

ANNUAL FINANCIAL REPORT
MONROE COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2006

**Comptroller of the Treasury
Department of Audit
Division of County Audit
Nashville, Tennessee**

**ANNUAL FINANCIAL REPORT
MONROE COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2006**

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

MONROE COUNTY, TENNESSEE

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Audit Highlights

Annual Financial Report
Monroe County, Tennessee
For the Year Ended June 30, 2006

Scope

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

Results

Our report on the aggregate discretely presented component units is qualified because the financial statements did not include two component units whose financial statements were not available from other auditors at the date of this report. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.

Our audit resulted in one finding, which we have reviewed with Monroe County management. The detailed finding is included in the Single Audit section of this report.

Finding

The following is a summary of the audit finding:

FINDING

- ◆ Duties were not segregated adequately among the officials and employees in the Offices of Trustee and Sheriff.

INTRODUCTORY SECTION

Monroe County Officials

June 30, 2006

Officials

J. Allan Watson, County Mayor
Phillip Axley, Road Superintendent
James Millsaps, Director of Schools
Charlie Miller, Trustee
Michael Shadden, Assessor of Property
Larry Sloan, County Clerk
Martha Cook, Circuit and General Sessions Courts Clerk
Robert Pennington, Clerk and Master
Mildred Estes, Register
Doug Watson, Sheriff
Brian Tallent, Director of Finance

Board of County Commissioners

Wanda Alexander	Mike Lowry
Bill Bivins	Bennie Moser
David Cleveland, Jr.	Bill Shadden
Harold Hawkins, Jr.	Roger Thomas
Charles Lee	

Board of Education

Marty Allen, Chairman	Lisa Summey
Jean Allison	Dewitt Upton
Regan Dalton	Robert Vineyard
Doris Davis	Dean Williams
Sonya Lynn	

Financial Management Committee

J. Allan Watson, Chairman	James Millsaps
Wanda Alexander	Charles Lee
Phillip Axley	Mike Lowry
David Cleveland, Jr.	Bennie Moser
Charlie Miller	

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
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JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
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INDEPENDENT AUDITOR'S REPORT

December 15, 2006

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Monroe County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise Monroe County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Monroe County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements of the Monroe County Emergency Communications District and the Women's Wellness and Maternity Center, component units requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component units financial statements referred to above do not include amounts for the Monroe County Emergency

Communications District and the Women's Wellness and Maternity Center, which should be included to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements of the aggregate discretely presented component units are not reasonably determinable.

In our opinion, except for the effects of not including the financial statements of the Monroe County Emergency Communications District and Women's Wellness and Maternity Center, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Monroe County, Tennessee, at June 30, 2006, and the results of operations of the aggregate discretely presented component units, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Monroe County, Tennessee, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 15, 2006, on our consideration of Monroe County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 13 through 22 and the budgetary comparison information on pages 71 through 77 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 Monroe County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Monroe County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Monroe County

School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan" with a long horizontal flourish extending to the right.

John G. Morgan
Comptroller of the Treasury

JGM/rc

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

This discussion and analysis of Monroe County's financial performance provides an overall view of the county's financial activities for the fiscal year ended June 30, 2006. In addition, this discussion and analysis includes an overall view of the Discretely Presented Component Unit (DPCU) Monroe County School Department. A separate set of financial statements is not issued for the Monroe County School Department. The intent of this discussion and analysis is to look at the county's and the DPCU School Department's financial performance as a whole. Readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the county's financial performance as well as the DPCU School Department's financial performance.

FINANCIAL HIGHLIGHTS FOR FY 2006

Key financial highlights for 2006 are as follows:

In total, net assets of the primary government decreased \$4.8 million. Net assets of the DPCU School Department increased \$1.4 million. A major portion of these differences is related to the fact that school buildings constructed with county debt are recorded as an asset for the DPCU School Department while the debt issued to fund those capital assets is recorded as a liability for the primary government. All net assets of the primary government and the DPCU School Department are related to governmental activities.

General revenues of the primary government accounted for \$10.3 million in revenue or 51 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$10 million or 49 percent of total revenues of \$20.3 million. General revenues of the DPCU School Department were \$30.2 million.

Total assets of governmental activities in the primary government were \$159.5 million as taxes receivable ended at \$8.5 million, cash ended at \$9.1 million, and capital assets, net of accumulated depreciation, ended at \$140 million. Total assets in the DPCU School Department were \$38.6 million as taxes receivable ended at \$4.5 million, cash ended at \$1.6 million, and capital assets, net of accumulated depreciation, ended at \$31.3 million.

The county had \$25 million in expenses related to governmental activities, including \$1.9 million in expenses for capital assets provided to the DPCU School Department. Of these expenses, \$10 million were offset by program specific charges for services, grants, or contributions. General revenues (primarily property taxes of \$6.2 million) provided additional funding for these programs. The DPCU School Department had \$35.8 million in expenses related to governmental activities; \$7 million of these expenses was offset by program specific charges for services, grants, or contributions. General revenues of the DPCU School Department (primarily property taxes and sales taxes of \$4.2 and \$3.2 million, respectively, and \$22.4 million of grants and contributions not restricted to specific programs) were adequate to provide current funding for these programs.

Among major funds, the General Fund had \$11.8 million in revenues and \$13.4 million in expenditures. The Solid Waste/Sanitation Fund had \$1.9 million in revenues and \$1.8 million in expenditures. The Highway/Public Works Fund had \$3.1 million in revenues and \$3.4 million in expenditures. The General Debt Service Fund had \$3.4 million in revenues and \$2.4 million in expenditures, and the Education Capital Projects Fund had \$2.4 million of long-term debt proceeds and an equal amount of expenditures. The fund balance for the General Debt Service Fund increased by \$.9 million, and the fund balance for the Solid Waste/Sanitation Fund increased by \$23 thousand. Fund balances decreased for the General and Highway/Public Works Funds by \$18 thousand and \$.3 million, respectively.

Using this Annual Financial Report (AFR):

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Monroe County as a financial whole (the entire operating entity). The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and the Statements of Activities present an aggregate view of the entire county's finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the county's most significant funds with all other nonmajor funds presented in total in one column. In the case of Monroe County, the General Fund is by far the most significant fund. Other major funds include the Solid Waste/Sanitation Fund, the Highway/Public Works Fund, the General Debt Service Fund, and the Education Capital Projects Fund. In the case of the DPCU School Department, the General Purpose School Fund is the only major fund.

Reporting the county as a whole:

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the county and the DPCU School Department to provide programs and activities during 2006, the Statement of Net Assets and the Statement of Activities provide a broader picture of the financial activities during 2006. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the county's net assets and changes in those assets as well as those of the county's discretely presented component units. This change in assets is important because it tells the reader that the financial position of the county and the discretely presented component units has improved or diminished. The cause of this change may be the result of many factors, some financial, some not.

In the Statement of Net Assets and the Statement of Activities, the county reports its activities as governmental activities. The county's programs and services are reported here including general government; finance; administration of justice; public safety; public

health and welfare; social, cultural, and recreational services; highways; education; and other operations. These services are funded primarily by taxes and intergovernmental revenues including federal and state grants and other shared revenues. For the DPCU School Department, its activities are also reported as governmental activities. The DPCU School Department's programs and services are reported there. These services are also funded primarily by taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Reporting on the county's most significant funds:

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 county and its DPCU School Department, like other state and local governments, use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the county and the DPCU School Department can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the county's major funds. The county uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the county's most significant funds. The county's major governmental funds are the General Fund, Solid Waste/Sanitation Fund, Highway/Public Works Fund, General Debt Service Fund, and the Education Capital Projects Fund. The DPCU School Department's only major governmental fund is the General Purpose School Fund.

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 the governmental funds is narrower than that of the government-wide 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 county and the DPCU School Department maintain several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. Please refer to the Table of Contents to locate these statements.

Proprietary Funds – Monroe County maintains one proprietary fund, an internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the county’s various functions. Specifically, Monroe County has established an Employee Health Insurance Fund to account for risk activities related to the county’s self insured program for employees’ and dependents health care benefits. Please refer to the Table of Contents for the location of these statements.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the county. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the county’s own programs. Please refer to the Table of Contents to locate these statements.

Notes to the Financial Statements – The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. Please refer to the Table of Contents to locate these notes.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents combining and individual fund statements and individual fund statements and schedules. Please refer to the Table of Contents to locate these statements and schedules.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government’s financial position. In the case of the county, assets exceeded liabilities by \$119.1 million at the close of the most recent fiscal year. For the DPCU School Department, assets exceeded liabilities by \$32.4 million at the close of the most recent fiscal year.

A large portion of the county’s net assets reflect its investment in capital assets (e.g. land, buildings, infrastructure, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The county uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The same holds true for the DPCU School Department. A large portion of its net assets reflects its investment in capital assets as described above.

Although the county’s and the DPCU School Department’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Tables 1a and 1b provide a summary of the county’s and the DPCU School Department’s net assets; respectively, for 2006 and a comparison to the prior year.

An additional portion of the county’s net assets, \$6.8 million, represents resources that are subject to external restrictions on how they may be used. In the DPCU School Department, \$.6 million of net assets is subject to external restriction.

Table 2a shows the changes in net assets of the primary government for fiscal year 2006 as well as a comparison to the prior year. Table 2b shows the same information for the Monroe County School Department.

Table 1a - Primary Government	Monroe County Government	
	2006	2005
Assets:		
Current and other assets	\$ 19,174,525	\$ 15,473,362
Capital assets	140,307,980	143,063,823
Total Assets	\$ 159,482,505	\$ 158,537,185
Liabilities:		
Long-term liabilities outstanding	\$ 31,525,560	\$ 28,595,284
Other liabilities	8,879,708	6,090,879
Total Liabilities	\$ 40,405,268	\$ 34,686,163
Net Assets:		
Invested in capital assets, net of related debt	\$ 136,745,346	\$ 140,839,697
Restricted	6,834,775	6,247,479
Unrestricted	(24,502,884)	(23,236,154)
Total Net Assets	\$ 119,077,237	\$ 123,851,022

Table 1b - School Department	Monroe County School Department	
	2006	2005
Assets:		
Current and other assets	\$ 7,298,593	\$ 7,084,406
Capital assets	31,345,973	30,835,554
Total Assets	\$ 38,644,566	\$ 37,919,960
Liabilities:		
Long-term liabilities outstanding	\$ 1,895,000	\$ 2,315,000
Other liabilities	4,302,978	4,520,468
Total Liabilities	\$ 6,197,978	\$ 6,835,468
Net Assets:		
Invested in capital assets, net of related debt	\$ 29,450,973	\$ 28,520,554
Restricted	587,431	533,675
Unrestricted	2,408,184	2,030,263
Total Net Assets	\$ 32,446,588	\$ 31,084,492

Table 2a
Monroe County Government
Changes in Net Assets
Governmental Activities

	Monroe County Government	
	2006	2005
Revenues:		
Program Revenues:		
Charges for services	\$ 6,218,183	\$ 5,528,707
Operating grants and contributions	3,091,036	2,805,037
Capital grants and contributions	642,004	758,287
General Revenues:		
Property taxes	6,158,373	5,787,855
Sales taxes	803,125	727,399
Other taxes	1,624,632	1,561,584
Grants and contributions not restricted to specific programs	1,202,677	1,109,199
Unrestricted investment earnings	455,867	217,113
Gain on sale of capital assets	72,350	0
Other	5,912	179,960
Total Revenues	<u>\$ 20,274,159</u>	<u>\$ 18,675,141</u>
Expenses:		
General government	\$ 1,416,848	\$ 1,425,328
Finance	1,165,299	1,198,952
Administration of justice	780,617	762,604
Public safety	3,677,521	3,424,604
Public health and welfare	4,142,805	4,219,674
Social, cultural, and recreation services	292,167	360,438
Agriculture and natural resources	85,584	82,960
Other operations	2,476,730	3,130,177
Highways	7,594,617	7,243,799
Education	1,948,010	5,175,957
Interest on long-term debt	1,265,048	873,779
Other debt service	202,698	203,012
Total Expenses	<u>\$ 25,047,944</u>	<u>\$ 28,101,284</u>
Increase (decrease) in Net Assets	\$ (4,773,785)	\$ (9,426,143)
Net Assets, July 1	<u>123,851,022</u>	<u>133,277,165</u>
Net Assets, June 30	<u><u>\$ 119,077,237</u></u>	<u><u>\$ 123,851,022</u></u>

Table 2b
 Monroe County School Department
 Changes in Net Assets
 Governmental Activities

	Monroe County School Department	
	2006	2005
Revenues:		
Program Revenues:		
Charges for services	\$ 1,408,436	\$ 1,301,890
Operating grants and contributions	3,692,618	3,771,933
Capital grants and contributions	1,948,010	5,053,472
General Revenues:		
Property taxes	4,180,766	4,220,206
Sales taxes	3,248,103	3,156,806
Other taxes	117,938	115,640
Grants and contributions not restricted to specific programs	22,418,256	20,809,767
Unrestricted investment earnings	35,831	4,315
Other	160,691	24,058
Total Revenues	<u>\$ 37,210,649</u>	<u>\$ 38,458,087</u>
Expenses:		
Education	<u>\$ 35,848,553</u>	<u>\$ 34,478,569</u>
Total Liabilities	<u>\$ 35,848,553</u>	<u>\$ 34,478,569</u>
Increase (decrease) in Net Assets	\$ 1,362,096	\$ 3,979,518
Net Assets, July 1	<u>31,084,492</u>	<u>27,104,974</u>
Net Assets, June 30	<u><u>\$ 32,446,588</u></u>	<u><u>\$ 31,084,492</u></u>

Highway expenses of \$7.6 million accounted for approximately 30 percent of the \$25 million total expenses for governmental activities. Of that \$25 million in governmental activities expenses, \$6.2 million was covered by direct charges to users of the services. A significant portion of those charges is for Constitutional Officers fees. Charges for services include things like fees for boarding of prisoners in the county jail (in the public safety category), ambulance fees, and tipping fees (in the public health and welfare category). Total net assets decreased from \$123.9 million to \$119.1 million, of which \$1.9 million relates to capital assets expensed for the benefit of the county School Department. The School Department's net assets increased from \$31.1 million to \$34.4 million, due to the same reason.

Financial Analysis of the Government's Funds

As noted earlier, the county and DPCU School Department use fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the county's governmental funds reported combined ending fund balances of \$9.2 million. Approximately \$8.6 million of this total amount constitutes unreserved fund balance, which is available for appropriation at the government's discretion within certain legal constraints and purpose restrictions. The remainder of fund balance is reserved to indicate that it is not available for new spending. In the DPCU School Department's governmental funds, combined ending fund balances were \$2.6 million. Approximately \$2.3 million of this total amount constitutes unreserved fund balance in the general and special revenue funds.

Financial Comparisons - Primary Government

The General Fund is the chief operating fund of the county. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$2.25 million, while total fund balance was \$2.8 million. 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 approximately 17 percent of total General Fund expenditures, while total fund balance represents 21 percent of that same amount.

The fund balance of the county's General Fund remained relatively static during the year, decreasing by only \$18 thousand during the current fiscal year.

Also staying relatively the same, the fund balance of the Solid Waste/Sanitation Fund increased by only \$23 thousand.

The Highway/Public Works Fund used approximately \$320 thousand of fund balance during the current year, reducing its total fund balance from a beginning balance of \$855,292 to an ending balance of \$534,799.

The General Debt Service Fund again finished very strong at June 30, 2006, with a net increase of \$914 thousand in fund balance to end at \$5.3 million. These savings were realized due to the use of variable rate debt instruments and the extremely favorable market conditions of these debt instruments.

Monroe County's budgeting process is prescribed by Tennessee Code Annotated. Essentially the budget is the county's appropriations that are restricted by the amounts of anticipated revenues, therefore the county's plans and desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

The county General Fund's original budget was adjusted by increasing appropriations by approximately \$2.4 million throughout the year. All increases in appropriations that were not funded by grants and debt proceeds were taken from accumulated fund balance. However, it should be noted that at the end of the fiscal year, unspent appropriations resulted in the use of only approximately \$18 thousand of fund balance during the fiscal year ended June 30, 2006, approximately \$1.2 million less than budgeted.

Financial Comparison - DPCU School Department

The General Purpose School Fund is the chief operating fund of the DPCU School Department. At the end of the current fiscal year, unreserved fund balance of the General Purpose School Fund was \$1.8 million, while total fund balance was \$1.9 million. As a measure of the General Purpose School Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents approximately 6 percent of total General Purpose School Fund expenditures, while total fund balance represents 6.4 percent of that same amount.

Capital Asset and Debt Administration

Capital Assets. The county's investment in capital assets for its governmental activities as of June 30, 2006, amounted to \$136.7 million (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and systems, improvements, equipment, roads, highways, and bridges. The DPCU School Department's investment in capital assets for its governmental activities as of June 30, 2006, amounted to \$29.5 million (net of accumulated depreciation and related debt). Footnote IV.B. (Capital Assets) provides more information on the county's and the discretely presented School Department's capital asset activity for the 2006 fiscal year.

Long-term debt. At the end of the 2006 fiscal year, the county had total loan agreements outstanding of \$21.2 million and total bonded debt outstanding of \$8.2 million. Of this amount, all is backed by the full faith and credit of the county. The county's long-term loan agreements increased by \$2.9 million during the 2006 fiscal year. The county maintains an A3 rating with Moody's for general obligation debt.

In addition to the loan agreements and bonds, county long-term obligations include notes payable of \$1.5 million. Additional information on the county's long-term debt can be found in Footnote IV.E. of this report.

Interest and fiscal charges amounted to 5.9 percent of the total expenses for governmental activities.

The DPCU School Department has bonded debt outstanding of \$1.9 million.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the county is currently 5.8 percent, which stayed relatively the same as a year ago. The state's average unemployment rate is currently 5.4 percent and the national average is 4.7 percent. Inflationary trends in the region compare favorably to national indices. All of these factors were considered in preparing the county's budget for the 2007 fiscal year. Based on a tax increase approved by County Commission for the 2007 year, the fund balance of the General Fund is estimated to increase by approximately \$1,000,000 in the coming year.

Request for Information

This financial report is designed to provide a general overview of the county's finances for all those with an interest in the government's finances. For questions concerning any of the information provided in this report, please contact the Accounting and Budgeting Office at 103 College St., Suite 9, Madisonville, Tennessee 37354.

BASIC FINANCIAL STATEMENTS

Exhibit A

Monroe County, Tennessee
Statement of Net Assets
June 30, 2006

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Monroe County School Department</u>
<u>ASSETS</u>		
Cash	\$ 1,737	\$ 299
Equity in Pooled Cash and Investments	9,135,808	1,627,881
Accounts Receivable	677,610	25
Allowance for Uncollectibles	(139,206)	0
Due from Other Governments	936,384	1,233,751
Property Taxes Receivable	8,534,497	4,547,816
Allowance for Uncollectible Property Taxes	(187,951)	(111,179)
Unamortized Debt Issuance Cost	215,646	0
Capital Assets		
Assets Not Depreciated:		
Land	824,091	666,112
Construction in Progress	1,573,187	0
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	3,429,308	30,390,797
Other Capital Assets	1,127,384	289,064
Infrastructure - Roads, Streets, and Bridges	133,354,010	0
Total Assets	<u>\$ 159,482,505</u>	<u>\$ 38,644,566</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 325,794	\$ 0
Contracts Payable	218,666	0
Retainage Payable	12,560	0
Accrued Interest Payable	137,560	7,276
Other Current Liabilities	48,012	0
Deferred Revenue - Property Taxes	8,137,116	4,295,702
Noncurrent Liabilities:		
Due Within One Year	1,410,221	345,000
Due in More than One Year	30,115,339	1,550,000
Total Liabilities	<u>\$ 40,405,268</u>	<u>\$ 6,197,978</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, net of related debt	\$ 136,745,346	\$ 29,450,973
Restricted for:		
Highways	806,537	0
Debt Service	5,221,813	0

(Continued)

Exhibit A

Monroe County, Tennessee
Statement of Net Assets (Cont.)

