

FINANCIAL STATEMENTS
McMINN COUNTY, TENNESSEE
JUNE 30, 2010

McMINN COUNTY, TENNESSEE

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McMinn County, Tennessee

ROSTER OF COUNTY OFFICIALS

JUNE 30, 2010

County Mayor	John Gentry
Director of Finance	Jason Luallen
Commissioner of Highways	Randal R. Moss
Administrator of Schools	David Pierce
Trustee	Phil Tuggle
Assessor of Property	Don Cowart
Members of the County Commission:	David Crews, Chairman
	Scott Curtis
	Dale Holbrook
	Jeannie King
	Roger Masingale
	Gary Mason
	Jerry Millsaps
	Bob Powers
	Jack Powers
	Tad Simpson
Constitutional Officers:	
Circuit, General Sessions and Probate Courts Clerk	Rhonda Cooley
Clerk and Master	Patty S. Gaines
County Clerk	Evonee Hoback
Register of Deeds	Nadean Cunningham
Sheriff	Steven R. Frisbie
Members of the County Board of Education:	
	Pat Chester, Chairman
	Sharon Brown
	Donna Cagle
	Larry Cantrell
	Kathy Dougherty
	Quinten Howard
	Melinda King
	Mike Lowry
	Henry Webb
Members of the McMinn County Emergency Communications District:	
	Mike Jones, Chairman
	Scott Curtis
	Russ Duggan
	Marvin Kelley
	Mark Lowry
	Harold Masengil
	Joe Riley
	Wayne Scarbrough
	Chris Webb

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, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. 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 5.33 percent, 6.59 percent, and 2.00 percent, respectively, of the assets, net 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, based on our audit and the report of other auditors, the financial statements referred to previously, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McMinn County, Tennessee as of June 30, 2010, 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 March 29, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 18 and the required supplementary information on page 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements as a whole. The accompanying schedule of expenditures of federal and state awards on pages 95 through 97 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 budgetary comparison schedules, combining and individual nonmajor fund financial statements (pages 69 through 83), combining and individual fund financial statements of the Board of Education (pages 84 through 89), and financial schedules (pages 90 through 94) are presented for purposes of additional analysis and are also not a required part of the basic financial statements. The budgetary comparison schedules, combining and individual nonmajor fund financial statements, 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 aspects in relation to the basic financial statements taken as a whole.

Reznick Group, P.C.

Atlanta, Georgia
March 29, 2011

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, 2010. We encourage readers to consider the information presented in this report.

Financial Highlights

Primary Government

1. The assets of the McMinn County Primary Government exceeded its liabilities at the close of the most recent fiscal year by \$89,329,717 (net assets). Unrestricted net assets of the Primary Government of \$11,582,386 may be used to meet the government's ongoing obligations to citizens.
2. The total net assets of the McMinn County Primary Government decreased by \$1,380,725 or 5.95 percent of 2010 expenses which totaled \$23,211,909.
3. At the close of the current fiscal year, the McMinn County Government's governmental funds reported combined ending fund balances of \$29,576,466, an increase of \$3,351,544 in comparison with the prior year. Approximately 3 percent of this total amount, \$788,716, is available for spending at the government's discretion (unassigned fund balance).
4. At the end of the current fiscal year, unassigned fund balance for the general fund was \$788,716, or almost 8 percent, 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.
5. McMinn County Government general fund revenues were \$375,326 less than budgeted. The largest factors in this decrease were a decrease in tax revenues of \$110,600 compared with budgeted revenues and a decrease of \$213,888 in intergovernmental revenues.

Component Unit, McMinn County Board of Education

1. Governmental fund assets of the McMinn County Board of Education, a component unit, exceeded its liabilities at the close of the most recent fiscal year by \$5,124,090. Of this amount, \$3,841,540 (assigned 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 \$24,374,514 in capital assets of the Board.
2. The McMinn County Board of Education's net assets decreased by \$265,716. The largest factor contributing to the decrease was the fact that the overall decrease in sales tax revenues as compared to 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 19 to 21 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 ten 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, and Other Capital Projects Fund, all of which are considered to be major funds.

Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 22 to 23 and 25 to 26 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 30 to 32 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 33 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 34 through 67 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 10 through 18 and McMinn County Government's progress in funding its obligation to provide pension benefits to its employees can be found on page 68 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 73 to 83 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 \$89,329,717 at the close of the most recent fiscal year. A summary version of the Statement of Net Assets at June 30, 2010 follows:

McMinn County, Tennessee Net Assets-Primary Government June 30, 2010						
	Governmental Activities		Business-Type Activities		Total	
	2009		2010	2009	2010	2009
	2010	as restated				
Current and other assets	\$ 39,425,163	\$ 35,559,519	\$ 911,894	\$ 1,948,359	\$ 40,337,057	\$ 37,507,878
Capital assets	59,315,449	61,247,733	3,034,858	2,499,117	62,350,307	63,746,850
Total assets	<u>98,740,612</u>	<u>96,807,252</u>	<u>3,946,752</u>	<u>4,447,476</u>	<u>102,687,364</u>	<u>101,254,728</u>
Other liabilities	9,173,712	8,746,194	45,830	12,624	9,219,542	8,758,818
Long-term liabilities	287,536	261,724	3,850,569	1,523,744	4,138,105	1,785,468
Total liabilities	<u>9,461,248</u>	<u>9,007,918</u>	<u>3,896,399</u>	<u>1,536,368</u>	<u>13,357,647</u>	<u>10,544,286</u>
Net assets (deficit):						
Invested in capital assets, net of related debt	59,315,449	61,247,733	3,034,858	2,499,117	62,350,307	63,746,850
Restricted	15,397,024	14,588,650	-	-	15,397,024	14,588,650
Unrestricted	<u>14,566,891</u>	<u>11,962,951</u>	<u>(2,984,505)</u>	<u>411,991</u>	<u>11,582,386</u>	<u>12,374,942</u>
Total net assets (deficit)	<u>\$ 89,279,364</u>	<u>\$ 87,799,334</u>	<u>\$ 50,353</u>	<u>\$ 2,911,108</u>	<u>\$ 89,329,717</u>	<u>\$ 90,710,442</u>

The investment in capital assets of the McMinn Primary County Government (e.g., land, buildings, infrastructure, machinery and equipment) accounts for 70 percent 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 (17 percent) represents resources that are subject to external restrictions on how they may be used. Of the 17 percent, 16.5 percent is restricted for Capital Projects. The remaining balance of *unrestricted net assets* of \$11,582,386 may be used to meet the government's ongoing obligations to citizens.

The Primary Government's net assets decreased by \$1,380,725 during the current fiscal year.

Governmental activities. Governmental activities increased the McMinn County Government's net assets by \$1,480,030. 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, 2010

	Governmental Activities		Business-Type Activities		Total	
	2010	2009 as restated	2010	2009	2010	2009 as restated
Revenues:						
Charges for services	\$ 3,527,281	\$ 4,220,084	\$ 1,087,465	\$ 935,343	\$ 4,614,746	\$ 5,155,427
Operating grants and contributions	4,705,477	4,853,950	33,350	26,860	4,738,827	4,880,810
General Revenues:						
Taxes	11,007,129	11,150,827	-	-	11,007,129	11,150,827
Sale of property	1,200,000	803,692	-	-	1,200,000	803,692
Investment earnings	260,677	558,498	10,695	45,937	271,372	604,435
Miscellaneous	-	-	1,878	1,945	1,878	1,945
Total revenues	20,700,564	21,587,051	1,133,388	1,010,085	21,833,952	22,597,136
Expenses:						
General government	4,597,141	6,137,329	-	-	4,597,141	6,137,329
Public safety	4,510,641	4,909,293	-	-	4,510,641	4,909,293
Health	1,219,703	5,487,496	-	-	1,219,703	5,487,496
Social services	7,141	974,578	-	-	7,141	974,578
Culture and recreation	2,457,890	236,543	-	-	2,457,890	236,543
Public works	2,098,990	19,506	-	-	2,098,990	19,506
Roads and bridges	3,535,536	-	-	-	3,535,536	-
Education	790,724	-	-	-	790,724	-
Solid waste	-	-	3,994,143	1,761,285	3,994,143	1,761,285
Total expenses	19,217,766	17,764,745	3,994,143	1,761,285	23,211,909	19,526,030
Excess (deficiency) before transfers	1,482,798	3,822,306	(2,860,755)	(751,200)	(1,377,957)	3,071,106
Transfers	(2,768)	(1,119,898)	-	190,000	(2,768)	(929,898)
Increase (decrease) in net assets	1,480,030	2,702,408	(2,860,755)	(561,200)	(1,380,725)	2,141,208
Net assets (deficit), beginning	87,799,334	85,096,926	2,911,108	3,472,308	90,710,442	88,569,234
Net assets (deficit), ending	\$ 89,279,364	\$ 87,799,334	\$ 50,353	\$ 2,911,108	\$ 89,329,717	\$ 90,710,442

As shown in the table, General Government, Public Safety, and Roads and Bridges were the three largest governmental activities for this fiscal year, 24 percent, 23 percent, and 18 percent, 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 2010-2011 fiscal year budget was balanced maintaining the current tax rate.

Business-type activities. Operating revenues for the Solid Waste Disposal Fund increased 16.3 percent over the prior year. Operating expenses increased by \$2,232,858, or 127 percent. The resulting change in net assets for the solid waste operation was a decrease of \$2,860,755. This change in net assets was an increase of \$2,299,555 over the decrease in the previous fiscal year. The change is primarily related to the change in estimate of closure and post-closure costs in the current 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 \$29,576,466, an increase of \$3,351,544 in comparison with the prior year. Approximately 16 percent or \$4,981,330 of this total is restricted due to internal or external limitations on its use. One percent or \$233,177 of fund balance is considered nonspendable because it has been used for either advances, inventory, or prepaid items. Approximately 80 percent or \$23,573,243 has been committed or assigned meaning there are limitations resulting from its intended use. The assigned uses include construction of capital assets, purchase of other capital assets, and for other purposes. The remaining 3 percent or \$788,716 is unassigned.

The general fund is the chief operating fund of the McMinn County Government. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 788,716, while total fund balance was \$29,576,466. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 7.5 percent of total general fund expenditures, while total fund balance represents 58 percent of that same amount.

The fund balance of the McMinn County Government's general fund increased by \$2,225,287 during the current fiscal year. The largest factor in the increase from last year can be attributed to an increase of about \$3,090,563 in transfers.

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 deficit of the solid waste operation at the end of the year amounted to (\$2,984,505). The total change in net assets for the solid waste operation was (\$2,860,755). 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 \$704,959 in appropriations.

The primary differences can be summarized briefly as follows:

1. An increase of \$193,000 for the purchase of real estate for the North Ambulance Station and \$110,300 increase for the State DGA and H1N1 Grants for the Health Department. Both of these increases are included in Health Services.

2. An increase of \$129,240 for Courtroom Security in General Government Services.
3. An increase of 77,396 for Industrial Development.

Capital Asset and Debt Administration

Capital assets. The McMinn County Primary Government's investment in capital assets for its governmental and business-type activities as of June 30, 2010 amounts to \$62,350,307 (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 Primary Government's investment in capital assets for the current year was \$1,396,543 or 2.2 percent. The decrease in value of the investment in capital assets can be attributed 2010 being a year in which the normal depreciation of the roads and bridges systems in the County is greater than the increase in land, buildings, and other fixed assets.

McMinn County, Tennessee Capital Assets
(net of depreciation)
For the Fiscal Year-End June 30
Primary Government

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 1,942,201	\$ 1,906,123	\$ 438,950	\$ 438,950	\$ 2,381,151	\$ 2,345,073
Construction in progress	923,571	1,708,338	788,481	30,201	1,712,052	1,738,539
Infrastructure	45,793,168	47,953,833	963,863	1,034,451	46,757,031	48,988,284
Buildings	8,275,752	7,186,689	48,092	59,558	8,323,844	7,246,247
Other fixed assets	2,380,757	2,492,750	795,472	935,957	3,176,229	3,428,707
Total	<u>\$ 59,315,449</u>	<u>\$ 61,247,733</u>	<u>\$ 3,034,858</u>	<u>\$ 2,499,117</u>	<u>\$ 62,350,307</u>	<u>\$ 63,746,850</u>

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Beginning balance	\$ 111,949,605	\$ 109,746,784	\$ 7,232,524	\$ 6,932,129	\$ 119,182,129	\$ 116,678,913
Additions	2,664,346	2,370,520	759,305	397,535	3,423,651	2,768,055
Deletions	(1,643,942)	(167,699)	(17,069)	(97,140)	(1,661,011)	(264,839)
Balance before depreciation	112,970,009	111,949,605	7,974,760	7,232,524	120,944,769	119,182,129
Accumulated depreciation	(53,654,560)	(50,701,872)	(4,939,902)	(4,733,407)	(58,594,462)	(55,435,279)
Balance after depreciation	<u>\$ 59,315,449</u>	<u>\$ 61,247,733</u>	<u>\$ 3,034,858</u>	<u>\$ 2,499,117</u>	<u>\$ 62,350,307</u>	<u>\$ 63,746,850</u>

Additional information on the McMinn County Government's capital assets can be found in Note 7 of this report on page 54.

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

1. The unemployment rate for McMinn County at the end of this fiscal year was 12.6 percent, (not seasonally adjusted), which is a decrease from 14.9 percent at the end of fiscal year 2009. The county's unemployment rate is higher than the state unemployment rate for June 2010, 9.7 percent, (not seasonally adjusted); and also higher than the national rate, 9.6 percent, (not seasonally adjusted), for the same period.
2. 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.
3. These factors were considered in preparing the McMinn County Government's budget for the 2010-2011 fiscal year.

