

McMINN COUNTY, TENNESSEE

FINANCIAL STATEMENTS

JUNE 30, 2009



HENDERSON HUTCHERSON & McCULLOUGH, PLLC

CERTIFIED PUBLIC ACCOUNTANTS



McMINN COUNTY, TENNESSEE

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McMINN COUNTY, TENNESSEE

ROSTER OF COUNTY OFFICIALS

June 30, 2009

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

John Gentry
Jason Luallen
Randall R. Moss
David Pierce
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:
Clerk and Master
County Clerk
Register of Deeds
Sheriff

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

McMINN COUNTY, TENNESSEE

ROSTER OF COUNTY OFFICIALS

June 30, 2009

Members of the County Board of Education:

Pat Chester, Chairperson
Melinda King
Larry Cantrell
Joe Coleman
Kathy Dougherty
Quinten Howard
Sharon Brown
Donna Cagle
Mike Lowry

Members of the McMinn County Emergency Communications District:

Mike Jones, Chairman
Russ Duggan
Marvin Kelley
Mark Lowry
Harold 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, 2009, 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, 2009 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 which represents 5.65 percent 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of McMinn County, Tennessee as of June 30, 2009, 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 accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2010, 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.

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AN INDEPENDENT MEMBER OF THE BDO SEIDMAN ALLIANCE

The management's discussion and analysis on pages iv-xi 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-22), 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-6) 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
February 10, 2010

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, 2009. 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 \$90,247,594 (net assets). Unrestricted net assets of the Primary Government of \$12,374,945 may be used to meet the government's ongoing obligations to citizens.
- The total net assets of the McMinn County Primary Government increased by \$1,573,133 or 7.8% of 2009 expenses which totaled \$20,094,105.
- At the close of the current fiscal year, the McMinn County Government's governmental funds reported combined ending fund balances of \$26,224,925, an increase of \$3,358,227 in comparison with the prior year. Approximately 82% of this total amount, \$21,562,050, 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 \$1,523,382, or almost 16%, 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 \$109,355 less than budgeted. The largest factors in this decrease were a decrease in actual investment earnings of \$108,706 compared with budgeted revenues and a decrease of \$61,859 in intergovernmental revenues.

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 \$4,692,983. Of this amount, \$3,631,821 (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 \$23,105,241 in capital assets of the Board.
- The McMinn County Board of Education's net assets decreased by \$1,117,741. The largest factor contributing to the decrease was the fact that the overall increase in expenditures did not contribute to capital assets as in the previous year.

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 Emergency Communications District, a component unit for which the County is financially accountable, but which issues its 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 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 to A-6 and A-8 to 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 through 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 \$90,247,594 at the close of the most recent fiscal year. A summary version of the Statement of Net Assets at June 30, 2009 follows:

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$ 35,559,519	\$ 32,239,828	\$ 1,948,359	\$ 2,466,197	\$ 37,507,878	\$ 34,706,025
Capital Assets	60,784,882	61,999,242	2,499,117	2,521,865	63,283,999	64,521,107
Total Assets	<u>96,344,401</u>	<u>94,239,070</u>	<u>4,447,476</u>	<u>4,988,062</u>	<u>100,791,877</u>	<u>99,227,132</u>
Long-term Liabilities						
Outstanding	261,724	271,697	1,523,744	1,482,734	1,785,468	1,754,431
Other Liabilities	8,746,191	8,765,220	12,624	33,020	8,758,815	8,798,240
Total Liabilities	<u>9,007,915</u>	<u>9,036,917</u>	<u>1,536,368</u>	<u>1,515,754</u>	<u>10,544,283</u>	<u>10,552,671</u>
Net Assets:						
Invested in Capital Assets	60,784,882	61,999,242	2,499,117	2,521,312	63,283,999	64,520,554
Restricted	14,588,650	12,803,513	-	-	14,588,650	12,803,513
Unrestricted	11,962,954	10,399,398	411,991	950,996	12,374,945	11,350,394
Total Net Assets	<u>\$ 87,336,486</u>	<u>\$ 85,202,153</u>	<u>\$ 2,911,108</u>	<u>\$ 3,472,308</u>	<u>\$ 90,247,594</u>	<u>\$ 88,674,461</u>

The investment in capital assets of the McMinn County Government (e.g., land, buildings, infrastructure, machinery and equipment) accounts for 70% 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 Primary Government's net assets (16.2%) represents resources that are subject to external restrictions on how they may be used. This 16.2% is restricted for Capital Projects. The remaining balance of *unrestricted net assets* of \$12,374,945 may be used to meet the government's ongoing obligations to citizens.

The Primary Government's net assets increased by \$1,573,133 during the current fiscal year.

Governmental activities. Governmental activities increased the McMinn County Government's net assets by \$2,134,333. 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	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues:						
Charges for services	\$ 4,220,084	\$ 3,933,092	\$ 935,343	\$ 1,318,460	\$ 5,155,427	\$ 5,251,552
Operating grants and contributions	4,853,950	4,849,058	26,860	30,257	4,880,810	4,879,315
General revenues:						
Taxes	11,150,827	10,696,371	-	-	11,150,827	10,696,371
Grants and contributions not restricted	-	-	-	-	-	-
Investment earnings	558,498	873,694	45,937	101,978	604,435	975,672
Sale of property	803,692	1,000,000	-	-	803,692	1,000,000
Miscellaneous	-	-	1,945	1,524	1,945	1,524
Transfers	(1,119,898)	(633,635)	190,000	-	(929,898)	(633,635)
Total revenues	<u>20,467,153</u>	<u>20,718,580</u>	<u>1,200,085</u>	<u>1,452,219</u>	<u>21,667,238</u>	<u>22,170,799</u>
Expenses:						
General government	6,705,404	5,881,781	-	-	6,705,404	5,881,781
Public safety	4,909,293	4,813,881	-	-	4,909,293	4,813,881
Public works	5,487,496	5,718,747	-	-	5,487,496	5,718,747
Health and welfare	974,578	1,280,151	-	-	974,578	1,280,151
Culture and recreation	236,543	230,288	-	-	236,543	230,288
Education	19,506	75,840	-	-	19,506	75,840
Other general government	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Solid waste	-	-	1,761,285	1,605,315	1,761,285	1,605,315
Total expenses	<u>18,332,820</u>	<u>18,000,688</u>	<u>1,761,285</u>	<u>1,605,315</u>	<u>20,094,105</u>	<u>19,606,003</u>
Change in net assets	2,134,333	2,717,892	(561,200)	(153,096)	1,573,133	2,564,796
Net assets - beginning	<u>85,202,153</u>	<u>82,484,261</u>	<u>3,472,308</u>	<u>3,625,404</u>	<u>88,674,461</u>	<u>86,109,665</u>
Net assets - ending	<u>\$ 87,336,486</u>	<u>\$ 85,202,153</u>	<u>\$ 2,911,108</u>	<u>\$ 3,472,308</u>	<u>\$ 90,247,594</u>	<u>\$ 88,674,461</u>

As shown in the table, General Government, Public Works, and Public Safety were the three largest governmental activities for this fiscal year, 36.6%, 29.9%, and 26.8%, respectively, of total governmental activities expense.

The McMinn County's tax levy of \$1.5553 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 2009-2010 fiscal year budget was balanced maintaining the current tax rate.

Business-type activities. Operating revenues for the Solid Waste Disposal Fund decreased 29.1% over the prior year. Operating expenses increased by \$155,970, or 9.7%. The resulting change in net assets for the solid waste operation was a decrease of \$561,200. This change in net assets was an additional decrease of \$408,104 over the decrease in the previous fiscal year.

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 \$26,224,925, an increase of \$3,358,227 in comparison with the prior year. Approximately 82% of this total amount (\$21,562,050) 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 Tourism and Industrial Development (\$1,074,280), or 2) for a variety of other restricted purposes (\$3,588,595).

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 \$1,523,382, while total fund balance was \$3,818,284. 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 15.6% of total general fund expenditures, while total fund balance represents 39% of that same amount.

The fund balance of the McMinn County Government's general fund increased by \$331,236 during the current fiscal year. The largest factor in the increase from last year can be attributed to an increase of about 5.8% in revenues, the largest of which was an increase in Intergovernmental Revenues of \$124,573.

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 \$411,991. The total change in net assets for the solid waste operation was (\$561,200). 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 of the General Fund and the final amended budget were within the normal course of County business; the increase totaled \$823,467 in appropriations.

The primary differences can be summarized briefly as follows:

- An increase of \$174,000 for jail operations and \$103,852 for the Governor's Highway Safety Grant in Special Patrols in the Sheriff's Department.
- An increase of \$142,446 for Industrial Development for a Tennessee Housing Rehabilitation Grant; and an increase of \$86,616 for payroll for the County Clerk's Office which was turned over to the Finance Office for processing.

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, 2009 amounts to \$63,283,999 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure (roads and bridges).

The total decrease in the McMinn County Government's investment in capital assets for the current year was \$1,236,555 or 1.9%. The decrease in value of the investment in capital assets can be attributed to the normal depreciation of the roads and bridges systems in the county in a year in which no new construction has been completed to offset the depreciation.

McMinn County, Tennessee Capital Assets						
(net of depreciation)						
For the Fiscal Year-End June 30						
Primary Government						
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 1,906,123	\$ 1,906,123	\$ 438,950	\$ 438,950	\$ 2,345,073	\$ 2,345,073
Buildings	7,186,689	7,479,202	59,558	69,599	7,246,247	7,548,801
Facilities and development	-	-	-	-	-	-
Infrastructure	42,552,352	44,365,128	1,034,451	1,114,996	43,586,803	45,480,124
Other fixed assets	2,492,750	1,601,821	935,957	798,564	3,428,707	2,400,385
Construction in progress	6,646,968	6,646,968	30,201	99,756	6,677,169	6,746,724
	<u>\$ 60,784,882</u>	<u>\$ 61,999,242</u>	<u>\$ 2,499,117</u>	<u>\$ 2,521,865</u>	<u>\$ 63,283,999</u>	<u>\$ 64,521,107</u>

McMinn County, Tennessee Change in Capital Assets						
For the Fiscal Year-End June 30						
Primary Government						
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Beginning balance	\$ 109,746,784	\$ 109,050,553	\$ 6,932,129	\$ 6,880,486	\$ 116,678,913	\$ 115,931,039
Additions	1,623,379	1,136,471	397,535	130,783	2,020,914	1,267,254
Deletions	(167,699)	(440,239)	(97,140)	(79,140)	(264,839)	(519,379)
Balance before depreciation	111,202,464	109,746,785	7,232,524	6,932,129	118,434,988	116,678,914
Accumulated depreciation	(50,417,582)	(47,747,543)	(4,733,407)	(4,410,264)	(55,150,989)	(52,157,807)
Balance after depreciation	<u>\$ 60,784,882</u>	<u>\$ 61,999,242</u>	<u>\$ 2,499,117</u>	<u>\$ 2,521,865</u>	<u>\$ 63,283,999</u>	<u>\$ 64,521,107</u>

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

Long-Term Debt. At the end of the current fiscal year, the McMinn County Government had no total long-term debt outstanding.

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 14.9%, (not seasonally adjusted), which is an increase from 8.3% at the end of fiscal year 2008. The county's unemployment rate is higher than the state unemployment rate for June 2009, 11.1%, (not seasonally adjusted); and also higher than the national rate, 9.5%, (seasonally adjusted), for the same period.
- To help lower the unemployment rate and to help improve the county's economic activity, the McMinn County Government continually seeks to spur growth of industry in McMinn County. The efforts of the McMinn County Government along with the McMinn County Economic Development Authority to help the growth of existing industries include providing information about available industrial properties, by providing the demographics of the County to interested parties, and providing information regarding available continuing education and training.
- These factors were considered in preparing the McMinn County Government's budget for the 2009-2010 fiscal year.

