

**McMINN COUNTY, TENNESSEE**

**FINANCIAL STATEMENTS**

**JUNE 30, 2007**

# McMINN COUNTY, TENNESSEE

## Annual Financial Report Table of Contents

	Page Numbers
<b><i>Introductory Section</i></b>	
Roster of County Officials	I-1
<b><i>Financial Section</i></b>	
Report of Independent Certified Public Accountants on Financial Statements, Supplementary Information, and Schedule of Expenditures of Federal and State Awards Management's Discussion and Analysis	i iii
<b>Basic Financial Statements</b>	
Statement of Net Assets	A - 1
Statement of Activities	A - 3
Balance Sheet – Governmental Funds	A - 5
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	A - 7
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	A - 8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	A - 10
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	A - 11
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Road and Bridge	A - 12
Statement of Net Assets – Proprietary Fund	A - 13
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund	A - 14
Statement of Cash Flows – Proprietary Fund	A - 15
Statement of Fiduciary Net Assets	A - 16
Notes to Financial Statements	A - 17
<b>Required Supplementary Information (unaudited)</b>	
Schedule of Required Supplementary Information – Public Employees Retirement System Schedule of Funding Progress	B - 1
<b>Other Supplementary Information</b>	
Budgetary Comparison Schedule – General Fund Detail	C - 1
<b>Governmental Funds</b>	
Combining Balance Sheet – Nonmajor Governmental Funds	C - 4
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	C - 6
Combining Balance Sheet – Constitutional Officers Major Governmental Funds	C - 8
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Constitutional Officers Major Governmental Funds	C - 10
Combining Schedule of Cash Receipts, Disbursements and Balances – Constitutional Officers Fee and Commission Accounts	C - 12
Combining Balance Sheet – Capital Projects Funds	C - 14
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Capital Projects Funds	C - 15
<b>Fiduciary Funds</b>	
Combining Statement of Changes in Assets and Liabilities – Constitutional Officers Agency Funds	C - 16
Combining Schedule of Cash Receipts, Disbursements and Balances – Constitutional Officers Agency Funds	C - 19

	<b>Page Numbers</b>
<b>Budgetary Comparison Schedules</b>	
Budgetary Comparison Schedules – Special Revenue Nonmajor Governmental Funds	C - 21
<b>Discretely Presented Component Unit – Board of Education</b>	
Combining Balance Sheet – Board of Education Governmental Funds	D - 1
Reconciliation of the Balance Sheet of Board of Education Governmental Funds to the Statement of Net Assets	D - 2
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Board of Education Governmental Funds	D - 3
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Board of Education Governmental Funds to the Statement of Activities	D - 4
Budgetary Comparison Schedule – Board of Education Governmental Funds	D - 5
<b>Financial Schedules</b>	
Schedule of Property Taxes Receivable	E - 1
Schedule of Investments by Fund	E - 2
Schedule of Cash Receipts, Disbursements and Balances – Equity in Pooled Cash and Investments with Trustee	E - 3
Debt Service Requirements to Maturity	E - 5
Schedule of Salaries and Official Bonds of Principal Officials	E - 7
Schedule of Tax Rates and Assessments	E - 8
<b>Single Audit Section</b>	
Schedule of Expenditures of Federal and State Awards	F - 1
Notes to Schedule of Expenditures of Federal and State Awards	F - 4
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	F - 5
Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A – 133	F - 7
Schedule of Findings and Questioned Costs	F - 9
Schedule of Prior Audit Findings	F - 10

# McMINN COUNTY, TENNESSEE

## ROSTER OF COUNTY OFFICIALS

June 30, 2007

County Mayor  
Director of Finance  
Commissioner of Highways  
Administrator of Schools  
Trustee  
Assessor of Property

John Gentry  
Jason Luallen  
Randall R. Moss  
John Forgety  
Phil Tuggle  
Don Cowart

Members of the County Commission:

David Crews, Chairman  
Scott Curtis  
Dale Holbrook  
Jeannie King  
Roger Masingale  
Gary L. Mason  
Bob Powers  
Jack Powers  
Tad Simpson  
Jerry Millsaps

Constitutional Officers:

Circuit, General Sessions and Probate

Courts Clerk:

Officeholder beginning September 1, 2006

Officeholder ending August 31, 2006

Clerk and Master

County Clerk

Register of Deeds

Sheriff

Rhonda Cooley  
Norma C. White  
Patty S. Gaines  
Evonne Hoback  
Nadean Cunningham  
Steven R. Frisbie

# McMINN COUNTY, TENNESSEE

## ROSTER OF COUNTY OFFICIALS

June 30, 2007

### Members of the County Board of Education:

Pat Chester, Chairperson  
Mike Bivens  
Larry Cantrell  
Joe Coleman  
Kathy Dougherty  
Quinten Howard  
Mike Williams  
Donna Cagle  
Mike Lowry

### Members of the Woods Memorial Hospital District & Subsidiary:

Don Higdon, Chairman  
Dr. Craig Riley  
Katherine Abbott  
Emerson Brady  
Ed Fiegle  
Jerry Howell  
Jack Powers  
Dr. Harash B. Soni/Marilyn Miller, split term  
Owen Vincent

### Members of the McMinn County Emergency Communications District:

Mike Jones, Chairman  
Russ Duggan  
Marvin Kelley  
Mark Lowry  
Howard Massengil  
Joe Riley  
Wayne Scarbrough  
Chris Webb  
Scott Curtis



HENDERSON, HUTCHERSON & McCULLOUGH, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

**Report of Independent Certified Public Accountants  
on Financial Statements, Supplementary Information, and  
Schedule of Expenditures of Federal and State Awards**

To the Honorable Mayor and the  
Board of Commissioners  
McMinn County, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McMinn County, Tennessee (the County) as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the discretely presented component units of the County as of and for the year ended June 30, 2007 as displayed in the County's basic financial statements, except as described in the last two sentences of this paragraph. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the McMinn County "911" Emergency Communications District and Woods Memorial Hospital District & Subsidiary, which represent 16 percent and 39 percent, respectively, of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the McMinn County "911" Emergency Communications District and Woods Memorial Hospital District & Subsidiary in the discretely presented component units, is based solely on the report of the other auditors.

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

1200 MARKET STREET · FREIGHT DEPOT  
CHATTANOOGA, TENNESSEE 37402-2713  
T 423.756.7771 · F 423.265.8125 · hhmcpas.com  
AN INDEPENDENT MEMBER OF THE BDO SEIDMAN ALLIANCE

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McMinn County, Tennessee as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparison for the general fund and the road and bridge fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of each of the discretely presented component units, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows, 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 January 18, 2008, on our consideration of the County's internal control over financial reporting and on 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 iii-xvi of the Financial Section and the required supplementary information on page B-1 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal and state awards on pages F-1 through F-3 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds (presented on pages C-1 through C-23), combining and individual fund financial statements of the Board of Education (a discretely presented component unit) (pages D-1 through D-6), and financial schedules (pages E-1 through E-8) are presented for purposes of additional analysis and are also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, combining and individual fund financial statements of the Board of Education (a discretely presented component unit), financial schedules and the schedule of expenditures of federal awards 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.

Chattanooga, Tennessee  
January 18, 2008

Henderson Hutcherson  
& McCullough, PLLC

## Management's Discussion and Analysis

As management of the McMinn County Government, we offer readers of the McMinn County Government's financial statements this narrative overview and analysis of the financial activities of the McMinn County Government for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented in this report.

### Financial Highlights

#### Primary Government

- The assets of the McMinn County Primary Government exceeded its liabilities at the close of the most recent fiscal year by \$86,109,665 (net assets). Unrestricted net assets of the Primary Government of \$11,504,594 may be used to meet the government's ongoing obligations to citizens.
- The total net assets of the McMinn County Primary Government increased by \$3,142,373 or 15.3% of 2007 expenses which totaled \$20,481,930.
- At the close of the current fiscal year, the McMinn County Government's governmental funds reported combined ending fund balances of \$18,436,927, an increase of \$2,876,089 in comparison with the prior year. Approximately 89% of this total amount, \$16,332,201, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,890,395 or 20% of the total general fund expenditures. This demonstrates the County's fiscal discipline and positions the County well to meet unexpected emergencies, temporary cash needs and other uncertainties the County faces in the normal course of everyday operations.
- McMinn County Government general fund revenues were \$590,025 more than budgeted. The largest factors in this increase were greater than projected revenues in Hotel/Motel Taxes (\$177,804) and increased revenues from the State of Tennessee for Contracted Prisoner Board (\$272,755).

#### Component Unit, McMinn County Board of Education

- Governmental fund assets of the McMinn County Board of Education, a component unit, exceeded its liabilities at the close of the most recent fiscal year by \$5,388,331. Of this amount, \$4,187,050 (unreserved and undesignated fund balance) may be used to meet the ongoing obligations of the McMinn County Board of Education, subject to the restrictions imposed by the State of Tennessee. In addition, the Statement of Net Assets shows an investment of \$23,631,390 in capital assets of the Board.
- The McMinn County Board of Education's net assets increased by \$1,807,766. The largest factor contributing to the increase was Construction in Progress of the Riceville Elementary School classrooms addition and the new HVAC system at Central High School.

### Overview of the Financial Statements

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

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

The *statement of net assets* presents information on all of the McMinn County Government's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the McMinn County Government is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the McMinn County Government that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the McMinn County Government include general government, public safety, public works, health and welfare, economic development, and culture and recreation. The government-wide financial statements also include the business-type activity of the McMinn County Government, a solid waste disposal operation (landfill).

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

Also included in the government-wide financial statements are the activities of the Woods Memorial Hospital District & Subsidiary and the Emergency Communications District, component units for which the County is financially accountable, but which issue their own financial statements. The government-wide financial statements can be found on pages A-1 to A-4 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The McMinn County Government, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the McMinn County Government can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The McMinn County Government maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road and Bridge Fund, Constitutional Officers Fund, Debt Service Fund, and Other Capital Projects Fund, all of which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages A-5-A-6 and A-8-A-9 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages A-13 to A-15 of this report.

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

The basic fiduciary fund financial statements can be found on page A-16 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages A-17 through A-37 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. Management's Discussion and Analysis is included on pages iii through xi and McMinn County Government's progress in funding its obligation to provide pension benefits to its employees can be found on page B-1 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages C-4 to C-20 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as useful indicator of a government's financial position. In the case of the McMinn County Government, assets exceeded liabilities by \$86,109,665 at the close of the most recent fiscal year. A summary version of the Statement of Net Assets at June 30, 2007 follows:

**McMinn County, Tennessee**  
**Net Assets-Primary Government**  
**June 30**

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and Other Assets	\$ 27,744,776	\$ 25,101,402	\$ 2,451,930	\$ 2,504,984	\$ 30,196,706	\$ 27,606,386
Capital Assets	63,779,116	63,345,733	2,678,190	2,778,900	66,457,306	66,124,633
Total Assets	<u>91,523,892</u>	<u>88,447,135</u>	<u>5,130,120</u>	<u>5,283,884</u>	<u>96,654,012</u>	<u>93,731,019</u>
Long-term Liabilities						
Outstanding	269,735	-	1,471,842	1,409,536	1,741,577	1,409,536
Other Liabilities	8,769,896	9,332,345	32,874	21,846	8,802,770	9,354,191
Total Liabilities	<u>9,039,631</u>	<u>9,332,345</u>	<u>1,504,716</u>	<u>1,431,382</u>	<u>10,544,347</u>	<u>10,763,727</u>
Net Assets:						
Invested in Capital Assets	63,779,116	63,345,733	2,678,190	2,778,900	66,457,306	66,124,633
Restricted	8,147,765	2,631,778	-	-	8,147,765	2,631,778
Unrestricted	10,557,380	13,137,279	947,214	1,073,602	11,504,594	14,210,881
Total Net Assets	<u>\$ 82,484,261</u>	<u>\$ 79,114,790</u>	<u>\$ 3,625,404</u>	<u>\$ 3,852,502</u>	<u>\$ 86,109,665</u>	<u>\$ 82,967,292</u>

The investment in capital assets of the McMinn County Government (e.g., land, buildings, infrastructure, machinery and equipment) accounts for 77% of total net assets. These capital assets are used to provide services to citizens; consequently, these assets are *not* available for future spending.

An additional portion of the McMinn County Government's net assets (9.5%) represents resources that are subject to external restrictions on how they may be used. This 9.5% is restricted for Capital Projects. The remaining balance of *unrestricted net assets* of \$11,504,594 may be used to meet the government's ongoing obligations to citizens.

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

The government's net assets increased by \$3,142,373 during the current fiscal year.

**Governmental activities.** Governmental activities increased the McMinn County Government's net assets by \$3,369,471. A summary version of the Statement of Activities is as follows:

**McMinn County, Tennessee**  
**Changes in Net Assets**  
**For the Fiscal Year-End June 30**

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues:</b>						
Charges for services	\$ 4,023,886	\$ 5,173,643	\$ 1,182,765	\$ 1,011,417	\$ 5,206,651	\$ 6,185,060
Operating grants and contributions	6,576,397	5,065,893	30,256	38,659	6,606,653	5,104,552
<b>General revenues:</b>						
Taxes	10,820,414	10,634,150	-	-	10,820,414	10,634,150
Grants and contributions not restricted		192,311				192,311
Investment earnings	876,405	626,686	114,180	98,711	990,585	725,397
Other revenues		577,602				577,602
Transfers	(80,550)	(100,000)	80,550	100,000	-	-
<b>Total revenues</b>	<b>22,216,552</b>	<b>22,170,285</b>	<b>1,407,751</b>	<b>1,248,787</b>	<b>23,624,303</b>	<b>23,419,072</b>
<b>Expenses:</b>						
General government	5,415,201	2,188,773	-	-	5,415,201	2,188,773
Public safety	4,660,291	4,055,209	-	-	4,660,291	4,055,209
Public works	5,202,693	5,177,368	-	-	5,202,693	5,177,368
Health and welfare	1,170,422	2,279,804	-	-	1,170,422	2,279,804
Culture and recreation	230,464	207,743	-	-	230,464	207,743
Education	2,168,010	4,340,788	-	-	2,168,010	4,340,788
Other general government		332,107	-	-		332,107
Debt service		365,869	-	-		365,869
Solid waste			1,634,849	1,379,331	1,634,849	1,379,331
<b>Total expenses</b>	<b>18,847,081</b>	<b>18,947,661</b>	<b>1,634,849</b>	<b>1,379,331</b>	<b>20,481,930</b>	<b>20,326,992</b>
Change in net assets	3,369,471	3,222,624	(227,098)	(130,544)	3,142,373	3,092,080
Net assets - beginning	79,114,790	75,892,166	3,852,502	3,983,046	82,967,292	79,875,212
Prior period adjustment						-
<b>Net assets - ending</b>	<b>\$ 82,484,261</b>	<b>\$ 79,114,790</b>	<b>\$ 3,625,404</b>	<b>\$ 3,852,502</b>	<b>\$ 86,109,665</b>	<b>\$ 82,967,292</b>

As shown in the table, General Government, Public Works, and Public Safety were the three largest governmental activities for this fiscal year, 28.7%, 27.6%, and 24.7%, respectively, of total governmental activities expense.

The McMinn County's tax levy of \$1.90 on each hundred dollars of assessed taxable property provides revenues for the operation of the County. McMinn County Government maintained the tax rate this fiscal year from the previous year. The 2007-2008 fiscal year budget was balanced maintaining the current tax rate.

**Business-type activities.** Operating revenues for the Solid Waste Disposal Fund increased 16.9% over the prior year. Operating expenses increased by \$255,518, or 18.5%. The resulting change in net assets for the solid waste operation after a transfer from the general fund was a decrease of \$227,098.

**Financial Analysis of the Government's Funds**

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

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

At the end of the current fiscal year, the McMinn County Government's governmental funds reported combined ending fund balances of \$18,436,927 an increase of \$2,876,089 in comparison with the prior year. Approximately 89% of this total amount (\$16,332,201) constitutes unreserved fund balance. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$40,770), or 2) for a variety of other restricted purposes (\$2,063,956).

The general fund is the chief operating fund of the McMinn County Government. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,890,395, while total fund balance reached \$3,626,276. 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 20% of total general fund expenditures, while total fund balance represents 38.5% of that same amount.

The fund balance of the McMinn County Government's general fund increased by \$63,661 during the current fiscal year. The largest factor in the increase from last year can be attributed to lower than anticipated spending in Emergency Management services.

**Proprietary funds.** The McMinn County Government's proprietary funds statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the solid waste operation at the end of the year amounted to \$947,214. The total change in net assets for the solid waste operation was \$(227,098). Other factors concerning the finances of this fund have already been addressed in the discussion of the McMinn County Government's business-type activities.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were within the normal course of County business and the increase totaled \$729,201 in appropriations.

The primary differences can be summarized briefly as follows:

- \$153,125 increase in Industrial Development for McMinn County's portion of the cost of 24.5 acres to expand the Industrial Park.
- An increase of \$210,619 for jail operations and \$55,122 for additional expenditures in the Sheriff's Department.
- An increase of \$49,400 for the Health Department as a result of an increase in the DGA Grant.

### **Capital Asset and Debt Administration**

**Capital assets.** The McMinn County Government's investment in capital assets for its governmental and business-type activities as of June 30, 2007 amounts to \$66,457,306 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure (roads and bridges).

The total increase in the McMinn County Government's investment in capital assets for the current year was \$332,673 or .5%. Additions to capital assets in the current year can be attributed primarily to the completion of exterior improvements to the courthouse.