	<u>Primary Government</u>	<u>Component Unit</u>
	Governmental Activities	Monroe County School Department
<u>NET ASSETS (Cont.)</u>		
Restricted for (Cont.):		
Drug Control	\$ 89,541	\$ 0
Constitutional Officers' Data Processing Systems	87,520	0
Federal Assistance Programs	0	587,431
Solid Waste/Sanitation	440,631	0
Jail, Workhouse, and Courthouse	151,590	0
Other Purposes	37,143	0
Unrestricted	<u>(24,502,884)</u>	<u>2,408,184</u>
Total Net Assets	<u>\$ 119,077,237</u>	<u>\$ 32,446,588</u>

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

Exhibit B

Monroe County, Tennessee
Statement of Activities
For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Monroe County School Department
<u>Primary Government:</u>						
Governmental Activities:						
General Government	\$ 1,416,848	\$ 422,570	\$ 265,880	\$ 25,000	\$ (703,398)	\$ 0
Finance	1,165,299	850,551	30,132	0	(284,616)	0
Administration of Justice	780,617	808,936	14,820	0	43,139	0
Public Safety	3,677,521	729,149	225,100	15,000	(2,708,272)	0
Public Health and Welfare	4,142,805	3,368,177	403,309	244,360	(126,959)	0
Social, Cultural, and Recreational Services	292,167	5,945	0	0	(286,222)	0
Agricultural and Natural Resources	85,584	0	0	0	(85,584)	0
Other Operations	2,476,730	25,967	3,992	142,218	(2,304,553)	0
Highways	7,594,617	6,888	2,147,803	215,426	(5,224,500)	0
Education	1,948,010	0	0	0	(1,948,010)	0
Debt Service:						
Interest on Long-Term Debt	1,265,048	0	0	0	(1,265,048)	0
Other Debt Service	202,698	0	0	0	(202,698)	0
Total Primary Government	\$ 25,047,944	\$ 6,218,183	\$ 3,091,036	\$ 642,004	\$ (15,096,721)	\$ 0
<u>Component Unit:</u>						
Monroe County School Department	\$ 35,848,553	\$ 1,408,436	\$ 3,692,618	\$ 1,948,010	\$ 0	\$ (28,799,489)
Total Component Unit	\$ 35,848,553	\$ 1,408,436	\$ 3,692,618	\$ 1,948,010	\$ 0	\$ (28,799,489)

(Continued)

Exhibit B

Monroe County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Monroe County School Department
General Revenues:						
Property Taxes Levied for General Purposes				\$ 3,484,885	\$ 4,180,766	
Property Taxes Levied for Solid Waste/Sanitation				965,834	0	
Property Taxes Levied for Highways				272,506	0	
Property Taxes Levied for Debt Service				1,435,148	0	
Sales Taxes				803,125	3,248,103	
Other Taxes				1,624,632	117,938	
Grants and Contributions not Restricted to Specific Programs				1,202,677	22,418,256	
Unrestricted Investment Income				455,867	35,831	
Gain on Sale of Capital Assets				72,350	0	
Miscellaneous				5,912	160,691	
Total General Revenues				\$ 10,322,936	\$ 30,161,585	
Change in Net Assets				\$ (4,773,785)	\$ 1,362,096	
Net Assets, July 1, 2005				123,851,022	31,084,492	
Net Assets, June 30, 2006				\$ 119,077,237	\$ 32,446,588	

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

Exhibit C-1

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

	Major Funds				Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds	
<u>ASSETS</u>						
Cash	\$ 300	\$ 0	\$ 0	\$ 0	\$ 1,437	\$ 1,737
Equity in Pooled Cash and Investments	2,542,415	459,067	527,246	5,255,837	89,541	8,874,106
Accounts Receivable	559,580	75,454	1,411	40,745	420	677,610
Allowance for Uncollectibles	(139,206)	0	0	0	0	(139,206)
Due from Other Governments	422,646	21,759	477,518	14,461	0	936,384
Due from Other Funds	1,857	0	0	0	0	1,857
Property Taxes Receivable	5,563,917	1,113,967	297,058	1,559,555	0	8,534,497
Allowance for Uncollectible Property Taxes	(115,330)	(27,233)	(7,262)	(38,126)	0	(187,951)
Total Assets	\$ 8,836,179	\$ 1,643,014	\$ 1,295,971	\$ 6,832,472	\$ 91,398	\$ 18,699,034
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 908	\$ 116,042	\$ 208,844	\$ 0	\$ 0	\$ 325,794
Contracts Payable	218,666	0	0	0	0	218,666
Retainage Payable	12,560	0	0	0	0	12,560
Due to Other Funds	0	0	0	0	1,857	1,857
Deferred Revenue - Current Property Taxes	5,331,214	1,052,213	280,590	1,473,099	0	8,137,116
Deferred Revenue - Delinquent Property Taxes	104,293	30,674	8,180	42,944	0	186,091
Other Deferred Revenues	331,741	3,454	263,558	4,836	0	603,589
Total Liabilities	\$ 5,999,382	\$ 1,202,383	\$ 761,172	\$ 1,520,879	\$ 1,857	\$ 9,485,673
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 344,849	\$ 1,040	\$ 3,149	\$ 0	\$ 0	\$ 349,038
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	151,590	0	0	0	0	151,590
Reserved for Sexual Offender Registration	2,740	0	0	0	0	2,740
Reserved for Courtroom Security	275	0	0	0	0	275
Reserved for Computer System - Register	81,329	0	0	0	0	81,329
Reserved for Automation Purposes - Circuit Court	36	0	0	0	0	36
Reserved for Automation Purposes - Sheriff	6,155	0	0	0	0	6,155
Unreserved, Reported In:						
General Fund	2,249,823	0	0	0	0	2,249,823

(Continued)

Exhibit C-1

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

	Major Funds			Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	Other Governmental Funds	
<u>LIABILITIES AND FUND BALANCES (Cont.)</u>					
<u>Fund Balances (Cont.)</u>					
Unreserved, Reported In (Cont.):					
Special Revenue Funds	\$ 0	\$ 439,591	\$ 531,650	\$ 0	\$ 1,060,782
Debt Service Funds	0	0	0	5,311,593	5,311,593
Total Fund Balances	\$ 2,836,797	\$ 440,631	\$ 534,799	\$ 5,311,593	\$ 9,213,361
Total Liabilities and Fund Balances	\$ 8,836,179	\$ 1,643,014	\$ 1,295,971	\$ 91,398	\$ 18,699,034

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

Exhibit C-2

Monroe County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Assets
June 30, 2006

Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	9,213,361
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	824,091	
Add: construction in progress		1,573,187	
Add: infrastructure net of accumulated depreciation		133,354,010	
Add: buildings and improvements net of accumulated depreciation		3,429,308	
Add: other capital assets net of accumulated depreciations		<u>1,127,384</u>	140,307,980
(2) Internal service funds are used by management to charge the cost of employee health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.			213,690
(3) Long-term liabilities are not due in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(1,461,324)	
Less: bonds payable		(8,174,236)	
Less: other loans payable		(21,190,000)	
Add: deferred charges - debt issuance costs		215,646	
Less: landfill closure/postclosure care costs		(700,000)	
Less: accrued interest on bonds, notes, and capital leases		<u>(137,560)</u>	(31,447,474)
(4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>789,680</u>
Net assets of governmental activities (Exhibit A)		\$	<u>119,077,237</u>

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

Exhibit C-3

Monroe County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	Major Funds					Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Education Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>							
Local Taxes	\$ 5,174,478	\$ 1,025,086	\$ 461,484	\$ 2,473,852	\$ 0	\$ 0	\$ 9,134,900
Licenses and Permits	56,925	0	0	0	0	0	56,925
Fines, Forfeitures, and Penalties	192,124	0	0	0	0	31,315	223,439
Charges for Current Services	2,165,613	770,709	229,194	76,910	0	2,120	3,244,546
Other Local Revenues	136,034	4,632	806	455,841	0	0	597,313
Fees Received from County Officials	1,786,779	0	0	0	0	0	1,786,779
State of Tennessee	1,334,579	72,397	2,275,254	9,576	0	0	3,691,806
Federal Government	778,948	0	108,864	0	0	0	887,812
Other Governments and Citizens Groups	154,960	0	6,888	347,344	0	0	509,192
Total Revenues	\$ 11,780,440	\$ 1,872,824	\$ 3,082,490	\$ 3,363,523	\$ 0	\$ 33,435	\$ 20,132,712
<u>Expenditures</u>							
Current:							
General Government	\$ 1,397,974	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,397,974
Finance	1,186,802	0	0	0	0	0	1,186,802
Administration of Justice	798,584	0	0	0	0	2,120	800,704
Public Safety	3,669,606	0	0	0	0	32,173	3,701,779
Public Health and Welfare	2,305,481	1,811,880	0	0	0	0	4,117,361
Social, Cultural, and Recreational Services	292,167	0	0	0	0	0	292,167
Agricultural and Natural Resources	87,507	0	0	0	0	0	87,507
Other Operations	2,059,624	0	0	0	500,312	0	2,559,936
Highways	0	37,495	3,402,983	0	0	0	3,440,478
Debt Service:							
Principal on Debt	0	0	0	1,038,481	0	0	1,038,481
Interest on Debt	0	0	0	1,217,511	0	0	1,217,511
Other Debt Service	0	0	0	193,117	0	0	193,117
Capital Projects	1,555,727	0	0	0	0	0	1,555,727
Capital Projects - Donated	0	0	0	0	1,948,010	0	1,948,010
Total Expenditures	\$ 13,353,472	\$ 1,849,375	\$ 3,402,983	\$ 2,449,109	\$ 2,448,322	\$ 34,293	\$ 23,537,554
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,573,032)	\$ 23,449	\$ (320,493)	\$ 914,414	\$ (2,448,322)	\$ (858)	\$ (3,404,842)

(Continued)

Exhibit C-3

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

	Major Funds					Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Education Capital Projects	Other Govern- mental Funds	
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 1,080,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,080,000
Other Loans Issued	475,435	0	0	0	2,448,322	0	2,923,757
Total Other Financing Sources (Uses)	\$ 1,555,435	\$ 0	\$ 0	\$ 0	\$ 2,448,322	\$ 0	\$ 4,003,757
Net Change in Fund Balances	\$ (17,597)	\$ 23,449	\$ (320,493)	\$ 914,414	\$ 0	\$ (858)	\$ 598,915
Fund Balance, July 1, 2005	2,854,394	417,182	855,292	4,397,179	0	90,399	8,614,446
Fund Balance, June 30, 2006	\$ 2,836,797	\$ 440,631	\$ 534,799	\$ 5,311,593	\$ 0	\$ 89,541	\$ 9,213,361

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

Exhibit C-4

Monroe County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Total change in fund balances - total governmental funds (Exhibit C-3)	\$	598,915
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 2,027,875	
Less: current year depreciation expense	(4,713,423)	
Less: net book value of asset disposals	<u>(70,295)</u>	(2,755,843)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Less: deferred delinquent property taxes and other deferred June 30, 2005	\$ (632,833)	
Add: deferred delinquent property taxes and other deferred June 30, 2006	<u>789,680</u>	156,847
(3) The issuance of long-term debt (e.g., notes, bonds, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and other similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items:		
Less: note proceeds	\$ (1,080,000)	
Less: other loan proceeds	(2,923,757)	
Less: change in deferred debt issuance costs	(9,581)	
Add: principal payment on notes	178,481	
Add: principal payment on bonds	830,000	
Add: principal payment on other loans	<u>30,000</u>	(2,974,857)
(4) Governmental funds report the effect of issuance costs, premiums, discounts, and similar items related to long-term debt issuance when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Less: change in accrued interest payable	\$ (47,537)	
Add: change in landfill costs and judgments	<u>35,000</u>	(12,537)
(5) Internal service funds are used by management to charge the cost of employee health benefits to individual funds. The net revenue (expense) of certain activities of the internal service fund is reported with governmental activities in the statement of activities.		<u>213,690</u>
Change in net assets of governmental activities (Exhibit B)	\$	<u><u>(4,773,785)</u></u>

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

Exhibit D-1

Monroe County, Tennessee
Statement of Net Assets
Proprietary Fund
June 30, 2006

	Governmental Activities- Internal Service Fund
	<u>Employee Health Insurance Fund</u>
<u>ASSETS</u>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 261,702
Total Assets	<u>\$ 261,702</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Other Current Liabilities	\$ 48,012
Total Liabilities	<u>\$ 48,012</u>
<u>NET ASSETS</u>	
Unrestricted	<u>\$ 213,690</u>
Net Assets	<u><u>\$ 213,690</u></u>

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

Exhibit D-2

Monroe County, Tennessee
Statement of Revenues, Expenses, and Changes
in Net Assets
Proprietary Fund
For the Year Ended June 30, 2006

	Governmental Activities- Internal Service Fund
	<u>Employee Health Insurance Fund</u>
<u>Operating Revenues</u>	
Self-Insurance Premiums	\$ 1,502,095
Total Operating Revenues	<u>\$ 1,502,095</u>
<u>Operating Expenses</u>	
Fiscal Agent Charges	\$ 79,084
Insurance Premiums	165,436
Medical Claims	<u>1,043,885</u>
Total Operating Expenses	<u>\$ 1,288,405</u>
Operating Income (Loss)	<u>\$ 213,690</u>
Change in Net Assets	\$ 213,690
Net Assets, July 1, 2005	<u>0</u>
Net Assets, June, 30, 2006	<u><u>\$ 213,690</u></u>

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

Exhibit D-3

Monroe County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2006

	Governmental Activities- Internal Service Fund
	<u>Employee Health Insurance Fund</u>
<u>Cash Flows From Operating Activities</u>	
Receipts for Self Insurance Premiums	\$ 1,605,616
Payments to Fiscal Agents	(79,084)
Payments to Insurers	(165,436)
Payments for Claims	(1,187,712)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 173,384</u>
Increase (Decrease) In Cash	\$ 173,384
Cash, July 1, 2005	<u>88,318</u>
Cash, June 30, 2006	<u><u>\$ 261,702</u></u>
<u>Reconciliation of Operating Income (Loss)</u>	
<u>To Net Cash Provided By Operating Activities</u>	
Operating Income (loss)	\$ 213,690
Adjustments to Reconcile Net Operating Income (Loss)	
To Net Cash Provided By (Used In) Operating Activities:	
Changes in Assets and Liabilities:	
(Increase) Decrease in Due From Other Funds	103,521
Increase (Decrease) in Other Current Liabilities	<u>(143,827)</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ 173,384</u></u>

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

Exhibit E

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,919,300
Taxes Receivable	1,170,549
Allowance for Uncollectible Taxes	(28,616)
Due from Other Governments	<u>740,829</u>
Total Assets	<u>\$ 3,802,062</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 1,882,762
Due to Litigants, Heirs, and Others	<u>1,919,300</u>
Total Liabilities	<u>\$ 3,802,062</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

Monroe County is a public municipal corporation governed by an elected nine-member board. As required by GAAP, these financial statements present Monroe County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

Discretely Presented Component Units – The following entities meet the criteria for discretely presented component units of the county. They are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the county.

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

The Women's Wellness and Maternity Center was organized to provide prenatal care and counseling, as well as a lower cost option of delivery for citizens of the area, and the Monroe County Commission appoints its governing body. Monroe County has assisted the operations of the Women's Wellness and Maternity Center through the issuance of capital outlay notes for facility construction and improvements. The financial statements of the Women's Wellness and Maternity Center were not available from other auditors in time for inclusion in this report.

The Monroe County Emergency Communications District provides a simplified means of securing emergency services through a uniform

emergency number for the residents of Monroe County, and the Monroe County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the Monroe County Commission's approval. The financial statements of the Monroe County Emergency Communications District were not available from other auditors in time for inclusion in this report.

The Monroe County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the Monroe County School Department are included in this report as listed in the table of contents. Although required by GAAP, the financial statements of the Women's Wellness and Maternity Center and the Monroe County Emergency Communications District were not available in time for inclusion, as previously mentioned. Complete financial statements of the Women's Wellness and Maternity Center and the Monroe County Emergency Communications District can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Women's Wellness and Maternity Center
P.O. Box 115
Madisonville, Tennessee 37354

Monroe County Emergency Communications District
P.O. Box 869
Madisonville, Tennessee 37354

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. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the statement of activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the primary government of Monroe County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Monroe County School Department component unit only reports governmental activities in the government-wide financial statements.

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

Monroe County issues most debt for the discretely presented Monroe County School Department. Net debt issues of \$1,948,010 and \$500,312 were contributed by the county to the Monroe County School Department and the Sweetwater City School System, respectively, during the year ended June 30, 2006.

Separate financial statements are provided for governmental funds, proprietary funds (internal service), and fiduciary funds. The internal service fund is reported with the governmental activities in the governmental-wide financial statements, and the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary funds financial statements, except for agency funds which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of Monroe County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category. Monroe County only reports one proprietary fund, an internal service fund. It has no enterprise funds to report.

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

statements. The internal service fund and the fiduciary funds in total are reported in single columns by fund type.

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

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

Proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Monroe County reports the following major governmental funds:

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

Solid Waste/Sanitation Fund – This fund accounts for transactions related to solid waste disposal.

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

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

Education Capital Projects Fund – This fund accounts for debt issued by Monroe County that is subsequently contributed to the discretely presented Monroe County School Department and the City of Sweetwater for construction and renovation projects.

Additionally, Monroe County reports the following fund types:

Internal Service Fund – The Employee Insurance – Health Fund, is used to account for the county’s self-insured employee health program. Premiums charged to the various county funds and employee payroll deductions are placed in this fund for the payment of claims of county employees.

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

The discretely presented Monroe County School Department reports the following major governmental fund:

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

Additionally, the Monroe County School Department reports the following fund types:

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

Capital Projects Fund – The Education Capital Projects Fund is used to account for building construction and renovations of the School Department.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has one proprietary fund, an internal service fund used to account for the employees’ health insurance program. Operating

revenues and expenses generally result from providing services in connection with the funds' principal ongoing operations. The principal operating revenues of the county's internal service fund are charges for services. Operating expenses for the internal service fund include administrative expenses and employee benefits.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

For purposes of the statement of cash flows, cash includes cash on deposit with the county trustee.

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

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

2. Receivables and Payables

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

All ambulance and property taxes receivable are shown net of an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 1.28 percent of the total taxes levied.

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

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

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

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

Most payables are disaggregated on the face of the financial statements. The balance in the Other Current Liabilities (\$48,012) on the statement of net assets consists of internal service fund liabilities for self-insured claims.

Retainage payable in the General Fund represents amounts withheld from payments made to contractors on construction projects to ensure contract performance. This amount is held by the county trustee as Equity in Pooled Cash and Investments.

3. Capital Assets

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

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

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

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

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

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

4. Compensated Absences

Vacation leave benefits for Monroe County employees granted through the County Mayor's Office, Highway Department, and the discretely presented Monroe County School Department do not vest or accumulate and must be used within the year or lost. Therefore, no accrual has been recorded for vacation pay.

There is no liability for unpaid accumulated sick leave since Monroe County does not have a policy to pay any amounts when employees separate from service with the government.

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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

6. Net Assets and Fund Equity

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

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

As of June 30, 2006, Monroe County had \$27,240,525 in outstanding debt for capital purposes for the discretely presented Monroe County School Department. In accordance with state statutes, certain county school debt proceeds must be shared with other public school systems in the county (City of Sweetwater School System) based on an average daily attendance proration. The debt is a liability of Monroe County, but the capital assets acquired are reported in the financial statements of the Monroe County School Department and the City of Sweetwater School System. Therefore, Monroe County has incurred a liability, significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

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. The designation in the General Fund on June 30, 2006 was \$413,489. This amount consists primarily of a tourism designation of \$187,257 and an industrial designation of \$113,957.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Monroe County School Department

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

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

Primary Government

Exhibit C-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total

governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

Discretely Presented Monroe County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

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

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

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

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Monroe County and the Monroe County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, and investing most county funds. Each fund's portion of

this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net assets represents nonpooled amounts held separately by individual funds.

Deposits

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

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase. The county had no pooled and nonpooled investments as of June 30, 2006.