During the current year, unreserved fund balance in the general fund decreased to \$1,523,382. The McMinn County Government has appropriated \$575,848 of this amount for spending in the 2009-2010 fiscal year budgets. This use of available fund balance helps enable the County to balance the budget, thus avoiding the need to raise taxes or charges in the 2009-2010 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, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 398,215	\$ 75	\$ 398,290
Equity in pooled cash and investments	24,394,612	1,818,705	26,213,317
Receivables, net of allowance for uncollectibles	10,726,178	129,579	10,855,757
Due from other funds	3,350	-	3,350
Due from component units	4,284	-	4,284
Inventories	32,880	-	32,880
Prepaid items	-	-	-
Other assets	-	-	-
Land and other nondepreciable assets	8,553,091	469,151	9,022,242
Other capital assets, net of accumulated depreciation	<u>52,231,791</u>	<u>2,029,966</u>	<u>54,261,757</u>
Total assets	<u>96,344,401</u>	<u>4,447,476</u>	<u>100,791,877</u>
LIABILITIES			
Accounts payable and accrued expenses	359,751	11,467	371,218
Due to other funds	-	1,157	1,157
Due to component units	-	-	-
Unearned revenue	8,386,440	-	8,386,440
Long-term liabilities:			
Due within one year	-	-	-
Due in more than one year	<u>261,724</u>	<u>1,523,744</u>	<u>1,785,468</u>
Total liabilities	<u>9,007,915</u>	<u>1,536,368</u>	<u>10,544,283</u>
NET ASSETS			
Invested in capital assets, net of related debt	60,784,882	2,499,117	63,283,999
Restricted for:			
Capital projects	14,588,650	-	14,588,650
Unrestricted	<u>11,962,954</u>	<u>411,991</u>	<u>12,374,945</u>
Total net assets	<u>\$ 87,336,486</u>	<u>\$ 2,911,108</u>	<u>\$ 90,247,594</u>

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

Component Units	
McMinn County Board of Education	"911 Emergency Communication
\$ -	\$ 795,981
3,770,793	-
8,026,181	83,627
-	-
-	-
-	-
-	2,392
-	4,784
1,254,188	99,557
<u>21,851,053</u>	<u>1,104,016</u>
<u>34,902,215</u>	<u>2,090,357</u>
189,593	3,378
-	148
4,136	-
6,465,286	-
-	7,414
<u>501,893</u>	<u>28,061</u>
<u>7,160,908</u>	<u>39,001</u>
23,105,241	1,179,829
-	-
<u>4,636,066</u>	<u>871,527</u>
<u>\$ 27,741,307</u>	<u>\$ 2,051,356</u>

STATEMENT OF ACTIVITIES

McMINN COUNTY, TENNESSEE

Year ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Government activities:				
General government	\$ 6,705,404	\$ 4,220,084	\$ 2,149,744	\$ -
Public safety	4,909,293	-	-	-
Health	966,490	-	-	-
Social services	8,088	-	-	-
Culture and recreation	236,543	-	-	-
Public works	18,425	-	-	-
Roads and bridges	5,469,071	-	2,106,346	-
Education	19,506	-	597,860	-
Total governmental activities	18,332,820	4,220,084	4,853,950	-
Business-type activities:				
Solid waste disposal	1,761,285	935,343	26,860	-
TOTAL PRIMARY GOVERNMENT	\$ 20,094,105	\$ 5,155,427	\$ 4,880,810	\$ -
Component units:				
Education	\$ 44,017,162	\$ 1,128,047	\$ 29,687,692	\$ 929,898
Emergency communications	823,826	488,618	489,214	-
TOTAL COMPONENT UNITS	\$ 44,840,988	\$ 1,616,665	\$ 30,176,906	\$ 929,898

General revenues:

- Property taxes
- Sales taxes
- Business taxes
- Hotel/Motel taxes
- Other taxes
- Sale of property
- Miscellaneous
- Transfers
- Unrestricted investment earnings
- Total general revenues

Change in net assets

Net assets, beginning, as previously reported

Prior period adjustment

Net assets, beginning, as restated

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
\$ (335,576)		\$ (335,576)		
(4,909,293)		(4,909,293)		
(966,490)		(966,490)		
(8,088)		(8,088)		
(236,543)		(236,543)		
(18,425)		(18,425)		
(3,362,725)		(3,362,725)		
<u>578,354</u>		<u>578,354</u>		
(9,258,786)		(9,258,786)		
	\$ (799,082)	(799,082)		
<u>(9,258,786)</u>	<u>(799,082)</u>	<u>(10,057,868)</u>		
			\$ (12,271,525)	
			-	\$ 154,006
			<u>(12,271,525)</u>	<u>154,006</u>
5,357,320	-	5,357,320	7,098,589	-
505,059	-	505,059	3,704,820	-
225,491	-	225,491	102,792	-
324,503	-	324,503	-	-
4,738,454	-	4,738,454	81,454	-
803,692	-	803,692	-	-
-	1,945	1,945	166,129	-
(1,119,898)	190,000	(929,898)	-	-
<u>558,498</u>	<u>45,937</u>	<u>604,435</u>	-	<u>16,558</u>
<u>11,393,119</u>	<u>237,882</u>	<u>11,631,001</u>	<u>11,153,784</u>	<u>16,558</u>
<u>2,134,333</u>	<u>(561,200)</u>	<u>1,573,133</u>	<u>(1,117,741)</u>	<u>170,564</u>
85,202,153	3,472,308	88,674,461	29,311,869	1,880,792
-	-	-	(452,821)	-
<u>85,202,153</u>	<u>3,472,308</u>	<u>88,674,461</u>	<u>28,859,048</u>	<u>1,880,792</u>
<u>\$ 87,336,486</u>	<u>\$ 2,911,108</u>	<u>\$ 90,247,594</u>	<u>\$ 27,741,307</u>	<u>\$ 2,051,356</u>

**BALANCE SHEET
GOVERNMENTAL FUNDS**

**McMINN COUNTY, TENNESSEE
June 30, 2009**

	General	Road and Bridge	Constitutional Officers
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 398,215
Equity in pooled cash and investments	3,051,664	1,329,518	-
Receivables, net of allowance for uncollectibles	4,605,869	1,778,125	-
Due from other funds	35,789	-	-
Due from proprietary fund	1,157	-	-
Due from fiducary funds	2,193	-	-
Due from component units	4,284	-	-
Inventories	32,880	-	-
	<u>7,733,836</u>	<u>3,107,643</u>	<u>398,215</u>
Total assets	<u>\$ 7,733,836</u>	<u>\$ 3,107,643</u>	<u>\$ 398,215</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 78,209	\$ 113,140	\$ -
Accrued items and other	706	-	-
Due to other funds	-	10,587	20,000
Unearned revenues:			
Uncollected property taxes	3,836,637	1,419,338	-
	<u>3,915,552</u>	<u>1,543,065</u>	<u>20,000</u>
Total liabilities	<u>\$ 3,915,552</u>	<u>\$ 1,543,065</u>	<u>\$ 20,000</u>
Fund balances:			
Reserved for:			
Encumbrances	-	-	-
Inventories	78,168	-	-
Alcohol and drug treatment	223,559	-	-
Sexual offender registration	14,763	-	-
Register of Deeds	30,047	-	-
Hotel/Motel tax	1,074,280	-	-
Health Department	101,329	-	-
Drug Prosecutor	239,376	-	-
Other restricted activities	533,380	4,856	1
Unreserved, reported in:			
General fund	1,523,382	-	-
Capital projects fund	-	-	-
Debt service	-	-	-
Special revenue funds	-	1,559,722	378,214
	<u>3,818,284</u>	<u>1,564,578</u>	<u>378,215</u>
Total fund balances	<u>\$ 3,818,284</u>	<u>\$ 1,564,578</u>	<u>\$ 378,215</u>
Total liabilities and fund balances	<u>\$ 7,733,836</u>	<u>\$ 3,107,643</u>	<u>\$ 398,215</u>

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

Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 398,215
2,844,412	14,455,337	2,706,523	24,387,454
28,127	4,084,201	229,856	10,726,178
-	-	-	35,789
-	-	-	1,157
-	-	-	2,193
-	-	-	4,284
-	-	-	32,880
<u>\$ 2,872,539</u>	<u>\$ 18,539,538</u>	<u>\$ 2,936,379</u>	<u>\$ 35,588,150</u>
\$ -	\$ 167,696	\$ -	\$ 359,045
-	-	-	706
-	-	5,202	35,789
-	3,711,710	-	8,967,685
<u>-</u>	<u>3,879,406</u>	<u>5,202</u>	<u>9,363,225</u>
-	-	-	-
-	-	-	78,168
-	-	-	223,559
-	-	-	14,763
-	-	-	30,047
-	-	-	1,074,280
-	-	-	101,329
-	-	-	239,376
-	312,058	2,051,058	2,901,353
-	-	-	1,523,382
-	14,348,074	-	14,348,074
2,872,539	-	-	2,872,539
-	-	880,119	2,818,055
<u>2,872,539</u>	<u>14,660,132</u>	<u>2,931,177</u>	<u>26,224,925</u>
<u>\$ 2,872,539</u>	<u>\$ 18,539,538</u>	<u>\$ 2,936,379</u>	<u>\$ 35,588,150</u>

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

McMINN COUNTY, TENNESSEE

June 30, 2009

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

Fund balances - total governmental funds	\$ 26,224,925
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.	60,784,882
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.	581,245
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	<u>(261,724)</u>
Net assets of governmental activities	<u>\$ 87,336,486</u>

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



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

McMINN COUNTY, TENNESSEE
Year ended June 30, 2009

	General	Road and Bridge	Constitutional Officers
REVENUES			
Taxes	\$ 5,662,529	\$ 1,518,655	\$ -
Intergovernmental	2,149,744	2,106,346	-
Charges for services	66,807	-	2,269,242
Fines, forfeitures and penalties	248,409	-	-
Investment earnings	91,294	9,107	17,431
Sale of property	-	-	-
Miscellaneous	825,531	19,275	1,000
Total revenues	9,044,314	3,653,383	2,287,673
EXPENDITURES			
Current:			
General government	4,280,956	-	1,236,627
Public safety	4,364,603	-	1,000
Health	897,359	-	-
Social services	8,088	-	-
Culture and recreation	231,684	-	-
Public works	-	-	-
Roads and bridges	-	2,885,809	-
Capital outlay:			
General government	-	-	-
Roads and bridges	-	467,134	-
Total expenditures	9,782,690	3,352,943	1,237,627
Excess (deficiency) of revenues over (under) expenditures	(738,376)	300,440	1,050,046
OTHER FINANCING SOURCES (USES)			
Transfers in	1,069,612	-	-
Transfers out	-	-	(1,069,612)
Total other financing sources and uses	1,069,612	-	(1,069,612)
Net change in fund balances	331,236	300,440	(19,566)
Fund balances, beginning	3,487,048	1,264,138	397,781
Fund balances, ending	\$ 3,818,284	\$ 1,564,578	\$ 378,215

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

Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 3,969,643	\$ -	\$ 11,150,827
-	597,860	-	4,853,950
-	-	-	2,336,049
-	-	166,338	414,747
69,269	307,931	63,466	558,498
-	-	803,692	803,692
-	623,482	-	1,469,288
<u>69,269</u>	<u>5,498,916</u>	<u>1,033,496</u>	<u>21,587,051</u>
483	-	388	5,518,454
-	-	125,910	4,491,513
-	-	-	897,359
-	-	-	8,088
-	-	-	231,684
-	-	18,425	18,425
-	-	-	2,885,809
-	2,590,461	-	2,590,461
-	-	-	467,134
<u>483</u>	<u>2,590,461</u>	<u>144,723</u>	<u>17,108,927</u>
<u>68,786</u>	<u>2,908,455</u>	<u>888,773</u>	<u>4,478,124</u>
-	-	-	1,069,612
-	(1,119,898)	-	(2,189,510)
-	(1,119,898)	-	(1,119,898)
68,786	1,788,557	888,773	3,358,226
<u>2,803,753</u>	<u>12,871,575</u>	<u>2,042,404</u>	<u>22,866,699</u>
<u>\$ 2,872,539</u>	<u>\$ 14,660,132</u>	<u>\$ 2,931,177</u>	<u>\$ 26,224,925</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, 2009

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

Net change in fund balances - total governmental funds	\$ 3,358,226
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	3,247,595
Depreciation expense on governmental capital assets are included in the governmental activities in the statement of activities	(2,798,682)
The net effect of various transactions involving capital assets is to decrease net assets	(1,663,273)
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	<u>(9,533)</u>
Change in net assets of governmental activities	<u>\$ 2,134,333</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, 2009

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
REVENUES				
Taxes	\$ 5,523,142	\$ 5,602,798	\$ 5,662,529	\$ 59,731
Intergovernmental revenues	1,942,247	2,211,603	2,149,744	(61,859)
Charges for services	53,527	53,552	66,807	13,255
Fines, forfeitures and penalties	270,450	279,586	248,409	(31,177)
Investment earnings	200,000	200,000	91,294	(108,706)
Miscellaneous	<u>550,562</u>	<u>806,130</u>	<u>825,531</u>	<u>19,401</u>
Total revenues	<u>8,539,928</u>	<u>9,153,669</u>	<u>9,044,314</u>	<u>(109,355)</u>
EXPENDITURES				
Current:				
General government	4,170,603	4,625,687	4,280,956	344,731
Public safety	4,440,570	4,800,453	4,364,603	435,850
Health	982,126	982,126	897,359	84,767
Social services	16,581	16,581	8,088	8,493
Culture and recreation	<u>223,377</u>	<u>231,877</u>	<u>231,684</u>	<u>193</u>
Total expenditures	<u>9,833,257</u>	<u>10,656,724</u>	<u>9,782,690</u>	<u>874,034</u>
Excess of revenues over expenditures	<u>(1,293,329)</u>	<u>(1,503,055)</u>	<u>(738,376)</u>	<u>764,679</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	745,000	858,000	1,069,612	211,612
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>745,000</u>	<u>858,000</u>	<u>1,069,612</u>	<u>211,612</u>
Net change in fund balance	<u>\$ (548,329)</u>	<u>\$ (645,055)</u>	331,236	<u>\$ 976,291</u>
Fund balance at beginning of year			<u>3,487,048</u>	
Fund balance at end of year			<u>\$ 3,818,284</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, 2009