**For the Fiscal Year-End June 30**  
**Primary Government**

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 1,906,123	\$ 1,906,123	\$ 438,950	\$ 438,950	\$ 2,345,073	\$ 2,345,073
Buildings	7,771,715	7,586,995	75,459	84,738	7,847,174	7,671,733
Facilities and development			1,194,745	1,410,916	1,194,745	1,410,916
Infrastructure	46,405,895	48,192,140	-	-	46,405,895	48,192,140
Other fixed assets	1,981,334	2,107,284	887,280	841,680	2,868,614	2,948,964
Construction in progress	5,714,049	3,553,191	81,756	2,616	5,795,805	3,555,807
	<u>\$ 63,779,116</u>	<u>\$ 63,345,733</u>	<u>\$ 2,678,190</u>	<u>\$ 2,778,900</u>	<u>\$ 66,457,306</u>	<u>\$ 66,124,633</u>

**McMinn County, Tennessee Change in Capital Assets**  
**For the Fiscal Year-End June 30**  
**Primary Government**

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Beginning balance	\$ 105,950,548	\$ 101,426,818	\$ 6,742,536	\$ 6,423,122	\$ 112,693,084	\$ 107,849,940
Additions	3,281,018	4,717,342	257,696	981,725	3,538,714	5,699,067
Deletions	(181,013)	(193,612)	(119,746)	(662,311)	(300,759)	(855,923)
Balance before depreciation	109,050,553	105,950,548	6,880,486	6,742,536	115,931,039	112,693,084
Accumulated depreciation	(45,271,437)	(42,604,815)	(4,202,296)	(3,963,636)	(49,473,733)	(46,568,451)
Balance after depreciation	<u>\$ 63,779,116</u>	<u>\$ 63,345,733</u>	<u>\$ 2,678,190</u>	<u>\$ 2,778,900</u>	<u>\$ 66,457,306</u>	<u>\$ 66,124,633</u>

Additional information on the McMinn County Government's capital assets can be found in Note G of this report on page A-29.

**Long-Term Debt.** At the end of the current fiscal year, the Woods Memorial Hospital District & Subsidiary, a component unit of the McMinn County Government had total long-term debt outstanding of \$1,552,096. This amount represents various notes payable and capital lease obligations secured by certain property as well as other real property and assets of the District.

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

The Woods Memorial Hospital District & Subsidiary was sold to a private entity following the end of the fiscal year covered by this report. Hence, the McMinn County Government will no longer be obligated to fund deficits of the District after this event.

## Woods Memorial Hospital District & Subsidiary's Outstanding Debt

A component unit of the McMinn County Government

	<u>2007</u>	<u>2006</u>
General obligation bonds	\$ -	\$ -
Notes payable	870,431	1,339,870
Capital lease obligations	<u>681,665</u>	<u>570,151</u>
Total	<u>\$ 1,552,096</u>	<u>\$ 1,910,021</u>

The Woods Memorial Hospital District & Subsidiary's total debt decreased \$357,925 (18.7%) during this fiscal year through principal payments of scheduled annual debt retirement.

Additional information on the Woods Memorial Hospital District & Subsidiary's long-term debt can be found in Note I on pages A-32 through A-35 of this report.

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

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

### Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for McMinn County at the end of this fiscal year was 4.9%, which is a decrease from 6.3% at the end of fiscal year 2006. The county's unemployment rate is higher than the state unemployment rate for June 2007 (4.4%); and also slightly higher than the national rate (4.7%) for the same period.
- To help lower the unemployment rate and to help improve the county's economic activity, the McMinn County Government, along with the McMinn County Economic Development Authority, is seeking to spur growth by marketing the industrial park to attract new industries and further development of existing industries.

These factors were considered in preparing the McMinn County Government's budget for the 2007-2008 fiscal year.

During the current year, unreserved fund balance in the general fund decreased to \$1,890,395. The McMinn County Government has appropriated \$648,595 of this amount for spending in the 2007-2008 fiscal year budgets. It is intended that this use of available fund balance will avoid the need to raise taxes or charges in the 2007-2008 fiscal year. It is the normal, conservative nature of County operations to spend less than is allowed through the adopted budget. Conservative revenue projections and conservative spending have long been strengths of McMinn County's operations.

## **Requests for Information**

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

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

# STATEMENT OF NET ASSETS

## McMINN COUNTY, TENNESSEE

June 30, 2007

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 542,201	\$ 75	\$ 542,276
Equity in pooled cash and investments	15,131,538	2,212,012	17,343,550
Investments	-	-	-
Receivables, net of allowance for uncollectibles	10,567,465	159,293	10,726,758
Due from other funds	1,423	80,550	81,973
Due from component units	1,483,485	-	1,483,485
Inventories	18,664	-	18,664
Prepaid items	-	-	-
Other assets	-	-	-
Land and other nondepreciable assets	7,620,172	520,706	8,140,878
Other capital assets, net of accumulated depreciation	<u>56,158,944</u>	<u>2,157,484</u>	<u>58,316,428</u>
<b>Total assets</b>	<u>91,523,892</u>	<u>5,130,120</u>	<u>96,654,012</u>
<b>LIABILITIES</b>			
Overdraft in pooled cash and investments	-	-	-
Accounts payable and accrued expenses	353,741	31,451	385,192
Due to other funds	80,550	1,423	81,973
Due to primary government	-	-	-
Unearned revenue	8,335,605	-	8,335,605
Long-term liabilities:			
Due within one year	-	-	-
Due in more than one year	<u>269,735</u>	<u>1,471,842</u>	<u>1,741,577</u>
<b>Total liabilities</b>	<u>9,039,631</u>	<u>1,504,716</u>	<u>10,544,347</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	63,779,116	2,678,190	66,457,306
Restricted for:			
Capital projects	8,147,765	-	8,147,765
Unrestricted	<u>10,557,380</u>	<u>947,214</u>	<u>11,504,594</u>
<b>Total net assets</b>	<u>\$ 82,484,261</u>	<u>\$ 3,625,404</u>	<u>\$ 86,109,665</u>

The Notes to Basic Financial Statements are an integral part of this statement.

Component Units		
McMinn County Board of Education	"911 Emergency Communication	Woods Memorial Hospital District & Sub.
\$ -	\$ -	\$ 782,769
4,719,843	733,036	-
-	-	2,043
7,816,306	39,846	3,794,086
-	-	-
-	-	-
-	-	520,122
-	-	145,982
-	-	138,774
5,575,537	99,557	368,661
<u>18,055,853</u>	<u>606,101</u>	<u>7,308,287</u>
<u>36,167,539</u>	<u>1,478,540</u>	<u>13,060,724</u>
20,423	-	-
98,755	646	6,208,717
-	-	-
201,894	276	1,281,315
6,416,490	-	24,000
-	-	836,119
-	-	715,977
<u>6,737,562</u>	<u>922</u>	<u>9,066,128</u>
23,631,390	705,658	6,066,088
-	-	-
<u>5,798,587</u>	<u>771,960</u>	<u>(2,071,492)</u>
<u>\$ 29,429,977</u>	<u>\$ 1,477,618</u>	<u>\$ 3,994,596</u>

**STATEMENT OF ACTIVITIES**

**McMINN COUNTY, TENNESSEE**

Year ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
Government activities:				
General government	\$ 5,415,201	\$ 4,023,886	\$ 1,930,356	\$ -
Public safety	4,660,291	-	-	-
Health	1,159,806	-	-	-
Social services	10,616	-	-	-
Culture and recreation	230,464	-	-	-
Public works	44,506	-	-	-
Roads and bridges	5,158,187	-	2,293,567	-
Education	2,168,010	-	2,352,474	-
Total governmental activities	18,847,081	4,023,886	6,576,397	-
Business-type activities:				
Solid waste disposal	1,634,849	1,182,765	30,256	-
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 20,481,930</b>	<b>\$ 5,206,651</b>	<b>\$ 6,606,653</b>	<b>\$ -</b>
Component units:				
Education	\$ 38,522,571	\$ 1,043,933	\$ 26,044,456	\$ 1,879,915
Emergency communications	787,858	491,608	361,842	-
Hospital	25,169,498	24,765,580	16,920	-
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 64,479,927</b>	<b>\$ 26,301,121</b>	<b>\$ 26,423,218</b>	<b>\$ 1,879,915</b>
General revenues:				
Property taxes				
Sales taxes				
Business taxes				
Hotel/Motel taxes				
Other taxes				
Grants and contributions not restricted to specific programs				
Miscellaneous				
Transfers				
Unrestricted investment earnings				
Total general revenues				
Impairment loss on goodwill				
Change in net assets				
Net assets, beginning				
Net assets, ending				

The Notes to Basic Financial Statements are an integral part of this statement.

Net (Expense) Revenues and  
Changes in Net Assets

Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Board of Education	Emergency Communications District	Woods Memorial Hospital District & Subsidiary
\$ 539,041		\$ 539,041			
(4,660,291)		(4,660,291)			
(1,159,806)		(1,159,806)			
(10,616)		(10,616)			
(230,464)		(230,464)			
(44,506)		(44,506)			
(2,864,620)		(2,864,620)			
184,464		184,464			
<u>(8,246,798)</u>		<u>(8,246,798)</u>			
	\$ (421,828)	(421,828)			
<u>(8,246,798)</u>	<u>(421,828)</u>	<u>(8,668,626)</u>			
			\$ (9,554,267)		
			-	\$ 65,592	-
			<u>-</u>	<u>-</u>	<u>\$ (386,998)</u>
			<u>(9,554,267)</u>	<u>65,592</u>	<u>(386,998)</u>
8,942,538	-	8,942,538	6,962,782	-	-
523,306	-	523,306	3,884,813	-	-
-	-	-	103,411	-	-
342,804	-	342,804	-	-	-
1,011,766	-	1,011,766	78,645	-	-
-	-	-	-	-	-
-	-	-	332,382	-	-
(80,550)	80,550	-	-	-	-
876,405	114,180	990,585	-	32,156	4,950
<u>11,616,269</u>	<u>194,730</u>	<u>11,810,999</u>	<u>11,362,033</u>	<u>32,156</u>	<u>4,950</u>
-	-	-	-	-	(141,989)
3,369,471	(227,098)	3,142,373	1,807,766	97,748	(524,037)
79,114,790	3,852,502	82,967,292	27,622,211	1,379,870	4,518,633
<u>\$ 82,484,261</u>	<u>\$ 3,625,404</u>	<u>\$ 86,109,665</u>	<u>\$ 29,429,977</u>	<u>\$ 1,477,618</u>	<u>\$ 3,994,596</u>

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**McMINN COUNTY, TENNESSEE  
June 30, 2007**

	General	Road and Bridge	Constitutional Officers
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ 542,201
Equity in pooled cash and investments	2,405,816	934,228	
Receivables, net of allowance for uncollectibles	4,637,740	1,770,915	-
Due from other funds	116,842	-	-
Due from proprietary fund	1,422	-	-
Due from component units	454,238	-	-
Inventories	18,664	-	-
<b>Total assets</b>	<b>\$ 7,634,722</b>	<b>\$ 2,705,143</b>	<b>\$ 542,201</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 133,547	\$ 207,416	\$ -
Accrued items and other	1,044	-	-
Due to other funds	-	13,488	102,200
Due to proprietary fund	80,550		
Unearned revenues:			
Uncollected property taxes	3,793,305	1,403,308	-
<b>Total liabilities</b>	<b>4,008,446</b>	<b>1,624,212</b>	<b>102,200</b>
<b>Fund balances:</b>			
<b>Reserved for:</b>			
Encumbrances	40,770	-	-
Inventories	18,664	-	-
Notes receivable	-	-	-
Alcohol and drug treatment	188,370	-	-
Sexual offender registration	8,425	-	-
Register of Deeds	38,659	-	-
Hotel/Motel tax	637,543	-	-
Health Department	101,329	-	-
Drug Prosecutor	89,286	-	-
Other restricted activities	612,835	4,856	1
<b>Unreserved, reported in:</b>			
General fund	1,890,395	-	-
Capital projects fund	-	-	-
Debt service	-	-	-
Special revenue funds	-	1,076,075	440,000
<b>Total fund balances</b>	<b>3,626,276</b>	<b>1,080,931</b>	<b>440,001</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,634,722</b>	<b>\$ 2,705,143</b>	<b>\$ 542,201</b>

The Notes to Basic Financial Statements are an integral part of this statement.

Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 542,201
1,674,451	7,922,122	2,187,763	15,124,380
6,668	3,883,792	268,350	10,567,465
-	-	-	116,842
-	-	-	1,422
1,029,247	-	-	1,483,485
-	-	-	18,664
<u>\$ 2,710,366</u>	<u>\$ 11,805,914</u>	<u>\$ 2,456,113</u>	<u>\$ 27,854,459</u>
\$ -	\$ 4,399	\$ -	\$ 345,362
-	-	7,331	8,375
-	-	1,154	116,842
-	-	-	80,550
-	3,669,790	-	8,866,403
-	3,674,189	8,485	9,417,532
-	-	-	40,770
-	-	-	18,664
-	-	200,284	200,284
-	-	-	188,370
-	-	-	8,425
-	-	-	38,659
-	-	-	637,543
-	-	-	101,329
-	-	-	89,286
-	163,704	-	781,396
-	-	-	1,890,395
-	7,968,021	-	7,968,021
2,710,366	-	-	2,710,366
-	-	2,247,344	3,763,419
<u>2,710,366</u>	<u>8,131,725</u>	<u>2,447,628</u>	<u>18,436,927</u>
<u>\$ 2,710,366</u>	<u>\$ 11,805,914</u>	<u>\$ 2,456,113</u>	<u>\$ 27,854,459</u>

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS**

**McMINN COUNTY, TENNESSEE**

**June 30, 2007**

---

Differences in amounts reported for governmental activities in the statement of net assets on page A-1:

Fund balances - total governmental funds \$ 18,436,927

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 63,779,116

Certain revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. 530,795

Internal service funds are used by management to charge the costs of self-insurance programs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 7,158

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and therefore are not reported as fund liabilities.  
Compensated absences (269,735)

Net assets of governmental activities \$ 82,484,261

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

**McMINN COUNTY, TENNESSEE**  
**Year ended June 30, 2007**

	General	Road and Bridge	Constitutional Officers
<b>REVENUES</b>			
Taxes	\$ 5,428,707	\$ 1,480,352	\$ -
Intergovernmental	1,930,356	2,293,567	-
Charges for services	281,046	-	2,211,532
Fines, forfeitures and penalties	234,412	-	-
Investment earnings	289,815	23,454	46,051
Miscellaneous	450,430	5,994	1,000
Total revenues	8,614,766	3,803,367	2,258,583
<b>EXPENDITURES</b>			
Current:			
General government	3,975,458	-	1,204,365
Public safety	4,144,876	-	1,000
Health	1,073,279	-	-
Social services	10,616	-	-
Culture and recreation	225,605	-	-
Public works	-	-	-
Roads and bridges	-	3,014,273	-
Capital outlay:			
General government	-	-	-
Roads and bridges	-	708,894	-
Education	-	-	-
Total expenditures	9,429,834	3,723,167	1,205,365
Excess (deficiency) of revenues over (under) expenditures	(815,068)	80,200	1,053,218
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	959,279	-	-
Transfers out	(80,550)	-	(959,279)
Total other financing sources and uses	878,729	-	(959,279)
Net change in fund balances	63,661	80,200	93,939
Fund balances, beginning	3,562,615	1,000,731	346,062
Fund balances, ending	\$ 3,626,276	\$ 1,080,931	\$ 440,001

The Notes to Basic Financial Statements are an integral part of this statement.

Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 3,814,830	\$ -	\$ 10,723,889
-	2,352,474	-	6,576,397
-	-	625,769	3,118,347
-	-	166,607	401,019
79,691	353,032	84,362	876,405
-	17,448	29,648	504,520
<u>79,691</u>	<u>6,537,784</u>	<u>906,386</u>	<u>22,200,577</u>
1,103	-	2,824	5,183,750
-	-	117,645	4,263,521
-	-	-	1,073,279
-	-	-	10,616
-	-	-	225,605
-	-	44,506	44,506
-	-	-	3,014,273
-	2,839,579	-	2,839,579
-	-	-	708,894
-	-	-	-
<u>1,103</u>	<u>2,839,579</u>	<u>164,975</u>	<u>17,364,023</u>
<u>78,588</u>	<u>3,698,205</u>	<u>741,411</u>	<u>4,836,554</u>
-	-	-	959,279
-	(1,879,915)	-	(2,919,744)
-	(1,879,915)	-	(1,960,465)
78,588	1,818,290	741,411	2,876,089
<u>2,631,778</u>	<u>6,313,435</u>	<u>1,706,217</u>	<u>15,560,838</u>
<u>\$ 2,710,366</u>	<u>\$ 8,131,725</u>	<u>\$ 2,447,628</u>	<u>\$ 18,436,927</u>

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

**McMINN COUNTY, TENNESSEE**

**Year ended June 30, 2007**

Differences in amounts reported for governmental activities in the statement of activities on pages A-3:

Net change in fund balances - total governmental funds	\$	2,876,089
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of net assets		3,548,473
Depreciation expense on governmental capital assets are included in the governmental activities in the statement of activities		(2,826,995)
The net effect of various transactions involving capital assets is to decrease net assets		(288,095)
Certain items 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		(36,526)
Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds		<u>96,525</u>
Change in net assets of governmental activities	\$	<u>3,369,471</u>

The Notes to Basic Financial Statements are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND**

**McMINN COUNTY, TENNESSEE**  
**Year ended June 30, 2007**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 5,230,206	\$ 5,230,206	\$ 5,428,707	\$ 198,501
Intergovernmental revenues	1,638,235	1,728,260	1,930,356	202,096
Charges for services	187,665	187,665	281,046	93,381
Fines, forfeitures and penalties	264,500	264,500	234,412	(30,088)
Investment earnings	175,000	175,000	289,815	114,815
Miscellaneous	439,110	439,110	450,430	11,320
Total revenues	<u>7,934,716</u>	<u>8,024,741</u>	<u>8,614,766</u>	<u>590,025</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,885,068	4,226,705	3,975,458	251,247
Public safety	3,997,885	4,324,261	4,144,876	179,385
Health	1,085,237	1,139,137	1,073,279	65,858
Social services	17,581	17,581	10,616	6,965
Culture and recreation	218,322	225,610	225,605	5
Total expenditures	<u>9,204,093</u>	<u>9,933,294</u>	<u>9,429,834</u>	<u>503,460</u>
Excess of revenues over expenditures	<u>(1,269,377)</u>	<u>(1,908,553)</u>	<u>(815,068)</u>	<u>1,093,485</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	735,000	735,000	959,279	224,279
Transfers out	<u>(286,837)</u>	<u>(286,837)</u>	<u>(80,550)</u>	<u>206,287</u>
Total other financing sources (uses)	<u>448,163</u>	<u>448,163</u>	<u>878,729</u>	<u>430,566</u>
Net change in fund balance	<u>\$ (821,214)</u>	<u>\$ (1,460,390)</u>	63,661	<u>\$ 1,524,051</u>
Fund balance at beginning of year			<u>3,562,615</u>	
Fund balance at end of year			<u>\$ 3,626,276</u>	

The Notes to Basic Financial Statements are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - ROAD AND BRIDGE FUND**

**McMINN COUNTY, TENNESSEE**  
**Year ended June 30, 2007**

	Budget Original	Budget Final	Actual (Non - GAAP Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 1,477,794	\$ 1,477,794	\$ 1,480,352	\$ 2,558
Intergovernmental revenues	2,105,777	2,105,777	2,293,566	187,789
Investment earnings	18,000	18,000	23,454	5,454
Miscellaneous	<u>6,000</u>	<u>6,000</u>	<u>5,994</u>	<u>(6)</u>
Total revenues	<u>3,607,571</u>	<u>3,607,571</u>	<u>3,803,366</u>	<u>195,795</u>
<b>EXPENDITURES</b>				
Current:				
Road and bridge:				
Administration	166,258	166,258	162,064	4,194
Highway and bridge maintenance	1,864,577	1,864,577	1,759,957	104,620
Equipment maintenance and operation	550,679	550,679	454,579	96,100
Other charges	187,368	187,368	172,723	14,645
Employee benefits	561,892	561,892	464,950	96,942
Capital outlay	<u>748,247</u>	<u>748,247</u>	<u>708,893</u>	<u>39,354</u>
Total budgetary expenditures	<u>4,079,021</u>	<u>4,079,021</u>	<u>3,723,166</u>	<u>355,855</u>
Excess (deficiency) of revenues over (under) budgetary expenditures	(471,450)	(471,450)	80,200	551,650
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ (471,450)</u>	<u>\$ (471,450)</u>	80,200	<u>\$ 551,650</u>
Fund balance at beginning of year			<u>1,000,731</u>	
Fund balance at end of year			<u>\$ 1,080,931</u>	

The Notes to Basic Financial Statements are an integral part of this statement.