B. Capital Assets

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

Primary Government

Governmental Activities:

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 740,899	\$ 98,592	\$ (15,400)	\$ 824,091
Construction in Progress	875,347	1,608,460	(910,620)	1,573,187
Total Capital Assets Not Depreciated	\$ 1,616,246	\$ 1,707,052	\$ (926,020)	\$ 2,397,278

Capital Assets Being Depreciated:

Buildings and Improvements	\$ 4,901,123	\$ 910,620	\$ 0	\$ 5,811,743
Roads and Bridges	167,232,511	0	0	167,232,511
Other Capital Assets	4,472,533	320,823	(65,879)	4,727,477
Total Capital Assets Being Depreciated	\$ 176,606,167	\$ 1,231,443	\$ (65,879)	\$ 177,771,731

Less Accumulated Depreciation For:

Buildings and Improvements	\$ 2,241,242	\$ 141,193	\$ 0	\$ 2,382,435
Roads and Bridges	29,697,686	4,180,815	0	33,878,501
Other Capital Assets	3,219,662	391,415	(10,984)	3,600,093
Total Accumulated Depreciation	\$ 35,158,590	\$ 4,713,423	\$ (10,984)	\$ 39,861,029

Total Capital Assets Depreciated, Net	\$ 141,447,577	\$ (3,481,980)	\$ (54,895)	\$ 137,910,702
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Governmental Activities Capital Assets, Net	\$ 143,063,823	\$ (1,774,928)	\$ (980,915)	\$ 140,307,980
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Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 103,501
Finance	5,422
Public Safety	181,574
Public Health and Welfare	129,964
Other Operations	17,309
Highways	4,275,653
Total Depreciation Expense - Governmental Activities	\$ 4,713,423

Discretely Presented Monroe County School Department

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

Governmental Activities:

	Balance		Balance	
	7-1-05	Increases	Decreases	6-30-06
Capital Assets Not Depreciated:				
Land	\$ 666,112	\$ 0	\$ 0	\$ 666,112
Construction in Progress	5,087,076	#####	#####	0
Total Capital Assets Not Depreciated	\$ 5,753,188	\$ #####	\$ #####	\$ 666,112
Capital Assets Depreciated:				
Buildings and Improvements	\$ 37,892,371	\$ #####	\$ 0	\$ 44,542,119
Other Capital Assets	1,011,803	42,750	0	1,054,553
Total Capital Assets Depreciated	\$ 38,904,174	\$ #####	\$ 0	\$ 45,596,672
Less: Accumulated Depreciation for:				
Buildings and Improvements	\$ 13,114,786	\$ #####	\$ 0	\$ 14,151,322
Other Capital Assets	707,022	58,467	0	765,489
Total Accumulated Depreciation	\$ 13,821,808	\$ #####	\$ 0	\$ 14,916,811
Total Capital Assets Depreciated, Net	\$ 25,082,366	\$ #####	\$ 0	\$ 30,679,861
Governmental Activities Capital Assets, Net	\$ 30,835,554	\$ #####	\$ #####	\$ 31,345,973

Depreciation expense totaling \$1,095,003 was charged by the discretely presented Monroe County School Department.

C. Construction Commitments

At June 30, 2006, Monroe County had uncompleted construction projects of approximately \$186,725 in the General Fund for Health Department and Dental Clinic construction projects. Funding has been provided by capital outlay notes and other revenues.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2006, is as follows:

Due to/from other funds:

Primary Government:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 1,857
Total		\$ 1,857

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

Interfund Transfers:

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

Discretely Presented Monroe County School Department:

<u>Transfer Out</u>	<u>Transfer In</u> <u>General</u> <u>Purpose</u> <u>School Fund</u>
Nonmajor governmental funds	\$ 1,948
Total	\$ 1,948

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

E. Long-term Debt

Primary Government

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 40 years for bonds, up to 12 years for notes, and up to 30 years for the other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2006, will be retired from the General Debt Service Fund.

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

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
General Obligation Bonds	4.6 to 5.0 %	\$ 1,599,236	\$ 1,319,236
Refunding Bonds	4.25 to 5.25	10,205,000	6,855,000
Capital Outlay Notes	3.49 to 7.95	1,662,000	1,461,324
Other Loans - Variable Rate	variable	15,190,000	15,190,000
Other Loans - Synthetic Fixed Rate By Swap	variable	6,335,000	6,000,000

Monroe County has entered into various loan agreements with Public Building Authorities (PBAs) to finance various capital projects for the county and the discretely presented Monroe County School Department. Under the loan agreements, the PBAs issued their revenue bonds and made the proceeds available for loan to Monroe County. The following table summarizes loan agreements outstanding at June 30, 2006:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-06	Interest Type	Interest Rates as of 6-30-06	Other Fees on Variable Rate Debt
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Sevier County Public Building Authority

School Construction (Series IV-A-4)	\$ 6,335,000	\$ 6,000,000	Synthetic Fixed by Swap	4.34 %	.49 %
Public Improvement (Series V-A-3)	2,350,000	2,350,000	Variable	3.8	.49

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-06	Interest Type	Interest Rates as of 6-30-06	Other Fees on Variable Rate Debt
<u>Sevier County Public</u>					
<u>Building Authority (Cont.)</u>					
Public Improvement (Series V-C-2)	\$ 10,050,000	\$ 10,050,000	Synthetic Fixed by Variable	3.8 %	.49 %
Public Improvement (Series VI-C-5)	1,500,000	1,500,000	Variable	3.91	.53
<u>Blount County Public</u>					
<u>Building Authority</u>					
School Construction (Series A-1-H)	1,290,000	1,290,000	Variable	3.91	.5
		<u>\$ 21,190,000</u>			

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2006, including interest payments, are presented in the following table. Estimated annual requirements for other loans payable are also reflected in the table. Amounts reflected for other loans payable are based on the outstanding principal totaling \$21,190,000.

Estimated interest payments and estimated other fees are included for the loan agreements. Variable rate debt carries variable interest rates that are functions of the Bond Market Association Index with the rates changing daily or weekly. The county also pays various other fees (administrative, remarketing, etc.) in connection with the variable rate debt. Interest payments included in the table for the variable rate issues are computed based on the rates in effect at June 30, 2006.

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 870,000	\$ 355,512	\$ 405,221	\$ 59,313
2008	905,000	316,688	411,291	43,486
2009	945,000	275,862	417,319	26,879
2010	995,000	233,238	49,911	9,970
2011	1,040,000	181,062	41,453	8,151
2012-2016	3,003,002	936,861	136,129	11,901
2017-2018	416,234	509,016	0	0
Total	<u>\$ 8,174,236</u>	<u>\$ 2,808,239</u>	<u>\$ 1,461,324</u>	<u>\$ 159,700</u>

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2007	\$ 100,000	\$ 810,979	\$ 104,030	\$ 1,015,009
2008	100,000	807,069	103,500	1,010,569
2009	100,000	803,159	102,970	1,006,129
2010	100,000	799,249	102,440	1,001,689
2011	100,000	795,339	101,910	997,249
2012-2016	2,520,000	3,761,059	491,606	6,772,665
2017-2021	5,620,000	2,847,334	387,474	8,854,808
2022-2026	4,600,000	1,868,580	241,155	6,709,735
2027-2031	5,500,000	894,900	115,395	6,510,295
2032-2033	2,450,000	47,500	6,125	2,503,625
Total	<u>\$ 21,190,000</u>	<u>\$ 13,435,168</u>	<u>\$ 1,756,605</u>	<u>\$ 36,381,773</u>

There is \$5,311,593 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$210, based on the 2000 federal census. Debt per capita, including notes and other loans, totaled \$791, based on the 2000 federal census.

Under its loan agreement, the Public Building Authority of Sevier County, Tennessee, at the request of the county, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series IV-A-4.

Objective of the interest rate swap. In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the county requested the authority, on its behalf, to enter into an interest rate swap in connection with its \$6.335 million Series IV-A-4 variable-rate bonds. The intention of the swap was to effectively change the county's variable interest rate on the bonds to a synthetic fixed rate.

Terms. Under the swap, the authority pays the counterparty a fixed payment of 4.27 percent and receives a variable payment computed as 70 percent of the three-month London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$6.335 million and the associated variable-rate bond has a \$6.335 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series IV-A-4 Bonds. The bonds' variable-rates have historically approximated the Bond Market Association Municipal Index™ (BMA). The bonds and the related swap agreement mature on June 1, 2020. As of June 30, 2006, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment to counterparty	Fixed	4.27%
Variable payment from counterparty	70% of LIBOR	<u>-3.84%</u>
Net interest rate swap payments		0.43%
Variable-rate bond coupon payments		<u>3.91%</u>
Synthetic interest rate on bonds		<u>4.34%</u>

Fair value. As of June 30, 2006, the swap had a negative fair value of \$262,087. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates and then discounts those cash flows at their present value.

Credit risk. As of June 30, 2006, the county was not exposed to credit risk because the swap had a negative fair value. However, if interest rates change and the fair value of the swap becomes positive, the county would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was unrated at the time of the swap. In order to mitigate the potential for credit risk, the authority, on behalf of the county, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, who was rated AAA by Standard and Poor's and Fitch and Aaa by Moody's Investor Service as of June 30, 2006. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

Basis risk. As noted above, the swap exposes the county to basis risk if BMA increases to above 70 percent of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA to be below 70 percent of LIBOR, then the synthetic rate on the bonds will decrease.

Termination risk. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision." The authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the authority for a payment equal to the swap's fair value.

Swap payments and associated debt. As of June 30, 2006, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate Swap Payment	Total
	Principal	Interest		
2007	\$ 0	\$ 234,600	\$ 25,800	\$ 260,400
2008	0	234,600	25,800	260,400
2009	0	234,600	25,800	260,400
2010	0	234,600	25,800	260,400
2011	0	234,600	25,800	260,400
2012-2016	1,890,000	1,102,229	121,217	3,113,446
2017-2020	4,110,000	448,282	49,300	4,607,582
Total	\$ 6,000,000	\$ 2,723,511	\$ 299,517	\$ 9,023,028

Changes in Long-term Liabilities

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

	Bonds	Notes
Balance, July 1, 2005	\$ 9,004,236	\$ 559,805
Additions	0	1,080,000
Deductions	(830,000)	(178,481)
Balance, June 30, 2006	\$ 8,174,236	\$ 1,461,324
Balance Due Within One Year	\$ 870,000	\$ 405,221
	Other Loans	Landfill Postclosure Care Costs
Balance, July 1, 2005	\$ 18,296,243	\$ 735,000
Additions	2,923,757	0
Deductions	(30,000)	(35,000)
Balance, June 30, 2006	\$ 21,190,000	\$ 700,000
Balance Due Within One Year	\$ 100,000	\$ 35,000

The landfill postclosure care costs will be retired from the Solid Waste/Sanitation Fund.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2006	\$ 31,525,560
Less: Balance Due Within One Year	<u>1,410,221</u>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u><u>\$ 30,115,339</u></u>

During the year, the discretely presented Monroe County School Department paid \$230,000 to the primary government to apply toward the retirement of school related debt.

Discretely Presented Monroe County School Department

General Obligation Bonds and Notes

The rural school refunding bonds outstanding were issued to fund capital facilities.

The rural school refunding bonds are direct obligations and pledge the full faith and credit of the government. Bonds outstanding were issued for an original term of 12 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. The bonds included in long-term debt as of June 30, 2006, will be retired from the General Purpose School Fund.

School refunding bonds outstanding as of June 30, 2006, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
Rural School Refunding Bonds	4.3 to 5%	\$ 4,205,000	\$ 1,895,000

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

Year Ending June 30	Bonds	
	Principal	Interest
2007	\$ 345,000	\$ 87,310
2008	360,000	71,958
2009	380,000	55,757
2010	395,000	38,278
2011	<u>415,000</u>	<u>19,712</u>
Total	<u><u>\$ 1,895,000</u></u>	<u><u>\$ 273,015</u></u>

Bonded debt per capita for the discretely presented School Department amounted to \$49, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Monroe County School Department for the year ended June 30, 2006, was as follows:

Governmental Activities:

	<u>Bonds</u>	<u>Notes</u>
Balance, July 1, 2005	\$ 2,225,000	\$ 90,000
Deductions	<u>(330,000)</u>	<u>(90,000)</u>
Balance, June 30, 2006	<u>\$ 1,895,000</u>	<u>\$ 0</u>
Balance Due Within One Year	<u>\$ 345,000</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2006	\$ 1,895,000
Less: Balance Due Within One Year	<u>(345,000)</u>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u>\$ 1,550,000</u>

F. Industrial Development

Monroe County has entered into a contract with the Tennessee Valley Authority (TVA) for Industrial Development Property. Under this contract, Monroe County has been awarded a warranty deed for approximately 145 acres of land to be used for industrial purposes. As Monroe County sells this property, one-half of the sale proceeds are to be paid to TVA; however, Monroe County may reduce its obligation to TVA by the value of certain road and shoreline maintenance services and police services the county provides to TVA.

V. OTHER INFORMATION

A. Risk Management

The county and the discretely presented Monroe County School Department are exposed to various risks related to general liability, property, casualty, workers' compensation, health, and accident.

Monroe County has established the Employee Health Insurance Fund for risks associated with the county's employees' health plan. The Employee Health Insurance Fund is accounted for as an internal service fund where assets are set aside for claim settlements. The county retains the risk of loss to a limit of \$40,000 for each employee. The county has obtained a stop/loss commercial insurance policy to cover claims beyond this liability.

All full-time employees of the primary government are eligible to participate in the health program. A premium charge for the health program is allocated to each fund that accounts for employees. This charge is based on actuarial estimates of the amounts needed to pay prior- and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$213,690 at June 30, 2006. Liabilities of this fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Employee Health Insurance Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. Claims liabilities include specific, incremental claims adjustment expenditures/expenses, if any. In addition, estimated recoveries, if any, on settled claims have been deducted from the liability for unpaid claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two fiscal years are as follows:

Employee Insurance Health Fund

	Beginning of Fiscal Year Liability	Current-year Claims and Estimates	Payments	Liability Balance at Fiscal Year-end
2004-2005	\$ 94,384	\$ 1,039,835	\$ (942,380)	\$ 191,839
2005-2006	191,839	1,043,885	(1,187,712)	48,012

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

The county and the School Department decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, property, casualty, and workers' compensation

coverage. The county and the School Department joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. The county and the School Department pay annual premiums to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of TSB-RMT provides for it to be self-sustaining through member premiums.

B. Accounting Changes

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries became effective for the year ended June 30, 2006. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries. GASB Statement No. 42 had no effect on the financial statements for the year ended June 30, 2006, since no capital asset impairment and insurance recoveries occurred. However, it is reasonably expected that capital asset impairment and insurance recoveries may occur in subsequent years that will be subject to the provisions of Statement No. 42.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Monroe County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Monroe County may prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to

determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. Monroe County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Monroe County will be required to disclose net assets restricted by enabling legislation in subsequent years.

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements. Monroe County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Monroe County may offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

C. Subsequent Events

Subsequent to June 30, 2006, Monroe County issued a capital outlay note totaling \$450,000 to provide funding for new bleachers at various schools.

On August 31, 2006, Doug Watson left the Office of Sheriff and was succeeded by Bill Bivens.

D. Contingent Liabilities

There are several pending lawsuits in which the county is involved. Based on letters from attorneys, management believes that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the financial statements of the county.

Monroe County is contingently liable for certain revenue and tax bonds of Tellico Area Service System (TASS) joint venture. Monroe County would become liable for the bonds and interest thereon, in the event of default by TASS. As of June 30, 2006, future principal and interest requirements of these bonds were \$1,354,487 and \$1,150,166, respectively.

Monroe County also issued a public building authority loan agreement for the benefit of TASS, which is being reimbursed to the county from revenues of TASS. Monroe County would become liable for this loan agreement in the event of default by TASS. As of June 30, 2006, future principal and interest requirements of this loan were \$545,000 and \$382,800, respectively.

E. Landfill Postclosure Care Costs

During the 1994-95 year, Monroe County stopped accepting solid waste at the county's landfill and contracted with Browning Ferris Industries to transport and dispose of the county's solid waste.

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The \$700,000 reported as landfill postclosure care liability at June 30, 2006, represents an estimate of the cost of postclosure care costs for 20 years. These amounts are based on what it would cost to perform all postclosure in 2006. Actual cost may vary from the estimate due to inflation, changes in technology, or changes in regulations. The county issued long-term debt for the majority of the closure costs, which were completed in the 1996-97 year, and is funding postclosure care costs by annual appropriations from the Solid Waste/Sanitation Fund.

F. Joint Ventures

The Tellico Area Services System, (TASS) a regional water, sewer, and solid waste system, is jointly owned by Monroe County and Loudon County. TASS comprises the County Boards of Public Utilities of each of the counties. Monroe County has control over budgeting and financing the joint venture only to the extent of representation by its County Board of Public Utility. As noted above, Monroe County is contingently liable for revenue bonds and other debt issued by the county on behalf of this joint venture.

The Tenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Tenth Judicial District; Monroe, Bradley, McMinn, and Polk counties; and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a Board of Directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Monroe County made no contributions to the DTF for the year ended June 30, 2006.

Monroe County does not have an equity interest in the above-noted joint ventures. Complete financial statements for TASS and the DTF can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Tellico Area Services System
P.O. Box 277
Vonore, TN 37885-0277

District Attorney General
Tenth Judicial District
P.O. Box 647
Athens, TN 37371-0647

G. Jointly Governed Organization

The county, in conjunction with Bradley, McMinn, and Polk Counties, participates in the Southeast Tennessee Community Corrections Program, which provides alternative sentencing for selected nonviolent offenders. The program's 20-member board comprises the county mayors and the sheriffs of each of the four counties, the district attorney, and one member from a nonprofit organization, and the remaining ten members are appointed by the board from the private sector. The program is funded by the Tennessee Department of Corrections, and the county does not retain any ongoing financial interest or responsibility for the program.

H. Retirement Commitments

Plan Description

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

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

Funding Policy

Monroe County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was 4.71 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Monroe County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2006, Monroe County’s annual pension cost of \$476,910 to TCRS was equal to the 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 three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Monroe County’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was ten years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$476,910	100%	\$0
6-30-05	443,203	100	0
6-30-04	244,796	100	0

Schedule of Funding Progress

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-05	\$18,149	\$18,149	\$0	100%	\$9,575	0%
6-30-03	16,017	16,017	0	100	7,929	0
6-30-01	14,398	14,398	0	100	7,045	0

SCHOOL TEACHERS

Plan Description

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2006, was 5.5 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2006, 2005, and 2004, were \$622,656, \$594,199, and \$328,411, respectively, equal to the required contributions for each year.

I. Other Post-employment Benefits

Primary Government

In addition to the retirement commitments described above, Monroe County provides post-retirement health care benefits to all employees who are retired and over age 65 with at least 15 years of service with Monroe County. The county will provide monthly support for any retiree that chooses the TCRS supplemental insurance to go along with Medicare. The monthly support is based on years of service. If the retiree has between 15 and 19 years of service the monthly support is \$25. If the retiree has between 20 and 29 years of service the monthly support is \$37.50. Retirees with 30 or more years of service receive monthly support of \$50. As of June 30, 2006, four individuals are participating in the program. During the year, expenditures of \$1,560 were recognized for participants in the program.

Monroe County School Department

In addition to the retirement commitments described above, the discretely presented Monroe County School Department provides post-retirement health care benefits to all professional employees who retire from the School Department with at least 20 years of service and qualify for the Tennessee Consolidated Retirement System. The School Department will pay the portion of the retirees insurance not furnished by the state until the retiree reaches Medicare age. As of June 30, 2006, 27 individuals are participating in the program. During the year, expenditures of \$68,609 were recognized for participants in the program. The School Department provides Medicare supplement to retirees when they reach age 65. Currently, 19 individuals participate in the program. During the year, expenditures of \$6,480 were recognized for participants in the program.

J. Office of Central Accounting, Budgeting, and Purchasing

Monroe County operates under provisions of the County Financial Management System of 1981, which provides for a central system of accounting, budgeting, and purchasing for all county departments. This act provides for the creation of a Finance Department operated under the direction of the finance director.