During the current year, unassigned fund balance in the general fund decreased to \$788,716. The McMinn County Government's budget for the 2010-2011 fiscal year was balanced without appropriating any of the unassigned fund balance. 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

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McMinn County, Tennessee

STATEMENT OF NET ASSETS

June 30, 2010

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	McMinn County Board of Education	"911" Emergency Communication
ASSETS					
Cash and cash equivalents	\$ 373,103	\$ 75	\$ 373,178	\$ -	\$ -
Equity in pooled cash and investments	28,035,291	755,335	28,790,626	4,223,147	991,051
Receivables, net of allowance for uncollectibles	10,940,345	158,396	11,098,741	8,777,469	37,108
Internal balances	36,912	(1,912)	35,000	-	-
Due from component units	6,619	-	6,619	-	-
Inventories	32,893	-	32,893	-	-
Prepaid expenses	-	-	-	-	2,392
Other assets	-	-	-	-	2,392
Capital assets:					
Land and other nondepreciable	2,865,772	1,227,431	4,093,203	3,459,907	99,557
Depreciable, net	56,449,677	1,807,427	58,257,104	20,911,607	973,249
Total assets	<u>98,740,612</u>	<u>3,946,752</u>	<u>102,687,364</u>	<u>37,372,130</u>	<u>2,105,749</u>
LIABILITIES					
Accounts payable and accrued expenses	451,216	45,830	497,046	643,971	22,760
Due to other governmental agencies	35,001	-	35,001	6,380	239
Unearned revenues	8,687,495	-	8,687,495	6,705,455	-
Other current liabilities	-	-	-	-	7,904
Long-term liabilities:					
Due in more than one year	287,536	3,850,569	4,138,105	616,941	-
Total liabilities	<u>9,461,248</u>	<u>3,896,399</u>	<u>13,357,647</u>	<u>7,972,747</u>	<u>30,903</u>
NET ASSETS (DEFICIT)					
Invested in capital assets	59,315,449	3,034,858	62,350,307	24,371,514	1,072,806
Restricted for:					
Capital projects	15,100,992	-	15,100,992	-	-
Other Uses	296,032	-	296,032	-	-
Unrestricted	14,566,891	(2,984,505)	11,582,386	5,027,869	1,002,040
Total net assets (deficit)	<u>\$ 89,279,364</u>	<u>\$ 50,353</u>	<u>\$ 89,329,717</u>	<u>\$ 29,399,383</u>	<u>\$ 2,074,846</u>

See notes to financial statements

McMinn County, Tennessee
STATEMENT OF ACTIVITIES
Year ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 4,597,141	\$ 3,527,281	\$ 2,125,201	\$ -
Public safety	4,510,641	-	-	-
Health	1,219,703	-	-	-
Social services	7,141	-	-	-
Culture and recreation	2,457,890	-	-	-
Public works	2,098,990	-	-	-
Roads and bridges	3,535,536	-	2,580,276	-
Education - payment to component unit	790,724	-	-	-
Total governmental activities	<u>19,217,766</u>	<u>3,527,281</u>	<u>4,705,477</u>	<u>-</u>
Business-type activities:				
Solid waste disposal	3,994,143	1,087,465	33,350	-
Total business-type activities	<u>3,994,143</u>	<u>1,087,465</u>	<u>33,350</u>	<u>-</u>
Total primary government	<u>\$ 23,211,909</u>	<u>\$ 4,614,746</u>	<u>\$ 4,738,827</u>	<u>\$ -</u>
Component units:				
Education	\$ 44,081,746	\$ 1,034,092	\$ 31,156,724	\$ -
Emergency communications	870,609	484,730	384,908	-
Total component units	<u>\$ 870,609</u>	<u>\$ 484,730</u>	<u>\$ 384,908</u>	<u>\$ -</u>

General revenues:
Taxes:
 Property taxes
 Sales taxes
 Business taxes
 Hotel/Motel taxes
 Other taxes
Sale of property
Transfers
Unrestricted investment earnings
Payments from primary government
Miscellaneous
 Total general revenues

Change in net assets

Net assets, beginning, as previously reported
Prior period adjustment
Net assets, beginning, as restated

Net assets, ending

See notes to financial statements

McMinn County, Tennessee

STATEMENT OF ACTIVITIES - CONTINUED

Year ended June 30, 2010

Net (Expense) Revenue and Changes in Net Assets			Component Units	
Primary Government			Board of Education	"911" Emergency Communications District
Governmental Activities	Business-Type Activities	Total		
\$ 1,055,341	\$ -	\$ 1,055,341		
(4,510,641)	-	(4,510,641)		
(1,219,703)	-	(1,219,703)		
(7,141)	-	(7,141)		
(2,457,890)	-	(2,457,890)		
(2,098,990)	-	(2,098,990)		
(955,260)	-	(955,260)		
(790,724)	-	(790,724)		
<u>(10,985,008)</u>	<u>-</u>	<u>(10,985,008)</u>		
-	(2,873,328)	(2,873,328)		
<u>-</u>	<u>(2,873,328)</u>	<u>(2,873,328)</u>		
(10,985,008)	(2,873,328)	(13,858,336)		
			\$ (11,890,930)	\$ -
			-	(971)
			<u>(11,890,930)</u>	<u>(971)</u>

Net (Expense) Revenue and Changes in Net Assets			Component Units	
Primary Government			Board of Education	"911" Emergency Communications District
Governmental Activities	Business-Type Activities	Total		
9,193,784	-	9,193,784	7,098,281	-
369,307	-	369,307	3,495,994	-
294,200	-	294,200	102,980	-
341,621	-	341,621	-	-
808,217	-	808,217	65,878	-
1,200,000	-	1,200,000	-	-
(2,768)	-	(2,768)	-	-
260,677	10,695	271,372	31,869	5,861
-	-	-	790,724	-
-	1,878	1,878	39,488	18,600
<u>12,465,038</u>	<u>12,573</u>	<u>12,477,611</u>	<u>11,625,214</u>	<u>24,461</u>
1,480,030	(2,860,755)	(1,380,725)	(265,716)	23,490
87,799,334	2,911,108	90,710,442	27,741,307	2,051,356
-	-	462,851	1,923,792	-
<u>87,799,334</u>	<u>2,911,108</u>	<u>90,710,442</u>	<u>29,665,099</u>	<u>2,051,356</u>
<u>\$ 89,279,364</u>	<u>\$ 50,353</u>	<u>\$ 89,329,717</u>	<u>\$ 29,399,383</u>	<u>\$ 2,074,846</u>

See notes to financial statements

McMinn County, Tennessee

BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2010

Assets	General Fund	Road and Bridge	Constitutional Officers
Cash and cash equivalents	\$ -	\$ -	\$ 373,103
Equity in pooled cash and investments	5,382,493	1,678,314	-
Receivables, net of allowance for uncollectibles	4,814,065	1,909,635	500
Due from other funds	49,455	5,177	-
Due from proprietary fund	1,912	-	-
Due from component units	6,619	-	-
Inventories	32,893	-	-
Total assets	<u>\$ 10,287,437</u>	<u>\$ 3,593,126</u>	<u>\$ 373,603</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 233,150	\$ 190,161	\$ -
Due to other funds	5,177	14,456	35,000
Deferred or unearned revenue	4,005,541	1,481,824	-
Total liabilities	<u>4,243,868</u>	<u>1,686,441</u>	<u>35,000</u>
Fund balances:			
Nonspendable	32,893	-	-
Restricted for:			
Alcohol and drug treatment	239,795	-	-
Sexual offender registration	18,654	-	-
Register of deeds	17,682	-	-
Hotel/motel tax	1,242,590	-	-
Health department	84,401	-	-
Drug prosecutor	174,722	-	-
Other purposes	443,193	4,856	-
Assigned	3,000,923	1,901,829	338,603
Unassigned	788,716	-	-
Total fund balances	<u>6,043,569</u>	<u>1,906,685</u>	<u>338,603</u>
Total liabilities and fund balances	<u>\$ 10,287,437</u>	<u>\$ 3,593,126</u>	<u>\$ 373,603</u>

See notes to financial statements

McMinn County, Tennessee

BALANCE SHEET GOVERNMENTAL FUNDS - CONTINUED

June 30, 2010

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 373,103
17,297,074	3,677,410	28,035,291
4,188,823	27,322	10,940,345
-	-	54,632
-	-	1,912
-	-	6,619
-	-	32,893
<u>\$ 21,485,897</u>	<u>\$ 3,704,732</u>	<u>\$ 39,444,795</u>
\$ -	\$ 27,905	\$ 451,216
-	-	54,633
3,875,115	-	9,362,480
<u>3,875,115</u>	<u>27,905</u>	<u>9,868,329</u>
200,284	-	233,177
-	-	239,795
-	-	18,654
-	-	17,682
-	-	1,242,590
-	-	84,401
-	-	174,722
904,663	1,850,774	3,203,486
16,505,835	1,826,053	23,573,243
-	-	788,716
<u>17,610,782</u>	<u>3,676,827</u>	<u>29,576,466</u>
<u>\$ 21,485,897</u>	<u>\$ 3,704,732</u>	<u>\$ 39,444,795</u>

See notes to financial statements

McMinn County, Tennessee

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

June 30, 2010

Total fund balance – governmental funds \$ 29,576,466

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

Capital assets used in governmental activities are not current financial resources and
therefore are not reported in the fund financial statement, but are reported in the 59,315,449
governmental activities statement of net assets.

Deferred revenue in the fund level statements is susceptible to full accrual
in the government-wide statements 674,985

Some liabilities are not due and payable in the current period and are not included in
the fund financial statement, but are included in the governmental activities
statement of net assets. (287,536)

Net assets of governmental activities in the statement of net assets \$ 89,279,364

See notes to financial statements

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McMinn County, Tennessee

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

Year ended June 30, 2010

	General Fund	Road and Bridge	Constitutional Officers
Revenues:			
Ad valorem taxes	\$ 3,901,610	\$ 1,440,281	\$ -
Sales and miscellaneous taxes	1,582,170	45,771	-
Fees and fines	252,333	-	-
Intergovernmental	2,125,201	2,390,338	-
Charges for services	56,433	-	1,992,246
Investment earnings	56,760	7,138	13,755
Miscellaneous	545,653	2,779	2,000
Total revenues	<u>8,520,160</u>	<u>3,886,307</u>	<u>2,008,001</u>
Expenditures:			
Current:			
General government	4,799,686	-	882,735
Public safety	4,303,654	-	2,000
Health	1,114,794	-	-
Social services	7,141	-	-
Culture and recreation	229,773	-	-
Public works	-	-	-
Roads and bridges	-	2,949,010	-
Capital outlay	-	595,190	-
Capital outlay paid to component unit	-	-	-
Total expenditures	<u>10,455,048</u>	<u>3,544,200</u>	<u>884,735</u>
Excess (deficiency) of revenues over expenditures	<u>(1,934,888)</u>	<u>342,107</u>	<u>1,123,266</u>
Other financing sources (uses):			
Transfers in	4,160,175	-	-
Transfers out	-	-	(1,162,877)
Total other financing sources (uses)	<u>4,160,175</u>	<u>-</u>	<u>(1,162,877)</u>
Net change in fund balances	2,225,287	342,107	(39,611)
Fund balances, beginning	<u>3,818,282</u>	<u>1,564,578</u>	<u>378,214</u>
Fund balances (deficit), ending	<u>\$ 6,043,569</u>	<u>\$ 1,906,685</u>	<u>\$ 338,603</u>

See notes to financial statements

McMinn County, Tennessee

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

Year ended June 30, 2010

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,758,153	\$ -	\$ 9,100,044
185,404	-	1,813,345
-	146,339	398,672
171,788	150	4,687,477
-	-	2,048,679
115,626	67,398	260,677
560,836	1,200,100	2,311,368
<u>4,791,807</u>	<u>1,413,987</u>	<u>20,620,262</u>
-	411	5,682,832
-	224,041	4,529,695
-	-	1,114,794
-	-	7,141
-	-	229,773
-	12,575	12,575
-	-	2,949,010
1,363,759	383	1,959,332
790,724	-	790,724
<u>2,154,483</u>	<u>237,410</u>	<u>17,275,876</u>
<u>2,637,324</u>	<u>1,176,577</u>	<u>3,344,386</u>
223,857	1,838,199	6,222,231
-	(5,052,196)	(6,215,073)
<u>223,857</u>	<u>(3,213,997)</u>	<u>7,158</u>
2,861,181	(2,037,420)	3,351,544
<u>14,749,601</u>	<u>5,714,247</u>	<u>26,224,922</u>
<u>\$ 17,610,782</u>	<u>\$ 3,676,827</u>	<u>\$ 29,576,466</u>

See notes to financial statements

McMinn County, Tennessee

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

Year ended June 30, 2010

Net change in fund balances– total governmental funds	\$ 3,351,544
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which capitalized capital outlay exceeds depreciation expense and losses on disposal.	(1,932,284)
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
Current change in compensated absences	(11,904)
Current change in other post employment benefits	(13,908)
Internal service funds were used by management to charge the costs of self-insurance programs to individual funds. The assets and liabilities of the internal service fund was included in governmental activities in the statement of net assets. The self insurance fund was closed in the current year during the implementation of GASB No. 54	(7,158)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements.	93,740
Change in net assets of governmental activities	<u>\$ 1,480,030</u>