	Budget Original	Budget Final	Actual (Non - GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,514,109	\$ 1,514,109	\$ 1,518,655	\$ 4,546
Intergovernmental revenues	2,157,782	2,157,872	2,106,346	(51,526)
Investment earnings	18,000	18,000	9,107	(8,893)
Miscellaneous	<u>6,000</u>	<u>6,000</u>	<u>19,275</u>	<u>13,275</u>
Total revenues	<u>3,695,891</u>	<u>3,695,981</u>	<u>3,653,383</u>	<u>(42,598)</u>
EXPENDITURES				
Current:				
Road and bridge:				
Administration	175,605	175,605	174,522	1,083
Highway and bridge maintenance	1,961,774	1,961,774	1,675,354	286,420
Equipment maintenance and operation	614,642	614,642	435,135	179,507
Other charges	187,368	187,368	153,593	33,775
Employee benefits	569,231	569,231	447,205	122,026
Capital outlay	<u>642,097</u>	<u>700,270</u>	<u>467,134</u>	<u>233,136</u>
Total budgetary expenditures	<u>4,150,717</u>	<u>4,208,890</u>	<u>3,352,943</u>	<u>855,947</u>
Excess (deficiency) of revenues over (under) budgetary expenditures	(454,826)	(512,909)	300,440	813,349
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ (454,826)</u>	<u>\$ (512,909)</u>	300,440	<u>\$ 813,349</u>
Fund balance at beginning of year			<u>1,264,138</u>	
Fund balance at end of year			<u>\$ 1,564,578</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, 2009**

	Business-type Activities- Solid Waste Disposal Fund	Governmental Activities - Internal Service Fund
ASSETS		
Current assets:		
Petty cash	\$ 75	\$ -
Equity in pooled cash and investments	1,818,705	7,158
Accounts receivable	129,579	-
Due from other funds	-	-
Total current assets	<u>1,948,359</u>	<u>7,158</u>
Capital assets:		
Land and site improvements	438,950	-
Construction in progress	30,201	-
Total non-depreciable assets	<u>469,151</u>	<u>-</u>
Landfill facilities and development	4,384,562	-
Buildings and improvements	160,638	-
Machinery and equipment	2,218,123	-
Total depreciable assets	6,763,323	-
Less: Accumulated depreciation	<u>(4,733,357)</u>	<u>-</u>
Net depreciable assets	<u>2,029,966</u>	<u>-</u>
Total capital assets	<u>2,499,117</u>	<u>-</u>
Total assets	<u>4,447,476</u>	<u>7,158</u>
LIABILITIES		
Current liabilities:		
Accounts payable	11,467	-
Due to other funds	1,157	-
Total current liabilities	<u>12,624</u>	<u>-</u>
Long-term liabilities:		
Estimated liability for closure and post-closure costs	1,523,744	-
Total liabilities	<u>1,536,368</u>	<u>-</u>
NET ASSETS		
Invested in capital assets	2,499,117	-
Unrestricted	411,991	7,158
Total net assets	<u>\$ 2,911,108</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, 2009**

	Business-type Activities- Solid Waste Disposal Fund	Governmental Activities - Internal Service Fund
OPERATING REVENUES		
Charges for services	\$ 935,343	\$ -
Total operating revenues	<u>935,343</u>	<u>-</u>
OPERATING EXPENSES		
Depreciation and amortization	322,540	-
Salaries and wages	350,815	-
Repairs and maintenance	367,631	-
Surcharges	51,053	-
Closure and post-closure care costs	87,923	-
Contracts with private agencies	99,975	-
Employee benefits	119,311	-
Fuel	168,484	-
Supplies and materials	34,465	-
Insurance	25,393	-
Other	<u>133,695</u>	<u>-</u>
Total operating expenses	<u>1,761,285</u>	<u>-</u>
Operating income (loss)	(825,942)	-
NONOPERATING REVENUES		
Waste tire grants	26,860	-
Miscellaneous	1,945	-
Investment earnings	<u>45,937</u>	<u>-</u>
Income (loss) before transfers	(751,200)	-
Transfers in	<u>190,000</u>	<u>-</u>
Change in net assets	(561,200)	-
Net assets, beginning	<u>3,472,308</u>	<u>7,158</u>
Net assets, ending	<u>\$ 2,911,108</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, 2009**

	Business-type Activities- Solid Waste Disposal Fund	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 935,343	\$ -
Payments to employees	(350,815)	-
Payments for goods and services	<u>(1,054,409)</u>	<u>-</u>
Net cash used in operating activities	<u>(469,881)</u>	<u>-</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfers in	<u>190,000</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>190,000</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(397,535)	-
Net disposal of assets	97,140	-
Waste tire grants	26,860	-
Miscellaneous	<u>1,945</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(271,590)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>45,937</u>	<u>-</u>
Net cash provided by investing activities	<u>45,937</u>	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(505,534)	-
BEGINNING CASH AND CASH EQUIVALENTS	<u>2,324,314</u>	<u>7,158</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 1,818,780</u>	<u>\$ 7,158</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES		
Operating income (loss)	<u>\$ (825,942)</u>	<u>\$ -</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	323,142	-
Estimated liability for closure and postclosure care costs	41,010	-
Change in accounts receivable	12,304	-
Change in due to other funds	(1,208)	-
Change in accounts payable	<u>(19,187)</u>	<u>-</u>
Total adjustments	<u>356,061</u>	<u>-</u>
Net cash used by operating activities	<u>\$ (469,881)</u>	<u>\$ -</u>

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

**STATEMENT OF NET ASSETS
FIDUCIARY FUNDS**

**McMINN COUNTY, TENNESSEE
June 30, 2009**

	Athens School Fund	Etowah School Fund	Judicial District Drug Fund	Constitutional Officers Agency Funds
ASSETS				
Cash	\$ -	\$ -	\$ -	\$ 717,741
Investments	-	-	-	1,539,349
Equity in pooled cash and investments	-	-	2,860,317	-
Receivables:				
Property taxes	1,876,317	400,293	-	-
Accounts	171,071	36,486	5,202	-
Due from other funds	-	-	-	-
Total assets	<u>2,047,388</u>	<u>436,779</u>	<u>2,865,519</u>	<u>2,257,090</u>
LIABILITIES				
Accrued items and other	190,030	40,530	554	-
Intergovernmental payables	1,857,358	396,249	2,862,772	260,089
Due to litigants, heirs and others	-	-	2,193	1,997,001
Total liabilities	<u>2,047,388</u>	<u>436,779</u>	<u>2,865,519</u>	<u>2,257,090</u>
NET ASSETS	<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, 2009

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NOTES TO BASIC FINANCIAL STATEMENTS

MCMINN COUNTY, TENNESSEE JUNE 30, 2009

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.

(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 complies 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.

Permanent Fund – The County maintains a permanent fund that provides for the health care needs of the citizens 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" to be sixty days for the purpose of revenue recognition in the governmental fund financial statements.

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 1st, and is referred to as the lien date. Revenues from property taxes, however, are recognized in the period for which the taxes are levied, which for the County is October 1 of the ensuing fiscal year. Since the receivable for property taxes is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated amount for uncollectible taxes is reported as deferred revenue in the fund financial statements.

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 \$10,000 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.

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 \$1,352 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, 2008
Levy date	October 1, 2008
Tax bills mailed	October 1, 2008
Payment due dates	October 1, 2008 through February 28, 2009
Delinquency date	March 1, 2009
Tax sale – 2003 delinquent property taxes	June 2008

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, 2009, 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 2009, 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, 2009, the carrying amount of the County’s deposits is as follows:

Balances with the Trustee are as follows:

Cash on hand	\$	357,478
Bank accounts		6,207,076
Interest-bearing deposits in Financial institutions		<u>28,526,452</u>
	\$	<u>35,091,006</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:	\$ 26,464,085	\$ 250,768	\$ 26,213,317
Fee and Commission	98,374	-	98,374
Component units:			
Board of Education	4,864,793	1,094,000	3,770,793
Emergency Communications District	<u>796,645</u>	<u>664</u>	<u>795,981</u>
Total government-wide	32,223,897	1,345,432	30,878,465
Agency fund:			
Judicial District Drug	<u>2,867,109</u>	<u>6,792</u>	<u>2,860,317</u>
	\$ <u>35,091,006</u>	\$ <u>1,352,224</u>	\$ <u>33,738,782</u>

Deposits held by other Constitutional Officers are as follows:

	Special Revenue Funds (Major Fund)	Agency Funds	Total
Circuit, General Sessions and Probate Clerks	\$ 139,770	\$ 1,584,785	\$ 1,724,555
Clerk and Master	-	493,283	493,283
County Clerk	7,871	141,867	149,738
Register of Deeds	152,199	-	152,199
Sheriff Frisbie	<u>1</u>	<u>37,155</u>	<u>37,156</u>
	<u>\$ 299,841</u>	<u>\$ 2,257,090</u>	<u>\$ 2,556,931</u>

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, 2009 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, 2009, consist of the following:

<u>Funds</u>	Property <u>Taxes</u>	Other <u>Taxes</u>	<u>Accounts</u>	<u>Notes</u>	Allowance for <u>Uncollectibles</u>	<u>Net</u>
Primary Government:						
General	\$ 4,255,300	\$ 179,873	\$ 550,144	\$ -	\$ 379,448	\$ 4,605,869
Road and bridge	1,574,200	336,625	7,654	-	140,374	1,778,125
Debt service	-	-	28,127	-	-	28,127
Capital projects	4,116,741	8,981	325,571	-	367,092	4,084,201
Nonmajor	-	-	29,572	200,284	-	229,856
Agency	<u>2,499,494</u>	<u>207,557</u>	<u>5,202</u>	<u>-</u>	<u>222,884</u>	<u>2,489,369</u>
	12,445,755	733,036	946,270	200,284	1,109,798	13,215,547
Business-type Activity:						
Solid waste disposal	-	-	129,579	-	-	129,579
	<u>\$ 12,445,755</u>	<u>\$ 733,036</u>	<u>\$ 1,075,849</u>	<u>\$ 200,284</u>	<u>\$ 1,109,798</u>	<u>\$ 13,345,126</u>
Component Units:						
Board of Education	\$ 7,664,359	\$ 637,613	\$ 407,642	\$ -	\$ 683,433	\$ 8,026,181
E-911	-	-	83,627	-	-	83,627
	<u>\$ 7,664,359</u>	<u>\$ 637,613</u>	<u>\$ 491,269</u>	<u>\$ -</u>	<u>\$ 683,433</u>	<u>\$ 8,109,808</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 site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and 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 \$1,523,744 as of June 30, 2009, which is based on 47.3% usage of the landfill. It is estimated that an additional \$(3,365,158) 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, 2009. 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.

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.

NOTE G – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, is as follows:

Primary Government	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$ 1,906,123	\$ -	\$ -	\$ 1,906,123
Construction in progress	<u>6,646,968</u>	<u>-</u>	<u>-</u>	<u>6,646,968</u>
Total non-depreciable assets	<u>8,553,091</u>	<u>-</u>	<u>-</u>	<u>8,553,091</u>
Depreciable Assets:				
Buildings	12,076,198	-	-	12,076,198
Machinery and equipment	7,126,460	1,422,244	(167,699)	8,381,005
Infrastructure	<u>81,991,035</u>	<u>201,135</u>	<u>-</u>	<u>82,192,170</u>
Total depreciable assets	<u>101,193,693</u>	<u>1,623,379</u>	<u>(167,699)</u>	<u>102,649,373</u>
Less Accumulated Depreciation for:				
Buildings	(4,596,996)	(292,513)	-	(4,889,509)
Machinery and equipment	(5,524,639)	(492,258)	128,642	(5,888,255)
Infrastructure	<u>(37,625,907)</u>	<u>(2,013,911)</u>	<u>-</u>	<u>(39,639,818)</u>
Total accumulated depreciation	<u>(47,747,542)</u>	<u>(2,798,682)</u>	<u>128,642</u>	<u>(50,417,582)</u>
Depreciable Assets, net	<u>53,446,151</u>	<u>(1,175,303)</u>	<u>(39,057)</u>	<u>52,231,791</u>
Governmental activities capital assets, net	<u>\$ 61,999,242</u>	<u>\$ (1,175,303)</u>	<u>\$ (39,057)</u>	<u>\$ 60,784,882</u>

Business-type Activity	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$ 438,950	\$ -	\$ -	\$ 438,950
Construction in progress	<u>99,756</u>	<u>27,585</u>	<u>(97,140)</u>	<u>30,201</u>
Total non-depreciable assets	<u>538,706</u>	<u>27,585</u>	<u>(97,140)</u>	<u>469,151</u>
Depreciable Assets:				
Buildings	160,638	-	-	160,638
Machinery and equipment	1,945,363	272,810	-	2,218,173
Infrastructure	<u>4,287,422</u>	<u>97,140</u>	<u>-</u>	<u>4,384,562</u>
Total depreciable assets	<u>6,393,423</u>	<u>369,950</u>	<u>-</u>	<u>6,763,373</u>
Less Accumulated Depreciation for:				
Buildings	(91,040)	(10,040)	-	(101,080)
Machinery and equipment	(1,146,799)	(135,417)	-	(1,282,216)
Infrastructure	<u>(3,172,426)</u>	<u>(177,685)</u>	<u>-</u>	<u>(3,350,111)</u>
Total accumulated depreciation	<u>(4,410,265)</u>	<u>(323,142)</u>	<u>-</u>	<u>(4,733,407)</u>
Depreciable Assets, net	<u>1,983,158</u>	<u>46,808</u>	<u>-</u>	<u>2,029,966</u>
Governmental activities capital assets, net	<u>\$ 2,521,864</u>	<u>\$ 74,393</u>	<u>\$ (97,140)</u>	<u>\$ 2,499,117</u>