K. Purchasing Laws

Purchasing procedures are governed by provisions of the County Financial Management System of 1981. This act provides for purchases to be made by the Financial Management Committee. The committee established a policy that purchases exceeding \$5,000 are to be made on a competitive bid basis for the County Mayor's Office and the discretely presented Monroe County School Department. Purchasing procedures for the Highway Department are also governed by provisions of the Uniform Road Law Section 54-7-113, Tennessee Code Annotated. Competitive bids are required on highway purchases exceeding \$10,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 5,174,478	\$ 0	\$ 0	\$ 5,174,478	\$ 5,214,697	\$ 5,214,697	\$ (40,219)
Licenses and Permits	56,925	0	0	56,925	39,400	39,400	17,525
Fines, Forfeitures, and Penalties	192,124	0	0	192,124	176,965	175,465	16,659
Charges for Current Services	2,165,613	0	0	2,165,613	2,162,765	2,215,265	(49,652)
Other Local Revenues	136,034	0	0	136,034	127,841	187,150	(51,116)
Fees Received from County Officials	1,786,779	0	0	1,786,779	1,673,285	1,673,285	113,494
State of Tennessee	1,334,579	0	0	1,334,579	1,053,851	1,159,154	175,425
Federal Government	778,948	0	0	778,948	202,679	1,116,273	(337,325)
Other Governments and Citizens Groups	154,960	0	0	154,960	135,500	135,500	19,460
Total Revenues	\$ 11,780,440	\$ 0	\$ 0	\$ 11,780,440	\$ 10,786,983	\$ 11,916,189	\$ (135,749)
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 243,336	\$ 0	\$ 0	\$ 243,336	\$ 297,789	\$ 269,289	\$ 25,953
Board of Equalization	1,150	0	0	1,150	1,150	1,150	0
County Mayor/Executive	126,544	0	0	126,544	124,302	130,071	3,527
County Attorney	20,117	0	0	20,117	38,400	38,400	18,283
Election Commission	396,426	(168)	1,263	397,521	150,166	399,667	2,146
Register of Deeds	217,187	0	12,072	229,259	184,921	230,000	741
Codes Compliance	22,653	0	0	22,653	26,747	26,747	4,094
County Buildings	344,127	(225)	2,871	346,773	412,165	376,189	29,416
Other General Administration	26,434	(243)	0	26,191	29,200	29,200	3,009
<u>Finance</u>							
Accounting and Budgeting	362,187	0	0	362,187	365,963	369,575	7,388
Central Services	23,308	0	0	23,308	79,260	79,260	55,952
Property Assessor's Office	173,338	(89)	0	173,249	175,721	175,721	2,472
Reappraisal Program	39,655	0	0	39,655	42,819	42,819	3,164

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance (Cont.)</u>							
County Trustee's Office	\$ 198,690	\$ 0	\$ 0	\$ 198,690	\$ 202,887	\$ 202,886	\$ 4,196
County Clerk's Office	262,467	(34)	0	262,433	262,604	262,603	170
Other Finance	127,157	0	0	127,157	125,500	127,157	0
<u>Administration of Justice</u>							
Circuit Court	488,601	(30)	14,687	503,258	519,923	519,923	16,665
General Sessions Judge	134,336	0	0	134,336	137,478	137,478	3,142
Chancery Court	148,147	0	2,300	150,447	164,795	164,795	14,348
Probate Court	23,911	0	0	23,911	27,071	27,071	3,160
Other Administration of Justice	3,589	0	950	4,539	23,500	23,500	18,961
<u>Public Safety</u>							
Sheriff's Department	1,649,046	(950)	2,646	1,650,742	1,646,700	1,723,991	73,249
Administration of the Sexual Offender Registry	0	0	0	0	1,500	1,500	1,500
Jail	1,515,629	(2,300)	0	1,513,329	1,470,980	1,561,980	48,651
Juvenile Services	68,795	0	15	68,810	69,358	70,558	1,748
Commissary	19,203	0	0	19,203	0	20,000	797
Fire Prevention and Control	113,335	0	0	113,335	120,194	124,694	11,359
Rescue Squad	45,000	0	0	45,000	45,000	45,000	0
Other Emergency Management	124,124	(58,153)	0	65,971	38,850	109,411	43,440
County Coroner/Medical Examiner	24,474	0	0	24,474	33,800	33,800	9,326
Other Public Safety	110,000	0	0	110,000	110,000	110,000	0
<u>Public Health and Welfare</u>							
Local Health Center	48,860	(55)	60	48,865	54,273	54,273	5,408
Rabies and Animal Control	72,587	(639)	2,044	73,992	85,256	85,256	11,264
Ambulance/Emergency Medical Services	1,589,168	(17,150)	66,362	1,638,380	1,656,308	1,689,309	50,929
Dental Health Program	322,481	0	30,887	353,368	373,605	445,529	92,161
Crippled Children Services	1,995	0	0	1,995	1,995	1,995	0

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Public Health and Welfare (Cont.)</u>							
Other Local Health Services	\$ 244,856	\$ 0	\$ 0	\$ 244,856	\$ 266,500	\$ 273,000	\$ 28,144
General Welfare Assistance	24,738	0	0	24,738	25,888	25,888	1,150
Aid to Dependent Children	796	0	0	796	1,000	1,000	204
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	37,000	0	0	37,000	37,000	37,000	0
Libraries	100,734	(392)	412	100,754	94,550	100,854	100
Other Social, Cultural, and Recreational	154,433	0	0	154,433	155,433	155,433	1,000
<u>Agriculture & Natural Resources</u>							
Agriculture Extension Service	64,959	0	0	64,959	69,108	69,108	4,149
Soil Conservation	20,548	0	0	20,548	21,563	21,563	1,015
Flood Control	2,000	0	0	2,000	2,000	2,000	0
<u>Other Operations</u>							
Tourism	175,604	(3,886)	469	172,187	147,087	177,088	4,901
Industrial Development	133,739	(125)	1,700	135,314	141,940	141,940	6,626
Other Economic and Community Development	65,363	0	0	65,363	10,500	504,646	439,283
Airport	161,163	(100)	0	161,063	47,097	218,656	57,593
Veterans' Services	15,095	0	0	15,095	9,210	16,210	1,115
Other Charges	7,261	0	0	7,261	7,261	7,261	0
Contributions to Other Agencies	10,428	0	0	10,428	11,000	11,000	572
Employee Benefits	1,486,171	0	0	1,486,171	1,571,463	1,623,913	137,742
Miscellaneous	4,800	0	0	4,800	6,500	6,500	1,700
<u>Capital Projects</u>							
General Administration Projects	1,436,903	(145,871)	206,111	1,497,143	577,792	1,522,122	24,979
Public Safety Projects	118,824	(100,393)	0	18,431	10,000	130,000	111,569
Total Expenditures	\$ 13,353,472	\$ (330,803)	\$ 344,849	\$ 13,367,518	\$ 12,313,072	\$ 14,755,979	\$ 1,388,461

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,573,032)	\$ 330,803	\$ (344,849)	\$ (1,587,078)	\$ (1,526,089)	\$ (2,839,790)	\$ 1,252,712
<u>Other Financing Sources (Uses)</u>							
Bonds Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 360,000	\$ 0	\$ 0
Notes Issued	1,080,000	0	0	1,080,000	560,000	1,096,000	(16,000)
Other Loans Issued	475,435	0	0	475,435	500,000	500,000	(24,565)
Transfers In	0	0	0	0	130,500	0	0
Total Other Financing Sources (Uses)	\$ 1,555,435	\$ 0	\$ 0	\$ 1,555,435	\$ 1,550,500	\$ 1,596,000	\$ (40,565)
Net Change in Fund Balance	\$ (17,597)	\$ 330,803	\$ (344,849)	\$ (31,643)	\$ 24,411	\$ (1,243,790)	\$ 1,212,147
Fund Balance, July 1, 2005	2,854,394	(330,803)	0	2,523,591	1,259,553	1,259,553	1,264,038
Fund Balance, June 30, 2006	\$ 2,836,797	\$ 0	\$ (344,849)	\$ 2,491,948	\$ 1,283,964	\$ 15,763	\$ 2,476,185

Exhibit F-2

Monroe County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 1,025,086	\$ 0	\$ 0	\$ 1,025,086	\$ 1,041,502	\$ 1,041,502	\$ (16,416)
Charges for Current Services	770,709	0	0	770,709	620,000	877,000	(106,291)
Other Local Revenues	4,632	0	0	4,632	76,000	76,000	(71,368)
State of Tennessee	72,397	0	0	72,397	75,493	75,493	(3,096)
Other Governments and Citizens Groups	0	0	0	0	100	100	(100)
Total Revenues	\$ 1,872,824	\$ 0	\$ 0	\$ 1,872,824	\$ 1,813,095	\$ 2,070,095	\$ (197,271)
<u>Expenditures</u>							
<u>Public Health and Welfare</u>							
Sanitation Education/Information	\$ 1,136,035	\$ (2,225)	\$ 1,040	\$ 1,134,850	\$ 955,912	\$ 1,216,612	\$ 81,762
Convenience Centers	661,405	0	0	661,405	669,925	669,925	8,520
Postclosure Care Costs	14,440	0	0	14,440	43,500	43,500	29,060
<u>Highways</u>							
Litter and Trash Collection	37,495	(1,000)	0	36,495	39,449	39,449	2,954
Total Expenditures	\$ 1,849,375	\$ (3,225)	\$ 1,040	\$ 1,847,190	\$ 1,708,786	\$ 1,969,486	\$ 122,296
Excess (Deficiency) of Revenues Over Expenditures	\$ 23,449	\$ 3,225	\$ (1,040)	\$ 25,634	\$ 104,309	\$ 100,609	\$ (74,975)
Net Change in Fund Balance	\$ 23,449	\$ 3,225	\$ (1,040)	\$ 25,634	\$ 104,309	\$ 100,609	\$ (74,975)
Fund Balance, July 1, 2005	417,182	(3,225)	0	413,957	486,242	486,242	(72,285)
Fund Balance, June 30, 2006	\$ 440,631	\$ 0	\$ (1,040)	\$ 439,591	\$ 590,551	\$ 586,851	\$ (147,260)

Exhibit F-3

Monroe County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 461,484	\$ 0	\$ 0	\$ 461,484	\$ 505,231	\$ 505,231	\$ (43,747)
Charges for Current Services	229,194	0	0	229,194	150,000	150,000	79,194
Other Local Revenues	806	0	0	806	9,000	9,000	(8,194)
State of Tennessee	2,275,254	0	0	2,275,254	2,418,357	2,423,685	(148,431)
Federal Government	108,864	0	0	108,864	126,000	126,000	(17,136)
Other Governments and Citizens Groups	6,888	0	0	6,888	103,733	103,733	(96,845)
Total Revenues	\$ 3,082,490	\$ 0	\$ 0	\$ 3,082,490	\$ 3,312,321	\$ 3,317,649	\$ (235,159)
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 152,796	\$ 0	\$ 0	\$ 152,796	\$ 158,776	\$ 158,776	\$ 5,980
Highway and Bridge Maintenance	1,637,860	(41,621)	1,400	1,597,639	1,739,572	1,937,311	339,672
Operation and Maintenance of Equipment	547,366	(6,568)	1,749	542,547	505,682	555,782	13,235
Other Charges	234,647	0	0	234,647	231,000	236,199	1,552
Employee Benefits	336,460	0	0	336,460	365,287	365,287	28,827
Capital Outlay	493,854	(85,187)	0	408,667	490,371	488,637	79,970
Total Expenditures	\$ 3,402,983	\$ (133,376)	\$ 3,149	\$ 3,272,756	\$ 3,490,688	\$ 3,741,992	\$ 469,236
Excess (Deficiency) of Revenues Over Expenditures	\$ (320,493)	\$ 133,376	\$ (3,149)	\$ (190,266)	\$ (178,367)	\$ (424,343)	\$ 234,077
Net Change in Fund Balance	\$ (320,493)	\$ 133,376	\$ (3,149)	\$ (190,266)	\$ (178,367)	\$ (424,343)	\$ 234,077
Fund Balance, July 1, 2005	855,292	(133,376)	0	721,916	774,856	774,856	(52,940)
Fund Balance, June 30, 2006	\$ 534,799	\$ 0	\$ (3,149)	\$ 531,650	\$ 596,489	\$ 350,513	\$ 181,137

MONROE COUNTY, TENNESSEE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2006

BUDGETARY INFORMATION

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

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

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

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

Exhibit G-1

Monroe County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	<u>Special Revenue Funds</u>		
	Drug Control	Constitu - tional Officers - Fees	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,437	\$ 1,437
Equity in Pooled Cash and Investments	89,541	0	89,541
Accounts Receivable	0	420	420
Total Assets	<u>\$ 89,541</u>	<u>\$ 1,857</u>	<u>\$ 91,398</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Due to Other Funds	\$ 0	\$ 1,857	\$ 1,857
Total Liabilities	<u>\$ 0</u>	<u>\$ 1,857</u>	<u>\$ 1,857</u>
<u>Fund Balances</u>			
Unreserved	\$ 89,541	\$ 0	\$ 89,541
Total Fund Balances	<u>\$ 89,541</u>	<u>\$ 0</u>	<u>\$ 89,541</u>
Total Liabilities and Fund Balances	<u>\$ 89,541</u>	<u>\$ 1,857</u>	<u>\$ 91,398</u>

Exhibit G-2

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

	<u>Special Revenue Funds</u>		
	Drug Control	Constitu - tional Officers - Fees	Total Nonmajor Governmental Funds
<u>Revenues</u>			
Fines, Forfeitures, and Penalties	\$ 31,315	\$ 0	\$ 31,315
Charges for Current Services	0	2,120	2,120
Total Revenues	<u>\$ 31,315</u>	<u>\$ 2,120</u>	<u>\$ 33,435</u>
<u>Expenditures</u>			
Current:			
Administration of Justice	\$ 0	\$ 2,120	\$ 2,120
Public Safety	32,173	0	32,173
Total Expenditures	<u>\$ 32,173</u>	<u>\$ 2,120</u>	<u>\$ 34,293</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (858)</u>	<u>\$ 0</u>	<u>\$ (858)</u>
Net Change in Fund Balances	\$ (858)	\$ 0	\$ (858)
Fund Balance, July 1, 2005	<u>90,399</u>	<u>0</u>	<u>90,399</u>
Fund Balance, June 30, 2006	<u>\$ 89,541</u>	<u>\$ 0</u>	<u>\$ 89,541</u>

Exhibit G-3

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 31,315	\$ 53,300	\$ 53,300	\$ (21,985)
Total Revenues	\$ 31,315	\$ 53,300	\$ 53,300	\$ (21,985)
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 32,173	\$ 53,300	\$ 53,300	\$ 21,127
Total Expenditures	\$ 32,173	\$ 53,300	\$ 53,300	\$ 21,127
Excess (Deficiency) of Revenues Over Expenditures	\$ (858)	\$ 0	\$ 0	\$ (858)
Net Change in Fund Balance	\$ (858)	\$ 0	\$ 0	\$ (858)
Fund Balance, July 1, 2005	90,399	90,000	90,000	399
Fund Balance, June 30, 2006	\$ 89,541	\$ 90,000	\$ 90,000	\$ (459)

Major Governmental Fund

General Debt Service Fund

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

Exhibit H

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,473,852	\$ 2,451,690	\$ 2,451,690	\$ 22,162
Charges for Current Services	76,910	91,495	91,495	(14,585)
Other Local Revenues	455,841	230,000	230,000	225,841
State of Tennessee	9,576	8,800	8,800	776
Other Governments and Citizens Groups	347,344	331,700	331,700	15,644
Total Revenues	<u>\$ 3,363,523</u>	<u>\$ 3,113,685</u>	<u>\$ 3,113,685</u>	<u>\$ 249,838</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 1,038,481	\$ 1,134,233	\$ 1,134,233	\$ 95,752
<u>Interest on Debt</u>				
General Government	1,217,511	1,540,077	1,540,077	322,566
<u>Other Debt Service</u>				
General Government	193,117	217,308	217,308	24,191
Total Expenditures	<u>\$ 2,449,109</u>	<u>\$ 2,891,618</u>	<u>\$ 2,891,618</u>	<u>\$ 442,509</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 914,414</u>	<u>\$ 222,067</u>	<u>\$ 222,067</u>	<u>\$ 692,347</u>
Net Change in Fund Balance	\$ 914,414	\$ 222,067	\$ 222,067	\$ 692,347
Fund Balance, July 1, 2005	4,397,179	4,388,314	4,388,314	8,865
Fund Balance, June 30, 2006	<u>\$ 5,311,593</u>	<u>\$ 4,610,381</u>	<u>\$ 4,610,381</u>	<u>\$ 701,212</u>

Fiduciary Funds

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

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

City School ADA - Sweetwater Fund – The City School ADA - Sweetwater Fund is used to account for the city school system’s share of education revenues collected by the county which must be apportioned between the school systems on an average daily attendance basis. These collections are remitted to the city school system on a monthly basis.

Joint Venture - Agency Fund – The Joint Venture - Agency Fund is used to account for amounts handled in an agency capacity for the Tellico Area Services System, a joint venture of Loudon and Monroe counties.

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

Exhibit I-1

Monroe County, Tennessee

Combining Statement of Fiduciary Assets and Liabilities

Fiduciary Funds

June 30, 2006

	<u>Agency Funds</u>			
	Cities - Sales Tax	City School ADA - Sweetwater	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 1,919,300	\$ 1,919,300
Taxes Receivable	0	1,170,549	0	1,170,549
Allowance for Uncollectible Taxes	0	(28,616)	0	(28,616)
Due from Other Governments	579,311	161,518	0	740,829
Total Assets	<u>\$ 579,311</u>	<u>\$ 1,303,451</u>	<u>\$ 1,919,300</u>	<u>\$ 3,802,062</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 579,311	\$ 1,303,451	\$ 0	\$ 1,882,762
Due to Litigants, Heirs, and Others	0	0	1,919,300	1,919,300
Total Liabilities	<u>\$ 579,311</u>	<u>\$ 1,303,451</u>	<u>\$ 1,919,300</u>	<u>\$ 3,802,062</u>

Exhibit I-2

Monroe County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2006

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 3,301,003	\$ 3,301,003	\$ 0
Due From Other Governments	555,408	579,311	555,408	579,311
Total Assets	\$ 555,408	\$ 3,880,314	\$ 3,856,411	\$ 579,311
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 555,408	\$ 3,880,314	\$ 3,856,411	\$ 579,311
Total Liabilities	\$ 555,408	\$ 3,880,314	\$ 3,856,411	\$ 579,311
<u>City School ADA - Sweetwater Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 2,622,765	\$ 2,622,765	\$ 0
Due From Other Governments	141,350	161,518	141,350	161,518
Taxes Receivable	958,310	1,170,549	958,310	1,170,549
Allowance for Uncollectible Taxes	(29,590)	(28,616)	(29,590)	(28,616)
Total Assets	\$ 1,070,070	\$ 3,926,216	\$ 3,692,835	\$ 1,303,451
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,070,070	\$ 3,926,216	\$ 3,692,835	\$ 1,303,451
Total Liabilities	\$ 1,070,070	\$ 3,926,216	\$ 3,692,835	\$ 1,303,451
<u>Joint Venture - Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 360,000	\$ 360,000	\$ 0
Total Assets	\$ 0	\$ 360,000	\$ 360,000	\$ 0
<u>Liabilities</u>				
Due to Joint Venture	\$ 0	\$ 360,000	\$ 360,000	\$ 0
Total Liabilities	\$ 0	\$ 360,000	\$ 360,000	\$ 0

(Continued)

Exhibit I-2

Monroe County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds (Cont.)

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,891,590	\$ 8,670,813	\$ 8,643,103	\$ 1,919,300
Total Assets	\$ 1,891,590	\$ 8,670,813	\$ 8,643,103	\$ 1,919,300
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,891,590	\$ 8,670,813	\$ 8,643,103	\$ 1,919,300
Total Liabilities	\$ 1,891,590	\$ 8,670,813	\$ 8,643,103	\$ 1,919,300
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 5,923,768	\$ 5,923,768	\$ 0
Cash	1,891,590	8,670,813	8,643,103	1,919,300
Due From Other Governments	696,758	740,829	696,758	740,829
Taxes Receivable	958,310	1,170,549	958,310	1,170,549
Allowance for Uncollectible Taxes	(29,590)	(28,616)	(29,590)	(28,616)
Total Assets	\$ 3,517,068	\$ 16,477,343	\$ 16,192,349	\$ 3,802,062
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,625,478	\$ 7,806,530	\$ 7,549,246	\$ 1,882,762
Due to Litigants, Heirs, and Others	1,891,590	8,670,813	8,643,103	1,919,300
Total Liabilities	\$ 3,517,068	\$ 16,477,343	\$ 16,192,349	\$ 3,802,062

Monroe County School Department

This section presents combining and individual fund financial statements for the Monroe County School Department, a discretely presented component unit. The School Department uses a General Fund, two Special Revenue Funds, and a Capital Projects Fund.

General Purpose School Fund – The General Purpose School Fund is used to account for general operations of the School Department.

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

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

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for building construction and renovations of the School Department.