**STATEMENT OF NET ASSETS  
PROPRIETARY FUND**

**McMINN COUNTY, TENNESSEE  
June 30, 2007**

	Business-type Activities- Solid Waste Disposal Fund	Governmental Activities - Internal Service Fund
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Current assets:		
Petty cash	\$       75	\$       -
Equity in pooled cash and investments	2,212,012	7,158
Accounts receivable	159,293	-
Due from other funds	<u>80,550</u>	<u>          -</u>
Total current assets	<u>2,451,930</u>	<u>7,158</u>
Capital assets:		
Land and site improvements	438,950	-
Construction in progress	<u>81,756</u>	<u>          -</u>
Total non-depreciable assets	<u>520,706</u>	<u>          -</u>
Landfill facilities and development	4,287,422	-
Buildings and improvements	156,837	-
Machinery and equipment	<u>1,915,521</u>	<u>          -</u>
Total depreciable assets	6,359,780	-
Less: Accumulated depreciation	<u>(4,202,296)</u>	<u>          -</u>
Net depreciable assets	<u>2,157,484</u>	<u>          -</u>
Total capital assets	<u>2,678,190</u>	<u>          -</u>
Total assets	<u>5,130,120</u>	<u>7,158</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	31,452	-
Due to other funds	<u>1,422</u>	<u>          -</u>
Total current liabilities	<u>32,874</u>	<u>          -</u>
Long-term liabilities:		
Estimated liability for closure and post-closure costs	<u>1,471,842</u>	<u>          -</u>
Total liabilities	<u>1,504,716</u>	<u>          -</u>
<b>NET ASSETS</b>		
Invested in capital assets	2,678,190	-
Unrestricted	<u>947,214</u>	<u>7,158</u>
Total net assets	<u>\$ 3,625,404</u>	<u>\$ 7,158</u>

The Notes to Basic Financial Statements are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
FUND NET ASSETS  
PROPRIETARY FUND**

**McMINN COUNTY, TENNESSEE  
Year ended June 30, 2007**

	Business-type Activities- Solid Waste Disposal Fund	Governmental Activities - Internal Service Fund
<b>OPERATING REVENUES</b>		
Charges for services	\$ 1,169,559	\$ -
Total operating revenues	<u>1,169,559</u>	<u>-</u>
<b>OPERATING EXPENSES</b>		
Depreciation and amortization	349,204	-
Salaries and wages	349,649	-
Repairs and maintenance	231,621	-
Surcharges	65,577	-
Closure and post-closure care costs	111,186	-
Contracts with private agencies	133,176	-
Employee benefits	116,872	-
Fuel	142,644	-
Supplies and materials	21,274	-
Insurance	24,846	-
Other	88,800	-
Total operating expenses	<u>1,634,849</u>	<u>-</u>
Operating income (loss)	(465,290)	-
<b>NONOPERATING REVENUES</b>		
Waste tire grants	30,256	-
Miscellaneous	13,206	-
Investment earnings	114,180	-
Income (loss) before transfers	(307,648)	-
Transfers in	<u>80,550</u>	<u>-</u>
Change in net assets	(227,098)	-
Net assets, beginning	<u>3,852,502</u>	<u>7,158</u>
Net assets, ending	<u>\$ 3,625,404</u>	<u>\$ 7,158</u>

The Notes to Basic Financial Statements are an integral part of this statement.

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND**

**McMINN COUNTY, TENNESSEE  
Year ended June 30, 2007**

	Business-type Activities- Solid Waste Disposal Fund	Governmental Activities - Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 1,182,848	\$ -
Payments to employees	(349,649)	-
Payments for goods and services	<u>(864,085)</u>	<u>-</u>
Net cash used in operating activities	<u>(30,886)</u>	<u>-</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Transfers in	<u>19,590</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>19,590</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(248,494)	-
Net disposal of assets	13,206	-
Waste tire grants	<u>30,256</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(205,032)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	<u>114,180</u>	<u>-</u>
Net cash provided by investing activities	<u>114,180</u>	<u>-</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(102,148)</b>	<b>-</b>
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<b><u>2,314,235</u></b>	<b><u>7,158</u></b>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 2,212,087</u></b>	<b><u>\$ 7,158</u></b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	<u>\$ (465,290)</u>	<u>\$ -</u>
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Depreciation and amortization	349,204	-
Estimated liability for closure and postclosure care costs	62,306	-
Change in accounts receivable	13,289	-
Change in accounts payable	<u>9,605</u>	<u>-</u>
Total adjustments	<u>434,404</u>	<u>-</u>
Net cash used by operating activities	<u>\$ (30,886)</u>	<u>\$ -</u>

The Notes to Basic Financial Statements are an integral part of this statement.

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS**

**McMINN COUNTY, TENNESSEE**

**June 30, 2007**

	Athens School Fund	Etowah School Fund	Judicial District Drug Fund	Constitutional Officers Agency Funds
<b>ASSETS</b>				
Cash	\$ -	\$ -	\$ -	\$ 612,094
Investments	-	-	-	1,399,039
Equity in pooled cash and investments	-	-	2,090,024	-
Receivables:				
Property taxes	1,861,387	388,044	-	-
Accounts	188,006	39,137	13,469	-
Due from other funds	-	-	-	-
<b>Total assets</b>	<u>2,049,393</u>	<u>427,181</u>	<u>2,103,493</u>	<u>2,011,133</u>
<b>LIABILITIES</b>				
Accrued items and other	200,942	42,006	-	-
Intergovernmental payables	1,848,451	385,175	2,103,493	428,011
Due to litigants, heirs and others	-	-	-	1,583,122
<b>Total liabilities</b>	<u>2,049,393</u>	<u>427,181</u>	<u>2,103,493</u>	<u>2,011,133</u>
<b>NET ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Notes to Basic Financial Statements are an integral part of this statement.

## NOTES TO BASIC FINANCIAL STATEMENTS

McMINN COUNTY, TENNESSEE  
June 30, 2007

	<u>Page</u>
Note A - Summary of Significant Accounting Policies	A - 17
Note B - Stewardship, Compliance and Accountability	A - 26
Note C - Cash and Investments	A - 26
Note D - Receivables	A - 27
Note E - Solid Waste Disposal Closure and Post Closure Care Costs	A - 28
Note F - Commitments and Contingencies	A - 28
Note G - Capital Assets	A - 29
Note H - Employee Retirement Systems	A - 30
Note I - Long-term Liabilities	A - 32
Note J - Interfund Receivables and Payables	A - 35
Note K - Interfund Transfers	A - 36
Note L - Major Taxpayers	A - 36
Note M - Joint Ventures	A - 36
Note N - Litigation	A - 37
Note O - Risk Management	A - 37
Note P - Subsequent Events	A - 37

## NOTES TO BASIC FINANCIAL STATEMENTS

McMINN COUNTY, TENNESSEE  
JUNE 30, 2007

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

McMinn County, Tennessee (the County) was incorporated in 1819, by the Tennessee State Legislature and operates under a legislative body – County Mayor form of government. The present form of government was established in 1982 by constitutional amendment.

The financial statements of the County have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

#### (1) REPORTING ENTITY

In evaluating the County as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the County may be financially accountable and, as such, should be included within the County’s financial statements. The County (the primary government) is financially accountable if it appoints a voting majority of the organization’s governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose specific financial burden on the County. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units.

#### **Discretely Presented Component Units**

**McMinn County Board of Education** – The McMinn County Board of Education provides public education for grades kindergarten through twelve. The ten-member board is currently comprised of elected members who appoint the superintendent. The McMinn County Commission levies taxes for the operations of the school system, approves the Board of Education’s budget, and must approve any debt issuances. The financial activities also include the operations of a general fund type, two special revenue funds, and one capital project fund. The Board of Education does not issue separate financial statements.

**The Emergency Communication District (E-911 District)** – The “E-911” District was established to provide services under the Emergency Communications District Law, Tennessee Code Annotated, Chapter 86. The E-911 District board members, as appointed by the County Mayor and concurred to by the County Commission, are responsible for the E-911 District operations. The County Commission must approve any bonds or indebtedness of the E-911 District. Complete financial statements may be obtained from: Emergency Communications District, 1107 South Congress Parkway, Athens, TN 37303.

**The Woods Memorial Hospital District & Subsidiary** – The Woods Memorial Hospital District & Subsidiary provides full service medical and nursing home care to the County region, which included the County’s jurisdiction. The District is managed by a nine-member board, which is appointed by the County Mayor and confirmed by the County Commission. The District’s bonds may be issued through the County and the County may be obligated to fund any deficits, which may arise from the operation and maintenance to the District. The District is presented as an enterprise type fund. Complete financial statements may be obtained from: Woods Memorial Hospital District & Subsidiary, Highway 411 North, Etowah, TN 37331.

(2) **JOINT VENTURES**

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The County participates in the following joint ventures:

**Hiwassee Utilities Commission** - The County is a participant in a joint venture with Bradley County in the operation of the Hiwassee Utilities Commission. Further information can be found in Note M – Joint Venture.

**E.G. Fisher Public Library** - In 1995, the Library was formed as a not-for-profit corporation under the laws of the State of Tennessee. The Library is a full service library offering circulation and reference services, reader's advisory, children's services and programs, and a strong genealogical collection to residents of McMinn County. Further information can be found in Note M – Joint Venture.

(3) **BASIC FINANCIAL STATEMENTS-GASB STATEMENT NO. 34**

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements, focusing on either the County as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. In the government-wide Statement of Net Assets, the governmental activities (a) are presented on a consolidated basis in a single column and (b) are reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, highways and streets, etc.), which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. Program revenues include revenues from fines and forfeitures, licenses and permits fees, service assessments, and charges for services. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net cost (by function or business-type activity) is normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.).

This government-wide focus is designed to view the County as a complete entity and the change in aggregate financial position resulting from the activities of the fiscal period. Emphasis here is on the major governmental funds. Non-major governmental funds (by category) are summarized into a single column.

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the County's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the governmental activities column in the government-wide financial statements, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the fund-based financial statements into the governmental activities column of the government-wide presentation.

Internal service funds of a government (which traditionally provide services primarily to other funds of the government) are presented in the summary form as part of the proprietary fund financial statement. Operating revenues and expenses are the result of providing services to the principal user of the internal service. Any revenues or expenses that are not the result of providing those services are classified as nonoperating. Since the principal users of the internal services are the County's governmental activities, financial statements of internal service funds are consolidated into the governmental activities column when presented at the government-wide

level. To the extent possible, the costs of these services are reflected in the appropriate functional activity (public safety, highways and streets, etc.).

The County's fiduciary funds (which have been redefined and narrowed in scope) are presented in the fund financial statements by type (pension and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to finance activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The focus of the GASB Statement No. 34 model is on the County as a whole and the fund financial statements. The focus of the fund financial statements is on the major individual government funds as well as the fiduciary funds (by category) and the component units. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

(4) **BASIS OF PRESENTATION**

The financial transactions of the County are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are reported by generic classification within the financial statements.

The GASB Statement No. 34 model sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements and detailed in the combining section.

The County reports the following major funds, proprietary funds, and other fund types:

**a) Major Funds:**

**General Fund** – The General Fund is used to account for all revenues and expenditures applicable to the general operations of county government that are not properly accounted for in another fund. All general operating revenues that are not restricted or designated as to their use by outside sources are recorded in the General Fund. Revenues are derived primarily from taxes and intergovernmental revenues.

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

**Debt Service Fund** – The Debt Service Fund is used to account for the accumulation of resources for the payment of interest, principal, and related costs of long-term liabilities of the Primary Government's governmental activities.

**Capital Projects Fund** – The Capital Projects Fund is used to account for resources designated to construct or acquire capital assets and major improvements. Revenues are derived primarily from the issuance of long-term liabilities, intergovernmental revenues, grants, and earnings on investments.

**b) Proprietary Fund:**

**Enterprise Funds** – Enterprise Funds are used to account for operations which are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The enterprise fund consists of the solid waste disposal operations used to account for County landfill activities.

The County applies with accounting principles generally accepted in the United States of America. The County's reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements. Under Governmental Accounting Standards Board (GASB) Statement 20, **Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting**, the proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) statements and interpretations issued, provided they do not conflict with or contradict GASB pronouncements, in which case, GASB prevails. The component unit, McMinn County Emergency Communications District, is required to apply all pronouncements of the GASB and the pronouncements of the FASB issued prior to November 30, 1989, that do not conflict with those of the GASB. After November 30, 1989, the District is required to follow any GASB guidance and not follow any FASB guidance issued after that date.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Landfill, the enterprise fund, are charged to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**c) Other Fund Types:**

**Internal Service Funds** – The County maintains an insurance fund that provides life and medical protection for certain eligible employees of the County,

**d) Non-Current Governmental Assets/Liabilities:**

GASB Statement No. 34 eliminated the presentation of Account Groups but provides for these records to be maintained and incorporates the information into the governmental activities column in the government-wide Statement of Net Assets.

**(5) BASIS OF ACCOUNTING**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The Government-wide Financial Statements and the Proprietary and Fiduciary Fund Financial Statements are presented on the accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on the modified accrual basis.

**Accrual** – Revenues are recognized when earned and expenses are recognized when incurred.

**Modified Accrual** – All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Major revenue sources susceptible to accrual include: grants, interest, sales and use taxes, hotel/motel taxes, property taxes, and intergovernmental revenues. In general, other revenues are recognized when cash is received.

The County defined the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements to be sixty days.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement No. 33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements, including time requirements, are met. The recipient should, under most circumstances, report resources transmitted before the eligibility requirements are met as advances by the provider and as deferred revenue.

(6) **BUDGET POLICY AND BUDGETARY DATA**

**Budget Basis/Authority**

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

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

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

**Budgetary Process**

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

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

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

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

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

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

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

(7) **ASSETS, LIABILITIES, AND FUND EQUITY**

**a) Cash and Cash Equivalents**

The County considers cash and cash equivalents to include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

**b) Investments**

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

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

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

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

**c) Receivables, Payables and Deferred Revenues**

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

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

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

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

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

**d) Inventories**

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

**e) Capital Assets**

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date donated. The County maintains infrastructure asset records consistent with other capital assets. The County’s threshold for additions to capital assets is \$5,000 and an estimated useful life in excess of one year except for buildings and improvements that are capitalized when the cost is \$50,000 or more. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed as incurred. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

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

**f) Compensated Absences**

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

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

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

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

**g) Retirement Incentives**

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

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

**h) Long-term Obligations**

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

Bonds payable are reported net to the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**i) Fund Balance**

Reserved fund balance indicates that portion of fund equity that has been legally segregated for specific purposes. Designated fund balance indicates that portion of fund equity for which the County has made tentative plans.

**j) Pension Plans**

Substantially all County employees are eligible to participate in retirement benefit plans established by the State of Tennessee.

**(8) REVENUES, EXPENDITURES, AND EXPENSES**

Substantially all governmental fund revenues are accrued. Expenditures are recognized when the related fund liability is incurred, except for the following instances permitted by generally accepted accounting principles:

- General obligation long-term debt principal and interest are reported only when due.
- Inventory costs are reported in the period when inventory items are consumed rather than in the period purchased.

**a) Property Taxes**

Property taxes levied by the County are assessed by the Assessor of Property and collected by the Trustee, both of whom are elected officials of the County. Property tax revenues are recognized when they become measurable and available. "Available" means due or past due and receivable within the current period and collected no longer than 60 days after the close of the current period. Uncollected amounts not considered available are recorded as deferred revenues. McMinn County has unlimited ability to levy ad valorem taxes.

