2,550
Charges for current service:				
Tuition - summer school	17,000	17,000	4,400	(12,600)
Other charges - TN system	43,000	43,000	35,768	(7,232)
Total charges for current service	60,000	60,000	40,168	(19,832)
Other	1,000	1,000	4,425	3,425
Total revenues	29,911,172	30,408,809	31,072,279	663,470
Expenditures:				
Instruction:				
Regular education program:				
Teachers	11,248,958	11,105,958	11,105,564	394
Career ladder program	207,050	207,050	191,668	15,382
Career ladder extended contracts	93,627	93,627	94,750	(1,123)
Educational assistants	233,041	233,041	231,365	1,676
Substitute teachers	66,000	66,000	30,347	35,653
Non-certified substitute teachers	99,000	99,000	147,637	(48,637)
Social security	732,000	732,000	714,595	17,405
State retirement	751,715	633,715	632,922	793
Life insurance	33,049	33,049	33,037	12

(continued)

McMINN COUNTY, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - Budget and Actual - McMinn County Board of Education - General Purpose Schools (continued) (Discretely Presented Component Unit)

Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Favorable (Unfavorable)
Instruction (continued):				
Regular education program (continued):				
Medical insurance	\$ 1,529,000	1,529,000	1,519,838	9,162
Disability insurance	6,014	6,014	5,678	336
Medicare	171,000	171,000	167,872	3,128
Maintenance and repairs	10,000	10,000	1,079	8,921
Instructional supplies and materials	122,000	122,000	141,962	(19,962)
Textbooks	350,000	350,000	355,796	(5,796)
Other supplies and materials	20,000	30,738	34,866	(4,128)
Fee waivers	35,000	35,000	35,000	-
Regular instruction equipment	175,580	131,899	131,624	275
Total regular education program	15,883,034	15,589,091	15,575,600	13,491
Alternative instruction program:				
Teachers	102,683	102,683	103,493	(810)
Career ladder	2,000	2,000	2,000	-
Social security	6,490	6,490	6,174	316
State retirement	5,757	5,757	5,802	(45)
Life insurance	290	290	301	(11)
Medical insurance	21,571	21,571	23,942	(2,371)
Disability insurance	50	50	50	-
Medicare	1,517	1,517	1,444	73
Instructional supplies and materials	1,500	1,500	55	1,445
Other charges	10,450	10,450	2,427	8,023
Total alternative instruction program	152,308	152,308	145,688	6,620
Special education program:				
Teachers	1,257,061	1,257,061	1,251,946	5,115
Career ladder program	19,475	19,475	18,825	650
Homebound teachers	85,000	100,745	105,835	(5,090)
Educational assistants	118,368	118,368	124,084	(5,716)
Substitute teachers	5,720	5,720	3,972	1,748
Non-certified substitute teachers	16,280	16,280	13,077	3,203
Social security	92,000	92,000	91,878	122
State retirement	81,785	81,785	81,463	322
Life insurance	4,137	4,137	4,152	(15)
Medical insurance	217,693	217,693	218,415	(722)
Disability insurance	759	759	746	13
Medicare	21,000	21,000	21,715	(715)
Contract with private agencies	-	-	1,674	(1,674)
Travel	12,000	12,000	19,702	(7,702)
Other contracted services	-	-	9,512	(9,512)
Instructional supplies and materials	2,000	32,482	11,199	21,283
Total special education program	1,933,278	1,979,505	1,978,195	1,310
Vocational education program:				
Teachers	1,298,409	1,274,409	1,272,275	2,134
Career ladder program	20,920	20,920	18,770	2,150
Substitute teachers	8,953	8,953	3,836	5,117
Non-certified substitute teachers	15,917	15,917	25,866	(9,949)
Social security	81,170	81,170	80,211	959
State retirement	72,563	72,563	71,007	1,556
Life insurance	3,804	3,804	3,754	50
Medical insurance	189,237	189,237	183,396	5,841
Disability insurance	660	660	653	7

(continued)

McMINN COUNTY, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - Budget and Actual - McMinn County Board of Education - General Purpose Schools (continued) (Discretely Presented Component Unit)

Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Favorable (Unfavorable)
Instruction (continued):				
Vocational education program (continued):				
Medicare	\$ 18,983	18,983	18,778	205
Travel	9,000	9,000	17,347	(8,347)
Instructional supplies and materials	38,000	38,000	38,981	(981)
Other charges	8,715	8,715	6,469	2,246
Total vocational education program	<u>1,766,331</u>	<u>1,742,331</u>	<u>1,741,343</u>	<u>988</u>
Total instruction	<u>19,734,951</u>	<u>19,463,235</u>	<u>19,440,826</u>	<u>22,409</u>
Support Services:				
Student Body Education Program:				
Other salaries and wages	-	45,939	45,374	565
Social security	-	2,619	2,589	30
State retirement	-	2,527	2,224	303
Life insurance	-	121	121	-
Medical insurance	-	7,498	7,252	246
Disability insurance	-	20	20	-
Medicare	-	612	608	4
Other fringe benefits	-	136	-	136
Travel	-	2,227	789	1,438
Other supplies and materials	-	6,937	6,372	565
Other equipment	-	36,364	39,529	(3,165)
Total student body education program	<u>-</u>	<u>105,000</u>	<u>104,878</u>	<u>122</u>
Other:				
Other salaries and wages	-	59,252	58,252	1,000
Social security	-	3,674	3,612	62
State retirement	-	3,012	3,057	(45)
Unemployment	-	30	-	30
Employer medicare	-	859	845	14
Other fringe benefits	-	720	-	720
Communications	-	500	-	500
Travel	-	4,500	2,861	1,639
Other contracted services	-	1,000	-	1,000
Instructional supplies	-	16,571	13,878	2,693
Other charges	-	2,000	1,924	76
Other equipment	-	5,000	4,998	2
Total other	<u>-</u>	<u>97,118</u>	<u>89,427</u>	<u>7,691</u>
Attendance:				
Supervisor/director	66,867	66,867	66,867	-
Career ladder program	3,000	3,000	3,000	-
Career ladder extended contracts	4,000	4,000	4,000	-
Social security	4,580	4,580	4,610	(30)
State retirement	4,063	4,063	4,063	-
Life insurance	113	113	113	-
Medical insurance	4,967	4,967	4,893	74
Disability insurance	20	20	20	-
Medicare	1,071	1,071	1,076	(5)
Maintenance and repair services - equipment	20,377	20,377	20,543	(166)
Travel	1,000	1,000	916	84
Other supplies and materials	4,580	2,580	2,464	116
Total attendance	<u>114,638</u>	<u>112,638</u>	<u>112,565</u>	<u>73</u>
Health services:				
Other contracted services	27,150	28,405	28,405	-