See notes to financial statements

McMinn County, Tennessee

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

Year ended June 30, 2010

	Budgeted Amounts		Actual GAAP Basis Amounts	Variance with Final Budget – Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 5,594,380	\$ 5,594,380	\$ 5,483,780	\$ (110,600)
Intergovernmental	2,106,280	2,339,089	2,125,201	(213,888)
Charges for services	53,527	53,527	56,433	2,906
Fees and fines	258,800	267,838	252,333	(15,505)
Investment earnings	85,000	85,000	56,760	(28,240)
Miscellaneous	555,566	555,652	545,653	(9,999)
Total revenues	<u>8,653,553</u>	<u>8,895,486</u>	<u>8,520,160</u>	<u>(375,326)</u>
Expenditures:				
Current:				
General government	4,680,313	5,036,181	4,799,686	236,495
Public safety	4,478,822	4,518,893	4,303,654	215,239
Health	950,123	1,253,423	1,114,794	138,629
Social services	11,241	7,141	7,141	-
Culture and recreation	218,902	228,722	229,773	(1,051)
Total expenditures	<u>10,339,401</u>	<u>11,044,360</u>	<u>10,455,048</u>	<u>589,312</u>
Excess (Deficiency) of revenues over expenditures	<u>(1,685,848)</u>	<u>(2,148,874)</u>	<u>(1,934,888)</u>	<u>213,986</u>
Other financing sources (uses):				
Transfers in	1,110,000	1,110,000	4,160,175	3,050,175
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) sources (uses)	<u>1,110,000</u>	<u>1,110,000</u>	<u>4,160,175</u>	<u>3,050,175</u>
Net change in fund balances	<u>\$ (575,848)</u>	<u>\$ (1,038,874)</u>	<u>2,225,287</u>	<u>\$ 3,264,161</u>
Fund balances, beginning			3,818,282	
Fund balances, ending			<u>\$ 6,043,569</u>	

See noted to financial statements

McMinn County, Tennessee

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

Year ended June 30, 2010

	Budgeted Amounts		Actual GAAP Basis Amounts	Variance with Final Budget – Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 1,473,217	\$ 1,473,217	\$ 1,440,281	\$ (32,936)
Sales and miscellaneous taxes	59,196	59,196	45,771	(13,425)
Intergovernmental	2,060,351	2,060,351	2,390,338	329,987
Investment earnings	7,000	7,000	7,138	138
Miscellaneous	6,000	5,000	2,779	(2,221)
Total revenues	<u>3,605,764</u>	<u>3,604,764</u>	<u>3,886,307</u>	<u>281,543</u>
Expenditures:				
Current:				
Roads and bridges:				
Administration	175,605	174,099	214,853	(40,754)
Highway and bridge maintenance	1,961,774	1,959,649	1,730,870	228,779
Equipment maintenance and operation	614,642	614,192	413,444	200,748
Other charges	186,368	185,568	155,883	29,685
Employee benefits	569,231	559,231	433,960	125,271
Debt Service:				
Highways and streets	1,000	-	-	-
Capital outlay	642,097	769,761	595,190	174,571
Total expenditures	<u>4,150,717</u>	<u>4,262,500</u>	<u>3,544,200</u>	<u>718,300</u>
Excess (Deficiency) of revenues over expenditures	<u>(544,953)</u>	<u>(657,736)</u>	<u>342,107</u>	<u>999,843</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses) sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (544,953)</u>	<u>\$ (657,736)</u>	<u>342,107</u>	<u>\$ 999,843</u>
Fund balances, beginning			<u>1,564,578</u>	
Fund balances, ending			<u>\$ 1,906,685</u>	

See noted to financial statements

McMinn County, Tennessee

STATEMENT OF NET ASSETS PROPRIETARY FUND

June 30, 2010

	Business-type Activities Solid Waste Disposal Fund
ASSETS	
Current Assets:	
Petty cash	\$ 75
Equity in pooled cash and investments	755,335
Accounts receivable, net	158,396
Total current assets	<u>913,806</u>
Capital Assets:	
Land and site improvements	438,950
Construction in progress	788,481
Total non-depreciable assets	<u>1,227,431</u>
Landfill facilities and development	4,384,562
Buildings and improvements	160,637
Machinery and equipment	2,202,079
Less accumulated depreciation	(4,939,851)
Net depreciable assets	<u>1,807,427</u>
Total capital assets	<u>3,034,858</u>
Total assets	<u>3,948,664</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	45,830
Due to other funds	1,912
Total current liabilities	<u>47,742</u>
Noncurrent liabilities:	
Estimated liability for closure and post-closure costs	3,850,569
Total noncurrent liabilities	<u>3,850,569</u>
Total liabilities	<u>3,898,311</u>
NET ASSETS (DEFICIT)	
Invested in capital assets	3,034,858
Unrestricted	(2,984,505)
Total net assets (deficit)	<u>\$ 50,353</u>

See noted to financial statements

McMinn County, Tennessee

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

Year ended June 30, 2010

	Business-type Activities Solid Waste Disposal Fund	Governmental Activities Internal Service Fund
Operating revenues		
Charges for services	\$ 1,087,465	\$ -
Total operating revenues	<u>1,087,465</u>	<u>-</u>
Operating expenses		
Contractual services	102,022	-
Repairs and maintenance	352,239	-
Materials and supplies	36,769	-
Fuel	160,975	-
Depreciation and amortization	219,485	-
Surcharges	49,819	-
Insurance	30,644	-
Salaries and wages	376,256	-
Employee benefits	136,215	-
Closure and post-closure care costs	2,417,978	-
Other	111,741	-
Total operating expenses	<u>3,994,143</u>	<u>-</u>
Operating income (loss)	<u>(2,906,678)</u>	<u>-</u>
Nonoperating revenues (expenses)		
Waste tire grants	33,350	-
Interest and investment revenues	10,695	-
Miscellaneous	1,878	-
Total nonoperating revenues (expenses)	<u>45,923</u>	<u>-</u>
Income (loss) before transfers	(2,860,755)	-
Transfers out	-	(7,158)
Change in net assets	(2,860,755)	(7,158)
Total net assets, beginning	<u>2,911,108</u>	<u>7,158</u>
Total net assets, ending	<u>\$ 50,353</u>	<u>\$ -</u>

See noted to financial statements

McMinn County, Tennessee

STATEMENT OF CASH FLOWS PROPRIETARY FUND

Year ended June 30, 2010

	Business-type Activities Solid Waste Disposal Fund
Cash Flows From Operating Activities	
Cash received from customers	\$ 1,036,013
Cash received from other funds	755
Cash paid for goods and services	(1,037,214)
Cash paid to employees	(376,256)
Net cash used in operating activities	<u>(376,702)</u>
Cash Flows From Non-Capital Financing Activities	
Decrease in landfill closure liability	(97,140)
Net cash used in non-capital financing activities	<u>(97,140)</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(651,496)
Waste tire grants	33,350
Miscellaneous	1,878
Proceeds from sale of equipment	16,045
Net cash used in capital and related financing activities	<u>(600,223)</u>
Cash Flows From Investing Activities	
Interest on investments	10,695
Net cash used in investment activities	<u>10,695</u>
Net decrease in cash and cash equivalents	(1,063,370)
Cash and cash equivalents, beginning	1,818,780
Cash and cash equivalents, ending	<u>\$ 755,410</u>
Reconciliation of operating loss to net cash used operating activities:	
Operating Loss	\$ (2,906,678)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	219,485
Increase in accounts receivable	(51,452)
Decrease in accounts payable	34,363
Decrease in due to other funds	755
Increase in liability for closure and postclosure care costs	2,326,825
Total adjustments	<u>2,529,976</u>
Net cash used in operating activities	<u>\$ (376,702)</u>
Reconciliation of cash and cash equivalents – end of year to statement of net assets	
Unrestricted cash and cash equivalents	\$ 755,410
Cash and cash equivalents – end of year	<u>\$ 755,410</u>

See noted to financial statements

McMinn County, Tennessee

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS

June 30, 2010

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 1,413,820
Investments	1,678,428
Equity pooled in cash and investments	2,138,839
Receivables:	
Property taxes	2,357,554
Accounts	<u>305,832</u>
Total assets	<u>\$ 7,894,473</u>
Liabilities	
Accrued items and other	\$ 302,527
Intergovernmental payables	4,653,234
Due to litigants, heirs and others	<u>2,938,712</u>
Total liabilities	<u>\$ 7,894,473</u>

See noted to financial statements

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 – 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.

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.

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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.

A Joint Venture

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.

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.

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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.).

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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.

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:

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.

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

Constitutional Officers Fund – The Constitutional Officers Fund is used to account for the activities associated with the administrative functions of the County’s Constitutional Officers.

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.

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.

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 No. 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.

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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.

Other Fund Types:

Permanent Fund – The County maintains a permanent fund that provides for the endowment from receipts of funds resulting from the previous sale of the Woods Memorial Hospital.

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.

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.

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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.

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.

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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.

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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, when significant are disclosed in the commitments section of the notes by major funds and nonmajor funds in the aggregate. Outstanding encumbrances are reappropriated in the subsequent year.

Assets, Liabilities, and Fund Equity

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.

Investments

The County maintains a pooled cash system through the McMinn County Trustee. The fair value of purchased investments and investment income at fiscal yearend 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.

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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 percent of the average daily balance of deposits. Alternately, financial institutions that hold public deposits may participate in the State's collateral pool.

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.

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

Deferred revenue in the government-wide financial statements consists of resources received that have not yet been earned.

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

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

Inventories

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

Capital Assets

Capital assets 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:

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

<u>Asset</u>	<u>Years</u>
Infrastructure (roads, bridges, etc.)	40 – 50
Buildings	40 – 50
Building improvements	10 – 20
Equipment, furniture, and vehicles	4 – 20

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.

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

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

day will be at a rate of one-half of the minimum substitute teacher pay paid by the McMinn County Board of Education.

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.

Fund Balance

Fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Beginning with fiscal year 2010, the County implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Net Assets – amounts that are either not in spendable form or legally or contractually required to be maintained intact.

Restricted Net Assets – amounts constrained to specific purposes by third parties (statutory, bond covenant or granting agency), through constitutional provisions, or by enabling legislation.

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

Committed Net Assets – amounts constrained to specific purposes by the County itself, using its highest level of decision-making authority; reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove the constraint.

Assigned Net Assets – amounts the County intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned Net Assets – amounts that are available for any purpose; positive amounts are reported only in the general fund.

For the classification of Governmental Fund balances, the City considers an expenditure to be made from the most restrictive first when more than one classification is available.

Pension Plans

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

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.

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.

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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

Lien date	January 1, 2009
Levy date	October 1, 2009
Tax bills mailed	October 1, 2009
Payment due dates	October 1, 2009 through February 28, 2010
Delinquency date	March 1, 2010
Tax sale - 2004 delinquent property taxes	June 2009

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.

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 yearend is allocated to each fund on the total cash position of that fund at the fiscal year end.

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.

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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.

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.

Indirect Costs

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

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.

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.

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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.

New Pronouncements

During the fiscal year ended June 30, 2010, the County adopted the provisions of GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.”

NOTE 2 – 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, 2010, the County had no material excess of expenditures over appropriations in individual funds.

NOTE 3 – 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 2010, 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, 2010, the carrying amount of the County’s deposits is as follows:

Interest-bearing deposits with Financial Institutions	\$ 31,589,385
Bank accounts	6,839,115
Cash on hand	596,011
Total cash, cash equivalents and investments	<u>\$ 39,024,511</u>

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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

	Trustee Balance	Outstanding Warrants	Carrying Value
Primary government	\$ 29,149,035	\$ (358,409)	\$ 28,790,626
Trustee:			-
Fee and Commission	78,374	-	78,374
Component units:			-
Board of Education	6,629,989	(2,406,842)	4,223,147
Emergency Communications District	997,991	(6,940)	991,051
Total government-wide	36,855,389	(2,772,191)	34,083,198
Agency fund:			-
Judicial District Drug	2,154,086	(15,247)	2,138,839
	<u>\$ 39,009,475</u>	<u>\$ (2,787,438)</u>	<u>\$ 36,222,037</u>

Deposits held by other Constitutional Officers are as follows:

	Special Revenue Funds (Major Fund)	Agency Funds	Total
Circuit, General Sessions and Probate Clerks	\$ 114,781	\$ 1,720,531	\$ 1,835,312
Clerk and Master	-	1,218,181	1,218,181
County Clerk	5,148	132,421	137,569
Resiter of Deeds	159,763	-	159,763
Sheriff	1	21,115	21,116
	<u>\$ 279,693</u>	<u>\$ 3,092,248</u>	<u>\$ 3,371,941</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.

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

Credit risk - At June 30, 2010, none of the County's, the Constitutional Officer's, or the District's bank balances was exposed to credit risk.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2010, consist of the following:

Funds	Property Taxes	Other Taxes	Accounts	Notes	Allowance for Uncollectibles	Net
Primary Government:						
General	\$ 4,413,250	\$ 138,886	\$ 496,987	\$ -	\$ (235,058)	\$ 4,814,065
Road and bridge	1,632,653	6,486	357,454	-	(86,958)	1,909,635
Capital projects	4,269,548	9,357	52,322	85,000	(227,404)	4,188,823
Constitutional Officers	-	-	500	-	-	500
Nonmajor	-	-	27,322	-	-	27,322
Agency	2,494,923	201,628	104,204	-	(137,369)	2,663,386
	<u>12,810,374</u>	<u>356,357</u>	<u>1,038,789</u>	<u>85,000</u>	<u>(686,789)</u>	<u>13,603,731</u>
Business-type Activity:						
Solid waste disposal	-	-	181,031	-	(22,635)	158,396
	<u>\$ 12,810,374</u>	<u>\$ 356,357</u>	<u>\$ 1,219,820</u>	<u>\$ 85,000</u>	<u>\$ (709,424)</u>	<u>\$ 13,762,127</u>
Component Units:						
Board of Education	\$ 7,961,727	\$ 622,333	\$ 617,479	\$ -	\$ (424,070)	\$ 8,777,469
E-911	-	-	37,108	-	-	37,108
	<u>\$ 7,961,727</u>	<u>\$ 622,333</u>	<u>\$ 654,587</u>	<u>\$ -</u>	<u>\$ (424,070)</u>	<u>\$ 8,814,577</u>

Notes receivable consists of non-interest bearing funds from the City of Etowah to assist with the purchase of industrial park development. As industrial park property is sold, the note is to be retired by the City.