The property tax calendar applicable to the current fiscal year is as follows:

Lien date	January 1, 2006
Levy date	October 1, 2006
Tax bills mailed	October 1, 2006
Payment due dates	October 1, 2006 through February 28, 2007
Delinquency date	March 1, 2007
Tax sale – 2002 delinquent property taxes	June 2006

**b) Grant Revenue**

The County, a recipient of grant revenues, recognizes revenues (net of estimated uncollectible amounts if any) when all applicable eligibility requirements, including time requirements, are met. Resources transmitted to the County before the eligibility requirements are met are reported as deferred revenues.

Some grants and contributions consist of capital assets or resources that are restricted for capital purposes – to purchase, construct, or renovate capital assets associated with a specific program. These are reported separately from grants and contributions that may be used either for operating expenses or for capital expenditures of the program at the discretion of the County.

**c) Investment Income**

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

**d) Interfund Transactions**

During the course of normal operations, the County has numerous transactions between funds to provide services, construct assets, service debt, etc. These transactions are generally reflected as transfers except for transactions reimbursing a fund for expenditures made by it for the benefit of another fund. Such transactions are recorded as expenditures in the disbursing fund and as a reduction of expenditures in the receiving fund. Transactions that would be treated as revenues or expenditures if they involve organizations external to the County are treated as revenues in the receiving fund and expenditures in the disbursing fund.

Amounts owed to one fund or component unit by another are reported as due to/due from other funds or component units. Amounts reported in the fund financial statements as due to/due from other funds are eliminated in the governmental activities column of the government-wide Statement of Net Assets.

**e) Payments Between the County and Component Units**

Resource flows (except those that affect the statement of net assets/balance sheet only, such as loans and repayments) between a primary government and its discretely presented component units are reported as external transactions – that is, as revenues and expenses. Payments from component units consist of debt service payments from “911” Emergency Communication for equipment purchased by the County.

**f) Indirect Costs**

Certain indirect costs have been included as part of the program expenses reported for the various functional activities.

**g) Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(9) **NET ASSETS**

The government-wide financial statements utilize a net asset presentation. Net assets are categorized as investment in fixed assets (net of related debt), restricted and unrestricted.

**Invested in Capital Assets (net of related debt)** – is intended to reflect the portion of net assets that are associated with non-liquid capital assets less outstanding capital asset related debt.

**Restricted Net Assets** – represent net assets that have third party (statutory, bond covenant or granting agency) limitations on their use. The County’s policy is generally to use restricted net assets first, as appropriate opportunities arise.

**Unrestricted Net Assets** – represent unrestricted net assets. While management may have categorized and segmented portions for various purposes, the County has the unrestricted authority to revisit or alter these managerial decisions.

**NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Compliance with Finance Related Legal and Contractual Provisions**

The County incurred no material violations of finance related legal and contractual provisions.

**Excess of Expenditures Over Appropriations in Individual Funds**

For the year ended June 30, 2007, the County had no material excess of expenditures over appropriations in individual funds.

**NOTE C – CASH AND INVESTMENTS**

State statutes allow the County to invest in obligations of the federal government, Tennessee governments, repurchase agreements, certificates of deposit, demand and time deposits and in the State of Tennessee Local Government Investment Pool. During 2007 the County’s deposits and temporary investments consisted exclusively of checking accounts, money market accounts, and certificates of deposit and, except for Woods Memorial Hospital District and the Constitutional Officers, are recorded by the Trustee’s office.

At June 30, 2007, the carrying amount of the County’s deposits is as follows:

Balances with the Trustee are as follows:

Cash on hand	\$	3,246
Bank accounts		5,970,501
Interest-bearing deposits in Financial institutions		<u>20,618,335</u>
		<u>\$26,592,082</u>

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

	<u>Trustee Balance</u>	<u>Outstanding Warrants</u>	<u>Carrying Value</u>
Primary government Trustee:	\$ 17,808,591	\$ 465,041	\$ 17,343,550
Fee and Commission	106,447	-	106,447
Component units:			
Board of Education	5,677,434	978,014	4,699,420
Emergency Communications District	<u>831,764</u>	<u>98,728</u>	<u>733,036</u>
Total government-wide	24,424,236	1,541,783	22,882,453
Agency fund:			
Judicial District Drug	<u>2,167,846</u>	<u>77,822</u>	<u>2,090,024</u>
	<u>\$ 26,592,082</u>	<u>\$ 1,619,605</u>	<u>\$ 24,972,477</u>

Deposits held by other Constitutional Officers are as follows:

	Special Revenue Funds (Major Fund)	Agency Funds	Total
Circuit, General Sessions and Probate Clerks	\$ 193,469	\$1,498,010	\$1,691,479
Clerk and Master	-	304,267	304,267
County Clerk	116,937	132,528	249,465
Register of Deeds	125,347	-	125,347
Sheriff Frisbie	<u>1</u>	<u>76,328</u>	<u>76,329</u>
	<u>\$ 435,754</u>	<u>\$2,011,133</u>	<u>\$2,446,887</u>

The carrying amount of deposits for the Woods Memorial Hospital District & Subsidiary (the "District"), a discretely presented component unit, was \$885,710 of which \$102,941 is board designated, and the bank balances were \$1,439,353.

**Custodial credit risk** - Custodial credit risk for the County, the Constitutional Officers and the District deposits is the risk that in the event of a bank failure, the County, the Constitutional Officers and District deposits may not be returned to them. As required by state statutes, the County's, the Constitutional Officer's and the District's policy is to require that financial institutions holding its deposits to be members of the Tennessee Collateral pool or pledge collateral for deposits in excess of federal depository insurance. The collateral is required to be held by the County, the Constitutional Officer and the District or their agents in the County's, the Constitutional Officer's or the District's name.

**Credit risk** - At June 30, 2007 none of the County's, the Constitutional Officer's, or the District's bank balances was exposed to credit risk.

**NOTE D – RECEIVABLES**

Receivables at June 30, 2007, consist of the following:

Funds	Property Taxes	Other Taxes	Accounts	Notes	Allowance for Uncollectibles	Net
<b>Primary Government:</b>						
General	\$ 4,194,820	\$ 164,141	\$ 653,941	\$ -	\$ 375,162	\$ 4,637,740
Road and bridge	1,551,845	336,577	21,282	-	138,789	1,770,915
Debt service	-	-	6,668	-	-	6,668
Capital projects	4,058,231	6,135	182,372	-	362,946	3,883,792
Nonmajor	-	-	68,066	200,284	-	268,350
Agency	<u>2,470,339</u>	<u>240,581</u>	<u>31</u>	<u>-</u>	<u>220,908</u>	<u>2,490,043</u>
	<u>12,275,235</u>	<u>747,434</u>	<u>932,360</u>	<u>200,284</u>	<u>1,097,805</u>	<u>13,057,508</u>
<b>Business-type Activity</b>						
Solid waste disposal	-	-	159,293	-	-	159,293
	<u>\$ 12,275,235</u>	<u>\$ 747,434</u>	<u>\$1,091,653</u>	<u>\$ 200,284</u>	<u>\$1,097,805</u>	<u>\$13,216,801</u>
<b>Component Units:</b>						
Board of Education	\$ 7,549,056	\$ 679,448	\$ 262,975	\$ -	\$ 675,173	\$ 7,816,306
Woods Memorial	-	-	3,794,086	-	-	3,794,086
E-911	-	-	39,846	-	-	39,846
	<u>\$ 7,549,056</u>	<u>\$ 679,448</u>	<u>\$4,096,907</u>	<u>\$ -</u>	<u>\$ 675,173</u>	<u>\$11,650,238</u>

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

Note E -- Solid Waste Disposal Post Closure Care Costs

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

The recognition of these landfill closure and post closure care costs is based on the amount of the landfill space used during the fiscal year. The estimated liability for landfill closure and post closure care cost of \$1,471,842 as of June 30, 2007, which is based on 43.3% usage of the landfill. It is estimated that an additional \$(3,417,060) will be recognized as closure and post closure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2021). The estimated total current cost of the landfill closure and post closure care (\$4,888,902) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2007. However, the actual cost of closure and post closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

**NOTE F – COMMITMENTS AND CONTINGENCIES**

The County is a party to various legal proceedings. At the date of these financial statements, the County cannot estimate its liability, if any, from losses that may result from certain proceedings. In the opinion of management and the County attorneys, the potential adverse impact of these proceedings would not be material to the combined financial statements of the County.

The County has received federal and state grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could result in reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. County management is not aware of any potential losses from such disallowance and believes that reimbursements, if any, would not be material.

Certain large taxpayers of the County have filed claims for property assessment amendments and tax adjustments for 2006 and prior years. Since the financial impact of such adjustments, if any, is not measurable or determinable, no provision has been made in these financial statements to record the effect of such adjustments.

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

As of July 1, 2005 the District was no longer self-insured regarding the health insurance coverage of its employees. At that date the District began to fully fund a health benefit plan for its employees. Prior to that change management had established a liability of \$168,862 at June 30, 2005, to cover costs of incurred but unpaid or unreported claims that required adjustment to the financial statements. Payments of claims and expenses for the year ended June 30, 2005, were \$407,062. There was a stop-loss coverage of \$30,000 per employee per year and a \$1,000,000 limit over the lifetime of the covered individual. As there was no overall aggregate stop-loss per group, the District could still have a material exposure. The schedule below represents the changes in claims liabilities for the current and prior two fiscal years:

	2007	2006	2005
Unpaid claims and expenses – beginning of year	\$ -	\$ 168,862	\$ 90,269
Incurred claims and expenses	-	-	407,062
Payments of claims and expenses	-	(168,862)	(328,469)
Unpaid claims and expenses – end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 168,862</u>

**NOTE G – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2007, is as follows:

<b>Primary Government</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
<b>Non-Depreciable Assets:</b>				
Land	\$ 1,906,123	\$ -	\$ -	\$ 1,906,123
Construction in progress	<u>3,553,191</u>	<u>2,160,858</u>	<u>-</u>	<u>5,714,049</u>
Total non-depreciable assets	<u>5,459,314</u>	<u>2,160,858</u>	<u>-</u>	<u>7,620,172</u>
<b>Depreciable Assets:</b>				
Buildings	11,590,693	485,505	-	12,076,198
Machinery and equipment	7,107,063	410,937	(181,013)	7,336,987
Infrastructure	<u>81,793,478</u>	<u>223,718</u>	<u>-</u>	<u>82,017,196</u>
Total depreciable assets	<u>100,491,234</u>	<u>1,120,160</u>	<u>(181,013)</u>	<u>101,430,381</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	(4,003,698)	(300,785)	-	(4,304,483)
Machinery and equipment	(4,999,779)	(516,247)	160,373	(5,355,653)
Infrastructure	<u>(33,601,338)</u>	<u>(2,009,963)</u>	<u>-</u>	<u>(35,611,301)</u>
Total accumulated depreciation	<u>(42,604,815)</u>	<u>(2,826,995)</u>	<u>160,373</u>	<u>(45,271,437)</u>
Depreciable Assets, net	<u>57,886,419</u>	<u>(1,706,835)</u>	<u>(20,640)</u>	<u>56,158,944</u>
Governmental activities capital assets, net	<u>\$ 63,345,733</u>	<u>\$ 454,023</u>	<u>\$ (20,640)</u>	<u>\$ 63,779,116</u>

<b>Business-type Activity</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
<b>Non-Depreciable Assets:</b>				
Land	\$ 438,950	\$ -	\$ -	\$ 438,950
Construction in progress	<u>2,616</u>	<u>79,140</u>	<u>-</u>	<u>81,756</u>
Total non-depreciable assets	<u>441,566</u>	<u>79,140</u>	<u>-</u>	<u>520,706</u>
<b>Depreciable Assets:</b>				
Buildings	156,838	-	-	156,838
Machinery and equipment	1,856,710	178,556	(119,746)	1,915,520
Infrastructure	<u>4,287,422</u>	<u>-</u>	<u>-</u>	<u>4,287,422</u>
Total depreciable assets	<u>6,300,970</u>	<u>178,556</u>	<u>(119,746)</u>	<u>6,359,780</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	(72,099)	(9,280)	-	(81,379)
Machinery and equipment	(1,015,031)	(124,455)	111,246	(1,028,240)
Infrastructure	<u>(2,876,506)</u>	<u>(216,171)</u>	<u>-</u>	<u>(3,092,677)</u>
Total accumulated depreciation	<u>(3,963,636)</u>	<u>(349,906)</u>	<u>111,246</u>	<u>(4,202,296)</u>
Depreciable Assets, net	<u>2,337,334</u>	<u>(171,350)</u>	<u>(8,500)</u>	<u>2,157,484</u>
Governmental activities capital assets, net	<u>\$ 2,778,900</u>	<u>\$ (92,210)</u>	<u>\$ (8,500)</u>	<u>\$ 2,678,190</u>

**Discretely Presented Component Units**

	Beginning Balance	Additions	Retirements	Ending Balance
Non-Depreciable Assets:				
Land	\$ 1,228,602	\$ 99,557	\$ -	\$ 1,328,159
Construction in progress	<u>3,029,107</u>	<u>2,045,824</u>	<u>(359,335)</u>	<u>4,715,596</u>
Total non-depreciable assets	<u>4,257,709</u>	<u>2,145,381</u>	<u>(359,335)</u>	<u>6,043,755</u>
Depreciable Assets:				
Buildings	42,013,433	444,732	-	42,458,165
Machinery and equipment	16,872,043	690,882	(384,691)	17,178,234
Improvements other than buildings	<u>584,928</u>	<u>-</u>	<u>-</u>	<u>584,928</u>
Total depreciable assets	<u>59,470,404</u>	<u>1,135,614</u>	<u>(384,691)</u>	<u>60,221,327</u>
Less Accumulated Depreciation for:				
Buildings	(19,019,946)	(1,162,920)	-	(20,182,866)
Machinery and equipment	(13,119,270)	(809,308)	384,691	(13,543,887)
Improvements other than buildings	<u>(514,363)</u>	<u>(9,970)</u>	<u>-</u>	<u>(524,333)</u>
Total accumulated depreciation	<u>(32,653,579)</u>	<u>(1,982,198)</u>	<u>384,691</u>	<u>(34,251,086)</u>
Depreciable Assets, net	<u>26,816,825</u>	<u>(846,584)</u>	<u>-</u>	<u>25,970,241</u>
Component units capital assets, net	<u>\$31,074,534</u>	<u>\$1,298,797</u>	<u>\$(359,335)</u>	<u>\$32,013,996</u>

Depreciation expense is charged to functions as follows:

Primary Government – Governmental Activities:

General government	\$ 154,575
Public safety	396,770
Public works	2,135,557
Health	86,527
Culture and recreation	<u>53,566</u>
Total	<u>\$ 2,826,995</u>

Business-type activities:

Solid waste disposal fund	<u>\$ 349,204</u>
---------------------------	-------------------

Discretely Presented Component Units:

Education	\$ 1,122,386
Woods Memorial Hospital District & Subsidiary	753,003
"911" Emergency communications	<u>106,374</u>
Total	<u>\$ 1,981,763</u>

**NOTE H – EMPLOYEE RETIREMENT SYSTEMS**

McMinn County provides retirement benefits through two pension plans. McMinn County employees have the opportunity to participate in two retirement plans provided by the Tennessee Consolidated Retirement System (TCRS). One of the TCRS plans is the Political Subdivision Pension Plan (PSPP), an agent, multiple-employer, defined benefit plan which is available for all County employees except teachers. The other TCRS plan, the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), is available to teachers of the Hamilton County School system. It is a cost sharing, multiple-employer, defined benefit pension plan in which most teachers participate.

The following is a summary of each of these plans:

**Tennessee Consolidated Retirement Systems**

**(1) Political Subdivision Pension Plan (PSPP)**

**Plan Description:**

Employees of McMinn County are members of the Political Subdivision Pension Plan (PSPP), an agent, multiple-employer, defined benefit pension plan administered by the TCRS. TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with thirty 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 the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as McMinn County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

**Funding Policy:**

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

McMinn County is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2007, was 7.63% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for McMinn County is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost:**

For the year ending June 30, 2007, McMinn County's annual pension cost of \$1,498,485 to TCRS was equal to Hamilton County's required and actual contributions. The required contribution was determined as part of the July 1, 2005, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent per year compounded annually; (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries); (c) projected 3.5 percent annual increase in the social security wage base; and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. McMinn County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was ten years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

**Trend Information:**

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/07	\$1,498,485	100.00%	\$ -
6/30/06	1,089,812	100.00%	-
6/30/05	1,007,891	100.00%	-

**(2) State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP)**

**Plan Description:**

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

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, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://www.treasury.state.tn.us).

**Funding Policy:**

Most teachers are required by state statute to contribute 5 percent of salary to the plan. The employer contribution rate for McMinn County Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2007, was 6.13% of annual covered payroll. The employer contribution requirement for McMinn County Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the year ending June 30, 2007, 2006, and 2005, were \$1,160,405, \$986,289, and \$951,758, respectively, equal to the required contribution for each year.