(continued)

McMINN COUNTY, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
Budget and Actual - McMinn County Board of Education - General Purpose Schools (continued)
(Discretely Presented Component Unit)
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Favorable (Unfavorable)
Support Services (continued):				
Other student support:				
Career ladder program	\$ 10,995	10,995	10,468	527
Guidance personnel	510,819	510,819	509,141	1,678
Career ladder extended contract	2,000	2,000	-	2,000
Secretary	38,560	38,560	38,560	-
Other salaries and wages (deputies)	8,500	33,500	44,381	(10,881)
Social security	34,106	34,106	35,641	(1,535)
State retirement	31,058	31,058	32,278	(1,220)
Life insurance	1,437	1,437	1,465	(28)
Medical insurance	68,646	68,646	65,733	2,913
Disability insurance	260	260	267	(7)
Medicare	7,976	7,976	8,336	(360)
Contracts for SRO's	200,000	176,000	171,635	4,365
Evaluation and testing	35,000	35,000	37,294	(2,294)
Travel	1,000	1,000	2,447	(1,447)
Other contracted services	15,000	15,000	15,000	-
Instructional supplies	-	540	540	-
Other supplies and materials	500	5,711	6,876	(1,165)
In service/staff development	-	3,000	3,371	(371)
Other charges	25,000	25,000	7,657	17,343
Total other student support	990,857	1,000,608	991,090	9,518
Regular instruction program support:				
Supervisor, director	194,195	194,195	194,195	-
Career ladder program	18,983	18,983	15,980	3,003
Career ladder extended contracts	8,000	8,000	4,000	4,000
Librarians	411,014	411,014	406,483	4,531
Education media personnel	18,966	18,966	18,920	46
Instructional computer personnel	185,221	185,221	188,442	(3,221)
Secretaries	60,294	60,294	58,166	2,128
Educational assistants (library)	48,601	48,601	48,755	(154)
Temporary/part-time personnel	90,000	90,000	80,169	9,831
Other salaries and wages	20,000	20,000	14,204	5,796
Social security	58,832	58,832	62,799	(3,967)
State retirement	52,379	52,379	51,732	647
Life insurance	2,304	2,304	2,277	27
Medical insurance	119,536	119,536	121,776	(2,240)
Disability insurance	420	420	433	(13)
Medicare	13,759	13,759	14,687	(928)
Travel	15,000	15,000	26,046	(11,046)
Library books	15,000	15,000	19,858	(4,858)
Other supplies and materials	10,350	2,350	2,322	28
Staff development	20,000	20,000	16,145	3,855
Other charges	18,245	18,245	20,282	(2,037)
Total regular instruction program support	1,381,099	1,373,099	1,367,671	5,428

(continued)

McMINN COUNTY, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
Budget and Actual - McMinn County Board of Education - General Purpose Schools (continued)
(Discretely Presented Component Unit)
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Support Services (continued):				
Special education program support:				
Supervisor/director	\$ 67,147	67,147	67,147	-
Career ladder program	3,000	3,000	3,000	-
Psychological personnel	50,573	50,573	50,573	-
Secretary	-	6,500	6,388	112
Clerical personnel	25,529	25,529	25,529	-
Other salaries and wages	-	9,000	8,834	166
Social security	9,067	9,067	10,004	(937)
State retirement	8,128	8,128	8,128	-
Life insurance	312	312	311	1
Medical insurance	14,420	14,420	14,171	249
Disability insurance	60	60	60	-
Medicare	2,121	2,121	2,340	(219)
Travel	5,000	13,500	13,368	132
Other charges	3,000	3,000	2,209	791
Total special education program support	<u>188,357</u>	<u>212,357</u>	<u>212,062</u>	<u>295</u>
Vocational education support:				
Supervisor/director	66,590	66,590	66,590	-
Career ladder program	3,000	3,000	3,000	-
Career ladder extended contracts	4,000	4,000	4,000	-
Secretaries	24,660	24,660	24,660	-
Social security	6,092	6,092	6,092	-
State retirement	5,485	5,485	5,485	-
Life insurance	199	199	198	1
Medical insurance	9,934	9,934	10,068	(134)
Disability insurance	40	40	40	-
Medicare	1,425	1,425	1,425	-
Travel	2,000	2,000	2,234	(234)
Other supplies and materials	2,000	2,000	1,022	978
Total vocational education support	<u>125,425</u>	<u>125,425</u>	<u>124,814</u>	<u>611</u>
Other programs (Voc Rehab):				
Case management assistant	16,711	16,711	14,060	2,651
Secretary	19,647	19,647	20,028	(381)
Other salaries and wages	30,622	30,622	1,303	29,319
Social security	4,153	4,153	2,194	1,959
State retirement	3,905	3,905	2,063	1,842
Life insurance	265	265	179	86
Medical insurance	9,184	9,184	7,135	2,049
Disability insurance	60	60	42	18
Unemployment insurance	80	80	58	22
Medicare	971	971	513	458
Communication	2,500	2,500	2,795	(295)
Other contracted services	1,000	1,000	-	1,000
Instructional materials	3,000	3,000	11,832	(8,832)
Other charges	5,000	5,000	422	4,578
Total other programs (Voc Rehab)	<u>97,098</u>	<u>97,098</u>	<u>62,624</u>	<u>34,474</u>
Board of Education services:				
Secretary to Board	768	768	768	-
Board and Committee member fees	38,524	38,524	36,279	2,245
Social security	2,091	2,091	2,875	(784)
State retirement	800	800	684	116
Unemployment insurance	15,000	15,000	14,069	931
Medicare	570	570	773	(203)