Discretely Presented Component Units

	Beginning Balance	Additions	Retirements	Ending Balance
Non-Depreciable Assets:				
Land	\$ 959,498	\$ -	\$ -	\$ 959,498
Construction in progress	<u>394,247</u>	<u>-</u>	<u>-</u>	<u>394,247</u>
Total non-depreciable assets	<u>1,353,745</u>	<u>-</u>	<u>-</u>	<u>1,353,745</u>
Depreciable Assets:				
Buildings	37,293,646	-	-	37,293,646
Machinery and equipment	5,518,080	786,379	(265,958)	6,038,501
Improvements other than buildings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total depreciable assets	<u>42,811,726</u>	<u>786,379</u>	<u>(265,958)</u>	<u>43,332,147</u>
Less Accumulated Depreciation for:				
Buildings	(15,579,469)	(992,477)	-	(16,571,946)
Machinery and equipment	(3,639,474)	(431,616)	265,958	(3,805,132)
Improvements other than buildings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total accumulated depreciation	<u>(19,218,943)</u>	<u>(1,424,093)</u>	<u>265,958</u>	<u>(20,377,078)</u>
Depreciable Assets, net	<u>23,592,783</u>	<u>(637,714)</u>	<u>-</u>	<u>22,955,069</u>
Component units capital assets, net	<u>\$ 24,946,528</u>	<u>\$ (637,714)</u>	<u>\$ -</u>	<u>\$ 24,308,814</u>

Depreciation expense is charged to functions as follows:

Primary Government – Governmental Activities:

General government	\$ 192,967
Public safety	417,780
Public works	2,113,945
Health	69,131
Culture and recreation	<u>4,859</u>
Total	<u>\$ 2,798,682</u>

Business-type activities:

Solid waste disposal fund	<u>\$ 323,142</u>
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Discretely Presented Component Units:

Education	\$ 1,296,580
Woods Memorial Hospital District & Subsidiary	-
"911" Emergency communications	<u>127,513</u>
Total	<u>\$ 1,424,093</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, 10th 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, 2009, was 6.84% 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, 2009, McMinn County's annual pension cost of \$825,606 to TCRS was equal to McMinn County's required and actual contributions. The required contribution was determined as part of the July 1, 2007, 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 ten-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, 2007, was eight years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information:

Fiscal Year <u>Ended</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
6/30/09	\$ 825,606	100.00%	\$ -
6/30/08	1,020,750	100.00%	-
6/30/07	1,498,485	100.00%	-

Funded Status and Funding Progress:

As of July 1, 2007, the most recent actuarial valuation date, the plan was 93.87% funded. The actuarial accrued liability for benefits was \$43.62 million, and the actuarial value of assets was \$40.95 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.67 million. The covered payroll (annual payroll of active employees covered by the plan) was \$16.93 million, and the ratio of UAAL to the covered payroll was 15.79%.

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

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

(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 sixty 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 fifty-five 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, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.tn.gov/treasury/tcrs.

Funding Policy:

Most teachers are required by state statute to contribute 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, 2009, was 6.42% 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, 2009, 2008, and 2007, were \$1,322,888, \$1,224,982, and \$1,160,405, respectively, equal to the required contribution for each year.

NOTE I – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Effective July 1, 2008, the County adopted GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This statement addressed how governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits.

(1) Plan Description:

Primary Government:

In addition to providing pension benefits, the County provides a portion of the health care benefits for certain retired employees under a single-employer defined benefit healthcare plan. Those with 30 years of service with 10 of those years with McMinn County are eligible for a reimbursement of \$1,352 for 5 years or until they are Medicare eligible, if earlier. In addition, a retiree must have met the age requirement of 55 years with 10 years of service with McMinn County to be eligible for County health insurance until they are Medicare eligible and must pay 100 percent of the premium. A stand-alone financial report is not issued.

Board of Education:

In addition to providing pension benefits, the Board provides a portion of the health care benefits for certain retired employees under a single-employer defined benefit healthcare plan. Those with 30 years of service with 10 of those years with the Board are eligible for a reimbursement of \$1,352 for 5 years or until they are Medicare eligible, if earlier. In addition, a retiree must have met the age requirement of 55 years with 10 years of service with the Board to be eligible for Board health insurance until they are Medicare eligible and must pay 100 percent of the premium. A stand-alone financial report is not issued.

(2) Funding Policy:

Primary Government:

The County is reimbursed by the retirees using a formula based on date of retirement, years of service, and the County's computed cost for active employees. During the fiscal year ended June 30, 2009, the County made no contributions for health care benefits. The County will make payments in amounts sufficient to cover benefits paid and administrative costs; however, the County will not fund the remaining portion of the annual required contribution.

Board of Education:

The Board is reimbursed by the retirees using a formula based on date of retirement, years of service, and the Board's computed cost for active employees. During the fiscal year ended June 30, 2009, the Board contributed \$46,119 for these health care benefits for 46 retirees. The Board will make payments in amounts sufficient to cover benefits paid and administrative costs; however, the Board will not fund the remaining portion of the annual required contribution.

(3) Annual OPEB Cost and Net OPEB Obligation:

The County's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year, the amounts contributed to the Plan, and changes in the County's net OPEB obligation.

	Primary Government	Board of Education	Total
Annual required contribution	\$ 12,570	\$72,498	\$85,068
Interest on net OPEB obligation	-	-	-
Adjustment to annual required contribution	-	-	-
Annual OPEB cost (expense)	<u>12,570</u>	<u>72,498</u>	<u>85,068</u>
Contributions made	-	<u>(46,119)</u>	<u>46,119</u>
Increase (decrease) in net OPEB obligation	<u>12,570</u>	<u>26,379</u>	<u>38,949</u>
Net OPEB obligation beginning of year	-	-	-
Net OPEB obligation end of year	<u>\$ 12,570</u>	<u>\$26,379</u>	<u>\$38,949</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the current year was as follows:

Annual OPEB cost	\$ 12,570	\$ 72,498	\$ 85,068
Percentage of annual OPEB cost contributed	.00%	63.61%	54.21%
Net OPEB obligation	\$ 12,570	\$ 26,379	\$ 38,949

(4) Funded Status and Funding Progress

Primary Government:

As of January 1, 2008, the most recent actuarial valuation date, the County's Plan was 0% funded. The actuarial accrued liability for benefits was \$87,071, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$87,071. The covered payroll (annual payroll of active employees covered by the plan) was \$6,615,088, and the ratio of the UAAL to the covered payroll was 1.3%. The County will make payments in amounts sufficient to cover benefits paid and administrative costs; however, the County will not fund the remaining portion of the annual required contribution.

Board of Education:

As of January 1, 2008, the most recent actuarial valuation date, the Board's Plan was 0% funded. The actuarial accrued liability for benefits was \$850,252, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$850,252. The covered payroll (annual payroll of active employees covered by the plan) was \$20,030,498, and the ratio of the UAAL to the covered payroll was 4.2%. The Board will make payments in amounts sufficient to cover benefits paid and administrative costs; however, the Board will not fund the remaining portion of the annual required contribution.

(5) Actuarial Valuations

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the Plans and the annual required contributions of the County and Plan members are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities.

(6) Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plans (the Plans as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the County and Plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2008 valuation for both Plans, the entry age normal cost method and a funding rate of 4% was used. Other key assumptions are as follows:

	Primary Government	Board of Education
2008 trend rates – medical	9.00%	9.00%
Ultimate medical cost trend rate	5.00%	5.00%
Year ultimate medical trend rate reached	2012	2012
Annual salary increases	3.50%	3.50%
Projected annual increase in payroll	2.50%	2.50%
UAAL amortization period	30 years	22.48 years

NOTE J – LONG-TERM LIABILITIES

Changes in long-term debt during the year ended June 30, 2009, are as follows:

	Balance July 1, 2008	Additions	Retirements	Balance June 30, 2009
<u>Primary Government</u>				
Compensated absences	\$ <u>271,697</u>	\$ <u>2,183</u>	\$ <u>12,156</u>	\$ <u>261,724</u>
<u>Component Unit</u>				
McMinn County Board of Education:				
Compensated absences	\$ <u>452,818</u>	\$ <u>196,530</u>	\$ <u>147,455</u>	\$ <u>501,893</u>

Ad valorem taxes are to provide for the retirement of the above obligations.

NOTE K – 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, 2009, are as follows:

<u>Due to/from other funds – Primary Government</u>		
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Judicial District Drug	\$ 2,193
General Fund	Road and Bridge	10,587
General Fund	Drug Control	5,202
General Fund	County Clerk	20,000
General Fund	Solid Waste Disposal	<u>1,157</u>
		<u>\$ 39,139</u>
<u>Due to/from other funds – Component Units</u>		
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Cafeteria	General Purpose School	\$ <u>1,162</u>
<u>Due to/from Primary Government and Component Units</u>		<u>Amount</u>
General Fund	General Purpose School	\$ 4,136
General Fund	E-911	<u>148</u>
		<u>\$ 4,284</u>

NOTE L – 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 and component unit transfers for the year ended June 30, 2009, is as follows:

Primary Government and Component Units

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
Other Capital Projects	Solid Waste	\$ 190,000
Other Capital Projects	Education Capital Projects	929,898
Trustee	General Fund	390,000
County Clerk	General Fund	147,601
Circuit, General Sessions and Probate Clerk	General Fund	200,000
Clerk and Master	General Fund	252,011
Register of Deeds	General Fund	<u>80,000</u>
		<u>\$2,189,510</u>

These transfers were properly approved by the County Commission.

NOTE M – MAJOR TAXPAYERS

The County has one taxpayer that paid 13% of the total 2008 property taxes billed and collected prior to June 30, 2009.

NOTE N – 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 Inter-local 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 2008, the Counties’ authorized the issuance of \$12,000,000 Local Government Public Improvement Series B-14-A bond. 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 an average interest rate of 4.87% per annum. The remaining balance at June 30, 2009, is \$11,850,000 of which McMinn County’s exposure would be 50% or \$5,925,000. 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, 2008 totaled \$144,761. Summarized information for the Library’s fiscal year ending June 30, 2008, the latest available audited financial statements, is as follows:

Total assets	\$930,859
Total liabilities	<u>9,075</u>
Total net assts	<u>\$921,784</u>

NOTE O – 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, 2009.

NOTE P – 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 2009 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>2009</u>	<u>2008</u>	<u>2007</u>
Unpaid claims and expenses at beginning of year	\$ -	\$ -	\$ -
Incurred claims and expenses	-	-	-
Payments of claims and expenses at year end	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE Q – PRIOR PERIOD ADJUSTMENT

During the year the County discovered that errors were made in prior periods in the Board of Education’s government-wide financial statements. Long-term liabilities and expenses were understated by \$452,821 due to the omission of compensated absences payable in the June 30, 2008 financial statements. Adjustments related to these corrections resulted in decreasing the Board of Education’s government-wide June 30, 2008 fund balance by \$452,821 from \$29,311,869 to \$28,859,048.

NOTE R – SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the balance sheet date through the date of the auditor’s report (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements. Management has not identified any items requiring recognition or disclosure.



**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEES RETIREMENT SYSTEMS AND OTHER
POSTEMPLOYMENT BENEFITS**

McMINN COUNTY, TENNESSEE

June 30, 2009

Schedule of Funding Progress

Tennessee Consolidated Retirement System

Actuarial Valuation Date (entry age)	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) - 07/01/07	\$ 40,952,000	\$ 43,624,000	\$ 2,672,000	93.87%	\$ 16,926,000	15.79%

McMinn County Administered Plans

Actuarial Valuation Date (entry age)	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)
Primary Government 07/01/08	\$ -	\$ 87,071	\$ 87,071	0.00%	\$ 6,615,088	1.30%
Board of Education 07/01/08	\$ -	\$ 850,252	\$ 850,252	0.00%	\$ 20,030,498	4.20%

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

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND DETAIL**

**McMINN COUNTY, TENNESSEE
Year ended June 30, 2009**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property taxes	\$ 3,930,430	\$ 3,930,430	\$ 3,971,409	\$ 40,979
Local sales tax	555,000	555,000	505,059	(49,941)
Hotel/Motel taxes	230,000	230,000	307,485	77,485
Other taxes	<u>807,712</u>	<u>887,368</u>	<u>878,576</u>	<u>(8,792)</u>
Total taxes	<u>5,523,142</u>	<u>5,602,798</u>	<u>5,662,529</u>	<u>59,731</u>
Intergovernmental revenues:				
State of Tennessee	1,688,280	1,720,686	1,958,911	238,225
United States Government	<u>253,967</u>	<u>490,917</u>	<u>190,833</u>	<u>(300,084)</u>
Total intergovernmental revenues	<u>1,942,247</u>	<u>2,211,603</u>	<u>2,149,744</u>	<u>(61,859)</u>
Charges for services:				
Other	<u>53,527</u>	<u>53,552</u>	<u>66,807</u>	<u>13,255</u>
Total charges for services	<u>53,527</u>	<u>53,552</u>	<u>66,807</u>	<u>13,255</u>
Fines, forfeitures and penalties	<u>270,450</u>	<u>279,586</u>	<u>248,409</u>	<u>(31,177)</u>
Investment earnings	<u>200,000</u>	<u>200,000</u>	<u>91,294</u>	<u>(108,706)</u>
Miscellaneous	<u>550,562</u>	<u>806,130</u>	<u>825,531</u>	<u>19,401</u>
Total revenues	<u>8,539,928</u>	<u>9,153,669</u>	<u>9,044,314</u>	<u>(109,355)</u>
EXPENDITURES				
Current:				
General government:				
County Commission	92,095	92,095	70,956	21,139
County Mayor	177,518	177,518	170,944	6,574
County Attorney	24,580	24,580	22,884	1,696
Election Commission	209,952	209,952	200,979	8,973
Register of Deeds	53,867	53,867	32,899	20,968
Planning Commission	24,217	24,217	23,343	874
County buildings	370,216	370,216	338,811	31,405
Accounting and budgeting	404,250	404,250	381,830	22,420
Purchasing	10,000	10,000	(62,092)	72,092
Property Assessor's office	334,353	334,353	311,677	22,676