**NOTE I – LONG-TERM LIABILITIES**

Long-term liabilities at June 30, 2007, are as follows:

	<u>Component Unit</u> Woods Memorial Hospital <u>District And Subsidiary</u>
Notes Payable:	
(a) Note payable to a management company with interest on the unpaid principal at the rate of 6.75%. The note is payable in 77 monthly payments of \$1,203 with all remaining unpaid principal and interest due at the end of those payments. The note is collateralized by a service agreement with the same company for management services for the District's psychiatric unit.	\$ 61,963
(b) Note payable to a local bank together with interest at the rate of 4.55%. The note is payable in 35 monthly installments of \$1,862 with all remaining unpaid principal and interest due at the end of those payments. The note is collateralized by a deed of trust on the property located at 305 Grady Road, Etowah, TN.	132,684
(c) Note payable to a local bank together with interest at the rate of 4.55%. The note is payable in 35 monthly installments of \$4,578 with all remaining unpaid principal and interest due at the end of those payments. The note is cross-collateralized with note (b) by a deed of trust on the property located at 305 Grady Road, Etowah, TN.	326,246

(d) Note payable to Southeast Local Development Corporation, due in 240 monthly payments of principal and interest of \$1,161 beginning in September 1, 1998, through final payment in September 1, 2018. The note bears interest at a rate of 4.25% beginning September 1, 2003 (6.98% prior to that date) subject to review at the end of each five-year interval of the note. This note holds as a second mortgage on the collateralized pledged in notes (b) and (c) above.	94,289
(d) Note payable to Southeast Local Development Corporation, due in 240 monthly payments of principal and interest of \$1,161 beginning in September 1, 1998, through final payment in August 2018. The note bears interest at a rate of 4.25% beginning September 1, 2003, (6.98% prior to that date) subject to review at the end of each five-year interval of the note. The note holds as a second mortgage on the collateral pledged in notes (b) and (c) above.	94,289
(e) Note payable to the United States Government payable by a down payment of \$100,000 due January 2003 plus twenty quarterly payments of \$55,000 through January 2008. The note will include interest accruing at a simple interest rate of 5.0%.	<u>160,960</u> <u>870,431</u> <u>650,709</u> <u>\$ 219,722</u>
Less current maturities	<u>\$ 219,722</u>

Changes in long-term debt during the year ended June 30, 2007, are as follows:

	Balance July 1, 2006	Additions	Retirements	Balance June 30, 2007
<u>Primary Government</u>				
Compensated absences	\$ <u>233,209</u>	\$ <u>36,527</u>	\$ <u>      -</u>	\$ <u>269,736</u>
<u>Component Unit</u>				
Woods Memorial Hospital District & Subsidiary:				
Notes payable	\$ <u>1,339,870</u>	\$ <u>1,700,000</u>	\$ <u>2,169,439</u>	\$ 870,431
Less current installments				<u>650,709</u>
				<u>\$ 219,722</u>

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
Notes Payable:		
2008	\$ 650,709	\$ 20,744
2009	32,494	9,808
2010	34,195	8,107
2011	35,985	6,317
2012-2015	<u>117,048</u>	<u>10,058</u>
	<u>\$ 870,431</u>	<u>\$ 55,034</u>

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

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

**Note Payable**

The District entered into a note agreement with a local bank for a maximum of \$3,100,000 with interest to be paid at 5%. The note is due on demand from the bank but in any event is payable no later than March 1, 2009. The balance on the note at June 30, 2007, is \$2,420,528.

At June 30, 2006, the District had entered into an agreement with a local bank for a maximum of \$250,000 with interest to be paid at 6.25% with a six-month maturity date ending July 17, 2006. The note had a provision that allowed the District to extend the note at maturity for another six months or for 36 months at the bank's prime rate plus .5% provided the District pays a minimum of 25% of the outstanding balance. The balance on the note at June 30, 2006, totaled \$124,357. The note was retired, including outstanding interest, without renewal on July 28, 2006.

**Capital Leases**

a) 8.06% lease obligation due in monthly installments of \$2,693 through February 2001; collateralized by ultrasound equipment with a cost of \$132,596	\$ 102,272
b) 2.12% lease obligation due in monthly installments of \$9,465 through February 2011; collateralized by a CT Scanner with a cost of \$538,423	400,365
c) 4.64% lease obligation due in monthly installments of \$1,672 through February 2011; collateralized by ultrasound equipment with a cost of \$89,358	67,514
d) 7.92% lease obligation due in monthly installments of \$2,549 through July 2009; collateralized by a Home Health computer system with an initial value of \$81,434.	58,565
e) 8.34% lease obligation due in monthly installments of \$687 through July 2011; collateralized by a GE x-ray system with an initial value of \$23,600.	19,975
f) 7.99% lease obligation due in monthly installments of \$687 through April 2012; collateralized by a NovaPACS system with an initial value of \$33,900.	32,974
	<u>681,665</u>
Less current installments	<u>185,410</u>
	<u>\$ 496,255</u>
Net book value of all assets under capital lease at June 30, 2007	<u>\$ 811,832</u>

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

Year Ending

2008	\$ 210,574
2009	210,575
2010	182,535
2011	124,670
2012	<u>7,358</u>
	735,712
Less portion attributable to interest	<u>54,047</u>
	<u>\$ 681,665</u>

**Operating Leases**

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

<u>Lease Type</u>	<u>Maturity Date</u>	<u>Monthly Payment as of June 30, 2007</u>
Office space:		
EMS	June 2007	\$ 875
Dialysis	February 2007	1,974
Athens Clinic	September 2011	2,534
Equipment:		
Various medical equipment	September 2008	1,954

Future minimum payments required under these leases are as follows:

<u>Year Ending June 30,</u>	
2008	\$ 69,645
2009	36,267
2010	30,405
2011	30,405
2012	<u>7,601</u>
	<u>\$ 174,323</u>

The amount paid under these operating leases plus various month-to-month operating leases for the District totaled \$186,501 during the year ended June 30, 2007.

**NOTE J – INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. The composition of the County and component unit interfund balances as of June 30, 2007, is as follows:

<u>Due to/from other funds – Primary Government</u>		<u>Amount</u>
<u>Receivable Fund</u>	<u>Payable Fund</u>	
General Fund	Drug Control	\$ 1,154
General Fund	Road and Bridge	13,488
General Fund	Register of Deeds	40,000
General Fund	Trustee	20,000
General Fund	County Clerk	42,200
General Fund	Solid Waste Disposal	<u>1,422</u>
		<u>\$ 118,264</u>
Solid Waste Disposal	General Fund	<u>\$ 80,550</u>
<u>Due to/from Primary Government and Component Units</u>		<u>Amount</u>
General Fund	General Purpose School	\$ 201,894
General Fund	Woods Memorial Hospital District & Subsidiary	252,068
General Fund	E-911	<u>276</u>
		454,238
Debt Service	Woods Memorial Hospital District & Subsidiary	<u>1,029,247</u>
		<u>\$ 1,483,485</u>

**NOTE K – INTERFUND TRANSFERS**

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

The composition of primary government transfers for the year ended June 30, 2007, is as follows:

Primary Government

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
General fund	Solid waste disposal	\$ 80,550
Trustee	General fund	375,200
County clerk	General fund	54,700
Circuit, general sessions and probate clerk	General fund	129,820
Clerk and master	General fund	229,559
Register of deeds	General fund	<u>170,000</u>
		<u>\$1,039,829</u>

These transfers were properly approved by the County Commission.

**NOTE L – MAJOR TAXPAYERS**

The County has one taxpayer that paid 13% of the total 2006 property taxes billed and collected prior to June 30, 2007.

**NOTE M – JOINT VENTURE**

**Hiwassee Utilities Commission** - The County is a participant in a joint venture with Bradley County in the operation of the Hiwassee Utilities Commission (the "Commission"). The Commission was established in 1972 under the Interlocal Cooperation Act and under Tennessee Code Sections 12-801 and 5-1601 to provide service as an urban public utility and the Commission became operational in 1982. Each of the participants appoints three members of the Board to oversee the operations. In 1980, the Counties' authorized the issuance of \$5,000,000 of water revenue and tax bonds, Series 1980, to finance the construction of a public water supply and distribution system. As of June 30, 1982, these bonds had been sold and the proceeds disbursed to the "Commission" for construction purposes. While these are revenue bonds, the Counties will levy ad valorem taxes on all taxable property within the corporate limits of each County in the event such revenues are insufficient. The bonds bear interest at a rate of 5% per annum. The remaining balance at June 30, 2007, is \$1,104,000 of which McMinn County's exposure would be 50% or \$552,000. Complete separate financial statements for the Commission may be obtained at 3973 Chatala Valley Road, Charleston, Tennessee 37310.

**E.G. Fisher Public Library** - In 1995, the Library was formed as a not-for-profit corporation under the laws of the State of Tennessee. The Library is a full service library offering circulation and reference services, reader's advisory, children's services and programs, and a strong genealogical collection to residents of McMinn County. The City of Athens and McMinn County participate in the joint operation of the Library in that the Library's Board consists of four members appointed by the McMinn County Commission and three members appointed by the Athens City Council. However, the Library's operations have been excluded from McMinn County's reporting entity because of their limited oversight responsibility and their lack of involvement in directing the Library's budgets, fees, or debt obligations. The Library issues separate financial statements which are available from the E.G. Fisher Public Library Board, 1289 Ingleside Avenue, Athens, Tennessee. McMinn County's contributions for the year ending June 30, 2007 totaled \$136,507. Summarized information for the Library's fiscal year ending June 30, 2005, the latest available audited financial statements, is as follows:

Total assets	\$728,763
Total liabilities	<u>16,893</u>
Total net assts	\$711,870

**NOTE N – LITIGATION**

McMinn County is named as defendant in several lawsuits seeking damages in various amounts, none of which is expected to exceed insurance coverage. The County attorney has stated that it is difficult to estimate the outcome of these cases at this time and that any potential claims against the County not covered by insurance resulting from the litigation cannot specifically be estimated. Therefore, no amounts have been accrued as of June 30, 2007.

**NOTE O – RISK MANAGEMENT**

McMinn County is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County insures itself against potential losses associated with these risks through purchase of commercial insurance. There were no reductions in limits of liability or coverage of insurance policies in effect during 2007 from those in effect in the preceding year. In addition, there have been no losses in excess of insurance coverage during the last three years.

The County provides life and medical protection for all employees in the General Fund, the Road and Bridge Fund, and the Fee Offices through its contract with a commercial insurance carrier. The County pays 100% of the employee premium for the program and 45% of family premiums for covered employees. Prior to fiscal year ended June 30, 2002 the County paid insurance premiums into the Insurance Fund (an internal service fund) from the General Fund and the Road and Bridge Fund to cover the medical costs of the covered employees. The County still maintains a small amount in this fund to pay the medical costs of those covered employees incurred prior to the adoption of the new insurance program, but that were not approved for final payment until after June 30, 2001. There were no approved claims paid out of the Insurance Fund for this fiscal year.

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Unpaid claims and expenses at beginning of year	\$ -	\$ -	\$ -
Incurred claims and expenses	-	2,358	-
Payments of claims and expenses at year end	-	(2,358)	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Note P – SUBSEQUENT EVENTS**

Woods Memorial Hospital District & Subsidiary

Subsequent to the District's year end the District entered into an agreement with Doctors' Hospital of McMinn County, LLC to sell the assets, lines of business and services of the District for \$9,000,000, plus an agreed percentage of certain accounts receivable, plus or minus the amount of certain prepaid expenses and deposits, less assumed liabilities, plus or minus the effect of the proration between parties of accrued assets and expenses of the District as of the effective date of the sale. The assets and assumed liabilities have specific definitions and adjustments under the agreement that will be finalized by the effective date of closure as in the agreement.

After the conclusion of the sale, the remaining assets and the funds from the sale will be used to retire the remaining liabilities of the District.

Effective June 30, 2007, the District's contract, through its subsidiary Ambulance Service, Inc., to provide ambulance services to the citizens of McMinn County was discontinued. In addition, the operation of this subsidiary is not a part of the asset sale mentioned above. As a result, once the assets and liabilities of the subsidiary are disposed the subsidiary will be dissolved.

**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
PUBLIC EMPLOYEES RETIREMENT SYSTEMS SCHEDULE OF FUNDING PROGRESS**

**McMINN COUNTY, TENNESSEE**

**June 30, 2007**

Schedule of Funding Progress

(Dollar amounts in thousands)

Tennessee Consolidated Retirement System

Actuarial Valuation Date (frozen initial liability)	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)
Political Subdivision Pension Plan (PSPP) -						
07/01/05	\$ 35,274	\$ 36,933	\$ 1,658	95.51%	\$ 17,395	9.53%
07/01/03	31,407	33,276	1,869	94.38%	15,634	11.95%
07/01/01	28,311	30,347	2,036	93.29%	16,069	12.67%

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND DETAIL**

**McMINN COUNTY, TENNESSEE  
Year ended June 30, 2007**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 3,751,416	\$ 3,751,416	\$ 3,784,582	\$ 33,166
Local sales tax	540,000	540,000	523,306	(16,694)
Hotel/Motel taxes	165,000	165,000	342,804	177,804
Other taxes	773,790	773,790	778,015	4,225
Total taxes	<u>5,230,206</u>	<u>5,230,206</u>	<u>5,428,707</u>	<u>198,501</u>
Intergovernmental revenues:				
State of Tennessee	1,334,601	1,414,081	1,652,643	238,562
United States Government	303,634	314,179	277,713	(36,466)
Total intergovernmental revenues	<u>1,638,235</u>	<u>1,728,260</u>	<u>1,930,356</u>	<u>202,096</u>
Charges for services:				
Ambulance	150,000	150,000	232,674	82,674
Other	37,665	37,665	48,372	10,707
Total charges for services	<u>187,665</u>	<u>187,665</u>	<u>281,046</u>	<u>93,381</u>
Fines, forfeitures and penalties	<u>264,500</u>	<u>264,500</u>	<u>234,412</u>	<u>(30,088)</u>
Investment earnings	<u>175,000</u>	<u>175,000</u>	<u>289,815</u>	<u>114,815</u>
Miscellaneous	<u>439,110</u>	<u>439,110</u>	<u>450,430</u>	<u>11,320</u>
Total revenues	<u>7,934,716</u>	<u>8,024,741</u>	<u>8,614,766</u>	<u>590,025</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
County Commission	88,550	89,300	89,284	16
County Mayor	169,156	169,156	160,832	8,324
County Attorney	22,350	22,350	21,875	475
Election Commission	183,403	197,126	186,430	10,696
Register of Deeds	39,305	41,552	38,221	3,331
Planning Commission	20,805	20,805	19,867	938
County buildings	353,445	355,539	289,741	65,798
Accounting and budgeting	382,118	385,397	365,539	19,858
Purchasing	10,000	10,000	(3,565)	13,565
Property Assessor's office	308,602	345,822	336,231	9,591

(continued)

**BUDGETARY COMPARISON SCHEDULE--(continued)**  
**GENERAL FUND DETAIL**

**McMINN COUNTY, TENNESSEE**  
**Year ended June 30, 2007**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
EXPENDITURES--(continued):				
Current--(continued):				
General government--(continued):				
County Trustee	\$ 37,089	\$ 37,089	\$ 36,148	\$ 941
County Clerk	46,912	46,912	45,433	1,479
Audit services	23,000	23,000	23,000	-
Circuit Court	35,778	53,433	53,217	216
General Sessions Court	178,500	178,500	173,579	4,921
Drug Court	13,000	13,000	7,199	5,801
Chancery Court	188,749	189,109	173,732	15,377
Drug Prosecutor	-	64,934	52,469	12,465
Agricultural Extension Service	125,140	130,090	120,347	9,743
Soil conversation	23,968	23,968	18,940	5,028
Other agricultural	19,136	19,136	14,901	4,235
Tourism	54,500	64,500	63,829	671
Industrial development	88,138	241,263	239,650	1,613
Airport	36,000	52,300	48,406	3,894
Veterans' services	57,924	57,924	57,448	476
Other insurance	175,000	175,000	141,154	33,846
Trustee's Commission	106,000	106,000	107,617	(1,617)
Employee benefits	1,098,500	1,113,500	1,093,934	19,566
Total general government	<u>3,885,068</u>	<u>4,226,705</u>	<u>3,975,458</u>	<u>251,247</u>
Public safety:				
Sheriff's department	1,251,036	1,306,158	1,305,970	188
Special patrols	205,120	222,467	165,761	56,706
Sexual Offender Registry	3,000	3,000	377	2,623
Jail	1,206,727	1,417,346	1,414,615	2,731
Juvenile services	290,649	290,649	265,064	25,585
Work release program	30,727	30,727	17,185	13,542
Fire prevention and control	167,575	201,737	200,825	912
Civil defense	327,818	327,819	327,818	1
Rescue squad	16,200	16,200	16,200	-
Other emergency management	374,245	374,245	307,071	67,174
County medical examiner	48,000	57,125	56,740	385
Litter Grant	39,298	39,298	31,756	7,542
Keep McMinn Beautiful	37,490	37,490	35,494	1,996
Total public safety	<u>3,997,885</u>	<u>4,324,261</u>	<u>4,144,876</u>	<u>179,385</u>

(continued)

**BUDGETARY COMPARISON SCHEDULE--(continued)**  
**GENERAL FUND DETAIL**

**McMINN COUNTY, TENNESSEE**  
**Year ended June 30, 2007**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
EXPENDITURES--(continued):				
Current--(continued):				
Health:				
Local health center	\$ 511,195	\$ 560,595	\$ 501,907	\$ 58,688
Ambulance service	476,183	480,683	480,550	133
Other local health services	97,859	97,859	90,822	7,037
Total health	<u>1,085,237</u>	<u>1,139,137</u>	<u>1,073,279</u>	<u>65,858</u>
Social services:				
General welfare assistance	17,581	17,581	10,616	6,965
Culture and recreation:				
Public Library	136,507	136,507	136,507	-
Parks	75,742	83,030	83,025	5
Other	6,073	6,073	6,073	-
Total culture and recreation	<u>218,322</u>	<u>225,610</u>	<u>225,605</u>	<u>5</u>
Total budgetary expenditures	<u>9,204,093</u>	<u>9,933,294</u>	<u>9,429,834</u>	<u>503,460</u>
Excess of revenues over expenditures	<u>(1,269,377)</u>	<u>(1,908,553)</u>	<u>(815,068)</u>	<u>1,093,485</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	735,000	735,000	959,279	224,279
Transfers out	(286,837)	(286,837)	(80,550)	206,287
Total other financing sources (uses)	<u>448,163</u>	<u>448,163</u>	<u>878,729</u>	<u>430,566</u>
Net change in fund balance	<u>\$ (821,214)</u>	<u>\$ (1,460,390)</u>	63,661	<u>\$ 1,524,051</u>
Fund balance at beginning of year			3,562,615	
Fund balance at end of year			<u>\$ 3,626,276</u>	

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

**McMINN COUNTY, TENNESSEE  
June 30, 2007**

	Special Revenue Funds	
	Law Library	Solid Waste Sanitation
<b>ASSETS</b>		
Equity in pooled cash and investments	\$ 18,486	\$ 1,584,276
Receivables:		
Accounts	1,010	54,221
Notes	-	-
Due from other funds	-	-
Total assets	<u>\$ 19,496</u>	<u>\$ 1,638,497</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accrued items and other payables	\$ -	\$ -
Due to other funds	-	-
Total liabilities	-	-
Fund Balances (Deficit):		
Reserved for restricted activities	-	-
Unreserved:		
Undesignated	<u>19,496</u>	<u>1,638,497</u>
Total fund balances	<u>19,496</u>	<u>1,638,497</u>
Total liabilities and fund balances	<u>\$ 19,496</u>	<u>\$ 1,638,497</u>