(continued)

McMINN COUNTY, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
Budget and Actual - McMinn County Board of Education - General Purpose Schools (continued)
(Discretely Presented Component Unit)
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Favorable (Unfavorable)
Support Services (continued):				
Board of Education services (continued):				
Other fringe benefits	\$ 30,000	67,000	73,044	(6,044)
Audit services	8,000	8,000	8,000	-
Dues and memberships	9,000	9,000	14,331	(5,331)
Legal services	19,000	19,000	14,013	4,987
Travel	5,000	5,000	8,594	(3,594)
Liability insurance	11,000	11,000	3	10,997
Surety bonds premium	263	263	-	263
Trustee's commission	175,000	175,000	174,177	823
Workers compensation	109,000	109,000	109,165	(165)
Criminal investigations of applicants	5,000	5,000	5,432	(432)
Other charges	14,000	14,000	16,987	(2,987)
Total Board of Education services	<u>443,016</u>	<u>480,016</u>	<u>479,194</u>	<u>822</u>
Office of the Superintendent:				
County official/Administrative officer	122,121	122,121	148,855	(26,734)
Secretaries	78,667	78,667	79,152	(485)
Social security	10,269	10,269	12,969	(2,700)
State retirement	9,586	9,586	12,036	(2,450)
Life insurance	380	380	433	(53)
Medical insurance	33,810	33,810	26,775	7,035
Disability insurance	80	80	90	(10)
Medicare	2,402	2,402	3,049	(647)
Communication	16,000	16,000	21,734	(5,734)
Dues and memberships	5,000	5,000	3,335	1,665
Travel	2,000	2,000	2,359	(359)
Office supplies	4,500	4,500	8,854	(4,354)
Other charges	11,000	11,000	13,277	(2,277)
Administration equipment	4,800	4,800	110	4,690
Total office of the Superintendent	<u>300,615</u>	<u>300,615</u>	<u>333,028</u>	<u>(32,413)</u>
Office of the Principals:				
Principals	664,917	664,917	666,014	(1,097)
Career ladder program	30,000	30,000	30,000	-
Career ladder extended contracts	30,000	30,000	30,000	-
Assistant principals	351,312	351,312	360,030	(8,718)
Secretaries	396,916	396,916	389,675	7,241
Social security	89,645	89,645	90,931	(1,286)
State retirement	82,000	82,000	74,888	7,112
Life insurance	3,429	3,429	3,518	(89)
Medical insurance	170,000	185,000	194,239	(9,239)
Disability insurance	700	700	674	26
Medicare	20,966	20,966	21,266	(300)
Communication	25,000	25,000	24,694	306
Travel	20,000	20,000	13,842	6,158
Other charges	31,351	31,351	31,724	(373)
Administration equipment	5,000	5,000	-	5,000
Total office of the principals	<u>1,921,236</u>	<u>1,936,236</u>	<u>1,931,495</u>	<u>4,741</u>
Total support services	<u>5,589,491</u>	<u>5,868,615</u>	<u>5,837,253</u>	<u>31,362</u>

(continued)