NOTE 5 – SOLID WASTE DISPOSAL CLOSURE AND POST CLOSURE CARE COSTS

The McMinn County Landfill has an active permit on file with the state Department of Environment and Conservation for a sanitary landfill. The County has provided financial assurances for estimated post closure liabilities as required by the State of Tennessee via a Contract in Lieu of Performance Bond. These financial assurances are on file with the Department of Environment and Conservation.

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.

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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 \$3,850,569 as of June 30, 2010, which is based on 49.6 percent usage of the landfill. It is estimated that an additional \$4,705,682 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. The estimated remaining life of the class I and class III/ IV landfill areas is estimated to be 20-25 and 14 years, respectively. The estimated total current cost of the landfill closure and post closure care 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, 2010. 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 6 – 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.

Other significant commitments include the encumbrances outstanding as shown below.

	<u>Encumbrances</u>
General Purpose School fund for capital assets	\$ 810,835
General Purpose School fund for other purposes	102,898
	<u>\$ 913,733</u>

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, is as follows:

	Balance June 30, 2009, as restated	Increases/ Transfers	Decreases/ Transfers	Balance June 30, 2010
Governmental Activities:				
Non-depreciable assets:				
Land	\$ 1,906,123	\$ 36,078	\$ -	\$ 1,942,201
Construction in progress	1,708,338	801,123	1,585,890	923,571
Total non-depreciable assets	<u>3,614,461</u>	<u>837,201</u>	<u>1,585,890</u>	<u>2,865,772</u>
Depreciable assets:				
Infrastructure	87,877,941	-	-	87,877,941
Buildings	12,076,198	1,399,717	-	13,475,915
Equipment, furniture, and vehicles	8,381,005	427,428	58,052	8,750,381
Total depreciable assets	<u>108,335,144</u>	<u>1,827,145</u>	<u>58,052</u>	<u>110,104,237</u>
Less accumulated depreciation for:				
Infrastructure	39,924,108	2,160,665	-	42,084,773
Buildings	4,889,509	310,654	-	5,200,163
Equipment, furniture, and vehicles	5,888,255	539,421	58,052	6,369,624
Total accumulated depreciation	<u>50,701,872</u>	<u>3,010,740</u>	<u>58,052</u>	<u>53,654,560</u>
Depreciable assets, net	<u>57,633,272</u>	<u>(1,183,595)</u>	<u>-</u>	<u>56,449,677</u>
Governmental activities capital assets, net	<u>\$ 61,247,733</u>	<u>\$ (346,394)</u>	<u>\$ 1,585,890</u>	<u>\$ 59,315,449</u>
Business-Type Activities:				
Non-depreciable assets:				
Land	\$ 438,950	\$ -	\$ -	\$ 438,950
Construction in progress	30,201	758,280	-	788,481
Total non-depreciable assets	<u>469,151</u>	<u>758,280</u>	<u>-</u>	<u>1,227,431</u>
Depreciable assets:				
Infrastructure	4,384,562	-	-	4,384,562
Buildings	160,638	-	-	160,638
Equipment, furniture, and vehicles	2,218,173	1,025	17,069	2,202,129
Total depreciable assets	<u>6,763,373</u>	<u>1,025</u>	<u>17,069</u>	<u>6,747,329</u>
Less accumulated depreciation for:				
Infrastructure	3,348,604	72,095	-	3,420,699
Buildings	102,587	9,959	-	112,546
Equipment, furniture, and vehicles	1,282,216	137,431	12,990	1,406,657
Total accumulated depreciation	<u>4,733,407</u>	<u>219,485</u>	<u>12,990</u>	<u>4,939,902</u>
Depreciable assets, net	<u>2,029,966</u>	<u>(218,460)</u>	<u>4,079</u>	<u>1,807,427</u>
Business-type activities capital assets, net	<u>\$ 2,499,117</u>	<u>\$ 539,820</u>	<u>\$ 4,079</u>	<u>\$ 3,034,858</u>

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

	Balance June 30, 2009, as restated	Increases/ Transfers	Decreases/ Transfers	Balance June 30, 2010
Discretely Presented Component Units:				
Non-depreciable assets:				
Land	\$ 959,498	\$ -	\$ -	\$ 959,498
Construction in progress	2,318,039	322,923	40,996	2,599,966
Total non-depreciable assets	<u>3,277,537</u>	<u>322,923</u>	<u>40,996</u>	<u>3,559,464</u>
Depreciable assets:				
Buildings	37,293,646	329,833	-	37,623,479
Equipment, furniture, and vehicles	6,038,501	17,015	-	6,055,516
Total depreciable assets	<u>43,332,147</u>	<u>346,848</u>	<u>-</u>	<u>43,678,995</u>
Less accumulated depreciation for:				
Buildings	16,571,946	1,000,722	-	17,572,668
Equipment, furniture, and vehicles	3,805,132	416,339	-	4,221,471
Total accumulated depreciation	<u>20,377,078</u>	<u>1,417,061</u>	<u>-</u>	<u>21,794,139</u>
Depreciable assets, net	<u>22,955,069</u>	<u>(1,070,213)</u>	<u>-</u>	<u>21,884,856</u>
Component units capital assets, net	<u>\$ 26,232,606</u>	<u>\$ (747,290)</u>	<u>\$ 40,996</u>	<u>\$ 25,444,320</u>

Depreciation Expense is charged to function as follows:

Primary Government - Governmental Activities:

General government	\$ 767,698
Public Safety	1,907
Public Works	2,241,135
Total	<u>\$ 3,010,740</u>

Business-type activities:

Solid waste disposal fund	<u>\$ 219,485</u>
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Discretely Presented Component Units:

Education	\$ 1,281,080
"911" Emergency Communications	135,981
Total	<u>\$ 1,417,061</u>

NOTE 8 – 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.

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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 34-3 7 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, 2010, was 6.84 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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, 2010, McMinn County's annual pension cost of \$830,286 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 five-year period. McMinn County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007, was eight years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	\$ 830,286	100.00%	\$ -
June 30, 2009	825,606	100.00%	-
June 30, 2008	1,020,750	100.00%	-

Funded Status and Funding Progress:

As of July 1, 2009, the most recent actuarial valuation date, the plan was 95.15 percent funded. The actuarial accrued liability for benefits was \$42.15 million, and the actuarial value of assets was \$40.11 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.04 million. The covered payroll (annual payroll of active employees covered by the plan) was \$12.04 million, and the ratio of UAAL to the covered payroll was 16.97 percent.

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

The schedules 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 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 contributes 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/schools.

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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, 2010, was 6.42 percent 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, 2010, 2009, and 2008, were \$1,328,062, \$1,322,888, and \$1,224,982, respectively, equal to the required contribution for each year.

NOTE 9 – 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.

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.

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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, 2010, 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, 2010, the Board contributed \$39,680 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.

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	\$ 13,405	\$ 81,721	\$ 95,126
Interest on net OPEB obligation	503	1,055	1,558
Adjustment to Annual Required Contribution	-	-	-
Annual OPEB Cost	13,908	82,776	96,684
Contributions Made	-	(39,680)	(39,680)
Increase in Net OPEB Obligation	13,908	43,096	57,004
Net OPEB Obligation – Beginning of Year	12,570	26,379	38,949
Net OPEB Obligation – End of Year	\$ 26,478	\$ 69,475	\$ 95,953

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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	\$	13,405	\$	81,721	\$	95,126
Percentage of Annual OPEB Cost Contributed		0.00%		48.56%		41.71%
Net OPEB Obligation	\$	13,405	\$	42,041	\$	55,446

Funded Status and Funding Progress

Primary Government:

As of January 1, 2008, the most recent actuarial valuation date, the County's Plan was 0 percent 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 percent. 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 percent 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 percent. 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.

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.

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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.

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 percent 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

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE 10 – LONG-TERM LIABILITIES

Changes in long-term liabilities during the year ended June 30, 2010, are as follows:

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010
Primary Government				
Governmental activities				
Compensated absences	\$ 261,724	\$ 7,998	\$ 8,664	\$ 261,058
Other post employment benefits obligation	12,570	13,908	-	26,478
Business-type activities				
Estimated liability for closure and post-closure costs	1,523,744	4,744,803	2,417,978	3,850,569
	<u>\$ 274,294</u>	<u>\$ 21,906</u>	<u>\$ 8,664</u>	<u>\$ 4,138,105</u>
Component Unit				
McMinn County Board of Education:				
Compensated absences	\$ 501,893	\$ 176,999	\$ 131,426	\$ 547,466
Other post employment benefits obligation	26,379	82,776	39,680	69,475
	<u>\$ 528,272</u>	<u>\$ 259,775</u>	<u>\$ 171,106</u>	<u>\$ 616,941</u>

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

NOTE 11 – 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, 2010, are as follows:

Due to/from other funds - Primary Government

Receivable Fund	Payable Fund	Amount
General Fund	Road and Bridge	\$ 14,456
General Fund	Solid Waste Disposal	1,912
General Fund	Trustee	35,000
Road and Bridge	General Fund	5,177
		<u>\$ 56,545</u>

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

Due to/from other funds - Component Units

Receivable Fund	Payable Fund	Amount
Federal Projects	General Purpose School	\$ 9,846

Due to/from Primary Government and Component Units

Receivable Fund	Payable Fund	Amount
General Fund	General Purpose School	\$ 6,380
General Fund	E-911	239
		<u>\$ 6,619</u>

NOTE 12 – 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, 2010, is as follows:

Primary Government:

Transfers - In	Transfers - Out	Amount
Endowment - Woods Hospital Proceeds	Special Tax - Woods Hospital Proceeds	\$ 1,838,199
General Fund	Debt Service	2,879,651
General Fund	Correctional Capital Projects	110,489
General Fund	Self-Insurance	7,158
General Fund	Trustee	385,000
General Fund	County Clerk	438,914
General Fund	Circuit, General Sessions and Probate Clerk	70,672
General Fund	Clerk and Master	221,059
General Fund	Register of Deeds	50,000
Other Capital Projects	Economic Development	223,857
		<u>\$ 6,224,999</u>

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

Transfers Within Component Unit - Board of Education:

<u>Transfers - In</u>	<u>Transfers - Out</u>	<u>Amount</u>
Federal Projects	General Purpose Schools	\$ 100,000
General Purpose Schools	Federal Projects	426,693
		<u>\$ 526,693</u>

Transfers between Primary Government and Component Units:

<u>Revenues and Other Sources</u>	<u>Expenses/Expenditures and Other Uses</u>	<u>Amount</u>
Education Capital Projects	Other Capital Projects	\$ 734,955
General Purpose Schools	Other Capital Projects	55,769
		<u>\$ 790,724</u>

These transfers were properly approved by the County Commission.

NOTE 13 – MAJOR TAXPAYERS

The County has one taxpayer that paid 11 percent of the total 2009 property taxes billed and collected prior to June 30, 2010.

NOTE 14 – 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 percent per annum. The remaining balance at June 30, 2010, is \$11,695,000 of which McMinn County's exposure would be 50 percent or \$5,847,500. Complete separate financial statements for the Commission may be obtained at 3973 Chatala Valley Road, Charleston, Tennessee 37310.

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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, 2009 totaled \$144,761. Summarized information for the Library's fiscal year ending June 30, 2009, the latest available audited financial statements, is as follows:

Total assets	\$	961,702
Total liabilities		<u>8,347</u>
Total net assets	\$	<u>953,355</u>

NOTE 15 – LITIGATION

McMinn County is named as defendant in several lawsuits seeking damages in various amounts, none of which is expected to exceed insurance coverage. The County attorney has stated that it is difficult to estimate the outcome of these cases at this time and that any potential claims against the County not covered by insurance resulting from the litigation cannot specifically be estimated. Therefore, no amounts have been accrued as of June 30, 2010.

NOTE 16 – 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 2010 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.

McMinn County, Tennessee

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

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 percent of the employee premium for the program and 45 percent 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 has assigned a small amount in the General 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 General Fund for this fiscal year.

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

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2010	\$ -	\$ -	\$ -	\$ -
2009	-	-	-	-
2008	-	-	-	-

There have been no changes in claims liabilities from 2008 through 2010.

NOTE 17 – PRIOR PERIOD ADJUSTMENT

During the year, the County discovered that errors were made in prior periods in the Primary Government and the Board of Education’s government-wide financial statements. Capital assets and depreciation expense were understated by \$2,670,933 and \$284,290, respectively, due to the omission of depreciable and non-depreciable capital assets in the June 30, 2009 and June 30, 2008 financial statements. Adjustments related to these corrections resulted in increasing the Primary Government and Board of Education’s government-wide June 30, 2009 fund balances by \$462,851 and \$1,923,792, respectively from \$87,336,480 to \$87,799,331 and \$27,741,307 to \$29,665,099, respectively.

NOTE 18 – 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.