<u>Drug Control</u>	<u>Fraud and Economic Crimes</u>	<u>Economic Development and Assistance</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 318,255	\$ 57,750	\$ 208,996	\$ 2,187,763
7,425	4,567	843	68,066
-	-	200,284	200,284
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 325,680</u>	<u>\$ 62,317</u>	<u>\$ 410,123</u>	<u>\$ 2,456,113</u>
\$ 6,610	\$ 721	\$ -	7,331
<u>1,154</u>	<u>-</u>	<u>-</u>	<u>1,154</u>
<u>7,764</u>	<u>721</u>	<u>-</u>	<u>8,485</u>
-	-	200,284	200,284
<u>317,916</u>	<u>61,596</u>	<u>209,839</u>	<u>2,247,344</u>
<u>317,916</u>	<u>61,596</u>	<u>410,123</u>	<u>2,447,628</u>
<u>\$ 325,680</u>	<u>\$ 62,317</u>	<u>\$ 410,123</u>	<u>\$ 2,456,113</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS**

**McMINN COUNTY, TENNESSEE**  
**Year ended June 30, 2007**

	Special Revenue Funds	
	Law Library	Solid Waste Sanitation
<b>REVENUES</b>		
Charges for services	\$ -	\$ 563,325
Fines, forfeitures and penalties	4,844	-
Investment earnings	-	63,513
Miscellaneous	-	-
	4,844	626,838
<b>Total revenues</b>	<b>4,844</b>	<b>626,838</b>
<b>EXPENDITURES</b>		
Current:		
General government	2,824	-
Public safety	-	-
Public works	-	44,506
	2,824	44,506
<b>Total expenditures</b>	<b>2,824</b>	<b>44,506</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>2,020</b>	<b>582,332</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	-	-
Transfers out	-	-
	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>2,020</b>	<b>582,332</b>
<b>Fund balances (deficit) at beginning of year</b>	<b>17,476</b>	<b>1,056,165</b>
<b>Fund balances (deficit) at end of year</b>	<b>\$ 19,496</b>	<b>\$ 1,638,497</b>

<u>Drug Control</u>	<u>Fraud and Economic Crimes</u>	<u>Economic Development and Assistance</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 62,444	\$ -	\$ 625,769
161,763	-	-	166,607
10,606	-	10,243	84,362
<u>28,548</u>	<u>1,100</u>	<u>-</u>	<u>29,648</u>
<u>200,917</u>	<u>63,544</u>	<u>10,243</u>	<u>906,386</u>
-	-	-	2,824
88,724	28,921	-	117,645
<u>-</u>	<u>-</u>	<u>-</u>	<u>44,506</u>
<u>88,724</u>	<u>28,921</u>	<u>-</u>	<u>164,975</u>
<u>112,193</u>	<u>34,623</u>	<u>10,243</u>	<u>741,411</u>
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
112,193	34,623	10,243	741,411
<u>205,723</u>	<u>26,973</u>	<u>399,880</u>	<u>1,706,217</u>
<u>\$ 317,916</u>	<u>\$ 61,596</u>	<u>\$ 410,123</u>	<u>\$ 2,447,628</u>

**COMBINING BALANCE SHEET  
 CONSTITUTIONAL OFFICERS MAJOR GOVERNMENTAL FUNDS**

**McMINN COUNTY, TENNESSEE  
 June 30, 2007**

	<u>Circuit, General Sessions and Probate Court Clerk</u>	<u>Clerk and Master</u>	<u>County Clerk</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 193,469	\$ -	\$ 116,937
Total assets	<u>\$ 193,469</u>	<u>\$ -</u>	<u>\$ 116,937</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Due to other funds	\$ -	\$ -	\$ 42,200
Total liabilities	<u>-</u>	<u>-</u>	<u>42,200</u>
Fund Balances:			
Reserved for restricted activities	-	-	-
Unreserved:			
Undesignated	<u>193,469</u>	<u>-</u>	<u>74,737</u>
Total fund balances	<u>193,469</u>	<u>-</u>	<u>74,737</u>
Total liabilities and fund balances	<u>\$ 193,469</u>	<u>\$ -</u>	<u>\$ 116,937</u>

<u>Register of Deeds</u>	<u>Trustee</u>	<u>Sheriff's Narcotic Division</u>	<u>Total Constitutional Officers</u>
\$ <u>125,347</u>	\$ <u>106,447</u>	\$ <u>1</u>	\$ <u>542,201</u>
\$ <u>125,347</u>	\$ <u>106,447</u>	\$ <u>1</u>	\$ <u>542,201</u>
\$ <u>40,000</u>	\$ <u>20,000</u>	\$ <u>-</u>	\$ <u>102,200</u>
<u>40,000</u>	<u>20,000</u>	<u>-</u>	<u>102,200</u>
-	-	1	1
<u>85,347</u>	<u>86,447</u>	<u>-</u>	<u>440,000</u>
<u>85,347</u>	<u>86,447</u>	<u>1</u>	<u>440,001</u>
\$ <u>125,347</u>	\$ <u>106,447</u>	\$ <u>1</u>	\$ <u>542,201</u>



Register of Deeds	Trustee	Sheriff's Narcotic Division	Total Constitutional Officers
\$ 334,647	\$ 544,536	\$ -	\$ 2,211,532
6,454	-	-	46,051
<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
<u>341,101</u>	<u>544,536</u>	<u>1,000</u>	<u>2,258,583</u>
174,839	156,468	-	1,204,365
<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
<u>174,839</u>	<u>156,468</u>	<u>1,000</u>	<u>1,205,365</u>
<u>166,262</u>	<u>388,068</u>	<u>-</u>	<u>1,053,218</u>
-	-	-	-
<u>(170,000)</u>	<u>(375,200)</u>	<u>-</u>	<u>(959,279)</u>
<u>(170,000)</u>	<u>(375,200)</u>	<u>-</u>	<u>(959,279)</u>
(3,738)	12,868	-	93,939
<u>89,085</u>	<u>73,579</u>	<u>1</u>	<u>346,062</u>
<u>\$ 85,347</u>	<u>\$ 86,447</u>	<u>\$ 1</u>	<u>\$ 440,001</u>

**COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND BALANCES  
CONSTITUTIONAL OFFICERS FEE AND COMMISSION ACCOUNTS**

**McMINN COUNTY, TENNESSEE**  
Year ended June 30, 2007

	Circuit, General Sessions and Probate Court Clerk	Clerk and Master	County Clerk
<b>REVENUE AND OTHER RECEIPTS</b>			
Fees and commissions	\$ 643,792	\$ 229,559	\$ 458,998
Investment earnings	18,616	-	20,981
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>662,408</u>	<u>229,559</u>	<u>479,979</u>
<b>EXPENDITURES</b>			
Current:			
General government			
Salaries - Office holder	58,974	-	58,973
Salaries - Staff	291,261	-	285,000
Employee benefits	51,274	-	53,205
Payroll taxes	26,577	-	26,373
Office expense	17,028	-	4,393
Public safety:			
Sheriff	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>445,114</u>	<u>-</u>	<u>427,944</u>
Excess (deficiency) of revenues over (under) expenditures	<u>217,294</u>	<u>229,559</u>	<u>52,035</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to General Fund	<u>(129,820)</u>	<u>(229,559)</u>	<u>(12,500)</u>
Total other financing sources (uses)	<u>(129,820)</u>	<u>(229,559)</u>	<u>(12,500)</u>
Net change in fund balances	87,474	-	39,535
Cash balances at beginning of year	<u>105,995</u>	<u>-</u>	<u>77,402</u>
Cash balances at end of year	<u>\$ 193,469</u>	<u>\$ -</u>	<u>\$ 116,937</u>

Register of Deeds	Trustee	Sheriff's Narcotic Division	Total Constitutional Officers
\$ 334,647	\$ 544,536	\$ -	\$ 2,211,532
6,454	-	-	46,051
<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
<u>341,101</u>	<u>544,536</u>	<u>1,000</u>	<u>2,258,583</u>
58,975	52,888	-	229,810
69,716	47,473	-	693,450
12,465	14,800	-	131,744
9,994	9,842	-	72,786
23,689	31,464	-	76,574
<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
<u>174,839</u>	<u>156,467</u>	<u>1,000</u>	<u>1,205,364</u>
<u>166,262</u>	<u>388,069</u>	<u>-</u>	<u>1,053,219</u>
<u>(170,000)</u>	<u>(375,200)</u>	<u>-</u>	<u>(917,079)</u>
<u>(170,000)</u>	<u>(375,200)</u>	<u>-</u>	<u>(917,079)</u>
(3,738)	12,869	-	136,140
<u>129,085</u>	<u>93,578</u>	<u>1</u>	<u>406,061</u>
<u>\$ 125,347</u>	<u>\$ 106,447</u>	<u>\$ 1</u>	<u>\$ 542,201</u>

**COMBINING BALANCE SHEET  
CAPITAL PROJECTS FUNDS**

**McMINN COUNTY, TENNESSEE  
June 30, 2007**

	<u>Correctional</u>	<u>Other</u>	<u>Total</u>
<b>ASSETS</b>			
Equity in pooled cash and investments	\$ 104,087	\$ 7,818,035	\$ 7,922,122
Receivables:			
Property taxes		3,695,284	3,695,284
Accounts	420	188,088	188,508
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 104,507</u>	 <u>\$11,701,407</u>	 <u>\$ 11,805,914</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ 4,399	\$ 4,399
Deferred revenue	-	3,669,790	3,669,790
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
 Total liabilities	 <u>-</u>	 <u>3,674,189</u>	 <u>3,674,189</u>
 Fund Balances (deficit):			
Reserved for litigation tax	-	163,704	163,704
Unreserved--designated for specific purposes	<u>104,507</u>	<u>7,863,514</u>	<u>7,968,021</u>
 Total fund balances	 <u>104,507</u>	 <u>8,027,218</u>	 <u>8,131,725</u>
 Total liabilities and fund balances	 <u>\$ 104,507</u>	 <u>\$11,701,407</u>	 <u>\$ 11,805,914</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
CAPITAL PROJECTS FUNDS**

**McMINN COUNTY, TENNESSEE**  
**Year ended June 30, 2007**

	<u>Correctional</u>	<u>Other</u>	<u>Totals</u>
<b>REVENUES</b>			
Intergovernmental	\$ -	\$ 2,352,474	\$ 2,352,474
Property taxes	-	3,814,830	3,814,830
Investment Earnings	5,071	347,961	353,032
Miscellaneous	-	17,448	17,448
Total Revenues	<u>5,071</u>	<u>6,532,713</u>	<u>6,537,784</u>
<b>EXPENDITURES</b>			
Current:			
Education	-	-	-
Administration	373	2,800,253	2,800,626
Justice	-	19,684	19,684
Public health	-	19,269	19,269
Total expenditures	<u>373</u>	<u>2,839,206</u>	<u>2,839,579</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,698</u>	<u>3,693,507</u>	<u>3,698,205</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	-	(1,879,915)	(1,879,915)
Total other financing sources (uses)	<u>-</u>	<u>(1,879,915)</u>	<u>(1,879,915)</u>
Net change in fund balances	4,698	1,813,592	1,818,290
Fund balances at beginning of year	<u>99,809</u>	<u>6,213,626</u>	<u>6,313,435</u>
Fund balances at end of year	<u>\$ 104,507</u>	<u>\$ 8,027,218</u>	<u>\$ 8,131,725</u>

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
CONSTITUTIONAL OFFICERS  
AGENCY FUNDS**

**McMINN COUNTY, TENNESSEE**  
**Year ended June 30, 2007**

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<b>CONSTITUTIONAL OFFICERS</b>				
<b>CIRCUIT, GENERAL SESSIONS AND PROBATE CLERK</b>				
Cash	\$ 214,470	\$ 4,729,017	\$ 4,611,594	\$ 331,893
Investments	<u>1,162,511</u>	<u>3,606</u>	<u>-</u>	<u>1,166,117</u>
Total assets	<u>\$ 1,376,981</u>	<u>\$ 4,732,623</u>	<u>\$ 4,611,594</u>	<u>\$ 1,498,010</u>
Due to litigants, heirs and others	\$ 1,376,981	\$ 3,527,119	\$ 3,406,090	\$ 1,498,010
Intergovernmental payables	<u>-</u>	<u>1,205,504</u>	<u>1,205,504</u>	<u>-</u>
Total liabilities	<u>\$ 1,376,981</u>	<u>\$ 4,732,623</u>	<u>\$ 4,611,594</u>	<u>\$ 1,498,010</u>
<b>CLERK AND MASTER</b>				
Cash	\$ 79,670	\$ 1,059,676	\$ 1,068,001	\$ 71,345
Investments	<u>133,932</u>	<u>98,990</u>	<u>-</u>	<u>232,922</u>
Total assets	<u>\$ 213,602</u>	<u>\$ 1,158,666</u>	<u>\$ 1,068,001</u>	<u>\$ 304,267</u>
Due to litigants, heirs and others	\$ 20,256	\$ 371,166	\$ 306,310	\$ 85,112
Intergovernmental payables	<u>193,346</u>	<u>787,500</u>	<u>761,691</u>	<u>219,155</u>
Total liabilities	<u>\$ 213,602</u>	<u>\$ 1,158,666</u>	<u>\$ 1,068,001</u>	<u>\$ 304,267</u>
<b>COUNTY CLERK</b>				
Cash	\$ 106,058	\$ 4,380,502	\$ 4,354,032	\$ 132,528
Total assets	<u>\$ 106,058</u>	<u>\$ 4,380,502</u>	<u>\$ 4,354,032</u>	<u>\$ 132,528</u>
Intergovernmental payables	<u>\$ 106,058</u>	<u>\$ 4,380,502</u>	<u>\$ 4,354,032</u>	<u>\$ 132,528</u>
Total liabilities	<u>\$ 106,058</u>	<u>\$ 4,380,502</u>	<u>\$ 4,354,032</u>	<u>\$ 132,528</u>
<b>REGISTER OF DEEDS</b>				
Cash	\$ -	\$ 1,151,979	\$ 1,151,979	\$ -
Total assets	<u>\$ -</u>	<u>\$ 1,151,979</u>	<u>\$ 1,151,979</u>	<u>\$ -</u>
Intergovernmental payables	<u>\$ -</u>	<u>\$ 1,151,979</u>	<u>\$ 1,151,979</u>	<u>\$ -</u>
Total liabilities	<u>\$ -</u>	<u>\$ 1,151,979</u>	<u>\$ 1,151,979</u>	<u>\$ -</u>

(continued)

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES--(continued)**  
**CONSTITUTIONAL OFFICERS**  
**AGENCY FUNDS**

**McMINN COUNTY, TENNESSEE**  
**Year ended June 30, 2007**

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<b>SHERIFF'S NARCOTIC DIVISION</b>				
Cash	\$ 43,830	\$ 410,857	\$ 378,359	\$ 76,328
Total assets	\$ 43,830	\$ 410,857	\$ 378,359	\$ 76,328
Intergovernmental payables	\$ 43,830	\$ 410,857	\$ 378,359	\$ 76,328
Total liabilities	\$ 43,830	\$ 410,857	\$ 378,359	\$ 76,328
<b>TOTAL CONSTITUTIONAL OFFICERS</b>				
<b>AGENCY FUNDS</b>				
Cash	\$ 444,028	\$ 11,732,031	\$ 11,563,965	\$ 612,094
Investments	1,296,443	102,596	-	1,399,039
Total assets	\$ 1,740,471	\$ 11,834,627	\$ 11,563,965	\$ 2,011,133
Due to litigants, heirs and others	\$ 1,397,237	\$ 3,898,285	\$ 3,712,400	\$ 1,583,122
Intergovernmental payables	343,234	7,936,342	7,851,565	428,011
Total liabilities	\$ 1,740,471	\$ 11,834,627	\$ 11,563,965	\$ 2,011,133
<b>OTHER AGENCY FUNDS WITH TRUSTEE</b>				
<b>ATHENS SCHOOL FUND</b>				
Cash	\$ -	\$ 2,934,498	\$ 2,934,498	\$ -
Total assets	\$ -	\$ 2,934,498	\$ 2,934,498	\$ -
Intergovernmental payables	\$ -	\$ 2,934,498	\$ 2,934,498	\$ -
Total liabilities	\$ -	\$ 2,934,498	\$ 2,934,498	\$ -
<b>ETOWAH SCHOOL FUND</b>				
Cash	\$ -	\$ 617,800	\$ 617,800	\$ -
Total assets	\$ -	\$ 617,800	\$ 617,800	\$ -
Intergovernmental payables	\$ -	\$ 617,800	\$ 617,800	\$ -
Total liabilities	\$ -	\$ 617,800	\$ 617,800	\$ -

(continued)

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES--(continued)**  
**CONSTITUTIONAL OFFICERS**  
**AGENCY FUNDS**