McMINN COUNTY, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
Budget and Actual - McMinn County Board of Education - General Purpose Schools (continued)
(Discretely Presented Component Unit)
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Favorable (Unfavorable)
Operations and Maintenance:				
Operation of plant:				
Supervisor/Director	\$ 40,000	40,000	23,039	16,961
Custodial personnel	621,724	621,724	613,069	8,655
Other salary and wages	10,000	10,000	12,844	(2,844)
Social security	38,000	38,000	40,063	(2,063)
State retirement	37,000	37,000	35,041	1,959
Life insurance	3,000	3,000	2,783	217
Medical insurance	162,000	162,000	171,616	(9,616)
Disability insurance	660	660	631	29
Medicare	8,800	8,800	8,244	556
Electricity	780,000	960,000	960,685	(685)
Natural gas	204,000	259,000	257,958	1,042
Water and sewer	85,000	141,000	140,010	990
Other supplies and materials	80,000	80,000	118,022	(38,022)
Building and contents insurance	82,834	82,834	80,231	2,603
Other charges	84,000	84,000	73,940	10,060
Plant operation equipment	15,000	19,102	4,102	15,000
Total operation of plant	2,252,018	2,547,120	2,542,278	4,842
Maintenance of plant:				
Supervisor/Director	36,889	36,889	36,889	-
Other salary and wages	224,546	224,546	222,851	1,695
Social security	15,909	15,909	16,109	(200)
State retirement	15,242	15,242	14,629	613
Life insurance	786	786	689	97
Medical insurance	50,000	50,000	39,621	10,379
Disability insurance	160	160	156	4
Medicare	3,721	3,721	4,251	(530)
Maintenance and repair services - building	15,000	189,000	2,949	186,051
Maintenance and repair services - equipment	15,000	15,000	10,570	4,430
Other supplies and materials	75,000	130,000	136,668	(6,668)
Other charges	15,000	15,590	54,783	(39,193)
Maintenance equipment	10,000	10,000	-	10,000
Total maintenance of plant	477,253	706,843	540,165	166,678
Total operations and maintenance	2,729,271	3,253,963	3,082,443	171,520
Transportation:				
Supervisor/Director	73,778	73,778	73,778	-
Mechanics	181,652	181,652	181,506	146
Bus drivers	480,228	496,728	496,722	6
Social security	43,000	43,000	43,890	(890)
State retirement	42,597	42,597	40,740	1,857
Life insurance	4,628	4,628	4,605	23
Medical insurance	294,500	294,500	298,467	(3,967)
Disability insurance	1,079	1,079	1,027	52
Medicare	9,872	9,872	10,264	(392)
Gasoline	180,000	273,000	272,976	24
Tires and tubes	26,000	40,500	36,645	3,855
Vehicle parts	50,000	66,000	67,073	(1,073)
Other supplies and materials	18,000	18,000	12,927	5,073
Vehicle equipment and maintenance	65,650	65,650	60,085	5,565
Other charges	15,000	15,000	17,171	(2,171)
Transportation equipment	249,000	249,000	255,058	(6,058)
Total transportation	1,734,984	1,874,984	1,872,934	2,050

(continued)

McMINN COUNTY, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
Budget and Actual - McMinn County Board of Education - General Purpose Schools (continued)
(Discretely Presented Component Unit)
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Favorable (Unfavorable)
Community services:				
Teachers	\$ -	33,959	30,335	3,624
Educational assistants	-	12,970	9,445	3,525
Other salaries and wages	-	5,750	5,634	116
Social security	-	3,267	2,816	451
State retirement	-	1,868	1,668	200
Life insurance	-	101	101	-
Medical insurance	-	5,455	7,168	(1,713)
Unemployment compensation	-	70	43	27
Employer medicare	-	575	659	(84)
Other fringe benefits	-	17	17	-
Communications	-	436	761	(325)
Travel	-	1,127	2,762	(1,635)
Instructional supplies	-	15,836	17,442	(1,606)
Other supplies and materials	-	330	669	(339)
Other charges	-	500	-	500
Total community services	-	<u>82,261</u>	<u>79,520</u>	<u>2,741</u>
Pre-School:				
Teachers	-	73,659	72,432	1,227
Educational assistants	-	25,458	25,419	39
Social security	-	5,882	5,839	43
State retirement	-	4,789	4,793	(4)
Life insurance	-	343	323	20
Medical insurance	-	18,722	17,264	1,458
Unemployment compensation	-	106	-	106
Employer medicare	-	1,377	1,366	11
Other fringe benefits	-	1,936	63	1,873
Instructional supplies	-	17,000	17,000	-
Other equipment	-	11,344	10,652	692
Total pre-school	-	<u>160,616</u>	<u>155,151</u>	<u>5,465</u>
Capital outlay - building improvements	<u>312,000</u>	<u>694,997</u>	<u>560,349</u>	<u>134,648</u>
Total expenditures	<u>30,100,697</u>	<u>31,398,671</u>	<u>31,028,476</u>	<u>370,195</u>
Excess of revenues over (under) expenditures	<u>\$ (189,525)</u>	<u>(989,862)</u>	<u>43,803</u>	<u>1,033,665</u>
Fund balance, beginning			<u>4,705,650</u>	
Fund balance, ending			<u>\$ 4,749,453</u>	

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

McMINN COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
Budget and Actual - McMinn County Board of Education
School Federal Projects Fund
(Discretely Presented Component Unit)
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final		Final Budget - Favorable (Unfavorable)
Revenues:				
Federal government:				
Vocational basic grant	\$ 223,861	223,860	218,230	(5,630)
Title I grants to local education agencies	993,714	1,185,648	968,515	(217,133)
Innovative Education Program Strategy	19,003	28,649	28,649	-
Special education grant	1,298,299	2,620,763	1,258,936	(1,361,827)
Special education preschool grant	24,126	24,132	24,132	-
Eisenhower professional development State grant	268,836	389,673	232,589	(157,084)
Other	40,135	87,831	66,178	(21,653)
Total revenues	<u>2,867,974</u>	<u>4,560,556</u>	<u>2,797,229</u>	<u>(1,763,327)</u>
Expenditures:				
Instruction:				
Regular education program:				
Teachers	633,044	830,355	607,232	223,123
Educational assistants	55,544	66,653	54,618	12,035
Social security	40,284	48,658	35,898	12,760
State retirement	38,056	43,082	34,605	8,477
Life insurance	1,623	2,672	1,925	747
Medical insurance	115,050	153,884	104,095	49,789
Unemployment insurance	505	811	543	268
Medicare	9,421	11,465	8,710	2,755
Other fringe benefits	380	483	351	132
Instructional supplies and materials	73,820	55,384	52,841	2,543
Regular equipment	68,104	36,334	32,139	4,195
Total regular education program	<u>1,035,831</u>	<u>1,249,781</u>	<u>932,957</u>	<u>316,824</u>
Special education program:				
Teachers	109,321	196,453	149,896	46,557
Educational assistants	268,137	441,531	289,499	152,032
Other salaries and wages	16,723	37,906	28,695	9,211
Social security	24,439	40,355	28,260	12,095
State retirement	21,645	36,590	25,889	10,701
Life insurance	1,325	2,550	1,909	641
Medical insurance	90,000	161,314	100,210	61,104
Unemployment compensation	506	908	656	252
Medicare	5,716	9,388	6,636	2,752
Other fringe benefits	380	690	423	267
Contract with private agencies	-	244,428	57,501	186,927
Other contracted services	100,000	31,724	59,294	(27,570)
Instructional supplies and materials	169,271	393,651	70,995	322,656
Other supplies and materials	99,000	256,768	45,845	210,923
Special education equipment	22,360	77,308	54,948	22,360
Total special education program	<u>928,823</u>	<u>1,931,564</u>	<u>920,656</u>	<u>1,010,908</u>