McMinn County, Tennessee

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

June 30, 2010

Tennessee Consolidated Retirement System

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Political Subdivision Pension Plan (PSPP)						
7/1/2009	\$ 40,109	\$ 42,154	\$ 2,045	95.15%	\$ 12,045	16.98%
7/1/2007	\$ 40,952	\$ 43,624	\$ 2,672	93.87%	\$ 16,926	15.79%

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 cost method went into affect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

McMinn County Administered Plans

(Dollar amounts in thousands)

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 % of Covered Payroll ((b-a)/c)
Primary Government						
7/1/2008	\$ -	\$ 87	\$ 87	0.00%	\$ 6,780	1.28%
Board of Education						
7/1/2008	\$ -	\$ 850	\$ 850	0.00%	\$ 20,531	4.14%

McMinn County, Tennessee

BUDGETARY COMPARISON SCHEDULE GENERAL FUND DETAIL

Year ended June 30, 2010

	Budgeted Amounts		Actual GAAP Basis Amounts	Variance with Final Budget – Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 3,990,624	\$ 3,990,624	\$ 3,901,610	\$ (89,014)
Local Sales tax	505,000	505,000	369,307	(135,693)
Hotel/Motel tax	230,000	230,000	341,621	111,621
Other taxes	868,756	868,756	871,242	2,486
Total taxes	<u>5,594,380</u>	<u>5,594,380</u>	<u>5,483,780</u>	<u>(110,600)</u>
Intergovernmental:				
State of Tennessee	1,714,724	1,831,672	1,693,061	(138,611)
United States Government	391,556	507,417	432,140	(75,277)
Total intergovernmental	<u>2,106,280</u>	<u>2,339,089</u>	<u>2,125,201</u>	<u>(213,888)</u>
Charges for services:				
Other	53,527	53,527	56,433	2,906
Total charges for services	<u>53,527</u>	<u>53,527</u>	<u>56,433</u>	<u>2,906</u>
Fees and fines	258,800	267,838	252,333	(15,505)
Investment earnings	85,000	85,000	56,760	(28,240)
Miscellaneous	555,566	555,652	545,653	(9,999)
Total revenues	<u>8,653,553</u>	<u>8,895,486</u>	<u>8,520,160</u>	<u>(375,326)</u>
Expenditures:				
Current:				
General government:				
County commission	92,095	92,095	71,150	20,945
County mayor	177,518	176,418	174,709	1,709
County attorney	24,580	25,840	26,318	(478)
Election commission	184,532	185,263	167,085	18,178
Register of deeds	47,709	47,309	26,956	20,353
Planning commission	40,990	40,990	38,531	2,459
County buildings	328,926	328,926	300,939	27,987
Accounting and budgeting	404,775	404,913	393,506	11,407
Purchasing	10,000	10,000	(8,010)	18,010
Property assessor's office	337,597	336,247	324,427	11,820

(continued)

McMinn County, Tennessee

BUDGETARY COMPARISON SCHEDULE GENERAL FUND DETAIL - CONTINUED

Year ended June 30, 2010

	Budgeted Amounts		Actual GAAP Basis Amounts	Variance with Final Budget – Positive (Negative)
	Original	Final		
Expenditures (continued):				
Current (continued):				
General government(continued):				
County trustee	34,820	48,195	48,226	(31)
County clerk	437,530	437,530	412,824	24,706
Audit services	41,300	50,259	50,259	-
Circuit court	69,840	69,665	53,051	16,614
General sessions court	195,873	195,873	198,906	(3,033)
Drug court	13,000	22,038	22,038	-
Chancery court	201,672	201,522	173,743	27,779
Drug prosecutor	-	65,875	66,052	(177)
Courtroom security	5,000	134,240	144,235	(9,995)
Agricultural extension service	134,098	133,798	117,644	16,154
Soil conservation	24,551	24,326	23,889	437
Tourism	59,500	96,305	96,305	-
Industrial development	84,683	102,079	101,497	582
Engineering services	-	8,926	8,926	-
Airport	48,000	49,170	47,170	2,000
Veterans' services	62,224	61,424	62,319	(895)
Other charges	275,000	330,958	296,278	34,680
Employee benefits	1,344,500	1,355,997	1,360,713	(4,716)
Total general government	4,680,313	5,036,181	4,799,686	236,495
Public safety:				
Sheriff's department	1,307,551	1,203,629	1,212,692	(9,063)
Special patrols	220,000	248,834	215,348	33,486
Sexual offender registry	3,000	3,000	1,689	1,311
Jail	1,532,315	1,606,315	1,622,977	(16,662)
Juvenile services	308,633	308,633	290,786	17,847
Work release program	38,847	37,147	26,770	10,377
Fire prevention and control	134,584	134,584	123,350	11,234
Civil defense	347,783	347,783	347,783	-
Rescue squad	8,100	8,100	5,050	3,050
Other emergency management	448,345	468,030	317,065	150,965
County medical examiner	47,500	76,000	75,929	71
Litter grant	39,298	39,298	38,133	1,165
Keep McMinn beautiful	42,866	37,540	26,082	11,458
Total public safety	4,478,822	4,518,893	4,303,654	215,239

(continued)

McMinn County, Tennessee

BUDGETARY COMPARISON SCHEDULE GENERAL FUND DETAIL - CONTINUED

Year ended June 30, 2010

	Budgeted Amounts		Actual GAAP Basis Amounts	Variance with Final Budget – Positive (Negative)
	Original	Final		
Expenditures (continued):				
Current (continued):				
Health:				
Local health center	589,167	699,467	575,176	124,291
Ambulance service	290,600	483,600	469,377	14,223
Other local health services	70,356	70,356	70,241	115
Total health	950,123	1,253,423	1,114,794	138,629
Social services:				
General welfare assistance	11,241	7,141	7,141	-
Culture and recreation:				
Public library	144,761	144,761	144,761	-
Parks	73,068	82,888	83,939	(1,051)
Other	1,073	1,073	1,073	-
Total culture and recreation	218,902	228,722	229,773	(1,051)
Total expenditures	10,339,401	11,044,360	10,455,048	589,312
Excess (Deficiency) of revenues over expenditures	(1,685,848)	(2,148,874)	(1,934,888)	213,986
Other financing sources (uses):				
Transfers in	1,110,000	1,110,000	4,160,175	3,050,175
Total other financing sources (uses)	1,110,000	1,110,000	4,160,175	3,050,175
Net change in fund balances	\$ (575,848)	\$ (1,038,874)	2,225,287	\$ 3,264,161
Fund balances, beginning			3,818,282	
Fund balances, ending			\$ 6,043,569	

McMinn County, Tennessee

BUDGETARY COMPARISON SCHEDULES OTHER CAPITAL PROJECTS
GOVERNMENTAL FUND

Year ended June 30, 2010

	Budgeted Amounts		Actual GAAP Basis Amounts	Variance with Final Budget – Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 3,958,106	\$ 3,958,106	\$ 3,943,557	\$ (14,549)
Intergovernmental	-	135,001	171,788	36,787
Investment earnings	225,000	225,000	115,626	(109,374)
Miscellaneous	450,000	450,000	560,836	110,836
Total revenues	<u>4,633,106</u>	<u>4,768,107</u>	<u>4,791,807</u>	<u>23,700</u>
Expenditures:				
Capital outlay:				
General government	3,190,000	9,560,837	1,363,759	8,197,078
Education	<u>1,200,000</u>	<u>-</u>	<u>790,724</u>	<u>(790,724)</u>
Total expenditures	<u>4,390,000</u>	<u>9,560,837</u>	<u>2,154,483</u>	<u>7,406,354</u>
Excess (deficiency) of revenues over expenditures	<u>243,106</u>	<u>(4,792,730)</u>	<u>2,637,324</u>	<u>7,430,054</u>
Other financing sources:				
Transfers in	<u>-</u>	<u>-</u>	<u>223,857</u>	<u>-</u>
Net change in fund balances	<u>\$ 243,106</u>	<u>\$ (4,792,730)</u>	2,861,181	<u>\$ 7,430,054</u>
Fund balances, beginning			<u>14,749,601</u>	
Fund balances, ending			<u>\$ 17,610,782</u>	

McMinn County, Tennessee

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

June 30, 2010

Assets	Special Revenue Funds			Economic Development and Assistance	Correctional Capital Projects	Permanent Funds	Total Nonmajor Governmental Funds
	Law Library	Drug Control	Fraud and Economic Crimes			Woods Hospital Proceeds	
Equity in pooled cash and investments	\$ 31,421	\$ 416,942	\$ 157,997	\$ -	\$ -	\$ 3,071,050	\$ 3,677,410
Receivables, net of allowance for uncollectibles	-	1,425	2,780	-	-	23,117	27,322
Total assets	<u>\$ 31,421</u>	<u>\$ 418,367</u>	<u>\$ 160,777</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,094,167</u>	<u>\$ 3,704,732</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ -	\$ 27,658	\$ 247	\$ -	\$ -	\$ -	\$ 27,905
Total liabilities	<u>-</u>	<u>27,658</u>	<u>247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,905</u>
Fund balances:							
Other purposes	-	-	-	-	-	1,850,774	1,850,774
Assigned	31,421	390,709	160,530	-	-	1,243,393	1,826,053
Total fund balances	<u>31,421</u>	<u>390,709</u>	<u>160,530</u>	<u>-</u>	<u>-</u>	<u>3,094,167</u>	<u>3,676,827</u>
Total liabilities and fund balances	<u>\$ 31,421</u>	<u>\$ 418,367</u>	<u>\$ 160,777</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,094,167</u>	<u>\$ 3,704,732</u>

McMinn County, Tennessee

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

Year ended June 30, 2010

	Special Revenue Funds				Permanent Funds			Total Nonmajor Governmental Funds
	Law Library	Drug Control	Fraud and Economic Crimes	Economic Development and Assistance	Correctional Capital Projects	Debt Service	Woods Hospital Proceeds	
Revenues:								
Fees and fines	\$ 4,427	\$ 88,473	\$ 53,439	\$ -	\$ -	\$ -	\$ -	\$ 146,339
Intergovernmental	-	150	-	-	-	-	-	150
Investment earnings	-	3,046	651	209	57	7,467	55,968	67,398
Miscellaneous	-	100	-	-	-	-	1,200,000	1,200,100
Total revenues	4,427	91,769	54,090	209	57	7,467	1,255,968	1,413,987
Expenditures:								
Current:								
General government	56	-	-	-	-	355	-	411
Public safety	-	192,314	31,727	-	-	-	-	224,041
Public works	-	-	-	-	-	-	12,575	12,575
Capital outlay	-	-	-	-	383	-	-	383
Total expenditures	56	192,314	31,727	-	383	355	12,575	237,410
Excess (deficiency) of revenues over expenditures	4,371	(100,545)	22,363	209	(326)	7,112	1,243,393	1,176,577
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	1,838,199	1,838,199
Transfers out	-	-	-	(223,857)	(110,489)	(2,879,651)	(1,838,199)	(5,052,196)
Total other financing sources (uses)	-	-	-	(223,857)	(110,489)	(2,879,651)	-	(3,213,997)
Net change in fund balances	4,371	(100,545)	22,363	(223,648)	(110,815)	(2,872,539)	1,243,393	(2,037,420)
Fund balances, beginning	27,050	491,254	138,167	223,648	110,815	2,872,539	1,850,774	5,714,247
Fund balances (deficit), ending	\$ 31,421	\$ 390,709	\$ 160,530	\$ -	\$ -	\$ -	\$ 3,094,167	\$ 3,676,827

McMinn County, Tennessee

COMBINING BALANCE SHEET CONSTITUTIONAL OFFICERS MAJOR GOVERNMENTAL FUNDS

June 30, 2010

	Circuit, General Sessions and Probate Court Clerk	Clerk and Master	County Clerk	Register of Deeds	Trustee	Sheriff's Narcotic Division	Total Constitutional Officers
ASSETS							
Cash and cash equivalents	\$ 114,781	\$ -	\$ 5,148	\$ 159,763	\$ 93,410	\$ 1	\$ 373,103
Receivables, net of allowance for uncollectibles	500	-	-	-	-	-	500
Total assets	\$ 115,281	\$ -	\$ 5,148	\$ 159,763	\$ 93,410	\$ 1	\$ 373,603
LIABILITIES AND FUND BALANCES							
Liabilities:							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 35,000	\$ -	\$ 35,000
Total liabilities	-	-	-	-	35,000	-	35,000
Fund Balances:							
Reserved for restricted activities							
Unreserved:							
Undesignated	115,281	-	5,148	159,763	58,410	1	338,603
Total fund balances	115,281	-	5,148	159,763	58,410	1	338,603
Total liabilities and fund balances	\$ 115,281	\$ -	\$ 5,148	\$ 159,763	\$ 93,410	\$ 1	\$ 373,603

McMinn County, Tennessee

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES CONSTITUTIONAL OFFICERS MAJOR GOVERNMENTAL FUNDS

Year ended June 30, 2010

	Circuit, General Sessions and Probate Court Clerk	Clerk and Master	County Clerk	Register of Deeds	Trustee	Sheriff's Narcotic Division	Total Constitutional Officers
REVENUES							
Charges for services	\$ 596,575	\$ 218,291	\$ 434,045	\$ 210,167	\$ 533,168	\$ -	\$ 1,992,246
Investment Earnings	4,968	-	2,146	6,641	-	-	13,755
Miscellaneous	-	-	-	-	-	2,000	2,000
Total revenues	<u>601,543</u>	<u>218,291</u>	<u>436,191</u>	<u>216,808</u>	<u>533,168</u>	<u>2,000</u>	<u>2,008,001</u>
EXPENDITURES							
Current:							
General Government	555,359	-	-	159,244	168,132	-	882,735
Public Safety	-	-	-	-	-	2,000	2,000
Total expenditures	<u>555,359</u>	<u>-</u>	<u>-</u>	<u>159,244</u>	<u>168,132</u>	<u>2,000</u>	<u>884,735</u>
Excess of revenues over expenditures	<u>46,184</u>	<u>218,291</u>	<u>436,191</u>	<u>57,564</u>	<u>365,036</u>	<u>-</u>	<u>1,123,266</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers out	(70,672)	(218,291)	(438,914)	(50,000)	(385,000)	-	(1,162,877)
Total other financing sources (uses)	<u>(70,672)</u>	<u>(218,291)</u>	<u>(438,914)</u>	<u>(50,000)</u>	<u>(385,000)</u>	<u>-</u>	<u>(1,162,877)</u>
Net change in fund balances	(24,488)	-	(2,723)	7,564	(19,964)	-	(39,611)
Fund balances at beginning of year	<u>139,769</u>	<u>-</u>	<u>7,871</u>	<u>152,199</u>	<u>78,374</u>	<u>1</u>	<u>378,214</u>
Fund balances at end of year	<u>\$ 115,281</u>	<u>\$ -</u>	<u>\$ 5,148</u>	<u>\$ 159,763</u>	<u>\$ 58,410</u>	<u>\$ 1</u>	<u>\$ 338,603</u>