Exhibit J-1

Monroe County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Monroe County School Department
June 30, 2006

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total Govern- mental Funds</u>
	General Purpose School	Other Govern- mental Funds	
<u>ASSETS</u>			
Cash	\$ 0	\$ 299	\$ 299
Equity in Pooled Cash and Investments	1,247,361	380,520	1,627,881
Accounts Receivable	25	0	25
Due from Other Governments	962,030	271,721	1,233,751
Property Taxes Receivable	4,547,816	0	4,547,816
Allowance for Uncollectible Property Taxes	(111,179)	0	(111,179)
Total Assets	\$ 6,646,053	\$ 652,540	\$ 7,298,593
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Deferred Revenue - Current Property Taxes	\$ 4,295,702	\$ 0	\$ 4,295,702
Deferred Revenue - Delinquent Property Taxes	125,230	0	125,230
Other Deferred Revenues	320,289	0	320,289
Total Liabilities	\$ 4,741,221	\$ 0	\$ 4,741,221
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 76,892	\$ 5,011	\$ 81,903
Other Local Education Reserves	28,179	0	28,179
Reserved for Career Ladder - Extended Contract	1,348	0	1,348
Reserved for Title I Grants to Local Education Agencies	0	157,481	157,481
Other Federal Reserves	0	249	249
Unreserved, Reported In:			
General Fund	1,798,413	0	1,798,413
Special Revenue Funds	0	396,477	396,477
Capital Projects Funds	0	93,322	93,322
Total Fund Balances	\$ 1,904,832	\$ 652,540	\$ 2,557,372
Total Liabilities and Fund Balances	\$ 6,646,053	\$ 652,540	\$ 7,298,593

Exhibit J-2

Monroe County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Assets
Discretely Presented Monroe County School Department
June 30, 2006

Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit J-1)		\$	2,557,372
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	666,112	
Add: buildings and improvements net of accumulated depreciation		30,390,797	
Add: other capital assets net of accumulated depreciation		<u>289,064</u>	31,345,973
(2) Certain earned amounts are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			445,519
(3) Interest costs of long-term debt is expensed when due in the governmental funds. Interest costs incurred as of the balance sheet date are accrued in the statement of net assets.			(7,276)
(4) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: bonds payable			<u>(1,895,000)</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>32,446,588</u></u>

Exhibit J-3

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

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 7,822,429	\$ 0	\$ 7,822,429
Licenses and Permits	3,071	0	3,071
Charges for Current Services	397,467	1,010,969	1,408,436
Other Local Revenues	145,966	51,591	197,557
State of Tennessee	21,562,965	0	21,562,965
Federal Government	153,415	4,092,725	4,246,140
Other Governments and Citizens Groups	0	1,948,010	1,948,010
Total Revenues	<u>\$ 30,085,313</u>	<u>\$ 7,103,295</u>	<u>\$ 37,188,608</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 18,338,333	\$ 2,484,255	\$ 20,822,588
Support Services	10,241,861	471,384	10,713,245
Operation of Non-Instructional Services	674,428	2,093,020	2,767,448
Capital Outlay	7,358	0	7,358
Debt Service:			
Principal on Debt	420,000	0	420,000
Interest on Debt	104,280	0	104,280
Other Debt Service	230,226	0	230,226
Capital Projects	0	1,715,854	1,715,854
Total Expenditures	<u>\$ 30,016,486</u>	<u>\$ 6,764,513</u>	<u>\$ 36,780,999</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 68,827</u>	<u>\$ 338,782</u>	<u>\$ 407,609</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 1,948	\$ 0	\$ 1,948
Transfers Out	0	(1,948)	(1,948)
Total Other Financing Sources (Uses)	<u>\$ 1,948</u>	<u>\$ (1,948)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 70,775	\$ 336,834	\$ 407,609
Fund Balance, July 1, 2005	<u>1,834,057</u>	<u>315,706</u>	<u>2,149,763</u>
Fund Balance, June 30, 2006	<u>\$ 1,904,832</u>	<u>\$ 652,540</u>	<u>\$ 2,557,372</u>

Exhibit J-4

Monroe County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Discretely Presented Monroe County School Department
For the Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit J-3)		\$ 407,609
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 1,605,422	
Less: current year depreciation expense	<u>(1,095,003)</u>	510,419
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Less: deferred delinquent property taxes/other deferred June 30, 2005	\$ (423,478)	
Add: deferred delinquent property taxes/other deferred June 30, 2006	<u>445,519</u>	22,041
<p>(3) The issuance of long-term debt (e.g., notes, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.</p>		
Add: principal payment on notes	\$ 90,000	
Add: principal payment on bonds	<u>330,000</u>	420,000
<p>(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Add: change in accrued interest		<u>2,027</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 1,362,096</u>

Exhibit J-5

Monroe County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Monroe County School Department
June 30, 2006

	<u>Special Revenue Funds</u>			<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>School Federal Projects</u>	<u>Central Cafeteria</u>	<u>Total</u>	<u>Education Capital Projects</u>	
<u>ASSETS</u>					
Cash	\$ 0	\$ 299	\$ 299	\$ 0	\$ 299
Equity in Pooled Cash and Investments	8,429	277,455	285,884	94,636	380,520
Due from Other Governments	149,498	122,223	271,721	0	271,721
Total Assets	<u>\$ 157,927</u>	<u>\$ 399,977</u>	<u>\$ 557,904</u>	<u>\$ 94,636</u>	<u>\$ 652,540</u>
<u>FUND BALANCES</u>					
Reserved for Encumbrances	\$ 197	\$ 3,500	\$ 3,697	\$ 1,314	\$ 5,011
Reserved for Title I Grants to Local Education Agencies	157,481	0	157,481	0	157,481
Other Federal Reserves	249	0	249	0	249
Unreserved	0	396,477	396,477	93,322	489,799
Total Fund Balances	<u>\$ 157,927</u>	<u>\$ 399,977</u>	<u>\$ 557,904</u>	<u>\$ 94,636</u>	<u>\$ 652,540</u>

Exhibit J-6

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

	<u>Special Revenue Funds</u>			<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
	<u>School</u> <u>Federal</u> <u>Projects</u>	<u>Central</u> <u>Cafeteria</u>	<u>Total</u>	<u>Education</u> <u>Capital</u> <u>Projects</u>	
<u>Revenues</u>					
Charges for Current Services	\$ 0	\$ 1,010,969	\$ 1,010,969	\$ 0	\$ 1,010,969
Other Local Revenues	0	37,591	37,591	14,000	51,591
Federal Government	2,853,553	1,239,172	4,092,725	0	4,092,725
Other Governments and Citizens Groups	0	0	0	1,948,010	1,948,010
Total Revenues	\$ 2,853,553	\$ 2,287,732	\$ 5,141,285	\$ 1,962,010	\$ 7,103,295
<u>Expenditures</u>					
Current:					
Instruction	\$ 2,484,255	\$ 0	\$ 2,484,255	\$ 0	\$ 2,484,255
Support Services	471,384	0	471,384	0	471,384
Operation of Non-Instructional Services	0	2,093,020	2,093,020	0	2,093,020
Capital Projects	0	0	0	1,715,854	1,715,854
Total Expenditures	\$ 2,955,639	\$ 2,093,020	\$ 5,048,659	\$ 1,715,854	\$ 6,764,513
Excess (Deficiency) of Revenues Over Expenditures	\$ (102,086)	\$ 194,712	\$ 92,626	\$ 246,156	\$ 338,782
<u>Other Financing Sources (Uses)</u>					
Transfers Out	\$ (1,948)	\$ 0	\$ (1,948)	\$ 0	\$ (1,948)
Total Other Financing Sources (Uses)	\$ (1,948)	\$ 0	\$ (1,948)	\$ 0	\$ (1,948)
Net Change in Fund Balances	\$ (104,034)	\$ 194,712	\$ 90,678	\$ 246,156	\$ 336,834
Fund Balance, July 1, 2005	261,961	205,265	467,226	(151,520)	315,706
Fund Balance, June 30, 2006	\$ 157,927	\$ 399,977	\$ 557,904	\$ 94,636	\$ 652,540

Exhibit J-7

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 7,822,429	\$ 0	\$ 0	\$ 7,822,429	\$ 7,684,289	\$ 7,684,289	\$ 138,140
Licenses and Permits	3,071	0	0	3,071	3,000	3,000	71
Charges for Current Services	397,467	0	0	397,467	405,158	454,334	(56,867)
Other Local Revenues	145,966	0	0	145,966	19,700	122,149	23,817
State of Tennessee	21,562,965	0	0	21,562,965	21,376,246	21,521,567	41,398
Federal Government	153,415	0	0	153,415	126,534	170,054	(16,639)
Total Revenues	\$ 30,085,313	\$ 0	\$ 0	\$ 30,085,313	\$ 29,614,927	\$ 29,955,393	\$ 129,920
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 14,992,712	\$ (300,511)	\$ 21,107	\$ 14,713,308	\$ 14,897,892	\$ 14,935,708	\$ 222,400
Alternative Instruction Program	55,146	0	0	55,146	63,434	63,434	8,288
Special Education Program	2,256,347	0	0	2,256,347	2,318,869	2,314,715	58,368
Vocational Education Program	964,868	(558)	0	964,310	978,628	978,628	14,318
Adult Education Program	69,260	0	0	69,260	65,908	70,170	910
<u>Support Services</u>							
Attendance	78,400	0	0	78,400	79,140	79,139	739
Health Services	525,850	(3,166)	0	522,684	444,312	572,232	49,548
Other Student Support	890,074	0	123	890,197	897,509	928,309	38,112
Regular Instruction Program	1,101,754	(84)	0	1,101,670	1,152,315	1,165,372	63,702
Special Education Program	594,998	0	0	594,998	602,285	601,479	6,481
Vocational Education Program	91,309	0	0	91,309	90,039	95,308	3,999
Adult Programs	86,637	0	0	86,637	86,220	86,767	130
Board of Education	376,406	(2,441)	0	373,965	394,486	394,486	20,521
Director of Schools	266,167	(80)	0	266,087	287,219	287,219	21,132
Office of the Principal	1,412,251	0	0	1,412,251	1,420,571	1,420,571	8,320

(Continued)

Exhibit J-7

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Fiscal Services	\$ 13,576	\$ 0	\$ 0	\$ 13,576	\$ 13,576	\$ 13,576	\$ 0
Operation of Plant	2,192,260	0	30,069	2,222,329	2,253,521	2,224,214	1,885
Maintenance of Plant	775,580	(26,559)	21,639	770,660	838,307	824,665	54,005
Transportation	1,836,599	0	0	1,836,599	1,783,596	1,841,592	4,993
<u>Operation of Non-Instructional Services</u>							
Food Service	538,531	0	0	538,531	480,229	539,254	723
Community Services	53,384	0	0	53,384	135,535	124,595	71,211
Early Childhood Education	82,513	0	3,954	86,467	0	86,467	0
<u>Capital Outlay</u>							
Regular Capital Outlay	7,358	(7,358)	0	0	0	0	0
<u>Principal on Debt</u>							
Education	420,000	0	0	420,000	420,000	420,000	0
<u>Interest on Debt</u>							
Education	104,280	0	0	104,280	104,283	105,057	777
<u>Other Debt Service</u>							
Education	230,226	0	0	230,226	231,000	230,226	0
Total Expenditures	\$ 30,016,486	\$ (340,757)	\$ 76,892	\$ 29,752,621	\$ 30,038,874	\$ 30,403,183	\$ 650,562
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 68,827	\$ 340,757	\$ (76,892)	\$ 332,692	\$ (423,947)	\$ (447,790)	\$ 780,482
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 1,948	\$ 0	\$ 0	\$ 1,948	\$ 27,735	\$ 8,259	\$ (6,311)
Total Other Financing Sources (Uses)	\$ 1,948	\$ 0	\$ 0	\$ 1,948	\$ 27,735	\$ 8,259	\$ (6,311)
Net Change in Fund Balance							
Fund Balance, July 1, 2005	\$ 1,834,057	(340,757)	0	1,493,300	779,997	779,997	713,303
Fund Balance, June 30, 2006	\$ 1,904,832	\$ 0	\$ (76,892)	\$ 1,827,940	\$ 383,785	\$ 340,466	\$ 1,487,474

Exhibit J-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 2,853,553	\$ 0	\$ 0	\$ 2,853,553	\$ 3,345,253	\$ 3,414,418	\$ (560,865)
Total Revenues	\$ 2,853,553	\$ 0	\$ 0	\$ 2,853,553	\$ 3,345,253	\$ 3,414,418	\$ (560,865)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 1,278,443	\$ (2,454)	\$ 80	\$ 1,276,069	\$ 1,569,382	\$ 1,758,437	\$ 482,368
Special Education Program	1,009,331	(4,405)	0	1,004,926	991,915	1,004,964	38
Vocational Education Program	196,481	(12,193)	0	184,288	185,250	184,704	416
<u>Support Services</u>							
Attendance	23,379	0	0	23,379	21,667	29,296	5,917
Health Services	26,995	0	0	26,995	34,308	34,328	7,333
Other Student Support	32,855	0	0	32,855	32,309	32,855	0
Regular Instruction Program	315,671	(1,189)	117	314,599	376,043	494,197	179,598
Special Education Program	63,484	0	0	63,484	73,061	63,511	27
Vocational Education Program	9,000	0	0	9,000	12,500	9,000	0
Transportation	0	0	0	0	289,469	191,186	191,186
Total Expenditures	\$ 2,955,639	\$ (20,241)	\$ 197	\$ 2,935,595	\$ 3,585,904	\$ 3,802,478	\$ 866,883
Excess (Deficiency) of Revenues Over Expenditures	\$ (102,086)	\$ 20,241	\$ (197)	\$ (82,042)	\$ (240,651)	\$ (388,060)	\$ 306,018
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (1,948)	\$ 0	\$ 0	\$ (1,948)	\$ (1,779)	\$ (2,988)	\$ 1,040
Total Other Financing Sources (Uses)	\$ (1,948)	\$ 0	\$ 0	\$ (1,948)	\$ (1,779)	\$ (2,988)	\$ 1,040
Net Change in Fund Balance	\$ (104,034)	\$ 20,241	\$ (197)	\$ (83,990)	\$ (242,430)	\$ (391,048)	\$ 307,058
Fund Balance, July 1, 2005	261,961	(20,241)	0	241,720	460,213	460,213	(218,493)
Fund Balance, June 30, 2006	\$ 157,927	\$ 0	\$ (197)	\$ 157,730	\$ 217,783	\$ 69,165	\$ 88,565

Exhibit J-9

Monroe County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Monroe County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 1,010,969	\$ 0	\$ 1,010,969	\$ 913,500	\$ 940,997	\$ 69,972
Other Local Revenues	37,591	0	37,591	3,600	3,600	33,991
Federal Government	1,239,172	0	1,239,172	1,148,000	1,239,172	0
Total Revenues	<u>\$ 2,287,732</u>	<u>\$ 0</u>	<u>\$ 2,287,732</u>	<u>\$ 2,065,100</u>	<u>\$ 2,183,769</u>	<u>\$ 103,963</u>
<u>Expenditures</u>						
<u>Operation of Non-Instructional Services</u>						
Food Service	\$ 2,093,020	\$ 3,500	\$ 2,096,520	\$ 2,065,100	\$ 2,183,768	\$ 87,248
Total Expenditures	<u>\$ 2,093,020</u>	<u>\$ 3,500</u>	<u>\$ 2,096,520</u>	<u>\$ 2,065,100</u>	<u>\$ 2,183,768</u>	<u>\$ 87,248</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 194,712	\$ (3,500)	\$ 191,212	\$ 0	\$ 1	\$ 191,211
Net Change in Fund Balance	\$ 194,712	\$ (3,500)	\$ 191,212	\$ 0	\$ 1	\$ 191,211
Fund Balance, July 1, 2005	205,265	0	205,265	0	0	205,265
Fund Balance, June 30, 2006	<u>\$ 399,977</u>	<u>\$ (3,500)</u>	<u>\$ 396,477</u>	<u>\$ 0</u>	<u>\$ 1</u>	<u>\$ 396,476</u>

MISCELLANEOUS SCHEDULES

Exhibit K-1

Monroe County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, and Bonds
Primary Government and Discretely Presented Monroe County School Department
For the Year Ended June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
PRIMARY GOVERNMENT								
NOTES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Airport Hangers	\$ 132,000	7.95 %	9-4-1997	9-4-09	\$ 68,204	0	\$ 12,864	\$ 55,340
Equipment for the Emergency Communication Center	220,000	4.29	3-27-01	3-27-06	44,000	0	44,000	0
Various Projects	450,000	4.59	10-11-01	10-11-13	359,105	0	33,121	325,984
Sheriff Vehicles and Ambulances	258,000	2.93	10-20-1995	11-19-05	88,496	0	88,496	0
Public Safety	300,000	3.49	7-21-05	7-21-08	0	300,000	0	300,000
Health Department and Emergency Services	780,000	3.95	4-15-06	4-15-09	0	780,000	0	780,000
Total Notes Payable					<u>\$ 559,805</u>	<u>\$ 1,080,000</u>	<u>\$ 178,481</u>	<u>\$ 1,461,324</u>
BONDS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
F.H.A. - Office Building	600,000	5	10-27-1978	1-1-18	\$ 340,000	0	\$ 20,000	\$ 320,000
High School Refunding, Series 1998	10,205,000	4.25 to 5.25	8-1-1998	5-1-13	7,665,000	0	810,000	6,855,000
Public Improvement, Series 1999	999,236	4.6 to 4.95	4-1-1999	4-1-18	999,236	0	0	999,236
Total Bonds Payable					<u>\$ 9,004,236</u>	<u>\$ 0</u>	<u>\$ 830,000</u>	<u>\$ 8,174,236</u>
OTHER LOANS PAYABLE								
<u>Public Building Authority Loan Agreement:</u>								
<u>Payable through General Debt Service Fund</u>								
School Construction and County Projects, Series IV-A-4	6,335,000	Variable (1)	12-9-1999	9-1-14	\$ 6,030,000	0	\$ 30,000	\$ 6,000,000
School Construction and Repairs, Series A-1-H	1,290,000	Variable	5-17-02	6-1-20	1,290,000	0	0	1,290,000
Public Improvement, Series V-A-3	2,350,000	Variable	12-19-02	6-1-23	2,350,000	0	0	2,350,000
Public Improvement, Series V-C-2	10,050,000	Variable	10-15-03	6-1-33	7,601,678	2,448,322	0	10,050,000
Public Improvement, Series VI-C-5	1,500,000	Variable	10-15-04	6-1-30	1,024,565	475,435	0	1,500,000
Total Other Loans Payable					<u>\$ 18,296,243</u>	<u>\$ 2,923,757</u>	<u>\$ 30,000</u>	<u>\$ 21,190,000</u>

(Continued)

Exhibit K-1

Monroe County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, and Bonds
Primary Government and Discretely Presented Monroe County School Department (Cont.)

<u>Description of Indebtedness</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Last Maturity Date</u>	<u>Outstanding 7-1-05</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Outstanding 6-30-06</u>
<u>DISCRETELY PRESENTED MONROE COUNTY SCHOOL DEPARTMENT</u>								
<u>NOTES PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
School Improvements (Series 1996-A)	\$ 655,000	5.45 %	10-17-1996	10-15-05	\$ 90,000	\$ 0	\$ 90,000	\$ 0
Total Notes Payable					<u>\$ 90,000</u>	<u>\$ 0</u>	<u>\$ 90,000</u>	<u>\$ 0</u>
<u>BONDS PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
Rural School Refunding, Series 1998	4,205,000	4.3 to 5	8-1-1998	6-1-11	\$ 2,225,000	\$ 0	\$ 330,000	\$ 1,895,000
Total Bonds Payable					<u>\$ 2,225,000</u>	<u>\$ 0</u>	<u>\$ 330,000</u>	<u>\$ 1,895,000</u>

(1) This issue was swapped from variable to a synthetic fixed rate by execution of a swap agreement during the year ended June 30, 2005.

Exhibit K-2

Monroe County, Tennessee
Schedule of Bond and Interest Requirements by Year
Primary Government and Discretely Presented Monroe County School Department

Year Ending June 30	Primary Government			Discretely Presented School Department		
	Bond Requirements	Interest Requirements	Total Requirements	Bond Requirements	Interest Requirements	Total Requirements
2007	\$ 870,000	\$ 355,512	\$ 1,225,512	\$ 345,000	\$ 87,310	\$ 432,310
2008	905,000	316,688	1,221,688	360,000	71,958	431,958
2009	945,000	275,862	1,220,862	380,000	55,757	435,757
2010	995,000	233,238	1,228,238	395,000	38,278	433,278
2011	1,040,000	181,062	1,221,062	415,000	19,712	434,712
2012	1,100,000	126,525	1,226,525	0	0	0
2013	1,160,000	68,838	1,228,838	0	0	0
2014	263,342	239,658	503,000	0	0	0
2015	248,748	247,752	496,500	0	0	0
2016	230,912	254,088	485,000	0	0	0
2017	223,266	265,234	488,500	0	0	0
2018	192,968	243,782	436,750	0	0	0
Total	\$ 8,174,236	\$ 2,808,239	\$ 10,982,475	\$ 1,895,000	\$ 273,015	\$ 2,168,015

Exhibit K-3

Monroe County, Tennessee
Schedule of Transfers
Discretely Presented Monroe County School Department
For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 1,948</u>

Exhibit K-4

Monroe County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Monroe County School Department
For the Year Ended June 30, 2006

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 70,503	\$ 50,000	Ohio Casualty Insurance Company
Road Superintendent	Section 8-24-102, <u>TCA</u>	61,652	100,000	"
Director of Schools	Board of Education	86,000 (1)	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	56,048	885,400	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	56,048	10,000	"
Director of Finance	County Commission	69,503	50,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	56,048	50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	56,048	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> and Chancery Court Judge	58,168 (2)	50,000	"
Register	Section 8-24-102, <u>TCA</u>	56,048	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u> and County Commission	67,171 (3)	25,000	"
Employee Blanket Bond Coverage - Monroe County and Monroe County School Department Public Employee Dishonesty				500,000 Gulf Insurance Company

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

(2) Includes special commissioner fees of \$2,120.