(continued)

McMINN COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
Budget and Actual - McMinn County Board of Education
School Federal Projects Fund (continued)
(Discretely Presented Component Unit)
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final		Final Budget - Favorable (Unfavorable)
Instruction (continued):				
Alternative instruction program:				
Teachers	\$ 21,501	21,501	17,542	3,959
Social security	1,333	1,333	984	349
State retirement	1,182	1,182	965	217
Life insurance	60	60	59	1
Medical insurance	4,151	4,151	3,792	359
Employer medicare	312	312	230	82
Other fringe benefits	10	10	10	-
Total alternative instruction program	<u>28,549</u>	<u>28,549</u>	<u>23,582</u>	<u>4,967</u>
Vocational education program:				
Contracts with other school systems	10,000	10,000	10,000	-
Travel	28,000	31,932	31,920	12
Instructional supplies and materials	63,644	44,133	40,124	4,009
Vocational equipment	122,217	191,308	136,185	55,123
Total vocational education program	<u>223,861</u>	<u>277,373</u>	<u>218,229</u>	<u>59,144</u>
Total instruction	<u>2,217,064</u>	<u>3,487,267</u>	<u>2,095,424</u>	<u>118,288</u>
Support services:				
Other student support:				
Secretary	-	595	-	595
Attendants	-	4,645	4,645	-
School resource officer	-	3,000	-	3,000
Other salaries and wages	18,370	50,555	37,298	13,257
Social security	-	1,686	864	822
State retirement	-	729	-	729
Employer medicare	-	395	202	193
Contracts for SRO's	6,000	3,342	6,342	(3,000)
Travel	-	11,000	9,028	1,972
Other supplies and materials	-	14,315	12,038	2,277
In service/staff development	2,800	8,000	6,833	1,167
Other charges	11,000	17,824	11,750	6,074
Other equipment	3,000	-	-	-
Total other student support	<u>41,170</u>	<u>116,086</u>	<u>89,000</u>	<u>27,086</u>
Regular instruction program support:				
Supervisor/director	63,939	85,207	63,894	21,313
Secretary	23,948	31,931	23,948	7,983
Social security	5,449	7,263	5,446	1,817
State retirement	4,913	6,548	4,910	1,638
Life insurance	198	264	198	66
Medical insurance	9,950	13,149	9,718	3,431
Unemployment compensation	53	102	53	49
Medicare	1,275	1,699	1,274	425
Other fringe benefits	40	53	40	13
Travel	1,000	1,000	-	1,000

(continued)

McMINN COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
Budget and Actual - McMinn County Board of Education
School Federal Projects Fund (continued)
(Discretely Presented Component Unit)
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final		Final Budget - Favorable (Unfavorable)
Support services (continued):				
Regular instruction program support (continued):				
Other supplies & materials	\$ 12,935	11,677	1,780	9,897
In service/staff development	98,868	210,114	146,665	63,449
Other equipment	20,965	14,161	13,885	276
Total regular instruction program support	<u>243,533</u>	<u>383,168</u>	<u>271,811</u>	<u>111,357</u>
Special education program support:				
Psychological personnel	40,027	73,954	45,359	28,595
Other salary and wages	44,766	76,516	43,843	32,673
Social security	3,869	7,209	5,640	1,569
State retirement	3,433	6,699	4,906	1,793
Life insurance	182	341	207	134
Medical insurance	13,743	21,920	9,850	12,070
Unemployment compensation	53	95	53	42
Medicare	905	1,762	1,184	578
Other fringe benefits	40	70	37	33
Maintenance and repair services	10,000	19,941	-	19,941
Travel	15,000	27,103	18,681	8,422
Other contracted services	50,000	99,750	100	99,650
In service/staff development	15,000	37,400	22,348	15,052
Other charges	4,000	5,918	4,214	1,704
Total special education program support	<u>201,018</u>	<u>378,678</u>	<u>156,422</u>	<u>222,256</u>
Total support services	<u>485,721</u>	<u>877,932</u>	<u>517,233</u>	<u>360,699</u>
Transportation:				
Bus drivers	91,050	159,000	88,803	70,197
Social security	5,636	9,936	5,506	4,430
State retirement	5,282	9,359	4,960	4,399
Life insurance	530	1,004	684	320
Medical insurance	40,000	70,809	38,059	32,750
Unemployment compensation	213	350	205	145
Medicare	1,318	2,325	1,288	1,037
Other fringe benefits	160	290	160	130
Contract with parents	5,000	10,005	-	10,005
Gasoline	-	120	120	-
Transportation equipment	16,000	62,390	44,787	17,603
Total transportation	<u>165,189</u>	<u>325,588</u>	<u>184,572</u>	<u>141,016</u>
Total expenditures	<u>2,867,974</u>	<u>4,690,787</u>	<u>2,797,229</u>	<u>1,893,558</u>
Excess of revenues over (under) expenditures	\$ -	(130,231)	-	130,231
Fund balance, beginning			-	
Fund balance, ending			\$ -	