McMinn County, Tennessee

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

Year ended June 30, 2010

	Circuit, General Sessions and Probate Court Clerk	Clerk and Master	County Clerk	Register of Deeds	Trustee	Sheriff's Narcotic Division	Total Constitutional Officers
REVENUES AND OTHER RECEIPTS							
Fees and commissions	\$ 596,075	\$ 221,059	\$ 434,045	\$ 210,167	\$ 533,168	\$ -	\$ 1,994,514
Investment earnings	4,968	-	2,146	6,641	-	-	13,755
Miscellaneous	-	-	-	-	-	2,000	2,000
Total revenues	<u>601,043</u>	<u>221,059</u>	<u>436,191</u>	<u>216,808</u>	<u>533,168</u>	<u>2,000</u>	<u>2,010,269</u>
EXPENDITURES							
Current:							
General Government							
Salaries - Office holder	63,954	-	-	63,954	63,954	-	191,862
Salaries - Staff	364,989	-	-	58,932	70,891	-	494,812
Employee benefits	75,115	-	-	8,036	23,347	-	106,498
Payroll taxes	31,184	-	-	9,608	9,940	-	50,732
Office expense	3,911	-	-	18,714	-	-	22,625
Miscellaneous	16,206	-	-	-	-	-	16,206
Public Safety							
Sheriff	-	-	-	-	-	2,000	2,000
Total expenditures	<u>555,359</u>	<u>-</u>	<u>-</u>	<u>159,244</u>	<u>168,132</u>	<u>2,000</u>	<u>884,735</u>
Excess of revenues over expenditures	<u>45,684</u>	<u>221,059</u>	<u>436,191</u>	<u>57,564</u>	<u>365,036</u>	<u>-</u>	<u>1,125,534</u>
OTHER FINANCING SOURCES (USES)							
Transfers to General Fund	<u>(70,672)</u>	<u>(221,059)</u>	<u>(438,914)</u>	<u>(50,000)</u>	<u>(370,000)</u>	<u>-</u>	<u>(1,150,645)</u>
Total other financing sources (uses)	<u>(70,672)</u>	<u>(221,059)</u>	<u>(438,914)</u>	<u>(50,000)</u>	<u>(370,000)</u>	<u>-</u>	<u>(1,150,645)</u>
Net change in fund balances	(24,988)	-	(2,723)	7,564	(4,964)	-	(25,111)
Cash balances at beginning of year	<u>139,769</u>	<u>-</u>	<u>7,871</u>	<u>152,199</u>	<u>98,374</u>	<u>1</u>	<u>398,214</u>
Cash balances at end of year	<u>\$ 114,781</u>	<u>\$ -</u>	<u>\$ 5,148</u>	<u>\$ 159,763</u>	<u>\$ 93,410</u>	<u>\$ 1</u>	<u>\$ 373,103</u>

McMinn County, Tennessee

COMBINING STATEMENT OF
ASSETS AND LIABILITIES FIDUCIARY FUNDS

June 30, 2010

	Athens School Fund	Etowah School Fund	Judicial District Drug Fund	Constitutional Officers Agency Funds	Total Agency Funds
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 1,413,820	\$ 1,413,820
Investments	-	-	-	1,678,428	1,678,428
Equity pooled in cash and investments	-	-	2,138,839	-	2,138,839
Receivables:					
Property taxes	1,967,109	390,445	-	-	2,357,554
Accounts	238,750	47,348	19,734	-	305,832
Total assets	<u>\$ 2,205,859</u>	<u>\$ 437,793</u>	<u>\$ 2,158,573</u>	<u>\$ 3,092,248</u>	<u>\$ 7,894,473</u>
Liabilities					
Accrued items and other	\$ 252,463	\$ 50,064	\$ -	\$ -	\$ 302,527
Intergovernmental payables	1,953,396	387,729	2,158,573	153,536	4,653,234
Due to litigants, heirs and others	-	-	-	2,938,712	2,938,712
Total liabilities	<u>\$ 2,205,859</u>	<u>\$ 437,793</u>	<u>\$ 2,158,573</u>	<u>\$ 3,092,248</u>	<u>\$ 7,894,473</u>

McMinn County, Tennessee

COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES FIDUCIARY FUNDS

Year ended June 30, 2010

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
FIDUCIARY FUNDS				
Athens School Fund				
Assets				
Equity pooled in cash and investments	\$ -	\$ 1,076,123	\$ 1,076,123	\$ -
Receivables:				
Property taxes	1,876,317	1,967,109	1,876,317	1,967,109
Accounts	171,071	238,750	171,071	238,750
Total Assets	<u>\$ 2,047,388</u>	<u>\$ 3,281,982</u>	<u>\$ 3,123,511</u>	<u>\$ 2,205,859</u>
Liabilities				
Accrued items and other	\$ 190,030	\$ 62,433	\$ -	\$ 252,463
Intergovernmental payables	1,857,358	1,953,396	1,857,358	1,953,396
Total liabilities	<u>\$ 2,047,388</u>	<u>\$ 2,015,829</u>	<u>\$ 1,857,358</u>	<u>\$ 2,205,859</u>
Etowah School Fund				
Assets				
Equity pooled in cash and investments	\$ -	\$ 233,516	\$ 233,516	\$ -
Receivables:				
Property taxes	400,293	390,445	400,293	390,445
Accounts	36,486	47,379	36,517	47,348
Total Assets	<u>\$ 436,779</u>	<u>\$ 671,340</u>	<u>\$ 670,326</u>	<u>\$ 437,793</u>
Liabilities				
Accrued items and other	\$ 40,530	\$ 9,534	\$ -	\$ 50,064
Intergovernmental payables	396,249	387,729	396,249	387,729
Total liabilities	<u>\$ 436,779</u>	<u>\$ 397,263</u>	<u>\$ 396,249</u>	<u>\$ 437,793</u>
Judicial Drug Fund				
Assets				
Equity pooled in cash and investments	\$ 2,860,317	\$ 2,137,018	\$ 2,858,496	\$ 2,138,839
Receivables:				
Accounts	5,202	19,734	5,202	19,734
Total Assets	<u>\$ 2,865,519</u>	<u>\$ 2,156,752</u>	<u>\$ 2,863,698</u>	<u>\$ 2,158,573</u>
Liabilities				
Accrued items and other	\$ 555	\$ -	\$ 555	\$ -
Intergovernmental payables	2,862,772	727,214	1,431,413	2,158,573
Due to litigants, heirs and others	2,192	-	2,192	-
Total liabilities	<u>\$ 2,865,519</u>	<u>\$ 727,214</u>	<u>\$ 1,434,160</u>	<u>\$ 2,158,573</u>

McMinn County, Tennessee

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

Year ended June 30, 2010

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
CONSTITUTIONAL OFFICERS				
CIRCUIT, GENERAL SESSIONS AND PROBATE CLERK				
Cash	\$ 356,140	\$ 3,494,490	\$ 3,193,984	\$ 656,646
Investments	1,228,645	160,807	325,567	1,063,885
Total Assets	<u>\$ 1,584,785</u>	<u>\$ 3,655,297</u>	<u>\$ 3,519,551</u>	<u>\$ 1,720,531</u>
Due to litigants, heirs and others	<u>\$ 1,584,785</u>	<u>\$ 3,655,297</u>	<u>\$ 3,519,551</u>	<u>\$ 1,720,531</u>
Total liabilities	<u>\$ 1,584,785</u>	<u>\$ 3,655,297</u>	<u>\$ 3,519,551</u>	<u>\$ 1,720,531</u>
CLERK AND MASTER				
Cash	\$ 182,579	\$ 1,842,923	\$ 1,421,864	\$ 603,638
Investments	310,704	319,737	15,898	614,543
Total Assets	<u>\$ 493,283</u>	<u>\$ 2,162,660</u>	<u>\$ 1,437,762</u>	<u>\$ 1,218,181</u>
Intergovernmental payables	\$ 81,067	\$ -	\$ 81,067	\$ -
Due to litigants, heirs and others	412,216	2,162,660	1,356,695	1,218,181
Total liabilities	<u>\$ 493,283</u>	<u>\$ 2,162,660</u>	<u>\$ 1,437,762</u>	<u>\$ 1,218,181</u>
COUNTY CLERK				
Cash	\$ 141,867	\$ 3,429,654	\$ 3,439,099	\$ 132,422
Total Assets	<u>\$ 141,867</u>	<u>\$ 3,429,654</u>	<u>\$ 3,439,099</u>	<u>\$ 132,422</u>
Intergovernmental payables	\$ 141,867	\$ 3,429,654	\$ 3,439,099	\$ 132,422
Total liabilities	<u>\$ 141,867</u>	<u>\$ 3,429,654</u>	<u>\$ 3,439,099</u>	<u>\$ 132,422</u>
REGISTER OF DEEDS				
Cash	\$ -	\$ 574,182	\$ 574,182	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 574,182</u>	<u>\$ 574,182</u>	<u>\$ -</u>
Intergovernmental payables	\$ -	\$ 574,182	\$ 574,182	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 574,182</u>	<u>\$ 574,182</u>	<u>\$ -</u>

McMinn County, Tennessee

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

Year ended June 30, 2010

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
SHERIFF'S NARCOTIC DIVISION				
Cash	\$ 37,155	\$ 285,817	\$ 301,858	\$ 21,114
Total Assets	<u>\$ 37,155</u>	<u>\$ 285,817</u>	<u>\$ 301,858</u>	<u>\$ 21,114</u>
Intergovernmental payables	\$ 37,155	\$ 285,817	\$ 301,858	\$ 21,114
Total liabilities	<u>\$ 37,155</u>	<u>\$ 285,817</u>	<u>\$ 301,858</u>	<u>\$ 21,114</u>
TOTAL CONSTITUTIONAL OFFICERS AGENCY FUNDS				
Cash	\$ 717,741	\$ 9,627,066	\$ 8,930,987	\$ 1,413,820
Investments	1,539,349	480,544	341,465	1,678,428
Total Assets	<u>\$ 2,257,090</u>	<u>\$ 10,107,610</u>	<u>\$ 9,272,452</u>	<u>\$ 3,092,248</u>
Intergovernmental payables	\$ 260,089	\$ 4,289,653	\$ 4,396,206	\$ 153,536
Due to litigants, heirs and others	1,997,001	5,817,957	4,876,246	2,938,712
Total liabilities	<u>\$ 2,257,090</u>	<u>\$ 10,107,610</u>	<u>\$ 9,272,452</u>	<u>\$ 3,092,248</u>
TOTAL AGENCY FUNDS				
Assets				
Cash and cash equivalents	\$ 717,741	\$ 9,627,066	\$ 8,930,987	\$ 1,413,820
Investments	1,539,349	480,544	341,465	1,678,428
Equity pooled in cash and investments	2,860,317	3,446,657	4,168,135	2,138,839
Receivables:				
Property taxes	2,276,610	2,357,554	2,276,610	2,357,554
Accounts	212,759	305,863	212,790	305,832
Total assets	<u>\$ 7,606,776</u>	<u>\$ 16,217,684</u>	<u>\$ 15,929,987</u>	<u>\$ 7,894,473</u>
Liabilities				
Accrued items and other	\$ 231,115	\$ 71,967	\$ 555	\$ 302,527
Intergovernmental payables	5,376,468	7,357,992	8,081,226	4,653,234
Due to litigants, heirs and others	1,999,193	5,817,957	4,878,438	2,938,712
Total liabilities	<u>\$ 7,606,776</u>	<u>\$ 13,247,916</u>	<u>\$ 12,960,219</u>	<u>\$ 7,894,473</u>

McMinn County, Tennessee

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

Year ended June 30, 2010

	Circuit, General Sessions and Probate Court Clerk	Clerk and Master	County Clerk	Register of Deeds	Trustee	Sheriff's Narcotic Division	Total Constitutional Officers
REVENUE AND OTHER RECEIPTS							
Litigation Tax	\$ 660,602	\$ 25,073	\$ -	\$ -	\$ -	\$ -	\$ 685,675
Mortgage and transfer taxes	-	-	-	574,182	-	-	574,182
Rule and execution docket	1,724,284	14,891	-	-	-	-	1,739,175
Motor vehicle titles and registrations	-	-	1,678,427	-	-	-	1,678,427
Business tax and marriage licenses	-	-	238,185	-	-	-	238,185
Property taxes	-	558,678	-	-	17,191,873	-	17,750,551
Sales tax	-	-	909,571	-	-	-	909,571
Drivers license	-	-	84,508	-	-	-	84,508
Hotel/Motel tax	-	-	359,601	-	-	-	359,601
Beer tax and license renewals	-	-	120,425	-	-	-	120,425
Receipts on behalf of other funds	-	-	-	-	66,281,178	-	66,281,178
Receipts on behalf of others	-	1,283,017	-	-	-	-	1,283,017
Alimony and child support	-	23,826	-	-	-	-	23,826
Fines, forfeitures and penalties	228,581	-	-	-	-	280,031	508,612
Department of Safety	96,904	-	-	-	-	-	96,904
Fees and commissions	507,292	221,059	-	-	533,168	-	1,261,519
Officer costs	198,809	-	-	-	-	-	198,809
Miscellaneous	238,825	36,116	38,937	-	-	5,786	319,664
Total revenue and other receipts	3,655,297	2,162,660	3,429,654	574,182	84,006,219	285,817	94,113,829