(3) Includes supplement of \$5,000 for serving as workhouse superintendent and \$519 law enforcement training supplement.

Exhibit K-5

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

	Special Revenue Funds					Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 3,279,720	\$ 908,914	\$ 0	\$ 0	\$ 257,246	\$ 1,350,521	\$ 5,796,401
Trustee's Collections - Prior Year	124,552	33,569	0	0	8,590	51,520	218,231
Trustee's Collections - Bankruptcy	1,773	520	0	0	122	734	3,149
Circuit/Clerk & Master Collections - Prior Years	56,986	16,703	0	0	3,930	23,581	101,200
Interest and Penalty	23,355	6,465	0	0	1,659	9,653	41,132
Pick-up Taxes	8,645	2,532	0	0	671	3,549	15,397
Payments in-Lieu-of Taxes - T.V.A.	9,901	0	0	0	768	3,929	14,598
Payments in-Lieu-of Taxes - Local Utilities	191,755	55,960	0	0	15,007	78,965	341,687
Payments in-Lieu-of Taxes - Other	101,667	0	0	0	26,533	686	128,886
<u>County Local Option Taxes</u>							
Local Option Sales Tax	791,359	0	0	0	0	0	791,359
Hotel/Motel Tax	207,202	0	0	0	0	0	207,202
Wheel Tax	0	0	0	0	0	849,597	849,597
Litigation Tax - General	39,595	0	0	0	0	46,535	86,130
Litigation Tax - Special Purpose	38,382	0	0	0	0	0	38,382
Litigation Tax - Jail, Workhouse, or Courthouse	39,688	0	0	0	0	0	39,688
Business Tax	116,230	0	0	0	7,194	37,898	161,322
Mineral Severance Tax	0	0	0	0	136,587	0	136,587
<u>Statutory Local Taxes</u>							
Bank Excise Tax	39,077	0	0	0	3,065	16,091	58,233
Wholesale Beer Tax	103,153	0	0	0	0	0	103,153
Interstate Telecommunications Tax	1,438	423	0	0	112	593	2,566
Total Local Taxes	\$ 5,174,478	\$ 1,025,086	\$ 0	\$ 0	\$ 461,484	\$ 2,473,852	\$ 9,134,900
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Animal Vaccination	\$ 10,305	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,305
Cable TV Franchise	17,151	0	0	0	0	0	17,151
<u>Permits</u>							
Building Permits	29,469	0	0	0	0	0	29,469
Total Licenses and Permits	\$ 56,925	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 56,925

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
Fines, Forfeitures, and Penalties							
<u>Circuit Court</u>							
Fines	\$ 17,371	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	17,371
Officers Costs	22,065	0	0	0	0	0	22,065
Jail Fees	3,741	0	0	0	0	0	3,741
DUI Treatment Fines	475	0	0	0	0	0	475
Courtroom Security Fee	276	0	0	0	0	0	276
<u>General Sessions Court</u>							
Fines	51,066	0	0	0	0	0	51,066
Officers Costs	47,239	0	0	0	0	0	47,239
Jail Fees	25,910	0	0	0	0	0	25,910
DUI Treatment Fines	11,764	0	0	0	0	0	11,764
<u>Chancery Court</u>							
Officers Costs	5,373	0	0	0	0	0	5,373
<u>Other Courts - In-county</u>							
Fines	4,024	0	0	0	0	0	4,024
Drug Control Fines	1,306	0	20,398	0	0	0	21,704
Drug Court Fees	1,512	0	0	0	0	0	1,512
<u>Judicial District Drug Program</u>							
Courtroom Security Fee	2	0	0	0	0	0	2
<u>Other Fines, Forfeitures, and Penalties</u>							
Proceeds from Confiscated Property	0	0	10,917	0	0	0	10,917
Total Fines, Forfeitures, and Penalties	\$ 192,124	\$ 0	\$ 31,315	\$ 0	\$ 0	\$ 0	223,439
Charges for Current Services							
<u>General Service Charges</u>							
Tipping Fees	\$ 0	\$ 770,709	\$ 0	\$ 0	\$ 0	\$ 0	770,709
Patient Charges	1,668,770	0	0	0	0	0	1,668,770
Other General Service Charges	390,207	0	0	0	229,194	76,910	696,311
Service Charges	22,500	0	0	0	0	0	22,500
<u>Fees</u>							
Airport Fees	17,472	0	0	0	0	0	17,472
Copy Fees	3,676	0	0	0	0	0	3,676
Telephone Commissions	22,858	0	0	0	0	0	22,858

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Charges for Current Services (Cont.)</u>							
<u>Fees (Cont.)</u>							
Vending Machine Collections	\$ 436	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	436
Tourism Fees	5,945	0	0	0	0	0	5,945
Special Commissioner Fees/Special Master Fees	0	0	0	2,120	0	0	2,120
Data Processing Fee - Register	26,422	0	0	0	0	0	26,422
Data Processing Fee - Sheriff	5,307	0	0	0	0	0	5,307
Sexual Offender Registration Fees - Sheriff	2,020	0	0	0	0	0	2,020
Total Charges for Current Services	\$ 2,165,613	\$ 770,709	\$ 0	\$ 2,120	\$ 229,194	\$ 76,910	\$ 3,244,546
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 26	\$ 0	\$ 0	\$ 0	\$ 0	455,841	455,867
Lease/Rentals	2,400	0	0	0	0	0	2,400
Commissary Sales	30,688	0	0	0	0	0	30,688
Sale of Recycled Materials	0	4,632	0	0	0	0	4,632
Cobra Insurance Payments	673	0	0	0	0	0	673
Miscellaneous Refunds	4,433	0	0	0	806	0	5,239
<u>Nonrecurring Items</u>							
Sale of Property	87,750	0	0	0	0	0	87,750
Contributions & Gifts	10,064	0	0	0	0	0	10,064
Total Other Local Revenues	\$ 136,034	\$ 4,632	\$ 0	\$ 0	\$ 806	\$ 455,841	\$ 597,313
<u>Fees Received from County Officials</u>							
<u>Fees-In-Lieu of Salary</u>							
County Clerk	\$ 376,290	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	376,290
Circuit Court Clerk	242,220	0	0	0	0	0	242,220
General Sessions Court Clerk	213,468	0	0	0	0	0	213,468
Clerk and Master	127,689	0	0	0	0	0	127,689
Register	335,111	0	0	0	0	0	335,111
Sheriff	17,740	0	0	0	0	0	17,740
Trustee	474,261	0	0	0	0	0	474,261
Total Fees Received from County Officials	\$ 1,786,779	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,786,779

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	9,000
Airport Maintenance Program	3,992	0	0	0	0	0	3,992
State Reappraisal Grant	16,556	0	0	0	0	0	16,556
Solid Waste Grants	0	27,654	0	0	0	0	27,654
<u>Public Safety Grants</u>							
Law Enforcement Training Programs	14,524	0	0	0	0	0	14,524
Other Public Safety Grants	0	0	0	0	5,328	0	5,328
<u>Health and Welfare Grants</u>							
Other Health and Welfare Grants	700	0	0	0	0	0	700
<u>Public Works Grants</u>							
State Aid Program	0	0	0	0	215,426	0	215,426
Litter Program	0	37,903	0	0	0	0	37,903
<u>Other State Revenues</u>							
Income Tax	23,257	6,840	0	0	1,824	9,576	41,497
Beer Tax	17,212	0	0	0	0	0	17,212
Alcoholic Beverage Tax	54,911	0	0	0	0	0	54,911
Mixed Drink Tax	6,955	0	0	0	0	0	6,955
State Revenue Sharing - T.V.A.	150,000	0	0	0	21,000	0	171,000
Contracted Prisoner Boarding	628,036	0	0	0	0	0	628,036
Gasoline and Motor Fuel Tax	0	0	0	0	2,000,335	0	2,000,335
Petroleum Special Tax	0	0	0	0	31,341	0	31,341
Registrar's Salary Supplement	16,380	0	0	0	0	0	16,380
Other State Grants	387,236	0	0	0	0	0	387,236
Other State Revenues	5,820	0	0	0	0	0	5,820
Total State of Tennessee	\$ 1,334,579	\$ 72,397	\$ 0	\$ 0	\$ 2,275,254	\$ 9,576	\$ 3,691,806
<u>Federal Government</u>							
<u>Federal Through State</u>							
Community Development	\$ 158,407	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	158,407
Homeland Security Grants	127,620	0	0	0	0	0	127,620
Law Enforcement Grants	24,163	0	0	0	0	0	24,163
Other Federal through State	438,785	0	0	0	0	0	438,785

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional - Officers - Fees	Highway / Public Works	General Debt Service	
<u>Federal Government (Cont.)</u>							
<u>Direct Federal Revenue</u>							
Forest Service	\$ 10,762	\$ 0	\$ 0	\$ 0	\$ 108,864	\$ 0	\$ 119,626
Other Direct Federal Revenue	19,211	0	0	0	0	0	19,211
Total Federal Government	<u>\$ 778,948</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 108,864</u>	<u>\$ 0</u>	<u>\$ 887,812</u>
<u>Other Governments and Citizens Groups</u>							
<u>Other Governments</u>							
Paving and Maintenance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,888	\$ 0	\$ 6,888
Contributions	146,465	0	0	0	0	230,000	376,465
Contracted Services	8,495	0	0	0	0	0	8,495
<u>Other</u>							
Other	0	0	0	0	0	117,344	117,344
Total Other Governments and Citizens Groups	<u>\$ 154,960</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,888</u>	<u>\$ 347,344</u>	<u>\$ 509,192</u>
Total	<u>\$ 11,780,440</u>	<u>\$ 1,872,824</u>	<u>\$ 31,315</u>	<u>\$ 2,120</u>	<u>\$ 3,082,490</u>	<u>\$ 3,363,523</u>	<u>\$ 20,132,712</u>

Exhibit K-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 3,938,260	\$ 0	\$ 0	\$ 0	\$ 3,938,260
Trustee's Collections - Prior Year	150,190	0	0	0	150,190
Trustee's Collections - Bankruptcy	2,140	0	0	0	2,140
Circuit/Clerk & Master Collections - Prior Years	66,010	0	0	0	66,010
Interest and Penalty	28,168	0	0	0	28,168
Pick-up Taxes	10,385	0	0	0	10,385
Payments in-Lieu-of Taxes - T.V.A.	11,894	0	0	0	11,894
Payments in-Lieu-of Taxes - Local Utilities	231,090	0	0	0	231,090
Payments in-Lieu-of Taxes - Other	2,001	0	0	0	2,001
<u>County Local Option Taxes</u>					
Local Option Sales Tax	3,217,431	0	0	0	3,217,431
Business Tax	110,449	0	0	0	110,449
Other County Local Option Taxes	419	0	0	0	419
<u>Statutory Local Taxes</u>					
Bank Excise Tax	46,922	0	0	0	46,922
Interstate Telecommunications Tax	7,070	0	0	0	7,070
Total Local Taxes	\$ 7,822,429	\$ 0	\$ 0	\$ 0	\$ 7,822,429
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 3,071	\$ 0	\$ 0	\$ 0	\$ 3,071
Total Licenses and Permits	\$ 3,071	\$ 0	\$ 0	\$ 0	\$ 3,071
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Summer School	\$ 28,335	\$ 0	\$ 0	\$ 0	\$ 28,335
Lunch Payments - Children	0	0	453,973	0	453,973
Lunch Payments - Adults	0	0	81,557	0	81,557
Income from Breakfast	0	0	61,366	0	61,366
Transportation - Other State Systems	209,337	0	0	0	209,337
School Based Health Services - FFS	2,155	0	0	0	2,155
Receipts from Individual Schools	30,386	0	414,073	0	444,459
<u>Other Charges for Services</u>					
Other Charges for Services	127,254	0	0	0	127,254
Total Charges for Current Services	\$ 397,467	\$ 0	\$ 1,010,969	\$ 0	\$ 1,408,436
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 410	\$ 0	\$ 35,421	\$ 0	\$ 35,831
Miscellaneous Refunds	38,856	0	2,135	14,000	54,991
<u>Nonrecurring Items</u>					
Sale of Equipment	6,515	0	0	0	6,515
Damages Recovered from Individuals	110	0	0	0	110
Contributions & Gifts	1,000	0	35	0	1,035
<u>Other Local Revenues</u>					
Other Local Revenues	99,075	0	0	0	99,075
Total Other Local Revenues	\$ 145,966	\$ 0	\$ 37,591	\$ 14,000	\$ 197,557

(Continued)

Exhibit K-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>State of Tennessee</u>					
<u>State Education Funds</u>					
Basic Education Program	\$ 20,069,594	\$ 0	\$ 0	\$ 0	\$ 20,069,594
School Food Service	29,371	0	0	0	29,371
Driver Education	28,257	0	0	0	28,257
Other State Education Funds	274,059	0	0	0	274,059
Career Ladder Program	262,082	0	0	0	262,082
Career Ladder - Extended Contract	114,294	0	0	0	114,294
<u>Other State Revenues</u>					
Income Tax	27,747	0	0	0	27,747
Mixed Drink Tax	5,532	0	0	0	5,532
State Revenue Sharing - T.V.A.	752,029	0	0	0	752,029
Total State of Tennessee	\$ 21,562,965	\$ 0	\$ 0	\$ 0	\$ 21,562,965
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 948,827	\$ 0	\$ 948,827
Breakfast	0	0	290,345	0	290,345
Adult Education State Grant Program	76,521	0	0	0	76,521
Vocational Education - Basic Grants to States	0	213,408	0	0	213,408
Title I Grants to Local Education Agencies	0	1,267,341	0	0	1,267,341
Innovative Education Program Strategies	0	3,008	0	0	3,008
Special Education - Grants to States	38,865	1,038,154	0	0	1,077,019
Special Education Preschool Grants	0	30,565	0	0	30,565
Eisenhower Professional Development State Grants	0	254,738	0	0	254,738
Other Federal through State	38,029	46,339	0	0	84,368
Total Federal Government	\$ 153,415	\$ 2,853,553	\$ 1,239,172	\$ 0	\$ 4,246,140
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 0	\$ 1,948,010	\$ 1,948,010
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 1,948,010	\$ 1,948,010
Total	\$ 30,085,313	\$ 2,853,553	\$ 2,287,732	\$ 1,962,010	\$ 37,188,608

Exhibit K-7

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

General Fund

General Government

County Commission

Secretary to Board	\$	1,500	
Board and Committee Members Fees		47,699	
Audit Services		8,926	
Consultants		3,654	
Contracts with Private Agencies		11,500	
Building and Contents Insurance		153,869	
Indirect Cost		500	
Premiums on Corporate Surety Bonds		435	
Other Charges		15,253	
Total County Commission			\$ 243,336

Board of Equalization

Board and Committee Members Fees	\$	1,050	
Legal Notices, Recording, and Court Costs		100	
Total Board of Equalization			1,150

County Mayor/Executive

County Official/Administrative Officer	\$	70,503	
Assistant(s)		25,025	
Deputy(ies)		22,943	
Communication		3,081	
Dues and Memberships		60	
Operating Lease Payments		1,254	
Travel		1,000	
Office Supplies		1,975	
Other Charges		178	
Office Equipment		525	
Total County Mayor/Executive			126,544

County Attorney

County Official/Administrative Officer	\$	3,400	
Legal Services		16,717	
Total County Attorney			20,117

Election Commission

Supervisor/Director	\$	47,641	
Deputy(ies)		25,025	
Internal Audit Personnel		990	
Election Commission		9,000	
Election Workers		18,885	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Social Security	\$	558	
Employer Medicare		131	
Communication		2,521	
Data Processing Services		9,167	
Legal Notices, Recording, and Court Costs		6,111	
Maintenance Agreements		12,564	
Maintenance & Repair Services - Office Equipment		948	
Postal Charges		3,278	
Travel		1,280	
Office Supplies		8,596	
Other Charges		231	
Voting Machines		249,500	
Total Election Commission			\$ 396,426

Register of Deeds

County Official/Administrative Officer	\$	56,048	
Assistant(s)		25,025	
Deputy(ies)		68,488	
Part-time Personnel		7,500	
Communication		2,231	
Dues and Memberships		567	
Maintenance Agreements		15,717	
Postal Charges		3,500	
Office Supplies		11,793	
Other Charges		355	
Office Equipment		25,963	
Total Register of Deeds			217,187

Codes Compliance

County Official/Administrative Officer	\$	14,420	
Clerical Personnel		1,927	
Board and Committee Members Fees		4,500	
Postal Charges		500	
Travel		348	
Office Supplies		550	
Other Charges		408	
Total Codes Compliance			22,653

County Buildings

Assistant(s)	\$	18,876	
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(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Supervisor/Director	\$	28,507	
Attendants		10,020	
Custodial Personnel		18,876	
Other Salaries & Wages		18,876	
Communication		6,926	
Maintenance Agreements		15,177	
Maintenance & Repair Services - Buildings		117,830	
Rentals		4,000	
Custodial Supplies		8,810	
Electricity		58,302	
Natural Gas		21,850	
Water and Sewer		5,805	
Other Charges		10,272	
Total County Buildings			\$ 344,127

Other General Administration

Legal Notices, Recording, and Court Costs	\$	2,780	
Maintenance & Repair Services - Vehicles		660	
Duplicating Supplies		1,784	
Gasoline		2,766	
Administration Equipment		18,444	
Total Other General Administration			26,434

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	69,503	
Assistant(s)		30,441	
Accountants/Bookkeepers		213,120	
Communication		6,781	
Data Processing Services		11,165	
Maintenance & Repair Services - Equipment		442	
Postal Charges		4,102	
Travel		2,233	
Office Supplies		15,626	
Other Charges		1,497	
Office Equipment		7,277	
Total Accounting and Budgeting			362,187

Central Services

Supervisor/Director	\$	13,077	
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(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

Central Services (Cont.)