McMINN COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
Budget and Actual - McMinn County Board of Education
Cafeteria Fund
(Discretely Presented Component Unit)
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget - Favorable (Unfavorable)</u>
Revenues:				
State of Tennessee:				
School food service - state match	\$ 30,000	30,000	29,301	(699)
Federal government:				
USDA - lunch	850,000	850,000	939,001	89,001
USDA - breakfast	295,000	295,000	309,255	14,255
Snacks	6,000	6,000	3,881	(2,119)
Total federal government	<u>1,151,000</u>	<u>1,151,000</u>	<u>1,252,137</u>	<u>101,137</u>
Charges for current services:				
Lunch payments - children	640,000	640,000	684,075	44,075
Lunch payments - adults	105,000	105,000	117,411	12,411
Breakfast payments	90,000	90,000	72,272	(17,728)
Milk sales	21,000	21,000	22,859	1,859
A la carte sales	115,000	115,000	114,414	(586)
Total charges for current services	<u>971,000</u>	<u>971,000</u>	<u>1,011,031</u>	<u>40,031</u>
Total revenues	<u>2,152,000</u>	<u>2,152,000</u>	<u>2,292,469</u>	<u>140,469</u>
Expenditures:				
Food service:				
Supervisor/director	54,131	54,131	54,621	(490)
Clerical personnel	23,402	23,402	23,402	-
Cafeteria personnel	780,601	780,601	759,142	21,459
Social security	51,286	51,286	50,179	1,107
State retirement	49,854	49,854	42,760	92,614
Life insurance	4,426	4,426	4,480	(54)
Medical insurance	280,000	280,000	272,906	7,094
Disability insurance	1,000	1,000	1,002	(2)
Unemployment compensation	1,357	1,357	1,712	(355)
Medicare	12,443	12,443	11,735	708
Travel	1,500	1,500	2,009	(509)
Food preparation supplies	875,000	875,000	881,222	(6,222)
Other supplies and materials	65,000	65,000	82,780	(17,780)
Other charges	25,000	25,000	11,839	13,161
Food service equipment	30,000	30,000	16,400	13,600
Total expenditures	<u>2,255,000</u>	<u>2,255,000</u>	<u>2,216,189</u>	<u>38,811</u>
Excess of revenues over (under) expenditures	\$ <u>(103,000)</u>	<u>(103,000)</u>	76,280	<u>179,280</u>
Fund balance, beginning			301,027	
Fund balance, ending			\$ <u>377,307</u>	

McMINN COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
Budget and Actual - McMinn County Board of Education
School Capital Projects Fund
(Discretely Presented Component Unit)
Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Final Budget - Favorable <u>(Unfavorable)</u>
Revenue:				
McMinn County general fund contributions	\$ -	2,051,980	783,735	(1,268,245)
Expenditures:				
Building construction - Rogers Creek	-	791,159	771,762	19,397
Building improvements - Central High	-	1,207,558	-	1,207,558
Site development - Englewood	-	(25,779)	360	(26,139)
Other construction - Vocational	-	69,452	-	69,452
Other capital outlay - Calhoun	-	3,898	11,614	(7,716)
Total expenditures	-	2,046,288	783,736	1,262,552
Excess of revenues over (under) expenditures	\$ -	5,692	(1)	(2,530,797)
Fund balance, beginning			1	
Fund balance, ending			\$ -	

Compliance Section

McMINN COUNTY, TENNESSEE
 Schedule of Expenditures of Federal and State Awards
 Year Ended June 30, 2006

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Grant Number	Balance July 1, 2005 Receivable (Unearned)	Receipts
FEDERAL ASSISTANCE				
U. S. Department of Agriculture				
<u>Pass through assistance</u>				
USDA Breakfast	10.553	N/A	\$ -	309,255
USDA Sec-4 and Sec-11 Lunches & Snacks	10.555	N/A	-	942,882
<u>Non-cash assistance</u>				
USDA Commodity Supplemental Program	10.550	N/A	-	140,053
Total Department of Agriculture			-	1,392,190
U. S. Department of Housing and Urban Development				
<u>Direct assistance</u>				
Community Development Block Grant	14.228	GG-04-10768-00	-	448,886
U. S. Department of Justice				
<u>Direct assistance</u>				
Planning, Implementing, and Enhancing Strategies in Community Prosecution	16.609	2002-GP-CX-0107	29,745	33,543
<u>Pass through assistance</u>				
Juvenile Accountability Incentive Block Grant	16.523	GG-05-11414-00	-	2,173
Juvenile Accountability Incentive Block Grant	16.523	GG-05-11503-00	2,560	2,560
Total Department of Justice			32,305	38,276
U. S. Department of Homeland Security				
<u>Pass through assistance</u>				
Domestic Preparedness State Homeland Security Program	97.004	Z-04-022473-02	-	80,619
Domestic Preparedness State Homeland Security Program	97.004	Z-04-020125-01	-	53,205
Public Assistance Grants (Presidentially Declared Disasters)	97.036	Z-03-017817-00	-	5,260
Emergency Management Performance Grant	97.042	GG-06-12169-00	-	16,744
Emergency Management Performance Grant	97.042	Z-06-032881-00	-	16,301
Homeland Security Grant Program	97.067	Z-05-025188-00	-	-
Hurricane Katrina Emergency Impact Aid	97.084	N/A	-	9,900
Total Department of Homeland Security			-	182,029
U. S. General Services Administration				
<u>Pass through assistance</u>				
Election Reform Payments	39.011	Z-06-03-2969-00	-	233,000
U. S. Department of Health and Human Services				
<i>Woods Memorial Hospital District</i>				
<u>Pass through assistance</u>				
Small Hospital Improvement	93.301	DG-05-01910-01	-	9,300
Bioterrorism Hospital Preparedness Grant	93.003	Z-05-024038-01	(20,000)	-
Total Department of Health and Human Services			(20,000)	9,300
<i>McMinn Board of Education</i>				
U. S. Department of Education				
<u>Direct assistance</u>				
Small Learning Communities Program	84.215	N/A	(57)	16,057
<u>Pass through assistance</u>				
Education of the Handicapped Part B	84.027	GG-0510929-00	(15,898)	1,329,646
ECLA Chapter I - Part A	84.010A	N/A	(6,178)	962,337
Vocational Education	84.048	N/A	(53,513)	223,860
Schools to Work Grant (2005)	84.126	GG-04-10274-00	9,379	9,379
Schools to Work Grant (2006)	84.126	GG-04-10274-00	-	62,625
Title IV - Part B - 21st Century Community Learning	84.287	192-05-1-011	28,419	28,419
Title IV - Part B - 21st Century Community Learning	84.287C	192-06-2-026	-	60,567
Title V - Part A (Innovative Programs)	84.298A	N/A	-	28,649
Title IV - Part A - Community Services for Youth	84.184	N/A	-	7,500
Safe and Drug-Free Schools and Communities - State	84.186A	N/A	(4,584)	29,506
Safe and Drug-Free Schools and Communities - State	84.186	Z-03-021791-00	1,590	1,590
English Language Acquisition/Academic Achievement	84.365A	N/A	-	6,080
Title II - Part A - Improving Teacher Quality State Grant	84.367A	N/A	(37,571)	183,005
Title II - Part D - Education Technology State Grants	84.318X	N/A	(469)	23,057
Early Childhood Education Grant	93.558	Z-05-022151-00	15,683	15,683
Total Department of Education			(63,199)	2,987,960
Total Federal assistance			(50,894)	5,291,641