**McMINN COUNTY, TENNESSEE**  
**Year ended June 30, 2007**

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<b>JUDICIAL DISTRICT DRUG FUND</b>				
Cash	\$ 2,591,754	\$ 674,171	\$ 1,175,901	\$ 2,090,024
Total assets	<u>\$ 2,591,754</u>	<u>\$ 674,171</u>	<u>\$ 1,175,901</u>	<u>\$ 2,090,024</u>
Intergovernmental payables	\$ 2,591,754	\$ 674,171	\$ 1,175,901	\$ 2,090,024
Total liabilities	<u>\$ 2,591,754</u>	<u>\$ 674,171</u>	<u>\$ 1,175,901</u>	<u>\$ 2,090,024</u>
<b>TRUSTEE - OTHER</b>				
Cash	\$ -	\$ 4,629,540	\$ 4,629,540	\$ -
Total assets	<u>\$ -</u>	<u>\$ 4,629,540</u>	<u>\$ 4,629,540</u>	<u>\$ -</u>
Intergovernmental payables	\$ -	\$ 4,629,540	\$ 4,629,540	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 4,629,540</u>	<u>\$ 4,629,540</u>	<u>\$ -</u>
<b>TOTAL AGENCY FUNDS</b>				
Cash	\$ 3,035,782	\$ 20,588,040	\$ 20,921,704	\$ 2,702,118
Investments	1,296,443	102,596	-	1,399,039
Total assets	<u>\$ 4,332,225</u>	<u>\$ 20,690,636</u>	<u>\$ 20,921,704</u>	<u>\$ 4,101,157</u>
Due to litigants, heirs and others	\$ 1,397,237	\$ 3,898,285	\$ 3,712,400	\$ 1,583,122
Intergovernmental payables	2,934,988	16,792,351	17,209,304	2,518,035
Total liabilities	<u>\$ 4,332,225</u>	<u>\$ 20,690,636</u>	<u>\$ 20,921,704</u>	<u>\$ 4,101,157</u>

**COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND BALANCES  
CONSTITUTIONAL OFFICERS AGENCY FUNDS**

**McMINN COUNTY, TENNESSEE**  
**Year ended June 30, 2007**

	Circuit, General Sessions and Probate Court Clerk	Clerk and Master	County Clerk
<b>REVENUE AND OTHER RECEIPTS</b>			
Litigation tax	\$ 466,646	\$ 29,267	\$ -
Mortgage and transfer taxes	-	-	-
Rule and execution docket	1,915,445	120,302	-
Motor vehicle titles and registrations	-	-	1,738,095
Business tax and marriage licenses	-	-	868,321
Property taxes	-	376,352	-
Sales tax	-	-	1,102,364
Drivers license	-	-	98,947
Hotel/Motel tax	-	-	360,846
Beer tax and license renewals	-	-	168,194
Receipts on behalf of other funds	-	-	-
Receipts on behalf of others	-	347,870	-
Alimony and child support	196,027	23,296	-
Fines, forfeitures and penalties	180,939	-	-
Department of Safety	99,618	-	-
Fees and commissions	88,085	229,929	-
Officer costs	258,992	-	-
Bonds and deposits	1,403,906	-	-
Miscellaneous	122,965	31,650	43,735
	<u>4,732,623</u>	<u>1,158,666</u>	<u>4,380,502</u>
<b>Total revenue and other receipts</b>			
<b>EXPENDITURES</b>			
Payments to litigants, heirs and others	3,213,453	283,014	1,780
Alimony and child support	192,637	23,296	-
Payments to State of TN	360,021	14,670	3,364,929
Funds transferred to other governments	160,821	76,564	-
Funds transferred to County government	618,742	544,313	987,323
Funds remitted to other County offices	-	-	-
Payments on behalf of other funds	-	-	-
Rule and execution docket	-	94,493	-
Fees and commissions	65,920	-	-
Other expenditures	-	31,651	-
	<u>4,611,594</u>	<u>1,068,001</u>	<u>4,354,032</u>
<b>Total expenditures</b>			
Excess (deficiency) of revenues over (under) expenditures	121,029	90,665	26,470
Cash and investment balances-beginning of year	<u>1,376,981</u>	<u>213,602</u>	<u>106,057</u>
Cash and investment balances-end of year	<u>\$ 1,498,010</u>	<u>\$ 304,267</u>	<u>\$ 132,527</u>

Register of Deeds	Trustee	Sheriff's Narcotic Division	Total Constitutional Officers
\$ -	\$ -	\$ -	\$ 495,913
1,151,979	-	-	1,151,979
-	-	-	2,035,747
-	-	-	1,738,095
-	-	-	868,321
-	17,345,593	-	17,721,945
-	-	-	1,102,364
-	-	-	98,947
-	-	-	360,846
-	-	-	168,194
-	58,106,497	-	58,106,497
-	-	-	347,870
-	-	-	219,323
-	-	354,302	535,241
-	-	-	99,618
-	544,536	-	862,550
-	-	-	258,992
-	-	-	1,403,906
-	-	56,555	254,905
<u>1,151,979</u>	<u>75,996,626</u>	<u>410,857</u>	<u>87,831,253</u>
-	-	-	3,498,247
-	-	-	215,933
1,124,332	-	-	4,863,952
-	-	-	237,385
-	-	-	2,150,378
-	-	354,302	354,302
-	72,877,956	-	72,877,956
-	-	-	94,493
27,647	544,536	-	638,103
-	-	24,057	55,708
<u>1,151,979</u>	<u>73,422,492</u>	<u>378,359</u>	<u>84,986,457</u>
-	2,574,134	32,498	2,844,796
-	24,017,948	43,830	25,758,418
<u>\$ -</u>	<u>\$ 26,592,082</u>	<u>\$ 76,328</u>	<u>\$ 28,603,214</u>

**BUDGETARY COMPARISON SCHEDULES  
SPECIAL REVENUE NONMAJOR GOVERNMENTAL FUNDS**

**McMINN COUNTY, TENNESSEE**

**Year ended June 30, 2007**

	Solid Waste Sanitation			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual (Non-GAAP Basis)	
	Original	Final		
<b>REVENUES</b>				
Charges for current services	\$ 340,000	\$ 340,000	\$ 563,325	\$ 223,325
Investment earnings	10,000	10,000	63,513	53,513
Total revenues	<u>350,000</u>	<u>350,000</u>	<u>626,838</u>	<u>276,838</u>
<b>EXPENDITURES</b>				
Current:				
Public works:				
Landfill Operation and Maintenance	350,000	350,000	44,506	305,494
Total budgetary expenditures	<u>350,000</u>	<u>350,000</u>	<u>44,506</u>	<u>305,494</u>
Excess (deficiency) of revenues over (under) budgetary expenditures	-	-	582,332	582,332
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	582,332	<u>\$ 582,332</u>
Fund balances at beginning of year			<u>1,056,165</u>	
Fund balances at end of year			<u>\$ 1,638,497</u>	

**BUDGETARY COMPARISON SCHEDULES--(continued)**  
**SPECIAL REVENUE NONMAJOR GOVERNMENTAL FUNDS**

**McMINN COUNTY, TENNESSEE**  
**Year ended June 30, 2007**

	Drug Control			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual (Non-GAAP Basis)	
	Original	Final		
<b>REVENUES</b>				
Fines, forfeitures and penalties	\$ 90,249	\$ 90,249	\$ 161,763	\$ 71,514
Investment earnings	5,000	5,000	10,606	5,606
Miscellaneous	-	-	28,548	28,548
Total revenues	<u>95,249</u>	<u>95,249</u>	<u>200,917</u>	<u>105,668</u>
<b>EXPENDITURES</b>				
Current:				
Public safety:				
Drug enforcement	95,249	95,249	88,724	6,525
Total budgetary expenditures	<u>95,249</u>	<u>95,249</u>	<u>88,724</u>	<u>6,525</u>
Excess (deficiency) of revenues over (under) budgetary expenditures	-	-	112,193	112,193
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	112,193	<u>\$ 112,193</u>
Fund balances at beginning of year			<u>205,723</u>	
Fund balances at end of year			<u>\$ 317,916</u>	

**BUDGETARY COMPARISON SCHEDULES--(continued)**  
**CAPITAL PROJECTS GOVERNMENTAL FUND**

**McMINN COUNTY, TENNESSEE**  
**Year ended June 30, 2007**

	Other Capital Projects			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual (Non-GAAP Basis)	
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 3,765,455	\$ 3,765,455	\$ 3,814,830	\$ 49,375
Intergovernmental	131,672	2,460,879	2,352,474	(108,405)
Investment earnings	185,000	185,000	347,961	162,961
Miscellaneous	-	20,250	17,448	(2,802)
<b>Total revenues</b>	<u>4,082,127</u>	<u>6,431,584</u>	<u>6,532,713</u>	<u>101,129</u>
<b>EXPENDITURES</b>				
Capital outlay:				
General government	2,840,000	9,242,814	2,839,206	6,403,608
Education	<u>1,200,000</u>	<u>3,036,319</u>	-	<u>3,036,319</u>
<b>Total budgetary expenditures</b>	<u>4,040,000</u>	<u>12,279,133</u>	<u>2,839,206</u>	<u>9,439,927</u>
Excess (deficiency) of revenues over (under) budgetary expenditures	42,127	(5,847,549)	3,693,507	9,541,056
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	(1,879,915)	<u>1,879,915</u>
<b>Net change in fund balance</b>	<u>\$ 42,127</u>	<u>\$ (5,847,549)</u>	1,813,592	<u>\$ 11,420,971</u>
Fund balances at beginning of year			<u>6,213,626</u>	
Fund balances at end of year			<u>\$ 8,027,218</u>	

**COMBINING BALANCE SHEET  
BOARD OF EDUCATION GOVERNMENTAL FUNDS**

**McMINN COUNTY, TENNESSEE**

**June 30, 2007**

	General Purpose School	Federal Projects	Cafeteria	Education Capital Projects	Total Board of Education Governmental Funds
<b>ASSETS</b>					
Equity in pooled cash and investments	\$ 4,411,974	\$ -	\$ 307,869	\$ -	\$ 4,719,843
Receivables (net of allowances for uncollectibles):					
Property taxes	6,873,883	-	-	-	6,873,883
Accounts	906,852	35,571	-	-	942,423
Due from primary government	-	-	-	-	-
Total assets	<u>\$ 12,192,709</u>	<u>\$ 35,571</u>	<u>\$ 307,869</u>	<u>\$ -</u>	<u>\$ 12,536,149</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Overdraft in pooled cash and investments	\$ -	\$ 20,423	\$ -	\$ -	\$ 20,423
Accounts payable	64,588	15,148	11,612	-	91,348
Accrued items and other	7,408	-	-	-	7,408
Due to primary government	201,894	-	-	-	201,894
Deferred revenues:					
Uncollected property taxes	<u>6,826,745</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,826,745</u>
Total current liabilities	<u>7,100,635</u>	<u>35,571</u>	<u>11,612</u>	<u>-</u>	<u>7,147,818</u>
Fund Balances:					
Reserved for encumbrances	233,881	-	296,257	-	530,138
Reserved for restricted activities	671,143	-	-	-	671,143
Unreserved:					
Undesignated	<u>4,187,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,187,050</u>
Total fund balances	<u>5,092,074</u>	<u>-</u>	<u>296,257</u>	<u>-</u>	<u>5,388,331</u>
Total liabilities and fund balances	<u>\$ 12,192,709</u>	<u>\$ 35,571</u>	<u>\$ 307,869</u>	<u>\$ -</u>	<u>\$ 12,536,149</u>

**RECONCILIATION OF THE BALANCE SHEET OF BOARD OF EDUCATION  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**

**McMINN COUNTY, TENNESSEE**  
**June 30, 2007**

---

Differences in amounts reported for the Board of Education in the statement of net assets  
on page A-16:

Fund balances - total Board of Education governmental funds	\$	5,388,331
Amounts reported for the Board of Education in the statement of net assets are different because:		
Capital assets used in the Board of Education's governmental activities are not financial resources and, therefore, are not reported in the funds.		23,631,390
Certain revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		<u>410,256</u>
Net assets of the Board of Education	\$	<u>29,429,977</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BOARD OF EDUCATION GOVERNMENTAL FUNDS**

**McMINN COUNTY, TENNESSEE**  
Year ended June 30, 2007

	General Purpose School	Federal Projects	Cafeteria	Education Capital Projects	Total Board of Education Governmental Funds
<b>REVENUES</b>					
Taxes - Property	\$ 10,875,918	\$ -	\$ -	\$ -	\$ 10,875,918
Intergovernmental	21,859,541	2,868,819	1,316,096	-	26,044,456
Charges for services	48,455	-	995,478	-	1,043,933
Other Local Revenues	<u>332,382</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>332,382</u>
Miscellaneous					
Total revenues	<u>33,116,296</u>	<u>2,868,819</u>	<u>2,311,574</u>	<u>-</u>	<u>38,296,689</u>
<b>EXPENDITURES</b>					
Current:					
Education	32,487,049	2,868,819	2,392,624	-	37,748,492
Capital outlay	<u>286,625</u>	<u>-</u>	<u>-</u>	<u>1,879,915</u>	<u>2,166,540</u>
Total expenditures	<u>32,773,674</u>	<u>2,868,819</u>	<u>2,392,624</u>	<u>1,879,915</u>	<u>39,915,032</u>
Excess (deficiency) of revenues over (under) expenditures	<u>342,622</u>	<u>-</u>	<u>(81,050)</u>	<u>(1,879,915)</u>	<u>(1,618,343)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers between funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,879,915</u>	<u>1,879,915</u>
Net change in fund balances	342,622	-	(81,050)	-	261,572
Fund balances, beginning	<u>4,749,452</u>	<u>-</u>	<u>377,307</u>	<u>-</u>	<u>5,126,759</u>
Fund balances, ending	<u>\$ 5,092,074</u>	<u>\$ -</u>	<u>\$ 296,257</u>	<u>\$ -</u>	<u>\$ 5,388,331</u>

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF BOARD OF EDUCATION GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES**

**McMINN COUNTY, TENNESSEE**  
**Year ended June 30, 2007**

---

Differences in amounts reported for governmental activities in the statement of activities  
on pages A-17 and A-18:

Net change in fund balances - total Board of Education governmental funds	\$ 261,572
Amounts reported for the Board of Education in the statement of activities are different because:	
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of net assets	2,562,545
Depreciation expense on governmental capital assets are included in the governmental activities in the statement of activities	(1,122,386)
The net effect of various transactions involving capital assets is to increase net assets	(47,698)
Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds	<u>153,733</u>
Change in net assets of governmental activities	<u>\$ 1,807,766</u>

**BUDGETARY COMPARISON SCHEDULE  
BOARD OF EDUCATION GOVERNMENTAL FUNDS**

**McMINN COUNTY, TENNESSEE  
Year ended June 30, 2007**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes				
Property taxes	\$ 6,769,532	\$ 6,769,532	\$ 6,761,911	\$ (7,621)
Local sales tax	3,596,075	3,596,075	3,864,849	268,774
Other	<u>137,739</u>	<u>137,739</u>	<u>182,062</u>	<u>44,323</u>
Total taxes	<u>10,503,346</u>	<u>10,503,346</u>	<u>10,808,822</u>	<u>305,476</u>
Intergovernmental revenues:				
State of Tennessee:				
Education	20,759,008	21,445,140	21,649,577	204,437
Food service	30,000	30,000	30,072	72
Federal funds received from State of Tennessee and other sources:				
Education	71,027	249,534	209,965	(39,569)
Food service	1,254,000	1,254,000	1,286,024	32,024
Federal Projects	<u>2,758,516</u>	<u>4,014,729</u>	<u>2,868,819</u>	<u>(1,145,910)</u>
Total intergovernmental revenues	<u>24,872,551</u>	<u>26,993,403</u>	<u>26,044,457</u>	<u>(948,946)</u>
Charges for services:				
Education	60,000	60,000	48,455	(11,545)
Food service	<u>1,004,000</u>	<u>1,004,000</u>	<u>995,478</u>	<u>(8,522)</u>
Total charges for current services	<u>1,064,000</u>	<u>1,064,000</u>	<u>1,043,933</u>	<u>(20,067)</u>
Investment earnings:				
Education	<u>130,000</u>	<u>130,000</u>	<u>278,882</u>	<u>148,882</u>
Miscellaneous:				
Education	<u>6,000</u>	<u>9,000</u>	<u>53,500</u>	<u>44,500</u>
Total revenues	<u>36,575,897</u>	<u>38,699,749</u>	<u>38,229,594</u>	<u>(470,155)</u>

(continued)

**BUDGETARY COMPARISON SCHEDULE--(continued)**  
**BOARD OF EDUCATION GOVERNMENTAL FUNDS**  
**McMINN COUNTY, TENNESSEE**  
**Year ended June 30, 2007**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
<b>EXPENDITURES</b>				
Current:				
Education:				
Regular instruction program	\$ 17,283,999	\$ 17,817,631	\$ 17,480,254	\$ 337,377
Alternative instruction program	188,394	188,394	182,841	5,553
Special education program	2,940,449	3,515,807	3,060,932	454,875
Vocational education program	1,989,848	2,028,991	1,943,789	85,202
Student body education fund	-	64,000	63,008	992
Other	58,059	97,691	97,691	-
Attendance	117,521	97,144	95,590	1,554
Health services	37,000	37,000	36,937	63
Other student support	1,064,219	1,189,620	1,142,386	47,234
Regular instruction support	1,866,960	1,870,043	1,796,705	73,338
Special education support	392,941	687,453	512,493	174,960
Vocational education support	130,349	130,349	128,998	1,351
Other programs	97,954	97,954	58,446	39,508
Board of education	470,603	574,603	574,324	279
Office of superintendent	278,576	381,718	381,500	218
Office of principal	2,204,083	2,196,083	2,040,516	155,567
Operation of plant	2,544,539	2,604,539	2,603,918	621
Maintenance of plant	843,036	851,714	840,434	11,280
Transportation	2,209,759	2,292,190	2,076,387	215,803
Community services	-	65,000	63,246	1,754
Early childhood	-	334,039	312,182	21,857
Food services - Cafeteria	2,394,459	2,394,459	2,392,624	1,835
Total education	<u>37,112,748</u>	<u>39,516,422</u>	<u>37,885,201</u>	<u>1,631,221</u>
Capital outlay:				
Building Improvements	<u>515,000</u>	<u>3,115,624</u>	<u>1,958,249</u>	<u>1,157,375</u>
Total budgetary expenditures	<u>37,627,748</u>	<u>42,632,046</u>	<u>39,843,450</u>	<u>2,788,596</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	-	2,472,010	1,879,915	592,095
Net change in fund balance	(1,051,851)	(1,460,287)	266,059	1,726,346
Fund balance allocation	<u>1,051,851</u>	<u>1,460,287</u>		<u>(1,460,287)</u>
	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 266,059</u>
Add encumbrances at end of year			233,881	
Less encumbrances at beginning of year			(305,463)	
Excess of nonbudgeted revenues and other financing sources over nonbudgeted expenditures and other financing uses			<u>67,095</u>	
Net change in fund balance--(GAAP Modified Accrual Basis)			261,572	
Fund balances at beginning of year--(GAAP Modified Accrual Basis)			<u>5,126,759</u>	
Fund balances at end of year--(GAAP Modified Accrual Basis)			<u>\$ 5,388,331</u>	

# SCHEDULE OF PROPERTY TAXES RECEIVABLE

## McMINN COUNTY, TENNESSEE

June 30, 2007

<u>Year of Levy</u>	<u>Net Amount</u>
2007 *	\$ 18,520,403
2006	790,247
2005	404,719
2004	53,272
2003	<u>55,650</u>
	19,824,291
Less: Estimated uncollectible taxes	<u>1,772,978</u>
Total property taxes receivable	<u>\$ 18,051,313</u>

The above outstanding receivables are recorded in the McMinn County, Tennessee financial statements at June 30, 2007 as follows:

Government wide funds:	
General fund	\$ 3,819,658
Road and bridge fund	1,413,056
Capital projects fund - miscellaneous	3,695,285
Component unit funds:	
Board of education	6,873,883
Accounting for in agency funds:	
Athens school funds	1,861,387
Etowah school funds	<u>388,044</u>
Total property taxes receivable	<u>\$ 18,051,313</u>

\* Accrual of the anticipated current year levy is required by GASB Statement No. 33.