(continued)

BUDGETARY COMPARISON SCHEDULE--(continued)
GENERAL FUND DETAIL

McMINN COUNTY, TENNESSEE
Year ended June 30, 2009

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
EXPENDITURES--(continued):				
Current--(continued):				
General government--(continued):				
County Trustee	\$ 34,820	\$ 34,820	\$ 30,947	\$ 3,873
County Clerk	46,811	133,426	128,600	4,826
Audit services	41,300	41,300	41,300	-
Circuit Court	69,640	71,140	52,421	18,719
General Sessions Court	190,528	190,528	189,082	1,446
Drug Court	13,000	22,136	22,135	1
Chancery Court	201,672	201,672	173,941	27,731
Drug Prosecutor	-	67,986	56,474	11,512
Courtroom Security	5,000	84,656	80,130	4,526
Agricultural Extension Service	133,719	138,879	132,329	6,550
Soil conversation	24,026	24,026	23,906	120
Other agricultural	17,773	17,773	15,678	2,095
Tourism	59,500	71,500	63,014	8,486
Industrial development	89,567	232,013	196,896	35,117
Airport	37,000	49,200	49,106	94
Veterans' services	61,699	61,699	60,769	930
Other insurance	145,000	145,000	138,432	6,568
Trustee's Commission	113,000	113,000	110,109	2,891
Employee benefits	1,185,500	1,223,885	1,223,456	429
Total general government	<u>4,170,603</u>	<u>4,625,687</u>	<u>4,280,956</u>	<u>344,731</u>
Public safety:				
Sheriff's department	1,402,103	1,412,103	1,329,915	82,188
Special patrols	226,314	330,166	231,270	98,896
Sexual Offender Registry	3,000	3,025	3,023	2
Jail	1,472,409	1,646,409	1,640,234	6,175
Juvenile services	330,667	330,667	306,295	24,372
Work release program	32,403	32,403	23,427	8,976
Fire prevention and control	167,584	197,652	197,191	461
Civil defense	347,783	347,783	347,783	-
Rescue squad	16,200	16,200	16,200	-
Other emergency management	311,661	315,701	129,797	185,904
County medical examiner	48,000	77,000	76,814	186
Litter Grant	39,298	48,196	40,565	7,631
Keep McMinn Beautiful	43,148	43,148	22,089	21,059
Total public safety	<u>4,440,570</u>	<u>4,800,453</u>	<u>4,364,603</u>	<u>435,850</u>

(continued)

BUDGETARY COMPARISON SCHEDULE--(continued)
GENERAL FUND DETAIL

McMINN COUNTY, TENNESSEE
Year ended June 30, 2009

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
EXPENDITURES--(continued):				
Current--(continued):				
Health:				
Local health center	\$ 589,167	\$ 589,167	\$ 508,739	\$ 80,428
Ambulance service	294,600	294,600	294,592	8
Other local health services	<u>98,359</u>	<u>98,359</u>	<u>94,028</u>	<u>4,331</u>
Total health	<u>982,126</u>	<u>982,126</u>	<u>897,359</u>	<u>84,767</u>
Social services:				
General welfare assistance	<u>16,581</u>	<u>16,581</u>	<u>8,088</u>	<u>8,493</u>
Culture and recreation:				
Public Library	144,761	144,761	144,760	1
Parks	77,543	86,043	85,851	192
Other	<u>1,073</u>	<u>1,073</u>	<u>1,073</u>	<u>-</u>
Total culture and recreation	<u>223,377</u>	<u>231,877</u>	<u>231,684</u>	<u>193</u>
Total budgetary expenditures	<u>9,833,257</u>	<u>10,656,724</u>	<u>9,782,690</u>	<u>874,034</u>
Excess of revenues over expenditures	<u>(1,293,329)</u>	<u>(1,503,055)</u>	<u>(738,376)</u>	<u>764,679</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	745,000	858,000	1,069,612	211,612
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>745,000</u>	<u>858,000</u>	<u>1,069,612</u>	<u>211,612</u>
Net change in fund balance	<u>\$ (548,329)</u>	<u>\$ (645,055)</u>	331,236	<u>\$ 976,291</u>
Fund balance at beginning of year			<u>3,487,048</u>	
Fund balance at end of year			<u>\$ 3,818,284</u>	

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

**McMINN COUNTY, TENNESSEE
June 30, 2009**

	Special Revenue Funds	
	Law Library	Drug Control
ASSETS		
Equity in pooled cash and investments	\$ 27,050	\$ 495,954
Receivables:		
Accounts	-	502
Notes	-	-
Due from other funds	-	-
Total assets	\$ 27,050	\$ 496,456
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accrued items and other payables	\$ -	\$ -
Due to component units	-	5,202
Total liabilities	-	5,202
Fund Balances:		
Reserved for restricted activities	-	-
Unreserved:		
Undesignated	27,050	491,254
Total fund balances	27,050	491,254
Total liabilities and fund balances	\$ 27,050	\$ 496,456

<u>Fraud and Economic Crimes</u>	<u>Economic Development and Assistance</u>	<u>Permanent Funds Woods Hospital Proceeds</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 133,994	\$ 223,411	\$ 1,826,114	\$ 2,706,523
4,173	237	24,660	29,572
-	200,284	-	200,284
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 138,167</u>	<u>\$ 423,932</u>	<u>\$ 1,850,774</u>	<u>\$ 2,936,379</u>
\$ -	\$ -	\$ -	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>5,202</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>5,202</u>
-	200,284	1,850,774	2,051,058
<u>138,167</u>	<u>223,648</u>	<u>-</u>	<u>880,119</u>
<u>138,167</u>	<u>423,932</u>	<u>1,850,774</u>	<u>2,931,177</u>
<u>\$ 138,167</u>	<u>\$ 423,932</u>	<u>\$ 1,850,774</u>	<u>\$ 2,936,379</u>

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

**McMINN COUNTY, TENNESSEE
Year ended June 30, 2009**

	Special Revenue Funds	
	Law Library	Drug Control
REVENUES		
Fines, forfeitures and penalties	\$ 4,525	\$ 105,095
Investment earnings	-	9,603
Sale of property	-	3,692
Total revenues	<u>4,525</u>	<u>118,390</u>
EXPENDITURES		
Current:		
General government	388	-
Public safety	-	103,668
Public works	-	-
Total expenditures	<u>388</u>	<u>103,668</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,137</u>	<u>14,722</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Transfers out	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balances	4,137	14,722
Fund balances at beginning of year	<u>22,913</u>	<u>476,532</u>
Fund balances at end of year	<u>\$ 27,050</u>	<u>\$ 491,254</u>

Fraud and Economic Crimes	Economic Development and Assistance	Permanent Funds Woods Hospital Proceeds	Total Nonmajor Governmental Funds
\$ 56,718	\$ -	\$ -	\$ 166,338
-	4,595	49,268	63,466
-	-	800,000	803,692
56,718	4,595	849,268	1,033,496
-	-	-	388
22,242	-	-	125,910
-	-	18,425	18,425
22,242	-	18,425	144,723
34,476	4,595	830,843	888,773
-	-	-	-
-	-	-	-
-	-	-	-
34,476	4,595	830,843	888,773
103,691	419,337	1,019,931	2,042,404
\$ 138,167	\$ 423,932	\$ 1,850,774	\$ 2,931,177

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

McMINN COUNTY, TENNESSEE

June 30, 2009

	<u>Circuit, General Sessions and Probate Court Clerk</u>	<u>Clerk and Master</u>	<u>County Clerk</u>
ASSETS			
Cash and cash equivalents	\$ <u>139,770</u>	\$ <u>-</u>	\$ <u>7,871</u>
Total assets	\$ <u>139,770</u>	\$ <u>-</u>	\$ <u>7,871</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Reserved for restricted activities	-	-	-
Unreserved:			
Undesignated	<u>139,770</u>	<u>-</u>	<u>7,871</u>
Total fund balances	<u>139,770</u>	<u>-</u>	<u>7,871</u>
Total liabilities and fund balances	\$ <u>139,770</u>	\$ <u>-</u>	\$ <u>7,871</u>

<u>Register of Deeds</u>	<u>Trustee</u>	<u>Sheriff's Narcotic Division</u>	<u>Total Constitutional Officers</u>
\$ 152,199	\$ 98,374	\$ 1	\$ 398,215
<u>\$ 152,199</u>	<u>\$ 98,374</u>	<u>\$ 1</u>	<u>\$ 398,215</u>
\$ -	\$ 20,000	\$ -	\$ 20,000
<u>-</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
-	-	1	1
<u>152,199</u>	<u>78,374</u>	<u>-</u>	<u>378,214</u>
<u>152,199</u>	<u>78,374</u>	<u>1</u>	<u>378,215</u>
<u>\$ 152,199</u>	<u>\$ 98,374</u>	<u>\$ 1</u>	<u>\$ 398,215</u>

Register of Deeds	Trustee	Sheriff's Narcotic Division	Total Constitutional Officers
\$ 318,578	\$ 555,472	\$ -	\$ 2,269,242
6,261	-	-	17,431
<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
324,839	555,472	1,000	2,287,673
174,051	165,030	-	1,236,627
<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
174,051	165,030	1,000	1,237,627
150,788	390,442	-	1,050,046
-	-	-	-
<u>(80,000)</u>	<u>(390,000)</u>	<u>-</u>	<u>(1,069,612)</u>
(80,000)	(390,000)	-	(1,069,612)
70,788	442	-	(19,566)
<u>81,411</u>	<u>77,932</u>	<u>1</u>	<u>397,781</u>
<u>\$ 152,199</u>	<u>\$ 78,374</u>	<u>\$ 1</u>	<u>\$ 378,215</u>

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

McMINN COUNTY, TENNESSEE
Year ended June 30, 2009

	Circuit, General Sessions and Probate Court Clerk	Clerk and Master	County Clerk
	<u> </u>	<u> </u>	<u> </u>
REVENUE AND OTHER RECEIPTS			
Fees and commissions	\$ 712,305	\$ 254,402	\$ 434,772
Investment earnings	6,797	-	4,373
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>719,102</u>	<u>254,402</u>	<u>439,145</u>
EXPENDITURES			
Current:			
General government			
Salaries - Office holder	63,954	-	50,486
Salaries - Staff	348,516	-	257,490
Employee benefits	71,135	-	55,484
Payroll taxes	33,659	-	22,887
Office expense	5,432	-	-
Miscellaneous	8,503	-	-
Public safety:			
Sheriff	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>531,199</u>	<u>-</u>	<u>386,347</u>
Excess (deficiency) of revenues over (under) expenditures	<u>187,903</u>	<u>254,402</u>	<u>52,798</u>
OTHER FINANCING SOURCES (USES)			
Transfers to General Fund	<u>(200,000)</u>	<u>(254,402)</u>	<u>(151,497)</u>
Total other financing sources (uses)	<u>(200,000)</u>	<u>(254,402)</u>	<u>(151,497)</u>
Net change in fund balances	(12,097)	-	(98,699)
Cash balances at beginning of year	<u>151,867</u>	<u>-</u>	<u>106,570</u>
Cash balances at end of year	<u>\$ 139,770</u>	<u>\$ -</u>	<u>\$ 7,871</u>

Register of Deeds	Trustee	Sheriff's Narcotic Division	Total Constitutional Officers
\$ 258,578	\$ 555,472	\$ -	\$ 2,215,529
6,261	-	-	17,431
-	-	1,000	1,000
264,839	555,472	1,000	2,233,960
63,954	51,557	-	229,951
68,968	57,905	-	732,879
10,563	16,055	-	153,237
10,366	11,008	-	77,920
20,200	-	-	25,632
-	-	-	8,503
-	-	1,000	1,000
174,051	136,525	1,000	1,229,122
90,788	418,947	-	1,004,838
(60,000)	(418,505)	-	(1,084,404)
(60,000)	(418,505)	-	(1,084,404)
30,788	442	-	(79,566)
121,411	97,932	1	477,781
\$ 152,199	\$ 98,374	\$ 1	\$ 398,215

**COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS**

**McMINN COUNTY, TENNESSEE
June 30, 2009**

	<u>Correctional</u>	<u>Other</u>	<u>Total</u>
ASSETS			
Equity in pooled cash and investments	\$ 110,693	\$14,344,644	\$ 14,455,337
Receivables:			
Property taxes	-	3,749,649	3,749,649
Accounts	122	334,430	334,552
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 110,815</u>	 <u>\$18,428,723</u>	 <u>\$ 18,539,538</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 167,696	\$ 167,696
Deferred revenue	-	3,711,710	3,711,710
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
 Total liabilities	 <u>-</u>	 <u>3,879,406</u>	 <u>3,879,406</u>
 Fund Balances (deficit):			
Reserved for litigation tax	-	312,058	312,058
Unreserved--designated for specific purposes	<u>110,815</u>	<u>14,237,259</u>	<u>14,348,074</u>
 Total fund balances	 <u>110,815</u>	 <u>14,549,317</u>	 <u>14,660,132</u>
 Total liabilities and fund balances	 <u>\$ 110,815</u>	 <u>\$18,428,723</u>	 <u>\$ 18,539,538</u>

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

**McMINN COUNTY, TENNESSEE
Year ended June 30, 2009**

	<u>Correctional</u>	<u>Other</u>	<u>Totals</u>
REVENUES			
Intergovernmental	\$ -	\$ 597,860	\$ 597,860
Taxes	-	3,969,643	3,969,643
Investment Earnings	2,375	305,556	307,931
Miscellaneous	<u>-</u>	<u>623,482</u>	<u>623,482</u>
			-
Total Revenues	<u>2,375</u>	<u>5,496,541</u>	<u>5,498,916</u>
EXPENDITURES			
Current:			
Education	-	-	-
Administration	384	2,069,178	2,069,562
Justice	-	445,400	445,400
Public health	<u>-</u>	<u>75,499</u>	<u>75,499</u>
			-
Total expenditures	<u>384</u>	<u>2,590,077</u>	<u>2,590,461</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,991</u>	<u>2,906,464</u>	<u>2,908,455</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	<u>-</u>	<u>(1,119,898)</u>	<u>(1,119,898)</u>
Total other financing sources (uses)	<u>-</u>	<u>(1,119,898)</u>	<u>(1,119,898)</u>
Net change in fund balances	1,991	1,786,566	1,788,557
Fund balances - beginning	<u>108,824</u>	<u>12,762,751</u>	<u>12,871,575</u>
Fund balances - ending	<u>\$ 110,815</u>	<u>\$ 14,549,317</u>	<u>\$ 14,660,132</u>



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

**McMINN COUNTY, TENNESSEE
 Year ended June 30, 2009**

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
CONSTITUTIONAL OFFICERS				
CIRCUIT, GENERAL SESSIONS AND PROBATE CLERK				
Cash	\$ 181,064	\$ 3,182,965	\$ 3,007,889	\$ 356,140
Investments	<u>1,103,355</u>	<u>125,290</u>	<u>-</u>	<u>1,228,645</u>
Total assets	<u>\$ 1,284,419</u>	<u>\$ 3,308,255</u>	<u>\$ 3,007,889</u>	<u>\$ 1,584,785</u>
Due to litigants, heirs and others	\$ 1,284,419	\$ 2,522,548	\$ 2,222,182	\$ 1,584,785
Intergovernmental payables	<u>-</u>	<u>1,385,895</u>	<u>1,385,895</u>	<u>-</u>
Total liabilities	<u>\$ 1,284,419</u>	<u>\$ 3,908,443</u>	<u>\$ 3,608,077</u>	<u>\$ 1,584,785</u>
CLERK AND MASTER				
Cash	\$ 118,761	\$ 3,948,047	\$ 3,884,229	\$ 182,579
Investments	<u>544,428</u>	<u>-</u>	<u>233,724</u>	<u>310,704</u>
Total assets	<u>\$ 663,189</u>	<u>\$ 3,948,047</u>	<u>\$ 4,117,953</u>	<u>\$ 493,283</u>
Due to litigants, heirs and others	\$ 412,215	\$ 780,451	\$ 780,450	\$ 412,216
Intergovernmental payables	<u>250,974</u>	<u>3,170,074</u>	<u>3,339,981</u>	<u>81,067</u>
Total liabilities	<u>\$ 663,189</u>	<u>\$ 3,950,525</u>	<u>\$ 4,120,431</u>	<u>\$ 493,283</u>
COUNTY CLERK				
Cash	\$ 104,609	\$ 3,983,714	\$ 3,946,456	\$ 141,867
Total assets	<u>\$ 104,609</u>	<u>\$ 3,983,714</u>	<u>\$ 3,946,456</u>	<u>\$ 141,867</u>
Intergovernmental payables	<u>\$ 104,609</u>	<u>\$ 3,983,714</u>	<u>\$ 3,946,456</u>	<u>\$ 141,867</u>
Total liabilities	<u>\$ 104,609</u>	<u>\$ 3,983,714</u>	<u>\$ 3,946,456</u>	<u>\$ 141,867</u>
REGISTER OF DEEDS				
Cash	\$ -	\$ 725,520	\$ 725,520	\$ -
Total assets	<u>\$ -</u>	<u>\$ 725,520</u>	<u>\$ 725,520</u>	<u>\$ -</u>
Intergovernmental payables	<u>\$ -</u>	<u>\$ 725,520</u>	<u>\$ 725,520</u>	<u>\$ -</u>
Total liabilities	<u>\$ -</u>	<u>\$ 725,520</u>	<u>\$ 725,520</u>	<u>\$ -</u>

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

McMINN COUNTY, TENNESSEE
Year ended June 30, 2009

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
SHERIFF'S NARCOTIC DIVISION				
Cash	\$ 120,009	\$ 305,155	\$ 388,009	\$ 37,155
Total assets	<u>\$ 120,009</u>	<u>\$ 305,155</u>	<u>\$ 388,009</u>	<u>\$ 37,155</u>
Intergovernmental payables	\$ 120,009	\$ 305,155	\$ 388,009	\$ 37,155
Total liabilities	<u>\$ 120,009</u>	<u>\$ 305,155</u>	<u>\$ 388,009</u>	<u>\$ 37,155</u>
TOTAL CONSTITUTIONAL OFFICERS				
AGENCY FUNDS				
Cash	\$ 524,443	\$ 12,145,401	\$ 11,952,103	\$ 717,741
Investments	<u>1,647,783</u>	<u>125,290</u>	<u>233,724</u>	<u>1,539,349</u>
Total assets	<u>\$ 2,172,226</u>	<u>\$ 12,270,691</u>	<u>\$ 12,185,827</u>	<u>\$ 2,257,090</u>
Due to litigants, heirs and others	\$ 1,696,634	\$ 3,302,999	\$ 3,002,632	\$ 1,997,001
Intergovernmental payables	<u>475,592</u>	<u>9,570,358</u>	<u>9,785,861</u>	<u>260,089</u>
Total liabilities	<u>\$ 2,172,226</u>	<u>\$ 12,873,357</u>	<u>\$ 12,788,493</u>	<u>\$ 2,257,090</u>
OTHER AGENCY FUNDS WITH TRUSTEE				
ATHENS SCHOOL FUND				
Cash	\$ -	\$ 2,959,134	\$ 2,959,134	\$ -
Total assets	<u>\$ -</u>	<u>\$ 2,959,134</u>	<u>\$ 2,959,134</u>	<u>\$ -</u>
Intergovernmental payables	\$ -	\$ 2,959,134	\$ 2,959,134	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 2,959,134</u>	<u>\$ 2,959,134</u>	<u>\$ -</u>
ETOWAH SCHOOL FUND				
Cash	\$ -	\$ 631,242	\$ 631,242	\$ -
Total assets	<u>\$ -</u>	<u>\$ 631,242</u>	<u>\$ 631,242</u>	<u>\$ -</u>
Intergovernmental payables	\$ -	\$ 631,242	\$ 631,242	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 631,242</u>	<u>\$ 631,242</u>	<u>\$ -</u>

(continued)

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

McMINN COUNTY, TENNESSEE
Year ended June 30, 2009

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>
JUDICIAL DISTRICT DRUG FUND				
Cash	\$ 2,320,589	\$ 2,073,696	\$ 1,533,968	\$ 2,860,317
Total assets	<u>\$ 2,320,589</u>	<u>\$ 2,073,696</u>	<u>\$ 1,533,968</u>	<u>\$ 2,860,317</u>
Intergovernmental payables	\$ 2,320,589	\$ 2,073,696	\$ 1,533,968	\$ 2,860,317
Total liabilities	<u>\$ 2,320,589</u>	<u>\$ 2,073,696</u>	<u>\$ 1,533,968</u>	<u>\$ 2,860,317</u>
TRUSTEE - OTHER				
Cash	\$ -	\$ 3,041,891	\$ 3,041,891	\$ -
Total assets	<u>\$ -</u>	<u>\$ 3,041,891</u>	<u>\$ 3,041,891</u>	<u>\$ -</u>
Intergovernmental payables	\$ -	\$ 3,041,891	\$ 3,041,891	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 3,041,891</u>	<u>\$ 3,041,891</u>	<u>\$ -</u>
TOTAL AGENCY FUNDS				
Cash	\$ 2,845,032	\$ 20,851,364	\$ 20,118,338	\$ 3,578,058
Investments	<u>1,647,783</u>	<u>125,290</u>	<u>233,724</u>	<u>1,539,349</u>
Total assets	<u>\$ 4,492,815</u>	<u>\$ 20,976,654</u>	<u>\$ 20,352,062</u>	<u>\$ 5,117,407</u>
Due to litigants, heirs and others	\$ 1,696,634	\$ 3,302,999	\$ 3,002,632	\$ 1,997,001
Intergovernmental payables	<u>2,796,181</u>	<u>18,276,321</u>	<u>17,952,096</u>	<u>3,120,406</u>
Total liabilities	<u>\$ 4,492,815</u>	<u>\$ 21,579,320</u>	<u>\$ 20,954,728</u>	<u>\$ 5,117,407</u>

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

McMINN COUNTY, TENNESSEE

Year ended June 30, 2009

	Circuit, General Sessions and Probate Court Clerk	Clerk and Master	County Clerk
REVENUE AND OTHER RECEIPTS			
Litigation tax	\$ 598,257	\$ 25,735	\$ -
Mortgage and transfer taxes	-	-	-
Rule and execution docket	1,204,294	93,002	-
Motor vehicle titles and registrations	-	-	1,691,765
Business tax and marriage licenses	-	-	856,669
Property taxes	-	748,969	-
Sales tax	-	-	837,738
Drivers license	-	-	86,278
Hotel/Motel tax	-	-	323,668
Beer tax and license renewals	-	-	159,700
Receipts on behalf of other funds	-	-	-
Receipts on behalf of others	-	2,782,212	-
Alimony and child support	101,433	13,554	-
Fines, forfeitures and penalties	201,225	-	-
Department of Safety	101,418	-	-
Fees and commissions	88,955	254,402	-
Officer costs	279,151	-	-
Bonds and deposits	610,120	-	-
Miscellaneous	123,402	30,173	27,896
	<u>3,308,255</u>	<u>3,948,047</u>	<u>3,983,714</u>
EXPENDITURES			
Payments to litigants, heirs and others	1,515,932	2,882,973	2,748
Alimony and child support	100,075	13,554	-
Payments to State of TN	394,394	12,878	3,007,187
Funds transferred to other governments	182,830	122,294	-
Funds transferred to County government	739,719	893,935	936,521
Funds remitted to other County offices	-	-	-
Payments on behalf of other funds	-	-	-
Rule and execution docket	-	162,147	-
Fees and commissions	74,939	-	-
Other expenditures	-	30,172	-
	<u>3,007,889</u>	<u>4,117,953</u>	<u>3,946,456</u>
Excess (deficiency) of revenues over (under) expenditures	300,366	(169,906)	37,258
Cash and investment balances-beginning of year	<u>1,284,419</u>	<u>663,189</u>	<u>104,609</u>
Cash and investment balances-end of year	<u>\$ 1,584,785</u>	<u>\$ 493,283</u>	<u>\$ 141,867</u>

Register of Deeds	Trustee	Sheriff's Narcotic Division	Total Constitutional Officers
\$ -	\$ -	\$ -	\$ 623,992
725,520	-	-	725,520
-	-	-	1,297,296
-	-	-	1,691,765
-	-	-	856,669
-	17,853,714	-	18,602,683
-	-	-	837,738
-	-	-	86,278
-	-	-	323,668
-	-	-	159,700
-	61,371,475	-	61,371,475
-	-	-	2,782,212
-	-	-	114,987
-	-	283,231	484,456
-	-	-	101,418
-	555,472	-	898,829
-	-	-	279,151
-	-	-	610,120
-	-	21,924	203,395
<u>725,520</u>	<u>79,780,661</u>	<u>305,155</u>	<u>92,051,352</u>
-	-	-	4,401,653
-	-	-	113,629
708,107	-	-	4,122,566
-	-	-	305,124
-	-	-	2,570,175
-	-	283,231	283,231
-	76,182,856	-	76,182,856
-	-	-	162,147
17,413	555,472	-	647,824
-	-	104,778	134,950
<u>725,520</u>	<u>76,738,328</u>	<u>388,009</u>	<u>88,924,155</u>
-	3,042,333	(82,854)	3,127,197
-	32,048,675	120,009	34,220,901
<u>\$ -</u>	<u>\$ 35,091,008</u>	<u>\$ 37,155</u>	<u>\$ 37,348,098</u>