<u>Expenditures</u>	<u>Reimbursements and Adjustments</u>	<u>Balance June 30, 2006 Receivable (Unearned)</u>
309,255	-	-
942,882	-	-
<u>140,053</u>	<u>-</u>	<u>-</u>
<u>1,392,190</u>	<u>-</u>	<u>-</u>
<u>448,886</u> (1)	<u>-</u>	<u>-</u>
3,798	-	-
2,173	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>5,971</u>	<u>-</u>	<u>-</u>
183,193	-	102,574
53,205	-	-
5,260	-	-
31,813	-	15,069
16,301	-	-
24,928	-	24,928
9,900	-	-
<u>324,600</u>	<u>-</u>	<u>142,571</u>
<u>233,000</u>	<u>-</u>	<u>-</u>
9,300	-	-
20,000	-	-
<u>29,300</u>	<u>-</u>	<u>-</u>
16,113	-	(1)
1,315,367 (1)	-	(30,177)
968,515	-	-
218,230	-	(59,143)
-	-	-
91,754	(29,129) (2)	-
-	-	-
100,165	-	39,598
28,649	-	-
7,500	-	-
34,085	-	(5)
-	-	-
6,080	-	-
209,063	-	(11,513)
23,526	-	-
-	-	-
<u>3,019,047</u>	<u>(29,129)</u>	<u>(61,241)</u>
<u>5,452,994</u>	<u>(29,129)</u>	<u>81,330</u>

(continued)

McMINN COUNTY, TENNESSEE
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2006

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Grant Number	Balance July 1, 2005 Receivable (Unearned)	Receipts
STATE ASSISTANCE				
Department of Transportation				
State street aid	N/A	54046-8406-04	\$ -	170,636
Airport maintenance	N/A	Z-06-02-8696-00	-	3,426
Airport maintenance	N/A	Z-05-02-3843-00	2,085	2,085
Litter grant	N/A	Z-06-02-7984-00	-	20,277
Litter grant	N/A	Z-05-02-1523-00	20,265	20,265
Airport engineering design - Phase III	N/A	Z-04-01-8929-00	12,369	135,439
Airport runway extension - Phase III	N/A	Z-04-01-9007-00	-	2,139,272
Division of Property Assessment				
Property Reappraisal Grant	N/A	N/A	-	17,964
Department of Health				
DGA Grant	N/A	Z-06-02-6010-00	-	278,025
DGA Grant	N/A	Z-05-02-0573-00	117,717	117,717
Commission of Children and Youth				
Juvenile Assistance Grant	N/A	Z-06-00-2625-00	-	416
Juvenile Assistance Grant	N/A	Z-05-02-0408-00	270	270
Department of Environment and Conservation				
Optional Waste Tire Grant	N/A	Z-03-011277-00	3,864	3,864
Optional Waste Tire Grant	N/A	Z-03-011374-00	-	20,019
Department of Finance and Administration				
Drug Control Grant	N/A	Z-99-088362-00	-	95,000
Electronic Fingerprint Imaging System	N/A	Z-06-027050-00	-	15,000
Department of Military - TEMA				
Emergency Preparedness	N/A	GG-01-08935-01	10,790	22,803
<i>McMinn Board of Education</i>				
Department of Education				
State Cafeteria - Match	N/A	N/A	-	29,301
Orbit State Grants	N/A	N/A	-	105,000
Safe Schools Act of 1998	N/A	N/A	12,126	51,304
<i>McMinn County Emergency Communications District</i>				
Tennessee Emergency Communications District				
Rural Dispatch Grant	N/A	Z-04-020040-00	-	30,000
GIS Maintenance Grant	N/A	Z-03-016961-00	-	10,000
			<u>179,486</u>	<u>3,288,083</u>
Total all assistance			<u>\$ 128,592</u>	<u>8,579,724</u>