Social Security	\$	1,028	
Employer Medicare		241	
Communication		281	
Contracts with Private Agencies		375	
Travel		491	
Other Contracted Services		5,543	
Office Supplies		923	
Other Supplies and Materials		676	
Other Charges		673	
Total Central Services			\$ 23,308

Property Assessor's Office

County Official/Administrative Officer	\$	56,048	
Deputy(ies)		25,025	
Secretary(ies)		24,249	
Clerical Personnel		48,499	
Communication		3,800	
Data Processing Services		7,152	
Dues and Memberships		1,450	
Operating Lease Payments		1,831	
Postal Charges		2,262	
Travel		671	
Gasoline		750	
Office Supplies		1,367	
Other Charges		89	
Office Equipment		145	
Total Property Assessor's Office			173,338

Reappraisal Program

Clerical Personnel	\$	24,249	
Social Security		1,503	
State Retirement		1,143	
Employee and Dependent Insurance		6,497	
Employer Medicare		340	
Data Processing Services		4,585	
Travel		698	
Office Supplies		399	
Other Charges		241	
Total Reappraisal Program			39,655

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office

County Official/Administrative Officer	\$	56,048	
Assistant(s)		25,025	
Deputy(ies)		66,773	
Part-time Personnel		11,417	
Communication		3,584	
Legal Notices, Recording, and Court Costs		484	
Maintenance Agreements		7,174	
Postal Charges		8,300	
Office Supplies		7,129	
Other Charges		9,112	
Office Equipment		3,644	
Total County Trustee's Office			\$ 198,690

County Clerk's Office

County Official/Administrative Officer	\$	56,048	
Assistant(s)		25,025	
Deputy(ies)		134,681	
Part-time Personnel		11,809	
Communication		5,367	
Dues and Memberships		432	
Operating Lease Payments		3,561	
Legal Notices, Recording, and Court Costs		382	
Maintenance & Repair Services - Office Equipment		11,517	
Postal Charges		9,500	
Office Supplies		4,145	
Total County Clerk's Office			262,467

Other Finance

Trustee's Commission	\$	127,157	
Total Other Finance			127,157

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	56,048
Assistant(s)		50,050
Deputy(ies)		257,035
Part-time Personnel		9,352
Other Salaries & Wages		16,650
Board and Committee Members Fees		630
Jury and Witness Fees		15,725

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

In-Service Training	\$	165	
Communication		11,215	
Operating Lease Payments		11,149	
Legal Notices, Recording, and Court Costs		290	
Maintenance Agreements		17,582	
Maintenance & Repair Services - Office Equipment		475	
Postal Charges		4,407	
Travel		1,570	
Office Supplies		29,280	
Other Charges		1,638	
Data Processing Equipment		3,395	
Office Equipment		1,945	
Total Circuit Court			\$ 488,601

General Sessions Judge

Judge(s)	\$	100,403	
Secretary(ies)		23,982	
Communication		3,000	
Dues and Memberships		132	
Operating Lease Payments		2,200	
Postal Charges		234	
Travel		659	
Library Books/Media		519	
Office Supplies		1,835	
Other Charges		372	
Office Equipment		1,000	
Total General Sessions Judge			134,336

Chancery Court

County Official/Administrative Officer	\$	56,048	
Deputy(ies)		71,846	
In-Service Training		60	
Communication		4,000	
Dues and Memberships		602	
Maintenance Agreements		6,946	
Maintenance & Repair Services - Office Equipment		165	
Postal Charges		1,675	
Office Supplies		4,975	
Office Equipment		1,830	
Total Chancery Court			148,147

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Probate Court

Deputy(ies)	\$	22,571	
In-Service Training		20	
Communication		525	
Office Supplies		795	
Total Probate Court			\$ 23,911

Other Administration of Justice

Other Salaries & Wages	\$	1,976	
Legal Notices, Recording, and Court Costs		1,613	
Total Other Administration of Justice			3,589

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	66,652	
Assistant(s)		40,011	
Supervisor/Director		33,483	
Deputy(ies)		341,546	
Investigator(s)		121,591	
Captain(s)		89,172	
Sergeant(s)		91,824	
Accountants/Bookkeepers		25,025	
Secretary(ies)		25,025	
Clerical Personnel		43,538	
Part-time Personnel		14,048	
School Resource Officer		98,423	
Overtime Pay		105,887	
Other Salaries & Wages		60,945	
In-Service Training		14,523	
Communication		26,000	
Forest Resource Services		9,430	
Operating Lease Payments		8,060	
Maintenance Agreements		9,500	
Maintenance & Repair Services - Equipment		492	
Maintenance & Repair Services - Vehicles		29,700	
Postal Charges		3,994	
Travel		5,291	
Tuition		2,195	
Gasoline		122,906	
Office Supplies		16,927	
Tires and Tubes		11,482	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Uniforms	\$	21,311	
Workers' Compensation Insurance		41,766	
Other Charges		8,601	
Communication Equipment		802	
Law Enforcement Equipment		27,706	
Motor Vehicles		114,154	
Office Equipment		17,036	
Total Sheriff's Department			\$ 1,649,046

Jail

Assistant(s)	\$	40,011	
Lieutenant(s)		32,564	
Sergeant(s)		58,390	
Accountants/Bookkeepers		25,025	
Guards		512,398	
Cafeteria Personnel		35,002	
Overtime Pay		60,059	
Other Salaries & Wages		33,268	
State Retirement		36,322	
Employee and Dependent Insurance		185,353	
Maintenance Agreements		3,966	
Maintenance & Repair Services - Equipment		385	
Travel		6,000	
Custodial Supplies		35,016	
Drugs and Medical Supplies		199,246	
Electricity		37,312	
Food Supplies		144,294	
Natural Gas		26,000	
Office Supplies		2,375	
Prisoners Clothing		1,406	
Water and Sewer		21,353	
Other Charges		11,330	
Building Improvements		4,013	
Office Equipment		3,713	
Other Equipment		828	
Total Jail			1,515,629

Juvenile Services

Probation Officer(s)	\$	22,102
Youth Service Officer(s)		26,606

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Juvenile Services (Cont.)

Communication	\$	1,284	
Postal Charges		39	
Travel		1,777	
Other Contracted Services		10,200	
Office Supplies		888	
Other Charges		<u>5,899</u>	
Total Juvenile Services			\$ 68,795

Commissary

Food Supplies	\$	<u>19,203</u>	
Total Commissary			19,203

Fire Prevention and Control

Contributions	\$	5,000	
Other Contracted Services		27,944	
Workers' Compensation Insurance		12,891	
Other Charges		<u>67,500</u>	
Total Fire Prevention and Control			113,335

Rescue Squad

Contributions	\$	<u>45,000</u>	
Total Rescue Squad			45,000

Other Emergency Management

Communication	\$	6,928	
Maintenance & Repair Services - Vehicles		3,323	
Postal Charges		150	
Other Contracted Services		10,800	
Office Supplies		3,931	
Uniforms		576	
Other Charges		<u>98,416</u>	
Total Other Emergency Management			124,124

County Coroner/Medical Examiner

Supervisor/Director	\$	2,200	
Medical Personnel		4,800	
Other Charges		<u>17,474</u>	
Total County Coroner/Medical Examiner			24,474

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Public Safety

Contributions	\$ 110,000	
Total Other Public Safety		\$ 110,000

Public Health and Welfare

Local Health Center

Other Salaries & Wages	\$ 10,664	
Social Security	360	
Employer Medicare	84	
Communication	8,747	
Operating Lease Payments	6,734	
Maintenance & Repair Services - Office Equipment	205	
Postal Charges	1,503	
Other Contracted Services	4,384	
Custodial Supplies	559	
Drugs and Medical Supplies	4,085	
Office Supplies	8,129	
Periodicals	74	
Other Charges	3,003	
Office Equipment	329	
Total Local Health Center		48,860

Rabies and Animal Control

Assistant(s)	\$ 19,264	
Supervisor/Director	25,629	
Communication	1,801	
Contributions	639	
Rentals	2,400	
Veterinary Services	15,453	
Other Contracted Services	55	
Custodial Supplies	2,874	
Electricity	2,004	
Natural Gas	785	
Office Supplies	683	
Other Charges	1,000	
Total Rabies and Animal Control		72,587

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 46,350	
Paraprofessionals	1,035,674	
Secretary(ies)	62,685	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Communication	\$	7,195	
Contracts with Private Agencies		6,497	
Evaluation and Testing		648	
Operating Lease Payments		1,924	
Licenses		967	
Maintenance Agreements		497	
Maintenance & Repair Services - Equipment		1,404	
Maintenance & Repair Services - Vehicles		22,401	
Postal Charges		3,142	
Tuition		13,236	
Custodial Supplies		3,053	
Diesel Fuel		61,002	
Drugs and Medical Supplies		86,414	
Electricity		7,638	
Office Supplies		3,058	
Tires and Tubes		7,201	
Uniforms		8,025	
Water and Sewer		448	
Workers' Compensation Insurance		65,583	
Other Charges		46,673	
Attendance Equipment		2,090	
Communication Equipment		6,114	
Motor Vehicles		66,271	
Office Equipment		22,978	
Total Ambulance/Emergency Medical Services			\$ 1,589,168

Dental Health Program

Assistant(s)	\$	42,268
Supervisor/Director		100,233
Deputy(ies)		22,035
Medical Personnel		29,361
Salary Supplements		5,800
Part-time Personnel		11,335
Social Security		11,649
State Retirement		8,785
Employee and Dependent Insurance		24,562
Employer Medicare		2,944
Communication		3,110
Dues and Memberships		1,283
Maintenance & Repair Services - Equipment		1,043

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Dental Health Program (Cont.)

Postal Charges	\$	941	
Travel		3,784	
Other Contracted Services		13,650	
Drugs and Medical Supplies		26,768	
Office Supplies		3,697	
Uniforms		1,089	
In-Service/Staff Development		824	
Liability Insurance		1,215	
Other Charges		2,310	
Office Equipment		3,795	
Total Dental Health Program			\$ 322,481

Crippled Children Services

Contributions	\$	1,995	
Total Crippled Children Services			1,995

Other Local Health Services

Assistant(s)	\$	26,951	
Deputy(ies)		28,981	
Teachers		25,919	
Social Workers		21,056	
Medical Personnel		29,466	
Secretary(ies)		19,316	
Clerical Personnel		9,148	
Longevity Pay		550	
Other Salaries & Wages		20,724	
Social Security		10,551	
State Retirement		6,515	
Employee and Dependent Insurance		34,201	
Employer Medicare		2,467	
Travel		9,011	
Total Other Local Health Services			244,856

General Welfare Assistance

Social Workers	\$	22,888	
Pauper Burials		1,850	
Total General Welfare Assistance			24,738

Aid to Dependent Children

Contracts with Private Agencies	\$	796	
Total Aid to Dependent Children			796

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$	30,000	
Other Contracted Services		<u>7,000</u>	
Total Senior Citizens Assistance			\$ 37,000

Libraries

Contributions	\$	94,550	
Maintenance Agreements		<u>6,184</u>	
Total Libraries			100,734

Other Social, Cultural, and Recreational

Contributions	\$	<u>154,433</u>	
Total Other Social, Cultural, and Recreational			154,433

Agriculture & Natural Resources

Agriculture Extension Service

County Official/Administrative Officer	\$	13,394	
Assistant(s)		11,240	
Supervisor/Director		10,913	
Clerical Personnel		9,350	
Social Security		6,191	
Communication		3,289	
Operating Lease Payments		1,207	
Office Supplies		375	
Other Charges		<u>9,000</u>	
Total Agriculture Extension Service			64,959

Soil Conservation

Secretary(ies)	\$	18,196	
Contributions		2,042	
Dues and Memberships		245	
Instructional Supplies and Materials		<u>65</u>	
Total Soil Conservation			20,548

Flood Control

Contributions	\$	<u>2,000</u>	
Total Flood Control			2,000

Other Operations

Tourism

Assistant(s)	\$	640	
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(Continued)

Exhibit K-7

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

General Fund (Cont.)

Other Operations (Cont.)

Tourism (Cont.)

Supervisor/Director	\$	66,150	
Part-time Personnel		13,948	
Social Security		772	
Employer Medicare		181	
Advertising		13,268	
Communication		8,496	
Dues and Memberships		1,860	
Postal Charges		992	
Printing, Stationery, and Forms		250	
Rentals		2,100	
Travel		7,870	
Other Contracted Services		11,122	
Custodial Supplies		747	
Electricity		4,299	
Office Supplies		9,724	
Utilities		2,395	
Water and Sewer		747	
Other Charges		21,516	
Office Equipment		8,527	
Total Tourism			\$ 175,604

Industrial Development

Supervisor/Director	\$	54,546	
Secretary(ies)		21,299	
Social Security		4,648	
State Retirement		3,573	
Employee and Dependent Insurance		11,868	
Employer Medicare		1,115	
Advertising		8,140	
Communication		4,284	
Dues and Memberships		975	
Legal Services		1,012	
Maintenance & Repair Services - Equipment		2,757	
Maintenance & Repair Services - Vehicles		30	
Postal Charges		682	
Travel		9,461	
Office Supplies		1,611	
Other Charges		1,176	
Office Equipment		6,562	
Total Industrial Development			133,739

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Other Operations (Cont.)

Other Economic and Community Development

Contracts with Other Public Agencies	\$	10,500	
Engineering Services		1,920	
Other Contracted Services		4,292	
Other Charges		2,632	
Building Improvements		35,001	
Other Construction		11,018	
Total Other Economic and Community Development			\$ 65,363

Airport

Communication	\$	1,074	
Maintenance Agreements		5,985	
Maintenance & Repair Services - Equipment		2,500	
Other Contracted Services		6,825	
Electricity		4,013	
Other Charges		5,012	
Airport Improvement		37,162	
Land		98,592	
Total Airport			161,163

Veterans' Services

Supervisor/Director	\$	14,010	
Communication		566	
Postal Charges		156	
Travel		363	
Total Veterans' Services			15,095

Other Charges

Postal Charges	\$	130	
Other Contracted Services		6,481	
Other Supplies and Materials		500	
Other Charges		150	
Total Other Charges			7,261

Contributions to Other Agencies

Contributions	\$	10,428	
Total Contributions to Other Agencies			10,428

Employee Benefits

Social Security	\$	329,612	
Handling Charges & Administrative Costs		15,500	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits (Cont.)

State Retirement	\$	202,274	
Employee and Dependent Insurance		759,907	
Medical Insurance		741	
Unemployment Compensation		14,620	
Employer Medicare		76,907	
Other Fringe Benefits		52,450	
Workers' Compensation Insurance		33,960	
Other Charges		200	
Total Employee Benefits			\$ 1,486,171

Miscellaneous

Maintenance & Repair Services - Buildings	\$	4,800	
Total Miscellaneous			4,800

Capital Projects

General Administration Projects

Architects	\$	16,021	
Other Charges		13,492	
Building Construction		1,288,945	
Building Improvements		44,903	
Land		11,044	
Motor Vehicles		62,498	
Total General Administration Projects			1,436,903

Public Safety Projects

Other Charges	\$	878	
Other Construction		117,946	
Total Public Safety Projects			118,824

Total General Fund \$ 13,353,472

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Education/Information

Supervisor/Director	\$	39,989	
Laborers		47,849	
Clerical Personnel		23,098	
Social Security		7,965	
State Retirement		6,281	
Employee and Dependent Insurance		30,787	

(Continued)

Exhibit K-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Education/Information (Cont.)

Unemployment Compensation	\$	2,405	
Employer Medicare		1,863	
Other Fringe Benefits		3,700	
Advertising		2,118	
Communication		7,290	
Contracts with Private Agencies		903,286	
Dues and Memberships		1,123	
Maintenance & Repair Services - Equipment		3,288	
Postal Charges		1,000	
Travel		1,535	
Gasoline		13,406	
Office Supplies		847	
Tires and Tubes		438	
Utilities		1,343	
Other Supplies and Materials		494	
Trustee's Commission		27,597	
Other Charges		6,994	
Office Equipment		1,339	
Total Sanitation Education/Information			\$ 1,136,035

Convenience Centers

Attendants	\$	125,228	
Social Security		6,225	
State Retirement		3,717	
Employee and Dependent Insurance		23,195	
Employer Medicare		1,456	
Communication		1,434	
Contracts with Private Agencies		14,496	
Maintenance & Repair Services - Equipment		107	
Other Contracted Services		400,735	
Crushed Stone		2,179	
Pipe - Concrete		246	
Utilities		4,951	
Other Supplies and Materials		5,498	
Liability Insurance		46,519	
Workers' Compensation Insurance		8,895	
Other Charges		4,928	
Solid Waste Equipment		11,596	
Total Convenience Centers			661,405

(Continued)

Exhibit K-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Postclosure Care Costs

Maintenance & Repair Services - Equipment	\$	720	
Crushed Stone		304	
Fertilizer, Lime, and Seed		475	
Testing		8,000	
Maintenance Equipment		4,941	
Total Postclosure Care Costs			\$ 14,440

Highways

Litter and Trash Collection

Laborers	\$	25,810	
Social Security		1,505	
Employer Medicare		352	
Advertising		9,828	
Total Litter and Trash Collection			\$ 37,495

Total Solid Waste/Sanitation Fund \$ 1,849,375

Drug Control Fund

Public Safety

Drug Enforcement

Communication	\$	1,806	
Confidential Drug Enforcement Payments		8,000	
Office Supplies		752	
Trustee's Commission		190	
Other Charges		21,425	
Total Drug Enforcement			\$ 32,173

Total Drug Control Fund 32,173

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	2,120	
Total Chancery Court			\$ 2,120

Total Constitutional Officers - Fees Fund 2,120

(Continued)

Exhibit K-7

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	61,652	
Accountants/Bookkeepers		26,362	
Secretary(ies)		26,362	
Communication		10,903	
Dues and Memberships		2,909	
Legal Services		495	
Legal Notices, Recording, and Court Costs		88	
Maintenance & Repair Services - Office Equipment		780	
Postal Charges		148	
Travel		140	
Electricity		13,272	
Natural Gas		3,184	
Office Supplies		1,358	
Water and Sewer		2,083	
Other Charges		3,060	
Total Administration			\$ 152,796

Highway and Bridge Maintenance

Foremen	\$	30,335	
Laborers		654,679	
Other Contracted Services		13,686	
Asphalt - Cold Mix		14,183	
Asphalt - Hot Mix		534,017	
Asphalt - Liquid		89,489	
Concrete		1,539	
Crushed Stone		92,229	
Other Road Supplies		64	
Pipe - Metal		6,721	
Road Signs		14,627	
Small Tools		339	
Motor Vehicles		185,952	
Total Highway and Bridge Maintenance			1,637,860

Operation and Maintenance of Equipment

Foremen	\$	32,782	
Mechanic(s)		26,965	
Other Contracted Services		230	
Diesel Fuel		129,020	
Equipment and Machinery Parts		132,399	
Garage Supplies		7,182	

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Gasoline	\$	165,441	
Lubricants		14,280	
Propane Gas		167	
Small Tools		882	
Tires and Tubes		35,488	
Other Supplies and Materials		2,530	
Total Operation and Maintenance of Equipment			\$ 547,366

Other Charges

Building and Contents Insurance	\$	48,720	
Liability Insurance		36,000	
Trustee's Commission		31,734	
Vehicle and Equipment Insurance		72,728	
Workers' Compensation Insurance		45,465	
Total Other Charges			234,647

Employee Benefits

Social Security	\$	52,372	
State Retirement		39,709	
Employee and Dependent Insurance		227,188	
Unemployment Compensation		4,943	
Employer Medicare		12,248	
Total Employee Benefits			336,460

Capital Outlay

Bridge Construction	\$	5,921	
Communication Equipment		988	
Highway Equipment		96,052	
Site Development		3,304	
State Aid Projects		385,717	
Other Equipment		1,872	
Total Capital Outlay			493,854

Total Highway/Public Works Fund \$ 3,402,983

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	830,000
Principal on Notes		178,481

(Continued)

Exhibit K-7

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Principal on Debt (Cont.)</u>		
<u>General Government (Cont.)</u>		
Principal on Other Loans	\$ 30,000	
Total General Government	<u> </u>	\$ 1,038,481
 <u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Bonds	\$ 399,038	
Interest on Notes	25,569	
Interest on Other Loans	<u>792,904</u>	
Total General Government		1,217,511
 <u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 43,931	
Other Debt Service	<u>149,186</u>	
Total General Government		<u>193,117</u>
 Total General Debt Service Fund		 \$ 2,449,109
 <u>Education Capital Projects Fund</u>		
<u>Other Operations</u>		
<u>Payments to Cities</u>		
Payments to Schools - Other	\$ 500,312	
Total Payments to Cities		\$ 500,312
 <u>Capital Projects - Donated</u>		
<u>Capital Projects Donated to School Department</u>		
Other Construction	\$ 1,948,010	
Total Capital Projects Donated to School Department		<u>1,948,010</u>
 Total Education Capital Projects Fund		 <u>2,448,322</u>
Total Governmental Funds - Primary Government		<u>\$ 23,537,554</u>

Exhibit K-8

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 9,858,375	
Career Ladder Program	164,185	
Career Ladder Extended Contracts	125,130	
Homebound Teachers	90,663	
Educational Assistants	353,037	
Other Salaries & Wages	137,634	
Certified Substitute Teachers	27,552	
Non-certified Substitute Teachers	110,691	
Social Security	653,783	
State Retirement	582,124	
Life Insurance	12,996	
Medical Insurance	1,877,575	
Employer Medicare	153,596	
Other Fringe Benefits	72,265	
Other Contracted Services	2,574	
Instructional Supplies and Materials	147,292	
Textbooks	364,413	
Other Supplies and Materials	86,234	
Fee Waivers	51,899	
Regular Instruction Equipment	120,694	
Total Regular Instruction Program		\$ 14,992,712

Alternative Instruction Program

Teachers	\$ 31,544	
Educational Assistants	12,600	
Social Security	2,678	
State Retirement	2,210	
Life Insurance	91	
Medical Insurance	4,889	
Employer Medicare	626	
Other Fringe Benefits	307	
Instructional Supplies and Materials	201	
Total Alternative Instruction Program		55,146

Special Education Program

Teachers	\$ 1,091,102
Career Ladder Program	11,173
Homebound Teachers	21,650
Educational Assistants	271,209

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Other Salaries & Wages	\$	66,147	
Certified Substitute Teachers		3,003	
Non-certified Substitute Teachers		19,499	
Social Security		87,809	
State Retirement		75,634	
Life Insurance		2,102	
Medical Insurance		299,210	
Employer Medicare		20,814	
Other Fringe Benefits		17,822	
Contracts with Other Public Agencies		183,124	
Other Contracted Services		35,516	
Instructional Supplies and Materials		18,553	
Other Supplies and Materials		11,611	
Special Education Equipment		20,369	
Total Special Education Program			\$ 2,256,347

Vocational Education Program

Teachers	\$	674,088	
Career Ladder Program		9,000	
Certified Substitute Teachers		1,005	
Non-certified Substitute Teachers		7,462	
Social Security		42,170	
State Retirement		37,570	
Life Insurance		743	
Medical Insurance		136,622	
Employer Medicare		9,862	
Other Fringe Benefits		4,625	
Instructional Supplies and Materials		29,963	
Other Supplies and Materials		1,291	
Other Charges		690	
Vocational Instruction Equipment		9,777	
Total Vocational Education Program			964,868

Adult Education Program

Teachers	\$	50,616	
Social Security		3,138	
State Retirement		2,749	
Employer Medicare		734	
Other Fringe Benefits		251	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Adult Education Program (Cont.)