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

McMINN COUNTY, TENNESSEE

Year ended June 30, 2009

	Drug Control			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual (Non-GAAP Basis)	
	Original	Final		
REVENUES				
Fines, forfeitures and penalties	\$ 92,665	\$ 92,665	\$ 105,095	\$ 12,430
Investment earnings	5,000	5,000	9,603	4,603
Miscellaneous	<u>-</u>	<u>-</u>	<u>3,692</u>	<u>3,692</u>
Total revenues	<u>97,665</u>	<u>97,665</u>	<u>118,390</u>	<u>20,725</u>
EXPENDITURES				
Current:				
Public safety:				
Drug enforcement	<u>97,665</u>	<u>97,665</u>	<u>103,668</u>	<u>(6,003)</u>
Total budgetary expenditures	<u>97,665</u>	<u>97,665</u>	<u>103,668</u>	<u>(6,003)</u>
Excess (deficiency) of revenues over (under) budgetary expenditures	-	-	14,722	14,722
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	14,722	<u>\$ 14,722</u>
Fund balances at beginning of year			<u>476,532</u>	
Fund balances at end of year			<u>\$ 491,254</u>	

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

McMINN COUNTY, TENNESSEE
Year ended June 30, 2009

	Other Capital Projects			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual (Non-GAAP Basis)	
	Original	Final		
REVENUES				
Taxes	\$ 3,916,283	\$ 3,916,283	\$ 3,969,643	\$ 53,360
Intergovernmental	-	729,225	597,860	(131,365)
Investment earnings	225,000	225,000	305,556	80,556
Miscellaneous	<u>450,000</u>	<u>455,000</u>	<u>623,482</u>	<u>168,482</u>
Total revenues	<u>4,591,283</u>	<u>5,325,508</u>	<u>5,496,541</u>	<u>171,033</u>
EXPENDITURES				
Capital outlay:				
General government	3,190,000	11,591,988	2,590,077	9,001,911
Education	<u>1,190,000</u>	<u>2,912,769</u>	-	<u>2,912,769</u>
Total budgetary expenditures	<u>4,380,000</u>	<u>14,504,757</u>	<u>2,590,077</u>	<u>11,914,680</u>
Excess (deficiency) of revenues over (under) budgetary expenditures	211,283	(9,179,249)	2,906,464	12,085,713
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>(1,119,898)</u>	<u>(1,119,898)</u>
Net change in fund balance	<u>\$ 211,283</u>	<u>\$(9,179,249)</u>	1,786,566	<u>\$ 10,965,815</u>
Fund balances - beginning			<u>12,762,751</u>	
Fund balances - ending			<u>\$ 14,549,317</u>	

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

McMINN COUNTY, TENNESSEE

June 30, 2009

	General Purpose School	Federal Projects	Cafeteria	Education Capital Projects	Total Board of Education Governmental Funds
ASSETS					
Equity in pooled cash and investment:	\$ 3,423,981	\$ 3,678	\$ 343,134	\$ -	\$ 3,770,793
Receivables (net of allowances for uncollectibles):					
Property taxes	6,980,926	-	-	-	6,980,926
Accounts	1,018,528	21,477	5,250	-	1,045,255
Due from other funds:	<u>-</u>	<u>-</u>	<u>1,162</u>	<u>-</u>	<u>1,162</u>
 Total assets	 <u>\$ 11,423,435</u>	 <u>\$ 25,155</u>	 <u>\$ 349,546</u>	 <u>\$ -</u>	 <u>\$ 11,798,136</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 100,181	\$ 12,449	\$ -	\$ -	\$ 112,630
Accrued items and other	76,962	-	-	-	76,962
Due to other funds	1,162	-	-	-	1,162
Due to primary government	4,136	-	-	-	4,136
Deferred revenues:					
Uncollected property taxes	<u>6,910,263</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,910,263</u>
 Total current liabilities	 <u>7,092,704</u>	 <u>12,449</u>	 <u>-</u>	 <u>-</u>	 <u>7,105,153</u>
Fund Balances:					
Reserved for encumbrances	-	-	349,546	-	349,546
Reserved for restricted activities:	711,616	-	-	-	711,616
Unreserved:					
Undesignated	<u>3,619,115</u>	<u>12,706</u>	<u>-</u>	<u>-</u>	<u>3,631,821</u>
 Total fund balances	 <u>4,330,731</u>	 <u>12,706</u>	 <u>349,546</u>	 <u>-</u>	 <u>4,692,983</u>
 Total liabilities and fund balances	 <u>\$ 11,423,435</u>	 <u>\$ 25,155</u>	 <u>\$ 349,546</u>	 <u>\$ -</u>	 <u>\$ 11,798,136</u>

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

**McMINN COUNTY, TENNESSEE
June 30, 2009**

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	\$ 4,692,983
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.	23,105,241
Long-term liabilities applicable to the Board of Education's governmental activities are not due and payable in the current period and therefore are not reported as fund liabilities. Compensated absences	(501,893)
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>444,976</u>
Net assets of the Board of Education	<u>\$ 27,741,307</u>

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

**McMINN COUNTY, TENNESSEE
Year ended June 30, 2009**

	General Purpose School	Federal Projects	Cafeteria	Education Capital Projects	Total Board of Education Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
REVENUES					
Taxes	\$11,003,803	\$ -	\$ -	\$ -	\$ 11,003,803
Intergovernmental	25,086,452	2,968,493	1,632,747	-	29,687,692
Charges for services	53,700	-	1,074,347	-	1,128,047
Other local revenues	<u>166,129</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>166,129</u>
Miscellaneous					
Total revenues	<u>36,310,084</u>	<u>2,968,493</u>	<u>2,707,094</u>	<u>-</u>	<u>41,985,671</u>
EXPENDITURES					
Current:					
Education	35,908,569	2,962,686	2,569,057	-	41,440,312
Capital outlay	<u>673,390</u>	<u>-</u>	<u>-</u>	<u>996,289</u>	<u>1,669,679</u>
Total expenditures	<u>36,581,959</u>	<u>2,962,686</u>	<u>2,569,057</u>	<u>996,289</u>	<u>43,109,991</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(271,875)</u>	<u>5,807</u>	<u>138,037</u>	<u>(996,289)</u>	<u>(1,124,320)</u>
OTHER FINANCING SOURCES (USES)					
Transfers between funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>929,898</u>	<u>929,898</u>
Net change in fund balances	(271,875)	5,807	138,037	(66,391)	(194,422)
Fund balances, beginning	<u>4,602,608</u>	<u>6,897</u>	<u>211,509</u>	<u>66,391</u>	<u>4,887,405</u>
Fund balances, ending	<u>\$ 4,330,733</u>	<u>\$ 12,704</u>	<u>\$ 349,546</u>	<u>\$ -</u>	<u>\$ 4,692,983</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, 2009

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	\$ (194,422)
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	1,669,679
Depreciation expense on governmental capital assets are included in the governmental activities in the statement of activities	(1,296,580)
The net effect of various transactions involving capital assets is to increase net assets	(1,231,196)
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	(49,074)
Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds	<u>(16,148)</u>
Change in net assets of governmental activities	<u>\$ (1,117,741)</u>

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

**McMINN COUNTY, TENNESSEE
Year ended June 30, 2009**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes				
Property taxes	\$ 7,037,496	\$ 7,037,496	\$ 7,114,737	\$ 77,241
Local sales tax	3,817,410	3,817,410	3,704,820	(112,590)
Other	<u>158,034</u>	<u>158,034</u>	<u>184,246</u>	<u>26,212</u>
Total taxes	<u>11,012,940</u>	<u>11,012,940</u>	<u>11,003,803</u>	<u>(9,137)</u>
Intergovernmental revenues:				
State of Tennessee:				
Education	24,272,297	24,644,324	24,666,702	22,378
Food service	30,000	30,000	29,782	(218)
Federal funds received from State of Tennessee and other sources:				
Education	128,971	246,665	419,750	173,085
Food service	1,540,000	1,540,000	1,602,965	62,965
Federal Projects	<u>2,927,182</u>	<u>3,915,722</u>	<u>2,968,493</u>	<u>(947,229)</u>
Total intergovernmental revenues	<u>28,898,450</u>	<u>30,376,711</u>	<u>29,687,692</u>	<u>(689,019)</u>
Charges for services:				
Education	53,000	53,000	53,700	700
Food service	<u>1,217,000</u>	<u>1,217,000</u>	<u>1,074,347</u>	<u>(142,653)</u>
Total charges for current services	<u>1,270,000</u>	<u>1,270,000</u>	<u>1,128,047</u>	<u>(141,953)</u>
Investment earnings:				
Education	<u>200,000</u>	<u>200,000</u>	<u>88,739</u>	<u>(111,261)</u>
Miscellaneous:				
Education	<u>6,000</u>	<u>33,306</u>	<u>77,390</u>	<u>44,084</u>
Total revenues	<u>41,387,390</u>	<u>42,892,957</u>	<u>41,985,671</u>	<u>(907,286)</u>

(continued)

BUDGETARY COMPARISON SCHEDULE--(continued)
BOARD OF EDUCATION GOVERNMENTAL FUNDS
McMINN COUNTY, TENNESSEE
Year ended June 30, 2009

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
EXPENDITURES				
Current:				
Education:				
Regular instruction program	\$ 19,185,983	\$ 19,714,999	\$ 19,220,478	\$ 494,521
Alternative instruction program	204,468	204,468	188,435	16,033
Special education program	3,146,995	3,488,851	3,092,222	396,629
Vocational education program	1,994,744	2,073,250	2,026,702	46,548
Student body education fund	-	39,600	39,600	-
Other	82,500	123,750	159,616	(35,866)
Attendance	141,865	169,171	153,817	15,354
Health services	177,000	179,347	178,307	1,040
Other student support	1,378,642	1,485,920	1,410,302	75,618
Regular instruction support	1,900,620	1,697,228	1,865,896	(168,668)
Special education support	466,443	644,688	558,081	86,607
Vocational education support	146,536	147,491	142,327	5,164
Other programs	64,447	64,447	64,447	-
Board of education	493,320	558,320	545,211	13,109
Office of superintendent	293,437	312,492	308,177	4,315
Office of principal	2,145,690	2,145,690	2,134,998	10,692
Operation of plant	2,967,877	2,967,877	2,760,075	207,802
Maintenance of plant	1,360,376	1,178,156	687,300	490,856
Transportation	2,428,051	2,537,619	2,352,617	185,002
Community services	87,560	178,089	176,671	1,418
Early childhood	524,000	835,529	805,976	29,553
Food services - Cafeteria	2,932,612	2,932,612	2,569,057	363,555
Total education	42,123,166	43,679,594	41,440,312	2,239,282
Capital outlay:				
Building Improvements	524,000	989,913	1,603,288	(613,375)
Total budgetary expenditures	42,647,166	44,669,507	43,043,600	1,625,907
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	929,898	(929,898)
Net change in fund balance	\$ (1,259,776)	\$ (1,776,550)	(128,031)	\$ 1,648,519
Excess of nonbudgeted revenues and other financing sources over nonbudgeted expenditures and other financing uses			(66,391)	
Net change in fund balance--(GAAP Modified Accrual Basis)			(194,422)	
Fund balances at beginning of year--(GAAP Modified Accrual Basis)			4,887,405	
Fund balances at end of year--(GAAP Modified Accrual Basis)			\$ 4,692,983	

SCHEDULE OF PROPERTY TAXES RECEIVABLE

McMINN COUNTY, TENNESSEE

June 30, 2009

<u>Year of Levy</u>	<u>Net Amount</u>
2009 *	\$ 18,633,351
2008	1,126,998
2007	236,317
2006	41,373
2005	<u>72,075</u>
	20,110,114
Less: Estimated uncollectible taxes	<u>1,793,231</u>
Total property taxes receivable	<u><u>\$ 18,316,883</u></u>

The above outstanding receivables are recorded in the McMinn County, Tennessee financial statements at June 30, 2009 as follows:

Government wide funds:	
General fund	\$ 3,875,852
Road and bridge fund	1,433,846
Capital projects fund - miscellaneous	3,749,649
Component unit funds:	
Board of education	6,980,926
Accounting for in agency funds:	
Athens school funds	1,876,317
Etowah school funds	<u>400,293</u>
Total property taxes receivable	<u><u>\$ 18,316,883</u></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, 2009

OFFICE OF TRUSTEE

POOLED INVESTMENTS

CERTIFICATE OF DEPOSIT:

FSG Bank	3.10%	\$	1,826,114
SouthEast Bank	2.02%		6,155,404
First National Bank (formerly BB&T)	1.50%		<u>20,544,934</u>
Total Office of Trustee		\$	<u><u>28,526,452</u></u>

OFFICE OF CIRCUIT, GENERAL SESSION AND PROBATE CLERK

COURT ORDERED INVESTED FUNDS:

First National Bank (formerly BB&T)	varies	\$	109,847
Citizens National Bank	varies		1,012,439
Regions Bank	varies		20,537
Athens Federal Savings & Loan	varies		68,661
Green Bank	2.47%		<u>17,161</u>
Total Office of Circuit, General Sessions and Probate Clerk		\$	<u><u>1,228,645</u></u>

OFFICE OF CLERK AND MASTER

COURT ORDERED INVESTED FUNDS:

Citizens National Bank	Varies	\$	264,658
First National Bank (formerly BB&T)	Varies		<u>46,046</u>
Total Office of Clerk and Master		\$	<u><u>310,704</u></u>

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

**McMINN COUNTY, TENNESSEE
Year ended June 30, 2009**

	Balance June 30, 2008	Receipts	Disbursements	Commissions and Transfers	Trustee Balance June 30, 2009
Primary Government					
Governmental Activities:					
General Fund	\$ 3,001,874	\$ 12,639,125	\$ 12,314,127	\$ 110,109	\$ 3,216,763
Road and Bridge	993,989	3,763,880	3,361,856	48,092	1,347,921
Debt Service	2,796,744	48,150	-	482	2,844,412
Capital Projects Funds:					
Correctional Capital Projects	108,483	2,625	414	-	110,694
Other Capital Projects	12,673,585	5,505,607	3,761,867	72,682	14,344,643
Other Governmental Funds:					
Law Library	22,913	4,525	343	45	27,050
Solid Waste Sanitation	-	-	-	-	-
Drug Control	478,925	125,399	101,500	-	502,824
Fraud and Economic Crimes	100,507	56,027	21,754	557	134,223
Economic Development/Assistance	218,336	5,075	-	-	223,411
Woods Hospital Proceeds	1,002,034	842,505	-	18,425	1,826,114
Insurance Fund	7,158	-	-	-	7,158
Business-type Activities:					
Solid Waste Disposal	2,363,103	1,212,066	1,686,271	10,026	1,878,872
Discretely Presented Component Units:					
Board of Education:					
General Purpose School	4,769,516	36,847,485	37,077,093	183,572	4,356,336
School Federal Projects	98,737	3,103,333	3,114,112	-	87,958
School Cafeteria	70,547	2,906,333	2,617,550	-	359,330
Education Capital Projects	66,391	929,898	935,120	-	61,169
"911" Emergency Communication	847,505	966,062	1,008,037	8,885	796,645
Agency Funds:					
Athens School	-	3,005,256	2,910,625	94,631	-
Etowah School	-	642,663	620,868	21,795	-
Judicial District Drug	2,330,395	2,108,578	1,571,864	-	2,867,109
City Sales tax	-	4,467,849	4,423,171	44,678	-
Miscellaneous	-	42,748	42,748	-	-
	<u>31,950,742</u>	<u>79,225,189</u>	<u>75,569,320</u>	<u>613,979</u>	<u>34,992,632</u>
Trustee Commissions	<u>97,933</u>	<u>555,472</u>	<u>555,030</u>	<u>-</u>	<u>98,374</u>
Total all funds	<u>\$ 32,048,675</u>	<u>\$ 79,780,661</u>	<u>\$ 76,124,350</u>	<u>\$ 613,979</u>	<u>\$ 35,091,006</u>
Funds held by County Trustee:					
Cash on hand					\$ 357,478
Checking - Citizens National Bank					6,207,076
Certificates of deposit					<u>28,526,452</u>
					<u>\$ 35,091,006</u>

Outstanding Warrants	Balance June 30, 2009
---------------------------------	----------------------------------

\$ 165,099	\$ 3,051,664
18,403	1,329,518
-	2,844,412
-	110,694
-	14,344,643
-	27,050
-	-
6,870	495,954
229	133,994
-	223,411
-	1,826,114
-	7,158
60,167	1,818,705
932,355	3,423,981
84,280	3,678
16,196	343,134
61,169	-
664	795,981
-	-
-	-
6,792	2,860,317
-	-
-	-
<u>1,352,224</u>	<u>33,640,408</u>
-	98,374
<u>\$ 1,352,224</u>	<u>\$ 33,738,782</u>

SCHEDULE OF SALARIES AND OFFICIAL BONDS OF PRINCIPAL OFFICIALS

McMINN COUNTY, TENNESSEE June 30, 2009

Official	Amount of Salary	Statutory Provisions for Salary	Amount of Bond	Surety	Expiration Date
County Mayor	\$ 88,551	County Commission	\$ 50,000	Travelers Casualty & Surety	9/1/2010
Director of Finance	76,648	Section 5-21-109, T.C.A	50,000	Western Surety	3/1/2010
Commissioner of Highways	69,219	County Commission	100,000	Travelers Casualty & Surety	9/1/2010
Trustee	63,954	Section 8-24-102, T.C.A	1,319,000	Travelers Casualty & Surety	9/1/2010
Assessor of Property	65,703	Section 8-24-104 (B), T.C.A	10,000	Western Surety	10/14/2012
Administrator of Schools	108,000	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	63,954	Section 8-24-102, T.C.A	75,000	Travelers Casualty & Surety	9/1/2010
Clerk and Master	63,954	Section 8-24-102, T.C.A	75,000	Travelers Casualty & Surety	9/1/2010
County Clerk	63,954	Section 8-24-102, T.C.A	50,000	Travelers Casualty & Surety	9/1/2010
Register of Deeds	63,954	Section 8-24-102, T.C.A	25,000	Travelers Casualty & Surety	9/1/2010
Sheriff	70,350	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, 2009

Year	Tax Rate	ASSESSED VALUES			Total Taxes
		Property, Personal and Real	Total Utilities	Total	
2009	1.555%	\$ 1,151,896,665	\$ 41,201,586	\$ 1,193,098,251	\$ 18,556,256 *
2008	1.900%	891,116,029	32,873,810	923,989,839	17,555,806
2007	1.900%	887,405,040	35,368,737	922,773,777	17,532,701
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	16,786,611
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	14,227,707
1999	1.980%	653,407,473	31,671,617	685,079,090	13,564,565
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	12,062,403

* Based upon estimated assessed values for Public Utilities

McMINN COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year ended June 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF JUSTICE			
Passed through Tennessee Department of Finance and Administration:			
Byrne Grant	16.580	2006-DJ-BX-0818	\$ <u>2,563</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through Tennessee Emergency Management Agency:			
Emergency Management Performance	97.042	GG-06-12169-00	37,113
Emergency Management Performance	97.042	GG-07-21485-00	7,377
Emergency Management Performance	97.042	GG-08-26016-00	23,000
Homeland Security Grant	97.067	GG-08-24146-00	<u>8,366</u>
Total U.S. Department of Homeland Security			<u>75,856</u>
ECONOMIC & COMMUNITY DEVELOPMENT			
CDBG Riceville Sewer Project	14.228	GG-07-21562-00	<u>178,877</u>
Total Expenditures of Federal Awards - Primary Government			<u>257,296</u>
COMPONENT UNITS:			
<i>McMinn Board of Education</i>			
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Tennessee Department of Agriculture:			
Food Donation (Noncash - Food Commodities)	10.565	None	188,194
Passed through Tennessee Department of Education:			
School Breakfast Program	10.553	None	393,023
National School Lunch Program	10.555	None	<u>1,182,070</u>
Total U.S. Department of Agriculture			<u>1,763,287</u>

(continued)

McMINN COUNTY, TENNESSEE

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

Year ended June 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through Tennessee Department of Education:			
Title I Grant to Local Educational Agencies	84.010	None	\$ 1,129,753
Special Education - Grants to States (IDEA)	84.027	None	1,346,514
Vocational Education - Basic Grants to States	84.048	None	151,921
Rehabilitation Services	84.126	GG-07-12491-00	64,447
Special Education - Preschool Grants (IDEA)	84.173	None	22,982
Safe and Drug-Free Schools and Communities	84.186	None	19,884
Twenty-first Century Learning Communities	84.287	192-07-3-015	82,500
Education Technology State Grants	84.318	None	10,628
Improving Teacher Quality State Grants	84.367	None	<u>281,004</u>
Total U.S. Department of Education			<u>3,109,633</u>
Total Expenditures of Federal Awards - Component Units			<u>4,872,920</u>
Total Expenditures of Federal Awards - Reporting Entity			<u>5,130,216</u>

(continued)

McMINN COUNTY, TENNESSEE

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

Year ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
State Grants			
Department of Education			
Lottery for Education: Afterschool Programs	N/A	119-09-1-031	\$ 39,600
Lottery for Education: Afterschool Programs	N/A	119-09-1-032	39,600
Lottery for Education: Afterschool Programs	N/A	119-09-1-033	37,518
Safe Schools Act of 1998	N/A	None	30,800
Coordinated School Health Funds	N/A	None	136,000
Lottery Pre-K Programs	N/A	MW9 ACX	173,749
Expansion Pre-K Programs	N/A	MX9 AAX	758,698
Department of Transportation			
State Street Aid	N/A	54012-8410-04	331,277
Airport Maintenance	N/A	Z-09-21-3359-00	26,000
Litter Grant	N/A	Z-09-21-2772-00	40,505
Airport Emergency Sinkhole Repair	N/A	Z-09-21-3938-00	10,189
Airport Engineering Design - T Hangar and Paving	N/A	Z-07-03-7716-00	7,006
Airport T-Hangar Construction	N/A	Z-07-03-7716-00	130,876
Airport T-Hangar Paving	N/A	Z-07-03-7717-00	52,721
Airport Taxilane and Apron - Engineering	N/A	Z-08-20-0771-00	27,880
Airport Taxilane and Apron - Paving	N/A	Z-08-20-0771-00	188,518
Airport - 405 Approach Survey	N/A	Z-08-20-0770-00	42,961
Division of Property Assessment			
Property Reappraisal Grant	N/A	N/A	18,606
Department of Health			
DGA Grant	N/A	Z-09-231751-00	382,303
Child Restraint Program	N/A	T.C.A 55-9-602	13,974
Commission of Children and Youth			
Juvenile Assistance Grant	N/A	Z-07-03-6561-00	11,500
Department of Agriculture			
Marketing Development Division		DG-08-22849-00	
Tennessee Agricultural Enhancement Program	N/A	12-08-201371-00	74,054
Department of Environment and Conservation			
Optional Waste Tire Grant	N/A	Z-08-212995-02	26,860
Tennessee Historical Commission	N/A	GG-09-26454-00	<u>12,000</u>
Total Expenditures of State Awards			<u>2,613,195</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			<u>\$ 7,743,411</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

MCMINN COUNTY, TENNESSEE

June 30, 2009

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, 2009, which collectively comprise McMinn County's basic financial statements and have issued our report thereon dated February 10, 2010. We did not audit the financial statements of McMinn County "911" Emergency Communications District. McMinn County "911" Emergency Communication District's 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, 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting, as described in item 09.01.

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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider item 09.01 to be a material weakness.

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*.

We noted certain matters that we reported to management of McMinn County, Tennessee in a separate letter dated February 10, 2010.

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
February 10, 2010

Henderson Hutcherson
& 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, 2009. 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, 2009.

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
February 10, 2010

*Henderson Hutcherson
& McCullough, PLLC*

MCMINN COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiencies that are not considered to be material weaknesses? yes no
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes no
- Significant deficiencies that are not considered to be material weaknesses? yes 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 no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553	U.S. Department of Agriculture School Breakfast Program
10.555	National School Lunch Program
84.287	U.S. Department of Education: Twenty-first Century Learning Communities

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

Auditee qualified as low-risk auditee? yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

OFFICE OF THE CIRCUIT, GENERAL SESSIONS AND PROBATE COURT CLERK

Finding 09.01 – A cash shortage of \$15,484 existed in the Office of the Circuit, General Sessions and Probate Courts (Internal control – material weakness under *Government Auditing Standards*)

On August 14, 2009, the clerk of the office of the Circuit, General Sessions and Probate Courts notified the office of the Comptroller of the Treasury, State of Tennessee that she had discovered discrepancies in the receipts and deposits involving the General Sessions Court. We were asked to extend our audit procedures to investigate the discrepancies. We determined that a cash shortage of \$15,484 existed in the office for the period from November 6, 2006 to July 10, 2009. This shortage resulted from the misappropriation of cash collections and improper entries made to official records to conceal the theft.

It was found that payments of filing and other court fees were not recorded for all cases. In addition, it was found that checks were misapplied to cover filing and other court fees for which a cash payment had been made. Tina Snyder, the employee responsible for collecting and recording the filing and other court fees in the General Sessions Court, was terminated on July 22, 2009 and was indicted by the Grand Jury on November 17, 2009.

Recommendation:

The Clerk's office has a system of internal controls; however, those controls were circumvented when collections were not immediately receipted and entered into the computer system for filing and other court fees. We recommend that the Circuit Court Clerk reemphasize the policies to the employees for immediately receipting cash into the computer. The person preparing the deposit should also verify the payments for all cases, as recorded in the "Daily Deposit Report", agree to the name and detail as shown on the checks. In addition, the Clerk should review the system monthly for filed cases for which a payment of the filing and other court fees has not been recorded.

Management's Response – Clerk:

As stated in the audit, the responsible employee was terminated and indicted by the Grand Jury. The employee responsible for making up the daily deposit is being rotated among several employees in the office. Each has been instructed to verify that all checks are properly recorded in the "Daily Deposit Report". In addition, a new case management computer system is being installed, which will allow a report to be run for all cases that have been filed without a fee being collected. Because cases cannot be filed without the plaintiff paying a filing fee or completing an indigence application, this balance should always be zero.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

MCMINN COUNTY, TENNESSEE

SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2009

There were no prior audit findings relative to the financial statements.

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