(1) - Tested as a major program for this audit period

(2) - McMinn County's reimbursement of its share of program expenditures

<u>Expenditures</u>	<u>Reimbursements and Adjustments</u>	<u>Balance June 30, 2006 Receivable (Unearned)</u>
170,636	-	-
10,000	-	6,574
-	-	-
34,526	-	14,249
-	-	-
142,369	-	19,299
2,139,272	-	-
17,964	-	-
339,546	-	61,521
-	-	-
416	-	-
-	-	-
-	-	-
25,659	-	5,640
95,000	-	-
15,000	-	-
12,013	-	-
29,301	-	-
105,000	-	-
71,099	-	31,921
30,000	-	-
10,000	-	-
3,247,801	-	139,204
8,700,795	(29,129)	220,534



**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***

The County Mayor and
Members of the County Commission
McMinn County
Athens, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units of the McMinn County Board of Education, the Woods Memorial Hospital District & Subsidiary and the McMinn County Emergency Communications District, each major fund, and the aggregate remaining fund information of McMinn County, Tennessee ("County") as of and for the year ended June 30, 2006, and have issued our report thereon dated February 6, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of

Richard A. Goldstine • J. Wesley Edmondson • John C. Pannell • Tim Royster • Jenny C. Raines • Michelle Herrell

noncompliance that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as items 06-1 and 06-2 on pages 123 and 124.

This report is intended for the information of the County Mayor, Members of the County Commission, others within the organization of the County and federal awarding agencies and is not to be used by anyone other than these specified parties.

HGA Associates, P.C.

February 6, 2007



**Report on Compliance with Requirements Applicable to Each
Major Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133**

The County Mayor and
Members of the County Commission
McMinn County
Athens, Tennessee

Compliance

We have audited the compliance of McMinn County, Tennessee, 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 its major federal program for the year ended June 30, 2006. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of audit findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County'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 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 the County'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 the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the County 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 the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Richard A. Goldstine • J. Wesley Edmondson • John C. Pannell • Tim Royster • Jenny C. Raines • Michelle Herrell

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the County Mayor, Members of the County Commission, others within the organization of the County and federal awarding agencies and is not to be used by anyone other than these specified parties.

HG & A Associates, P.C.

February 6, 2007

McMINN COUNTY, TENNESSEE
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McMinn County, Tennessee.
2. No instances of reportable conditions related to the audit of the financial statements are reported in the auditor's report on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
3. Two instances of noncompliance material to the financial statements were disclosed during the audit and included as findings 06-1 and 06-2 in accordance with *Government Auditing Standards*.
4. No reportable conditions relating to the audit of the major federal award programs were reported in the auditor's report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133.
5. The auditor's report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133 for McMinn County, Tennessee, expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award programs for McMinn County, Tennessee.
7. The Community Development Block Grant program (CFDA #14.228) and the Education of the Handicapped – Part B program (CFDA #84.027) were tested as major programs.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. McMinn County, Tennessee, was determined to be a low-risk auditee.
10. Prior year financial statement audit findings were not related to federal award programs.

(continued)

McMINN COUNTY, TENNESSEE
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS (continued)
Year Ended June 30, 2006

B. FINDINGS – FINANCIAL STATEMENT AUDIT

(06-1) Finding: Legally Adopted Budgets

The regulations that govern McMinn County Board of Educations, a component unit of McMinn County, Tennessee, operations, including statutes of the State of Tennessee, require the adoption of an annual appropriation budget. Expenditures should not exceed the level of the legally adopted appropriations. During the fiscal year 2006, the McMinn County Board of Education had one fund with an expenditure category that exceeded the legally appropriated amount. Within the General Purpose School fund the Office of the Superintendent category of the Supported Services area had actual expenditures exceed budgeted expenditures by \$32,413.

Recommendation

We recommend that expenditures and appropriations be monitored on an ongoing basis to ensure that there are available appropriations prior to placing orders for goods, services or the payment of wages to operate any budgeted areas in compliance with appropriate budgetary procedures.

Management's Response

The expenditure category exceeded the legally appropriated amount due to the McMinn County Board of Commissioners withholding approval of a budget amendment made necessary by the McMinn County Board of Education's creation of the position of Assistant Director of Schools. The Office of Superintendent Category is appropriately funded for the 2006-2007 fiscal year to avoid expenditures exceeding the legally appropriated amount.

(06-2) Finding: Payroll Procedures – Circuit, General Sessions and Probate Courts Clerk

The payroll procedures in the office were not appropriately followed in a manner that led to improper computation of payroll benefits primarily in regards to retirement remittances. While the employees had retirement benefits remitted on their behalf, the Clerk did not follow the computation procedures for the County appropriately resulting in net checks for the employees being incorrectly computed.

(continued)

McMINN COUNTY, TENNESSEE
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS (continued)
Year Ended June 30, 2006

Recommendation

We recommend the Clerk for this office properly follow the payroll computation procedures for its employees that will allow for employees net checks to be properly computed. We also recommend the Clerk or the County review the checks written and make appropriate corrections to those checks.

Management's Response

The Circuit Court Clerk is a fee office and as such, the payroll is not performed in the Office of the Director of Finance. The Clerk under which the finding occurred is no longer the official office holder. The correct formulas for employee salary and retirement computations are now being used.

STATUS OF PRIOR YEAR FINDINGS

- (5-1) Finding related to Sheriff's Office booking procedures was corrected for this audit period.

C. FINDINGS AND QUESTIONED COSTS – MAJOR AWARD PROGRAMS AUDIT

None.