Instructional Supplies and Materials	\$	5,764	
Other Supplies and Materials		3,771	
Other Equipment		2,237	
Total Adult Education Program			\$ 69,260

Support Services

Attendance

Supervisor/Director	\$	57,689	
Career Ladder Program		1,000	
Social Security		3,936	
State Retirement		3,228	
Life Insurance		46	
Medical Insurance		10,371	
Employer Medicare		920	
Other Fringe Benefits		387	
Travel		823	
Total Attendance			78,400

Health Services

Supervisor/Director	\$	33,870	
Social Workers		35,026	
Medical Personnel		75,161	
Paraprofessionals		117,344	
Clerical Personnel		16,673	
Other Salaries & Wages		2,338	
Social Security		16,593	
State Retirement		12,156	
Life Insurance		469	
Medical Insurance		62,540	
Employer Medicare		3,881	
Other Fringe Benefits		1,451	
Travel		10,264	
Other Contracted Services		56,551	
Drugs and Medical Supplies		2,435	
Other Supplies and Materials		66,314	
Other Charges		2,647	
Health Equipment		10,137	
Total Health Services			525,850

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support

Career Ladder Program	\$	7,000	
Guidance Personnel		461,733	
Psychological Personnel		56,235	
School Resource Officer		91,683	
Social Security		37,878	
State Retirement		33,509	
Life Insurance		707	
Medical Insurance		129,264	
Employer Medicare		8,750	
Other Fringe Benefits		5,543	
Evaluation and Testing		12,083	
Travel		1,005	
Other Contracted Services		39,187	
Other Supplies and Materials		759	
In Service/Staff Development		1,816	
Other Equipment		2,922	
Total Other Student Support			\$ 890,074

Regular Instruction Program

Supervisor/Director	\$	141,758	
Career Ladder Program		12,983	
Librarians		433,154	
Instructional Computer Personnel		94,528	
Secretary(ies)		3,026	
Other Salaries & Wages		30,344	
Social Security		43,000	
State Retirement		39,105	
Life Insurance		574	
Medical Insurance		121,298	
Employer Medicare		10,057	
Other Fringe Benefits		4,829	
Travel		26,535	
Other Contracted Services		8,533	
Library Books/Media		54,556	
Other Supplies and Materials		83	
In Service/Staff Development		2,422	
Other Equipment		74,969	
Total Regular Instruction Program			1,101,754

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program

Supervisor/Director	\$	61,492	
Career Ladder Program		7,985	
Psychological Personnel		112,218	
Assessment Personnel		220,986	
Secretary(ies)		22,336	
Social Security		25,769	
State Retirement		23,200	
Life Insurance		379	
Medical Insurance		64,084	
Employer Medicare		6,027	
Other Fringe Benefits		2,783	
Maintenance & Repair Services - Equipment		3,346	
Travel		21,641	
Other Contracted Services		21,777	
In Service/Staff Development		975	
Total Special Education Program			\$ 594,998

Vocational Education Program

Supervisor/Director	\$	62,361	
Career Ladder Program		3,000	
Social Security		3,929	
State Retirement		3,595	
Life Insurance		46	
Medical Insurance		12,201	
Employer Medicare		919	
Other Fringe Benefits		423	
Travel		4,835	
Total Vocational Education Program			91,309

Adult Programs

Supervisor/Director	\$	52,036	
Other Salaries & Wages		15,005	
Social Security		4,157	
State Retirement		2,862	
Life Insurance		46	
Medical Insurance		8,109	
Employer Medicare		972	
Other Fringe Benefits		372	
Travel		1,830	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs (Cont.)

In Service/Staff Development	\$ 1,248	
Total Adult Programs		\$ 86,637

Board of Education

Secretary to Board	\$ 4,389	
Other Salaries & Wages	900	
Board and Committee Members Fees	39,500	
Social Security	2,777	
State Retirement	223	
Life Insurance	365	
Medical Insurance	192	
Unemployment Compensation	10,079	
Employer Medicare	757	
Other Fringe Benefits	76,164	
Audit Services	7,700	
Dues and Memberships	6,103	
Legal Services	7,256	
Travel	10,369	
Liability Insurance	645	
Trustee's Commission	178,623	
Workers' Compensation Insurance	16,402	
In Service/Staff Development	300	
Other Charges	13,662	
Total Board of Education		376,406

Director of Schools

County Official/Administrative Officer	\$ 85,000
Career Ladder Program	1,000
Secretary(ies)	32,772
Clerical Personnel	48,549
Social Security	10,030
State Retirement	8,560
Life Insurance	182
Medical Insurance	26,807
Employer Medicare	2,345
Other Fringe Benefits	1,115
Communication	22,311
Dues and Memberships	2,099
Postal Charges	390

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Travel	\$	5,445	
Other Contracted Services		12,001	
Office Supplies		4,461	
Other Charges		2,900	
Administration Equipment		200	
Total Director of Schools			\$ 266,167

Office of the Principal

Principals	\$	650,286	
Career Ladder Program		14,000	
Assistant Principals		147,321	
Secretary(ies)		241,696	
Social Security		63,263	
State Retirement		55,404	
Life Insurance		1,311	
Medical Insurance		167,074	
Employer Medicare		14,796	
Other Fringe Benefits		6,934	
Communication		23,899	
Postal Charges		5,993	
Administration Equipment		20,274	
Total Office of the Principal			1,412,251

Fiscal Services

Other Salaries & Wages	\$	13,576	
Total Fiscal Services			13,576

Operation of Plant

Custodial Personnel	\$	547,592	
Other Salaries & Wages		23,203	
Social Security		32,893	
State Retirement		24,676	
Life Insurance		1,263	
Medical Insurance		163,977	
Employer Medicare		7,693	
Other Fringe Benefits		23,653	
Other Contracted Services		50,402	
Custodial Supplies		132,549	
Electricity		623,485	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Natural Gas	\$	222,854	
Water and Sewer		82,251	
Building and Contents Insurance		240,320	
In Service/Staff Development		7,066	
Other Charges		100	
Plant Operation Equipment		8,283	
Total Operation of Plant			\$ 2,192,260

Maintenance of Plant

Supervisor/Director	\$	40,105	
Secretary(ies)		23,775	
Maintenance Personnel		160,677	
Other Salaries & Wages		27,128	
Social Security		15,471	
State Retirement		12,112	
Life Insurance		442	
Medical Insurance		50,863	
Employer Medicare		3,618	
Other Fringe Benefits		11,604	
Maintenance & Repair Services - Buildings		33,582	
Maintenance & Repair Services - Equipment		34,952	
Travel		848	
Other Contracted Services		11,888	
Other Supplies and Materials		308,455	
Other Charges		290	
Maintenance Equipment		39,770	
Total Maintenance of Plant			775,580

Transportation

Supervisor/Director	\$	33,882
Social Security		2,143
State Retirement		1,596
Life Insurance		46
Employer Medicare		501
Other Fringe Benefits		227
Communication		811
Contracts with Parents		47,562
Contracts with Vehicle Owners		1,707,246
Maintenance & Repair Services - Vehicles		28,417

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Travel	\$	3,303	
Other Contracted Services		2,348	
Other Supplies and Materials		1,606	
Other Charges		3,797	
Transportation Equipment		3,114	
Total Transportation			\$ 1,836,599

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	53,714	
Cafeteria Personnel		27,979	
Other Salaries & Wages		828	
Social Security		4,930	
State Retirement		35,007	
Life Insurance		2,535	
Medical Insurance		189,750	
Employer Medicare		1,153	
Other Fringe Benefits		25,615	
Communication		526	
Travel		3,763	
Other Contracted Services		26,323	
Utilities		161,743	
Other Supplies and Materials		4,665	
Total Food Service			538,531

Community Services

Supervisor/Director	\$	23,374	
Social Security		2,228	
State Retirement		1,398	
Life Insurance		46	
Medical Insurance		4,889	
Employer Medicare		521	
Other Fringe Benefits		242	
Communication		1,318	
Travel		830	
Other Contracted Services		12,102	
Instructional Supplies and Materials		4,647	
Other Supplies and Materials		953	
Other Charges		836	
Total Community Services			53,384

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education

Teachers	\$	30,736	
Educational Assistants		12,734	
Non-certified Substitute Teachers		168	
Social Security		2,680	
State Retirement		2,164	
Life Insurance		87	
Medical Insurance		4,480	
Employer Medicare		627	
Other Fringe Benefits		302	
Travel		1,090	
Instructional Supplies and Materials		27,155	
In Service/Staff Development		290	
Total Early Childhood Education			\$ 82,513

Capital Outlay

Regular Capital Outlay

Other Capital Outlay	\$	7,358	
Total Regular Capital Outlay			7,358

Principal on Debt

Education

Principal on Bonds	\$	330,000	
Principal on Notes		90,000	
Total Education			420,000

Interest on Debt

Education

Interest on Bonds	\$	101,830	
Interest on Notes		2,450	
Total Education			104,280

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	230,000	
Other Debt Service		226	
Total Education			230,226

Total General Purpose School Fund \$ 30,016,486

(Continued)

Exhibit K-8

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	380,983	
Educational Assistants		398,535	
Other Salaries & Wages		765	
Certified Substitute Teachers		609	
Non-certified Substitute Teachers		8,064	
Social Security		45,628	
State Retirement		39,657	
Life Insurance		1,721	
Medical Insurance		312,667	
Employer Medicare		10,672	
Other Fringe Benefits		4,412	
Other Contracted Services		10,199	
Instructional Supplies and Materials		44,386	
Other Supplies and Materials		12,475	
Other Charges		2,208	
Regular Instruction Equipment		5,462	
Total Regular Instruction Program			\$ 1,278,443

Special Education Program

Teachers	\$	25,197	
Educational Assistants		458,264	
Social Security		27,647	
State Retirement		19,079	
Life Insurance		1,156	
Medical Insurance		120,060	
Employer Medicare		6,466	
Other Fringe Benefits		12,126	
Contracts with Other Public Agencies		173,360	
Instructional Supplies and Materials		113,588	
Other Supplies and Materials		52,388	
Total Special Education Program			1,009,331

Vocational Education Program

Clerical Personnel	\$	23,775
Social Security		1,378
State Retirement		1,120
Life Insurance		46
Medical Insurance		5,303
Employer Medicare		322

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Other Fringe Benefits	\$	156	
Other Supplies and Materials		33,737	
Vocational Instruction Equipment		130,644	
Total Vocational Education Program			\$ 196,481

Support Services

Attendance

Social Workers	\$	17,023	
Social Security		991	
State Retirement		936	
Life Insurance		23	
Medical Insurance		3,956	
Employer Medicare		232	
Other Fringe Benefits		218	
Total Attendance			23,379

Health Services

Other Salaries & Wages	\$	17,900	
Social Security		1,085	
State Retirement		843	
Life Insurance		46	
Medical Insurance		6,666	
Employer Medicare		254	
Other Fringe Benefits		201	
Total Health Services			26,995

Other Student Support

Other Salaries & Wages	\$	12,735	
Travel		18,203	
In Service/Staff Development		1,917	
Total Other Student Support			32,855

Regular Instruction Program

Supervisor/Director	\$	62,991	
Secretary(ies)		22,730	
Other Salaries & Wages		6,000	
In-Service Training		504	
Social Security		6,980	
State Retirement		6,033	

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Life Insurance	\$	82	
Medical Insurance		16,199	
Employer Medicare		1,633	
Other Fringe Benefits		24	
Contracts with Parents		348	
Travel		14,919	
Library Books/Media		952	
Other Supplies and Materials		3,284	
In Service/Staff Development		115,345	
Other Charges		5,206	
Other Equipment		52,441	
Total Regular Instruction Program			\$ 315,671

Special Education Program

Supervisor/Director	\$	5,700	
Psychological Personnel		5,088	
Assessment Personnel		8,513	
Social Security		1,188	
State Retirement		1,062	
Employer Medicare		278	
Other Fringe Benefits		110	
Travel		16,645	
Other Contracted Services		17,018	
In Service/Staff Development		7,882	
Total Special Education Program			63,484

Vocational Education Program

Supervisor/Director	\$	7,910	
Social Security		491	
State Retirement		435	
Employer Medicare		115	
Other Fringe Benefits		49	
Total Vocational Education Program			9,000

Total School Federal Projects Fund \$ 2,955,639

(Continued)

Exhibit K-8

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

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Clerical Personnel	\$	20,215	
Cafeteria Personnel		660,007	
Part-time Personnel		46,951	
Other Salaries & Wages		21,841	
Social Security		43,699	
Medical Insurance		101,137	
Employer Medicare		10,220	
Communication		6,071	
Maintenance & Repair Services - Equipment		3,757	
Other Contracted Services		19,885	
Food Supplies		904,024	
Other Supplies and Materials		122,392	
Food Service Equipment		132,821	
Total Food Service			\$ 2,093,020

Total Central Cafeteria Fund \$ 2,093,020

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Architects	\$	24,244	
Building Construction		1,544,809	
Other Capital Outlay		146,801	
Total Education Capital Projects			\$ 1,715,854

Total Education Capital Projects Fund 1,715,854

Total Governmental Funds - Monroe County School Department \$ 36,780,999

Exhibit K-9

Monroe County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balances - City Agency Funds
For the Year Ended June 30, 2006

	Cities - Sales Tax Fund	City School ADA - Sweetwater Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 1,009,428	\$ 1,009,428
Trustee's Collections - Prior Years	0	41,117	41,117
Trustee's Collections - Bankruptcy	0	551	551
Circuit/Clerk and Master Collections - Prior Years	0	18,016	18,016
Interest and Penalty	0	7,230	7,230
Pick-up Taxes	0	2,673	2,673
Payments in Lieu of Taxes - T.V.A.	0	3,061	3,061
Payments in Lieu of Taxes - Local Utilities	0	58,447	58,447
Payments in Lieu of Taxes - Other	0	515	515
Local Option Sales Tax	3,301,003	835,648	4,136,651
Business Tax	0	25,357	25,357
Other Local Option Taxes	0	101	101
Bank Excise Tax	0	12,077	12,077
Interstate Telecommunications Tax	0	1,827	1,827
Marriage Licenses	0	803	803
Income Tax	0	4,178	4,178
Mixed Drink Tax	0	1,424	1,424
State Revenue Sharing - T.V.A.	0	100,000	100,000
Contracted Services	0	500,312	500,312
Total Cash Receipts	<u>\$ 3,301,003</u>	<u>\$ 2,622,765</u>	<u>\$ 5,923,768</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 3,267,993	\$ 2,590,746	\$ 5,858,739
Trustee's Commission	33,010	32,019	65,029
Total Cash Disbursements	<u>\$ 3,301,003</u>	<u>\$ 2,622,765</u>	<u>\$ 5,923,768</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ 0	\$ 0
Cash Balance, July 1, 2005	0	0	0
Cash Balance, June 30, 2006	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

SINGLE AUDIT SECTION



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

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

December 15, 2006

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Monroe County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise Monroe County's basic financial statements and have issued our report thereon dated December 15, 2006. Our report on the aggregate discretely presented component units' financial statements was qualified due to not including the financial statements of the Monroe County Emergency Communications District and the Women's Wellness and Maternity Center, discretely presented component units, which were not available from other auditors as of the date of this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Monroe 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a

reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Monroe County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 06.01.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Monroe 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of County Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/rc



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

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

December 15, 2006

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Monroe County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Monroe County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Monroe County's management. Our responsibility is to express an opinion on Monroe 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 auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a

test basis, evidence about Monroe 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 Monroe County's compliance with those requirements.

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

Internal Control Over Compliance

The management of Monroe 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 Monroe 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 the internal control over compliance in accordance with OMB Circular A-133.

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

Schedule of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Monroe County, Tennessee, as of and for the year ended June 30, 2006, and have issued our report thereon dated December 15, 2006. Our report on the aggregate discretely presented component units' financial statements was qualified due to not including the financial statements of the Monroe County Emergency Communications District and the Women's Wellness and Maternity Center, discretely presented component units, which were not available from other auditors as of the date of this report. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/rc

Monroe County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2006

Federal/Pass-through Agency/Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Water and Waste Disposal System for Rural Communities	10.760	N/A	\$ 108,900
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	112,574
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	290,345
National School Lunch Program	10.555	N/A	948,827
Total U.S. Department of Agriculture			<u>\$ 1,460,646</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Housing Development Agency:			
Community Development Block Grants/State's Program	14.228	GG-04-10910-00	\$ 158,407
Total U.S. Department of Housing and Urban Development			<u>\$ 158,407</u>
U.S. Department of Justice:			
Direct Program:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	\$ 24,163
Total U.S. Department of Justice			<u>\$ 24,163</u>
U.S. Department of Highway Administration:			
Passed-through State Department of Transportation:			
Airport Improvement Program	20.106	Z-03-014257-00	\$ 37,162
Highway Planning and Construction	20.205	GG-05-11355-00	15,918
Total U.S. Department of Highway Administration			<u>\$ 53,080</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Adult Education - State Grant Program	84.002	Z-05-022249-00	\$ 76,521
Title I Grant to Local Educational Agencies	84.010	N/A	1,330,679
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	1,076,094
Special Education - Preschool Grants	84.173	N/A	31,188
Vocational Education - Basic Grants to States	84.048	N/A	213,408
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	38,620
State Grants for Innovative Programs	84.298	N/A	25,143
Education Technology State Grants	84.318	N/A	26,500
English Language Acquisition Grants	84.365	N/A	4,368
Improving Teacher Quality State Grants	84.367	N/A	230,211
Hurricane Education Recovery	84.938	(2)	23,849
Total U.S. Department of Education			<u>\$ 3,076,581</u>

(Continued)

Monroe County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1) (Cont.)

Federal/Pass-through Agency/Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Election Assistance Commission: Passed-through State Secretary of State: Help America Vote Act Requirements Payments	90.401	(2)	\$ 249,500
Total U.S. Election Assistance Commission			<u>\$ 249,500</u>
U.S. Department of Health and Human Services: Passed-through State Department of Education: Job Opportunities and Basic Skills Training	93.561	Z-05-002234-00	\$ 14,180
Total U.S. Department of Health and Human Services			<u>\$ 14,180</u>
U.S. Department of Homeland Security: Passed-through State Department of Military: State Domestic Preparedness Equipment Support Program	97.004	(3)	\$ 89,391
Total U.S. Department of Homeland Security			<u>\$ 89,391</u>
Total Expenditures of Federal Awards			<u><u>\$ 5,125,948</u></u>
State Grants		Contract Number	
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 16,556
Litter Program - State Department of Transportation	N/A	(2)	37,903
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	27,654
Adult Education - State Department of Labor and Workforce Development	N/A	(2)	37,191
Family Resource Center - State Department of Education	N/A	(2)	30,380
Job Opportunities and Basic Skills Training - State Department of Education	N/A	(2)	9,274
Juvenile Services Program - State Children's Services Commission	N/A	(2)	9,000
Safe Schools Act - State Department of Education	N/A	(2)	32,092
Driver's Education - State Department of Education	N/A	(2)	28,257
Coordinated School Health Program	N/A	(2)	82,091
Early Childhood Education Lottery - State Department of Education	N/A	(2)	83,031
Countywide Road Sign Replacement - State Department of Transportation	N/A	(2)	9,327
Local Health Services - State Department of Health	N/A	(2)	267,180
Fingerprint Imaging Grant - State Department of Finance and Administration	N/A	(2)	15,000
FastTrack Infrastructure Development Program - State Department of Economic and Community Development	N/A	(2)	3,414
Total State Grants			<u><u>\$ 688,350</u></u>

CFDA - Catalog of Federal Domestic Assistance
N/A - Not Applicable

- (1) - Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
(2) - Information not available.
(3) Z-04-022476-00: \$85,641; Z-04-020128-00: \$3,750

Monroe County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2006

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below is a finding from the Annual Financial Report for Monroe County, Tennessee, for the year ended June 30, 2005, which has not been corrected.

FINDING

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.01	176	Duties were not segregated adequately in the Offices of Trustee and Sheriff

MONROE COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2006

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Monroe County disclosed one reportable condition in internal control. This reportable condition was not considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that are material to the financial statements of Monroe County.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555) and the Title I Program (CFDA No. 84.010) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Monroe County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

The finding, as a result of our examination, is presented below. We reviewed this finding with management to provide an opportunity for their response. Officials offered oral responses to this finding; however, these oral responses have not been included in this report.

FINDING 06.01 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE AND SHERIFF
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among officials and employees in the Offices of Trustee and Sheriff. Officials and employees responsible for maintaining the accounting records in these offices were also involved in receipting, depositing, and/or disbursing funds. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.

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

There were no findings and questioned costs for federal awards.

MONROE COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2006

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