McMinn County, Tennessee

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

Year ended June 30, 2010

	Circuit, General Sessions and Probate Court Clerk	Clerk and Master	County Clerk	Register of Deeds	Trustee	Sheriff's Narcotic Division	Total Constitutional Officers
EXPENDITURES							
Payments to litigants, heirs and others	1,448,814	558,204	2,486	-	-	-	2,009,504
Alimony and child support	-	23,826	-	-	-	-	23,826
Payments to State of TN	426,345	12,394	2,867,807	560,402	-	-	3,866,948
Funds transferred to other governments	172,164	109,534	-	-	-	-	281,698
Funds transferred to County government	815,145	682,882	568,806	-	-	-	2,066,833
Funds remitted to other County offices	-	-	-	-	-	280,031	280,031
Payments on behalf of other funds	-	-	-	-	79,534,585	-	79,534,585
Rule and execution docket	-	14,807	-	-	-	-	14,807
Fees and commissions	524,000	-	-	13,780	538,131	-	1,075,911
Other expenditures	133,083	36,115	-	-	-	21,827	191,025
Total expenditures	<u>3,519,551</u>	<u>1,437,762</u>	<u>3,439,099</u>	<u>574,182</u>	<u>80,072,716</u>	<u>301,858</u>	<u>89,345,168</u>
Excess (deficiency) of revenues over (under) expenditures	135,746	724,898	(9,445)	-	3,933,503	(16,041)	4,768,661
Cash and investment balances - beginning of year	<u>1,584,785</u>	<u>493,283</u>	<u>141,867</u>	<u>-</u>	<u>35,091,008</u>	<u>37,155</u>	<u>37,348,098</u>
Cash and investment balances - end of year	<u>\$ 1,720,531</u>	<u>\$ 1,218,181</u>	<u>\$ 132,422</u>	<u>\$ -</u>	<u>\$ 39,024,511</u>	<u>\$ 21,114</u>	<u>\$ 42,116,759</u>

McMinn County, Tennessee

COMBINING BALANCE SHEET OF BOARD OF EDUCATION GOVERNMENTAL FUNDS

June 30, 2010

Assets	General Purpose School	Federal Projects	Cafeteria	Education Capital Projects	Total Board of Education Governmental Funds
Equity in pooled cash and investments	\$ 3,488,880	\$ 22,197	\$ 712,070	\$ -	\$ 4,223,147
Receivables, net of allowance for uncollectibles	8,591,320	180,797	5,352	-	8,777,469
Due from other funds	-	9,846	-	-	9,846
Total assets	<u>\$ 12,080,200</u>	<u>\$ 212,840</u>	<u>\$ 717,422</u>	<u>\$ -</u>	<u>\$ 13,010,462</u>
 Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 552,577	\$ 90,219	\$ 1,175	\$ -	\$ 643,971
Due to other funds	16,226	-	-	-	16,226
Deferred or unearned revenue	7,226,175	-	-	-	7,226,175
Total liabilities	<u>7,794,978</u>	<u>90,219</u>	<u>1,175</u>	<u>-</u>	<u>7,886,372</u>
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted for:					
Other purposes	920,299	12,705	349,546	-	1,282,550
Assigned	3,364,923	109,916	366,701	-	3,841,540
Unassigned	-	-	-	-	-
Total fund balances (deficit)	<u>4,285,222</u>	<u>122,621</u>	<u>716,247</u>	<u>-</u>	<u>5,124,090</u>
Total liabilities and fund balances (deficit)	<u>\$ 12,080,200</u>	<u>\$ 212,840</u>	<u>\$ 717,422</u>	<u>\$ -</u>	<u>\$ 13,010,462</u>

McMinn County, Tennessee

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

June 30, 2010

Fund balances - total Board of Education governmental funds	\$ 5,124,090
Amounts reported for 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 current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities statement of net assets.	24,371,514
Deferred revenue in the fund level statements is susceptible to full accrual in the government-wide statements	520,720
Some liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities statement of net assets.	(616,941)
Net assets of governmental activities in the statement of net assets	<u>\$ 29,399,383</u>

McMinn County, Tennessee

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

Year ended June 30, 2010

	General Purpose School	Federal Projects	Cafeteria	Education Capital Projects	Total Board of Education Governmental Funds
Revenues:					
Ad valorem taxes	\$ 7,022,538	\$ -	\$ -	\$ -	\$ 7,022,538
Sales and miscellaneous taxes	3,664,852	-	-	-	3,664,852
Intergovernmental	24,929,707	4,109,707	2,117,310	-	31,156,724
Charges for services	40,496	-	993,596	-	1,034,092
Investment earnings	31,869	-	-	-	31,869
Payments from primary government	55,769	-	-	734,955	790,724
Miscellaneous	39,488	-	-	-	39,488
Total revenues	<u>35,784,719</u>	<u>4,109,707</u>	<u>3,110,906</u>	<u>734,955</u>	<u>43,740,287</u>
Expenditures:					
Current:					
Education	35,405,600	3,673,098	2,744,205	-	41,822,903
Capital outlay	695,552	-	-	734,955	1,430,507
Total expenditures	<u>36,101,152</u>	<u>3,673,098</u>	<u>2,744,205</u>	<u>734,955</u>	<u>43,253,410</u>
Excess (deficiency) of revenues over expenditures	<u>(316,433)</u>	<u>436,609</u>	<u>366,701</u>	<u>-</u>	<u>486,877</u>
Other financing sources (uses):					
Transfers in	370,924	230,338	-	-	601,262
Transfers out	<u>(100,000)</u>	<u>(557,031)</u>	<u>-</u>	<u>-</u>	<u>(657,031)</u>
Total other financing sources (uses)	<u>270,924</u>	<u>(326,693)</u>	<u>-</u>	<u>-</u>	<u>(55,769)</u>
Net change in fund balances	(45,509)	109,916	366,701	-	431,108
Fund balances, beginning	<u>4,330,731</u>	<u>12,705</u>	<u>349,546</u>	<u>-</u>	<u>4,692,982</u>
Fund balances (deficit), ending	<u>\$ 4,285,222</u>	<u>\$ 122,621</u>	<u>\$ 716,247</u>	<u>\$ -</u>	<u>\$ 5,124,090</u>

McMinn County, Tennessee

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

Year ended June 30, 2010

Net change in fund balances– total Board of Education governmental funds	\$ 431,108
Amounts reported for the Board of Education in the statement of activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which capitalized capital outlay exceeds depreciation expense and losses on disposal.	(657,519)
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
Current change in compensated absences	(45,573)
Current change in other post employment benefits	(69,475)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements.	75,743
Change in net assets of governmental activities	<u>\$ (265,716)</u>

McMinn County, Tennessee

BUDGETARY COMPARISON SCHEDULE BOARD OF EDUCATION
GOVERNMENTAL FUNDS

Year ended June 30, 2010

	Budgeted Amounts		Actual GAAP Basis Amounts	Variance with Final Budget – Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 7,170,440	\$ 7,170,440	\$ 7,022,538	\$ (147,902)
Local Sales tax	3,779,271	3,779,271	3,495,994	(283,277)
Other taxes	162,851	162,851	168,858	6,007
Total taxes	<u>11,112,562</u>	<u>11,112,562</u>	<u>10,687,390</u>	<u>(425,172)</u>
Intergovernmental:				
State of Tennessee:				
Education	24,558,422	24,679,288	24,722,856	43,568
Food service	30,000	30,000	29,747	(253)
Federal funds received from State of Tennessee and other sources:				-
Education	30,684	205,358	206,851	1,493
Food service	1,715,200	1,747,945	2,087,563	339,618
Federal projects	5,460,257	6,146,518	4,109,707	(2,036,811)
Total intergovernmental	<u>31,794,563</u>	<u>32,809,109</u>	<u>31,156,724</u>	<u>(1,652,385)</u>
Charges for services:				
Education	53,000	53,000	40,496	(12,504)
Food service	1,041,800	1,041,800	993,596	(48,204)
Total charges for services	<u>1,094,800</u>	<u>1,094,800</u>	<u>1,034,092</u>	<u>(60,708)</u>
Investment earnings	86,000	86,000	31,869	(54,131)
Payments received from primary government	-	-	790,724	790,724
Miscellaneous	6,000	29,355	39,488	10,133
Total revenues	<u>44,093,925</u>	<u>45,131,826</u>	<u>43,740,287</u>	<u>(1,391,539)</u>

McMinn County, Tennessee

BUDGETARY COMPARISON SCHEDULE BOARD OF EDUCATION
GOVERNMENTAL FUNDS - CONTINUED

Year ended June 30, 2010

	Budgeted Amounts		Actual GAAP Basis Amounts	Variance with Final Budget – Positive (Negative)
	Original	Final		
Expenditures:				
Current:				
Education:				
Regular instruction program	19,934,934	20,148,953	19,435,104	713,849
Alternative instruction program	199,943	199,943	190,760	9,183
Special education program	3,941,305	4,280,769	3,380,763	900,006
Vocational education program	2,024,779	2,029,623	1,987,919	41,704
L.E.A.P.S. Mountain View	-	43,200	43,200	-
L.E.A.P.S. Riceville	-	41,232	41,251	(19)
L.E.A.P.S. Niota	-	63,000	62,999	1
Other	-	85,000	85,001	(1)
Attendance	142,141	183,304	183,062	242
Health services	177,009	169,741	171,636	(1,895)
Other student support	1,601,138	1,598,439	1,280,726	317,713
Regular instruction support	2,150,934	2,358,202	2,155,400	202,802
Special education support	702,195	798,806	567,988	230,818
Vocational education support	149,788	149,668	148,480	1,188
Other programs	64,447	64,447	64,447	-
Board of education	496,320	560,032	554,486	5,546
Office of superintendent	294,684	294,304	296,762	(2,458)
Office of principal	2,157,335	2,157,335	2,140,768	16,567
Operation of plant	2,954,844	2,967,530	2,720,316	247,214
Maintenance of plant	1,367,949	1,012,052	697,087	314,965
Transportation	2,555,964	2,493,227	1,883,485	609,742
Community services	178,109	1,418	1,418	-
Early childhood	861,050	998,746	985,640	13,106
Food services	2,776,238	2,808,984	2,744,205	64,779
Total education	<u>44,731,106</u>	<u>45,507,955</u>	<u>41,822,903</u>	<u>3,685,052</u>
Capital outlay:				
Building improvements	524,000	1,972,688	1,430,507	542,181
Total expenditures	<u>45,255,106</u>	<u>47,480,643</u>	<u>43,253,410</u>	<u>4,227,233</u>
Excess (Deficiency) of revenues over expenditures	<u>(1,161,180)</u>	<u>(2,348,817)</u>	<u>486,877</u>	<u>2,835,694</u>
Other financing sources (uses):				
Transfers in	426,694	1,435,741	601,262	(834,479)
Transfers out	<u>(553,243)</u>	<u>(705,775)</u>	<u>(657,031)</u>	<u>48,744</u>
Total other financing sources (uses)	<u>(126,549)</u>	<u>729,966</u>	<u>(55,769)</u>	<u>(785,735)</u>
Net change in fund balances	<u>\$ (1,287,729)</u>	<u>\$ (1,618,851)</u>	<u>431,108</u>	<u>\$ 2,049,959</u>
Fund balances, beginning			<u>4,692,982</u>	
Fund balances, ending			<u>\$ 5,124,090</u>	

McMinn County, Tennessee

SCHEDULE OF PROPERTY TAXES RECEIVABLE

Year ended June 30, 2010

<u>Year of Levy</u>	<u>Net Amount</u>
2010 *	\$ 18,405,051
2009	1,784,694
2008	313,541
2007	121,651
2006 and prior	<u>147,164</u>
	20,772,101
Less: Estimated uncollectible taxes	<u>1,110,859</u>
Total property taxes receivable	<u><u>\$ 19,661,242</u></u>

The above outstanding receivables are recorded in the McMinn County, Tennessee financial statements at June 30, 2010 as follows:

Government wide funds:	
General fund	\$ 4,178,192
Road and bridge fund	1,545,695
Capital projects fund - other	4,042,144
Component unit funds:	
Board of education	7,537,657
Accounting for in agency funds	
Athens school funds	1,967,109
Etowah school funds	<u>390,445</u>
Total property taxes receivable	<u><u>\$ 19,661,242</u></u>

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

McMinn County, Tennessee
 SCHEDULE OF INVESTMENTS BY FUND
 Year ended June 30, 2010

Office of Trustee

Pooled Investments

Certificate of Deposit

FSG Bank	Varies	\$ 9,071,050
First National Bank (formerly BB&T)	0.25%	22,518,335
Total Office of Trustee		<u>\$ 31,589,385</u>

Office of Circuit, General Session And Probate Clerk

Court Ordered Invested Funds:

Citizens National Bank	Varies	\$ 876,716
BB&T	Varies	119,975
Regions Bank	Varies	20,954
Athens Federal Savings & Loan	Varies	28,520
Green Bank	1.49%	17,720
Total Office of Circuit, General Sessions and Probate Clerk		<u>\$ 1,063,885</u>

Office Of Clerk And Master

Court Ordered Invested Funds:

Citizens National Bank	Varies	\$ 541,919
BB&T	1.34%	49,150
Athens Federal Savings & Loan	1.98%	23,473
Total Office of Clerk and Master		<u>\$ 614,543</u>