## SCHEDULE OF INVESTMENTS BY FUND

### McMINN COUNTY, TENNESSEE

June 30, 2007

#### OFFICE OF TRUSTEE

##### POOLED INVESTMENTS

##### CERTIFICATE OF DEPOSIT:

FSG Bank	1.94%	\$	100,000
Bank of Athens	5.12%		11,018,335
First National Bank (formerly BB&T)	Varies		<u>9,500,000</u>
Total Office of Trustee		\$	<u>20,618,335</u>

#### OFFICE OF CIRCUIT, GENERAL SESSION AND PROBATE CLERK

##### COURT ORDERED INVESTED FUNDS:

Bank of Athens	1.49%	\$	16,574
First National Bank (formerly BB&T)	Varies		112,201
Citizens National Bank	Varies		769,093
AmSouth National Bank	Varies		6,907
Athens Federal Savings & Loan	Varies		53,269
Regions Bank	3.88%		18,199
Southeast Bank & Trust	3.11%		<u>189,874</u>
Total Office of Circuit, General Sessions and Probate Clerk		\$	<u>1,166,117</u>

#### OFFICE OF CLERK AND MASTER

##### COURT ORDERED INVESTED FUNDS:

Athens Federal Savings and Loan	0.75%	\$	11,635
Citizens National Bank	Varies		179,866
First National Bank (formerly BB&T)	5.21%		<u>41,490</u>
Total Office of Clerk and Master		\$	<u>232,991</u>

**COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND BALANCES  
EQUITY IN POOLED CASH AND INVESTMENTS WITH TRUSTEE**

**McMINN COUNTY, TENNESSEE  
Year ended June 30, 2007**

	Balance June 30, 2006	Receipts	Disbursements	Commissions and Transfers	Trustee Balance June 30, 2007
<b>Primary Government</b>					
<b>Governmental Activities:</b>					
General Fund	\$ 2,747,513	\$ 11,751,257	\$ 11,871,934	\$ 107,617	\$ 2,519,219
Road and Bridge	1,058,257	4,036,340	4,081,502	49,575	963,520
Debt Service	1,575,311	100,243	100	1,003	1,674,451
<b>Capital Projects Funds:</b>					
Correctional Capital Projects	99,589	10,210	5,680		104,119
Other Capital Projects	6,371,005	6,400,682	4,645,358	71,387	8,054,942
<b>Other Governmental Funds:</b>					
Law Library	16,487	4,823	2,776	48	18,486
Solid Waste Sanitation	1,019,158	609,625	38,411	6,096	1,584,276
Drug Control	216,673	197,689	89,408		324,954
Fraud and Economic Crimes	27,397	63,201	31,546	610	58,442
Economic Development/Assistance	198,791	10,205			208,996
Insurance Fund	7,158	-	-	-	7,158
<b>Business-type Activities:</b>					
Solid Waste Disposal	2,388,702	1,368,743	1,454,512	12,905	2,290,028
<b>Discretely Presented Component Units:</b>					
<b>Board of Education:</b>					
General Purpose School	4,444,585	33,870,347	33,030,013	183,512	5,101,407
School Federal Projects	92,558	3,026,524	3,049,589		69,493
School Cafeteria	386,895	2,341,660	2,407,850		320,705
Education Capital Projects	3,714	1,879,915	1,697,800		185,829
"911" Emergency Communication	678,823	924,617	762,431	9,245	831,764
<b>Agency Funds:</b>					
Athens School	-	2,934,498	2,887,850	46,648	-
Etowah School	-	617,800	607,851	9,949	-
Judicial District Drug	2,591,754	674,171	1,098,079		2,167,846
City Sales tax	-	4,587,933	4,542,054	45,879	-
Miscellaneous	-	41,607	41,545	62	-
	<u>23,924,370</u>	<u>75,452,090</u>	<u>72,346,289</u>	<u>544,536</u>	<u>26,485,635</u>
Trustee Commissions	<u>93,578</u>	<u>544,536</u>	<u>531,667</u>	<u>-</u>	<u>106,447</u>
<b>Total all funds</b>	<b><u>\$ 24,017,948</u></b>	<b><u>\$ 75,996,626</u></b>	<b><u>\$ 72,877,956</u></b>	<b><u>\$ 544,536</u></b>	<b><u>\$ 26,592,082</u></b>
<b>Funds held by County Trustee:</b>					
Cash on hand					\$ 3,246
Checking - Citizens National Bank					5,970,501
Certificates of deposit					<u>20,618,335</u>
					<b><u>\$ 26,592,082</u></b>

Outstanding Warrants	Balance June 30, 2007
-------------------------	--------------------------

113,403	\$	2,405,816
29,292		934,228
-		1,674,451

32		104,087
236,907		7,818,035

-		18,486
-		1,584,276
6,699		318,255
692		57,750
-		208,996
-		7,158

78,016		2,212,012
--------	--	-----------

689,433		4,411,974
89,916		(20,423)
12,836		307,869
185,829		-

98,728		733,036
--------	--	---------

-		-
-		-
77,822		2,090,024
-		-
-		-

1,619,605		24,866,030
-		106,447

<u>\$ 1,619,605</u>		<u>\$ 24,972,477</u>
---------------------	--	----------------------

# DEBT SERVICE REQUIREMENTS TO MATURITY

## McMINN COUNTY, TENNESSEE

June 30, 2007

Year Ended June 30	Combined Totals	NOTES PAYABLE		
		Note Principal	Interest	Total
2008	\$ 882,027	\$ 650,709	\$ 20,744	\$ 671,453
2009	252,877	32,494	9,808	42,302
2010	224,837	34,195	8,107	42,302
2011	166,972	35,985	6,317	42,302
2012	49,660	37,868	4,434	42,302
2013	29,070	25,872	3,198	29,070
2014	27,867	26,003	1,864	27,867
2015	<u>27,867</u>	<u>27,305</u>	<u>562</u>	<u>27,867</u>
	<u>\$ 1,661,177</u>	<u>\$ 870,431</u>	<u>\$ 55,034</u>	<u>\$ 925,465</u>

CAPITAL LEASE OBLIGATIONS

Lease Principal	Interest	Total
\$ 185,410	\$ 25,164	\$ 210,574
193,655	16,920	210,575
173,432	9,103	182,535
122,060	2,610	124,670
7,108	250	7,358
-	-	-
-	-	-
-	-	-
<u>681,665</u>	<u>54,047</u>	<u>735,712</u>

## SCHEDULE OF SALARIES AND OFFICIAL BONDS OF PRINCIPAL OFFICIALS

### McMINN COUNTY, TENNESSEE

June 30, 2007

Official	Amount of Salary	Statutory Provisions for Salary	Amount of Bond	Surety	Expiration Date
County Mayor	\$ 83,449	County Commission	\$ 50,000	Travelers Casualty & Surety	9/1/2010
Director of Finance	72,227	Section 5-21-109, T.C.A.	50,000	Continental Casualty Co.	3/1/2010
Commissioner of Highways	67,165	County Commission	100,000	Travelers Casualty & Surety	9/1/2010
Trustee	58,974	Section 8-24-102, T.C.A.	1,319,000	Travelers Casualty & Surety	9/1/2010
Assessor of Property	60,571	Section 8-24-104 (B), T.C.A.	10,000	Western Surety	10/1/2008
Administrator of Schools	94,707	State Board of Education and School Boards	100,000	Travelers Casualty & Surety	1/1/2010
<u>Constitutional Officers:</u>					
Circuit, General Sessions, and Probate Court Clerk	49,145	Section 8-24-102, T.C.A.	75,000	Travelers Casualty & Surety	9/1/2010
Clerk and Master	58,961	Section 8-24-102, T.C.A.	75,000	Travelers Casualty & Surety	9/1/2008
County Clerk	58,973	Section 8-24-102, T.C.A.	50,000	Travelers Casualty & Surety	9/1/2010
Register of Deeds	58,975	Section 8-24-102, T.C.A.	25,000	Travelers Casualty & Surety	9/1/2010
Sheriff	64,854	Section 8-24-102, T.C.A.	25,000	Travelers Casualty & Surety	9/1/2010

## SCHEDULE OF TAX RATES AND ASSESSMENTS

### McMINN COUNTY, TENNESSEE

June 30, 2007

Year	Tax Rate	ASSESSED VALUES			Total Taxes
		Property, Personal and Real	Total Utilities	Total	
2007	1.900%	\$ 887,405,040	\$ 35,368,737	\$ 922,773,777	17,532,702 *
2006	1.900%	872,491,181	34,506,307	906,997,488	17,232,952
2005	1.900%	868,385,843	39,608,210	907,994,053	17,251,887
2004	1.900%	867,591,950	30,588,630	898,180,580	17,065,431
2003	1.900%	815,449,821	30,441,232	845,891,053	16,071,930
2002	2.230%	722,469,036	30,293,833	752,762,869	16,786,612
2001	2.230%	697,540,607	30,293,833	727,834,440	16,230,708
2000	1.980%	688,571,869	29,999,242	718,571,111	14,227,708
1999	1.980%	653,407,473	31,671,617	685,079,090	13,564,566
1998	1.980%	610,394,400	30,473,450	640,867,850	12,689,183
1997	2.532%	451,043,771	25,354,491	476,398,262	12,062,404
1996	2.532%	447,984,680	28,881,710	476,866,390	12,074,257

\* Based upon estimated assessed values for Public Utilities

**McMINN COUNTY, TENNESSEE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year ended June 30, 2007**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Passed through Tennessee Department of Finance and Administration:			
Bryne Grant	16.580	2006-DJ-BX-0818	\$ 10,545
			<u>3,025</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed through Tennessee Emergency Management Agency:			
Domestic Preparedness Equipment Support	97.004	Z-04-02-2473-00	52,705
Emergency Management Performance	97.042	GG-06-12169-00	41,563
Emergency Management Performance	97.042	Z-06-032881-00	17,301
Homeland Security Grant	97.067	Z-05-02-5188-00	<u>143,030</u>
			<u>254,599</u>
Total U.S. Department of Homeland Security			
<b>ELECTION ASSISTANCE COMMISSION</b>			
Help America Vote Act	90.401	Z-07-03-7425-00	<u>5,350</u>
			<u>273,519</u>
Total Expenditures of Federal Awards - Primary Government			
<b>COMPONENT UNITS:</b>			
<i>McMinn Board of Education</i>			
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through Tennessee Department of Agriculture:			
Food Donation (Noncash - Food Commodities)	10.565	None	92,074
Passed through Tennessee Department of Education:			
School Breakfast Program	10.553	None	314,993
National School Lunch Program	10.555	None	<u>971,032</u>
			<u>1,378,099</u>
Total U.S. Department of Agriculture			
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Direct assistance:			
Small Learning Communities Program	84.215	None	<u>744</u>

(continued)

**McMINN COUNTY, TENNESSEE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS--(continued)**

**Year ended June 30, 2007**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Passed through Tennessee Department of Education: Title I Grant to Local Educational Agencies	84.010	None	\$ 945,449
Special Education - Grants to States (IDEA)	84.027	None	1,452,460
Vocational Education - Basic Grants to States	84.048	None	221,342
Rehabilitation Services	84.126	GG-07-12491-00	97,954
Special Education - Preschool Grants (IDEA)	84.173	None	23,142
Safe and Drug-Free Schools and Communities	84.186	None	44,107
Twenty-first Century Learning Communities	84.287	192-07-3-015	97,691
State Grants for Innovative Programs	84.298	None	9,190
Education Technology State Grants	84.318	None	13,969
English Language Acquisition Grants	84.365	None	16,000
Improving Teacher Quality State Grants	84.367	None	235,334
Hurricane Education Recovery Act	84.938	None	<u>7,920</u>
Total U.S. Department of Education			<u>3,165,302</u>
Total Expenditures of Federal Awards - Component Units			<u>4,543,401</u>
Total Expenditures of Federal Awards - Reporting Entity			<u>4,816,920</u>

(continued)

**McMINN COUNTY, TENNESSEE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS--(continued)**

**Year ended June 30, 2007**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<b>State Grants</b>			
<b>Department of Education</b>			
Adequate Yearly Progress Grant	N/A	None	\$ 25,000
Lottery for Education: Afterschool Programs	N/A	019-07-2-025	39,000
Pre-K Pilot Grant	N/A	MX7 AAX	65,000
Safe Schools Act of 1998	N/A	None	30,661
Assistive Technology Grant	N/A	None	3,692
Lottery Pre-K Programs	N/A	MW7 ACX	166,453
Expansion Pre-K Programs	N/A	MV7 AAX	166,453
<b>Department of Transportation</b>			
State Street Aid	N/A	54012-8410-04	201,614
Airport Maintenance	N/A	Z-07-03-5571-00	10,000
AVGAS Fuel Tank	N/A	Z-07-03-7542-00	5,367
Litter Grant	N/A	Z-07-03-3822-00	39,711
Airport Engineering Design - Phase III	N/A	Z-04-01-8929-00	11,053
Airport Runway Extension - Phase III	N/A	Z-04-01-9007-00	499,539
Airport Environmental Assessment	N/A	Z-06-02-9457-00	28,720
Airport Line of Site Correction	N/A	Z-06-02-9473-00	1,531,224
Access Road serving Johns Manville	N/A	60030	137,564
High Visibility Highway Safety Campaign	N/A	Z-07-03-5888-00	4,997
<b>Division of Property Assessment</b>			
Property Reappraisal Grant	N/A	N/A	18,119
<b>Department of Health</b>			
DGA Grant	N/A	Z-07-03-1534-01	389,896
<b>Commission of Children and Youth</b>			
Juvenile Assistance Grant	N/A	Z-07-03-6561-00	11,500
<b>Department of Environment and Conservation</b>			
Optional Waste Tire Grant	N/A	Z-03-01-1374-00	30,256
<b>Department of Agriculture</b>			
Agricultural Growth Initiative	N/A	Z-07-03-5493-00	<u>4,635</u>
Total Expenditures of State Awards			<u>3,420,454</u>
<b>TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS</b>			<u><u>\$ 8,237,374</u></u>

## **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

### **MCMINN COUNTY, TENNESSEE**

**June 30, 2007**

#### **NOTE A. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the County and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.



HENDERSON, HUTCHERSON & McCULLOUGH, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

**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**

To the Honorable Mayor and the  
Board of Commissioners  
McMinn County, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McMinn County, Tennessee, as of and for the year ended June 30, 2007, which collectively comprise McMinn County's basic financial statements and have issued our report thereon dated January 18, 2008. We did not audit the financial statements of McMinn County "911" Emergency Communications District and Woods Memorial Hospital District & Subsidiary. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on those financial statements, insofar as it relates to the amounts included for the McMinn County "911" Emergency Communications District and Woods Memorial Hospital District & Subsidiary, was based solely on the work of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for determining our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

1200 MARKET STREET · FREIGHT DEPOT  
CHATTANOOGA, TENNESSEE 37402-2713  
T 423.756.7771 · F 423.265.8125 · hhmcpas.com  
AN INDEPENDENT MEMBER OF THE BDO SEIDMAN ALLIANCE

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

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests and the report of the other auditors 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 Commissioners, the management of McMinn County, Tennessee, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Chattanooga, Tennessee  
January 18, 2008

Henderson Hutcherson  
c/o McCullough, PLLC



HENDERSON, HUTCHERSON & McCULLOUGH, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Mayor and the  
Board of Commissioners  
McMinn County, Tennessee

Compliance

We have audited the compliance of McMinn County, Tennessee, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. The 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 the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, McMinn County, Tennessee 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, 2007.

1200 MARKET STREET · FREIGHT DEPOT  
CHATTANOOGA, TENNESSEE 37402-2713  
T 423.756.7771 · F 423.265.8125 · hhmcpas.com  
AN INDEPENDENT MEMBER OF THE BDO SEIDMAN ALLIANCE

### Internal Control Over Compliance

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

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

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

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

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

Chattanooga, Tennessee  
January 18, 2008

*Henderson Hutcherson*  
*for McCullough, PLLC*

**MCMINN COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2007**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_yes     X no
- Significant deficiencies that are not considered to be material weaknesses? \_\_\_yes     X none reported

Noncompliance material to financial statements noted? \_\_\_yes     X no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? \_\_\_yes     X no
- Significant deficiencies that are not considered to be material weaknesses? \_\_\_yes     X no

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_yes     X no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	U.S. Department of Education:
84.010	Title I Grant to Local Educational Agencies
84.126	Rehabilitation Services
84.367	Improving Teacher Quality State Grants

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee?  X yes    \_\_\_no

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported

**MCMINN COUNTY, TENNESSEE**

**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year Ended June 30, 2007**

Prior audit findings relative to financial statements have been corrected.

There were no prior audit findings relative to the major federal award programs.