McMinn County, Tennessee

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

Year ended June 30, 2010

	Balance June 30, 2009	Receipts	Disbursements	Commissions and Transfers	Trustee Balance June 30, 2010	Outstanding Warrants	Balance June 30, 2010
Primary Government							
Governmental Activities							
General Fund	\$ 3,216,763	\$ 15,410,918	\$ 12,954,510	\$ 108,276	\$ 5,564,895	\$ 182,402	\$ 5,382,493
Road and Bridge	1,347,922	3,859,597	3,340,846	47,076	1,819,597	141,283	1,678,314
Debt Service	2,844,412	35,594	2,879,650	356	-	-	-
Capital Projects Funds:							
Correctional Capital Projects	110,693	180	110,873	-	-	-	-
Other Capital Projects	14,344,644	5,160,019	2,132,093	70,054	17,302,516	5,443	17,297,073
Other Governmental Funds:							
Law Library	27,050	4,427	12	44	31,421	-	31,421
Drug Control	502,825	94,283	179,345	-	417,763	821	416,942
Fraud and Economic Crimes	134,223	55,483	30,719	555	158,432	435	157,997
Economic Development / Assistance	223,411	445	223,856	-	-	-	-
Woods Hospital Proceeds	1,826,114	4,328,561	3,071,050	12,575	3,071,050	-	3,071,050
Insurance Fund	7,158	-	7,158	-	-	-	-
Business-type Activities							
Solid Waste Disposal	1,878,872	1,112,791	2,197,576	10,727	783,360	28,025	755,335
Discretely Presented Component Units:							
Board of Education:							
General Purpose School	4,356,336	36,178,288	34,815,270	177,128	5,542,226	2,053,346	3,488,880
School Federal Projects	87,956	4,194,245	3,994,768	-	287,433	265,236	22,197
School Cafeteria	359,331	2,917,628	2,476,629	-	800,330	88,260	712,070
Education Capital Projects	61,169	734,956	796,125	-	-	-	-
"911" Emergency Communication	796,645	941,387	731,308	8,733	997,991	6,940	991,051
Agency Funds:							
Athens School	-	2,827,146	2,781,247	45,899	-	-	-
Etowah School	-	594,603	552,658	41,945	-	-	-
Judicial District Drug	2,867,110	711,313	1,424,337	-	2,154,086	15,247	2,138,839
City Sales tax	-	4,262,556	4,219,931	42,625	-	-	-
Miscellaneous	-	48,631	48,631	-	-	-	-
	<u>34,992,634</u>	<u>83,473,051</u>	<u>78,968,592</u>	<u>565,993</u>	<u>38,931,100</u>	<u>2,787,438</u>	<u>36,143,662</u>
Trustees Commissions	98,374	533,168	538,131	-	93,411		
Total all funds	<u>\$ 35,091,008</u>	<u>\$ 84,006,219</u>	<u>\$ 79,506,723</u>	<u>\$ 565,993</u>	<u>\$ 39,024,511</u>	<u>\$ 2,787,438</u>	<u>\$ 36,143,662</u>
Funds held by County Trustee:							
Cash on hand					\$ 596,011		
Checking - Citizens National Bank					6,839,115		
Certificates of deposit					31,589,385		
					<u>\$ 39,024,511</u>		

McMinn County, Tennessee

SCHEDULE OF SALARIES AND OFFICIAL BONDS OF PRINCIPAL OFFICIALS

Year ended June 30, 2010

<u>Official</u>	<u>Amount of Salary</u>	<u>Statutory Provisions for Salary</u>	<u>Amount of Bond</u>	<u>Surety</u>	<u>Expiration Date</u>
County Mayor	\$ 88,551	County Commission	\$ 50,000	Travelers Casualty & Surety	9/1/2014
Director of Finance	76,648	Section 5-21-109, T.C.A	50,000	CNA Surety	3/1/2014
Commissioner of Highways	69,219	County Commission	100,000	Travelers Casualty & Surety	9/1/2014
Trustee	63,954	Section 8-24-102, T.C.A	1,524,710	Travelers Casualty & Surety	9/1/2014
Assessor of Property	65,703	Section 8-24-104 (B), T.C.A	10,000	CNA Surety	10/14/2012
Administrator of Schools	108,000	State Board of Education and School Boards	100,000	Travelers Casualty & Surety	6/30/2012
Constitutional Officers:					
Circuit, General Sessions, and Probate Court Clerk	63,954	Section 8-24-102, T.C.A	75,000	Travelers Casualty & Surety	9/1/2014
Clerk and Master	63,954	Section 8-24-102, T.C.A	75,000	Travelers Casualty & Surety	9/1/2014
County Clerk	63,954	Section 8-24-102, T.C.A	50,000	Travelers Casualty & Surety	9/1/2014
Register of Deeds	63,954	Section 8-24-102, T.C.A	25,000	Travelers Casualty & Surety	9/1/2014
Sheriff	70,350	Section 8-24-102, T.C.A	25,000	Travelers Casualty & Surety	9/1/2014

McMinn County, Tennessee

SCHEDULE OF TAX RATES AND ASSESSMENTS

Year ended June 30, 2010

Year	Tax Rate	Assessed Values			Total Taxes
		Property, Personal and Real	Total Utilities	Total	
2010	1.555%	\$ 1,146,197,943	\$ 39,142,315	\$ 1,185,340,258	\$ 18,435,597 *
2009	1.555%	1,121,474,699	40,716,839	1,162,191,539	18,075,565
2008	1.900%	891,116,029	32,873,810	923,989,839	17,555,807
2007	1.900%	887,405,040	35,368,737	922,773,777	17,532,702
2006	1.900%	872,491,181	34,506,307	906,997,488	17,232,952
2005	1.900%	868,385,843	39,608,210	907,994,053	17,251,887
2004	1.900%	867,591,950	30,588,630	898,180,580	17,065,431
2003	1.900%	815,449,821	30,441,232	845,891,053	16,071,930
2002	2.230%	722,469,036	30,293,833	752,762,869	16,786,612
2001	2.230%	697,540,607	30,293,833	727,834,440	16,230,708
2000	1.980%	688,571,869	29,999,242	718,571,111	14,227,708
1999	1.980%	653,407,473	31,671,617	685,079,090	13,564,566
1998	1.980%	610,394,400	30,473,450	640,867,850	12,689,183
1997	2.532%	451,043,771	25,354,491	476,398,262	12,062,404

* Based upon estimated assessed values for Public Utilities

McMinn County, Tennessee

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year ended June 30, 2010

Federal Grantor/Pass- through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
McMinn County, Tennessee (Primary Government):			
U.S. Department of Justice:			
Passed through Tennessee Department of Finance and Administration:			
Edward Byrne Memorial Formula Grant Program:			
Byrne Grant	16.580	2008-DJ-BX-0995	\$ 13,557
Byrne Grant	16.580	2009-DJ-BX-0559	14,420
Byrne Grant	16.580	2009-DJ-BX-1328	58,909
Total Program			<u>86,886</u>
Administration Office of Courts - Courtroom Security	16.803	N/A	9,996
Total U.S. Department of Justice:			<u>96,882</u>
U.S. Environmental Protection Agency:			
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act			
	66.034	XA-95419101	<u>11,977</u>
Total U.S. Environmental Protection Agency:			<u>11,977</u>
U.S. Department of Homeland Security:			
Passed through Tennessee Emergency Management Agency:			
Presidential Disaster Declaration	97.036	FEMA-1839-DR-TN	44,249
Emergency Management Performance	97.042	GG-10-30647-00	27,145
Emergency Management Performance	97.042	GG-06-12169-00	32,104
Emergency Management Performance	97.042	34101-0000000896	19,539
Emergency Management Performance	97.042	34101-0000004342	27,677
Homeland Security Grant	97.067	GG-08-24146-00	179,156
Total U.S. Department of Homeland Security:			<u>329,870</u>
Economic & Community Development:			
Direct Programs:			
Tennessee Housing Development Agency:			
Total Federal Financial Assistance - McMinn County Primary Government	N/A	HM-06-036	<u>-</u> <u>438,729</u>
McMinn County Board of Education (Component Unit):			
Child Nutrition Cluster			
U.S. Department of Agriculture:			
Passed through Tennessee Department of Agriculture:			
Food Donation (Noncash - Food Commodities)	10.555	None	<u>199,985</u>
Total U.S. Department of Agriculture			<u>199,985</u>
Passed through Tennessee Department of Education:			
School Breakfast Program	10.553	None	502,651
National School Lunch Program	10.555	None	1,332,275
Total U.S. Department of Education			<u>1,834,926</u>
Total Child Nutrition Cluster			<u>2,034,911</u>
Title I, Part A Cluster			
U.S. Department of Education			
Passed through Tennessee Department of Education:			
Title I Grant to Local Educational Agencies	84.010	None	1,155,947
ARRA-Title I Grant to Local Educational Agencies	84.389	None	346,453
Total U.S. Department of Education			<u>1,502,400</u>
Total Title I, Part A Cluster			<u>1,502,400</u>

McMinn County, Tennessee

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - CONTINUED

Year ended June 30, 2010

Federal Grantor/Pass- through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Special Education Cluster (IDEA)			
U.S. Department of Education			
Passed through Tennessee Department of Education:			
Individuals with Disabilities Education Act	84.027	None	1,396,524
Individuals with Disabilities Education Act) - Part B Discretionary Grant	84.027a	None	6,558
Special Education - Preschool Grants (IDEA)	84.173	None	912
ARRA-Special Education - Grants to States (IDEA)	84.391	None	693,437
ARRA-Special Education - Preschool Grants (IDEA)	84.392	None	11,029
Total U.S. Department of Education			<u>2,108,460</u>
Total Special Education Cluster (IDEA)			<u>2,108,460</u>
Educational Technology State Grants Cluster			
U.S. Department of Education			
Passed through Tennessee Department of Education:			
ARRA-Education Technology State Grants	84.386	None	28,549
Education Technology State Grants	84.318	None	13,234
Total U.S. Department of Education			<u>41,783</u>
Total Educational Technology State Grants Cluster			<u>41,783</u>
State Fiscal Stabilization Fund Cluster			
U.S. Department of Education			
Passed through Tennessee Department of Education:			
ARRA-SFSF BEP	84.394	None	1,083,300
ARRA-SFSF Extended Contract	84.397	None	100,441
ARRA-SFSF Coordinated School Health	84.397	None	131,000
ARRA-SFSF Internet Connectivity	84.397	None	17,098
ARRA-SFSF (SSMS)	84.397	None	14,808
ARRA-SFSF Safe School	84.397	None	16,300
Total U.S. Department of Education			<u>1,362,947</u>
Total State Fiscal Stabilization Fund Cluster			<u>1,362,947</u>
U.S. Department of Education			
Passed through Tennessee Department of Education:			
Vocational Education - Basic Grants to States	84.048	None	152,797
Safe and Drug-Free Schools and Communities	84.186	None	20,319
Twenty-first Century Learning Communities	84.287	192-07-3-015	85,000
Improving Teacher Quality State Grants	84.367	None	270,204
ARRA-Title X, Stimulus	84.387	None	4,473
Total Passed through Tennessee Department of Education			<u>532,793</u>
Total U.S. Department of Education			<u>532,793</u>
U.S. Department of Agriculture			
United States Department of Agriculture Pass-Through Programs From:			
ARRA-Child Nutrition Discretionary Grants Limited Availability	10.579	None	12,317
Total U.S. Department of Agriculture			<u>12,317</u>
Total Federal Financial Assistance - McMinn County Board of Education (Component Unit)			<u>7,595,611</u>
Total Federal Financial Assistance			<u>8,034,340</u>

McMinn County, Tennessee

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - CONTINUED

Year ended June 30, 2010

Program Title	Identifying Number	State Expenditures
McMinn County, Tennessee (Primary Government):		
Tennessee Department of Transportation		
State Street Aid	54946-8452-04	\$ 172,757
State Street Aid	54946-8453-04	95,207
State Bridge Program	54455-3415-04	107,421
State Bridge Program	54455-3414-04	130,664
Airport Maintenance	Z-10-22-0181-00	26,000
Litter Grant	Z-10-22-0354-00	38,206
Airport Taxilane and Apron - Engineering	Z-08-20-0771-00	11,857
Airport Taxilane and Apron - Paving	Z-08-20-0771-00	30,471
Governors Highway Safety Campaign	Z-09-21-4631-00	45,896
Total Tennessee Department of Transportation		<u>658,479</u>
Tennessee Division of Property Assessment		
Property Reappraisal Grant	N/A	<u>14,865</u>
Total Tennessee Division of Property Assessment		<u>14,865</u>
Tennessee Department of Health		
DGA Grant	Z-10-21-9810-00	428,354
Child Restraint Program	T.C.A 55-9-602	6,547
Total Tennessee Department of Health		<u>6,547</u>
Tennessee Commission of Children and Youth		
Juvenile Assistance Grant	GG-08-29849	<u>10,935</u>
Total Tennessee Commission of Children and Youth		<u>10,935</u>
Tennessee Department of Justice		
Administration Office of Courts - Courtroom Security	N/A	<u>9,996</u>
Total Tennessee Department of Justice		<u>9,996</u>
Tennessee Department of Environment and Conservation		
Optional Waste Tire Grant	Z-08-212995-02	<u>33,350</u>
Total Tennessee Department of Environment and Conservation		<u>33,350</u>
Total State Financial Assistance - McMinn County Primary Government		<u>734,172</u>
McMinn County Board of Education (Component Unit):		
Tennessee Department of Education:		
Lottery for Education: Afterschool Programs	119-09-1-031	43,200
Lottery for Education: Afterschool Programs	119-09-1-032	63,000
Lottery for Education: Afterschool Programs	119-09-1-033	41,250
School-To-Work Program	GG-08-22140	64,447
Voluntary Pre-K	MX0AAX	969,193
Total Tennessee Department of Education		<u>1,181,090</u>
Total State Financial Assistance - McMinn County Board of Education (Component Unit)		<u>1,181,090</u>
Total State Financial Assistance		<u>1,915,262</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS		<u>\$ 9,949,602</u>

McMinn County, Tennessee

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

June 30, 2010

NOTE 1 – 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.

NOTE 2 – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed.

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, 2010, which collectively comprise McMinn County's basic financial statements and have issued our report thereon dated March 29, 2011. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness: 2010.01.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the accompanying schedule of findings and questioned costs to be significant deficiencies: 2010.02 and 2010.03.

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 March 29, 2011.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, 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.

Reznick Group, P.C.

Atlanta, Georgia
March 29, 2011

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR 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 McMinn County, Tennessee's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2010. McMinn County, Tennessee'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 McMinn County, Tennessee's management. Our responsibility is to express an opinion on McMinn County, Tennessee'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 McMinn County, Tennessee'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 of McMinn County, Tennessee's compliance with those requirements.

In our opinion, McMinn County, Tennessee complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of McMinn County, Tennessee is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered McMinn County, Tennessee's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of McMinn County, Tennessee's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 management, the Board of Commissioners, others within the entity, 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.

Reznick Group, P.C.

Atlanta, Georgia
March 29, 2011

McMinn County, Tennessee

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2010

Section I - Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified not considered to be material weakness(es)? Yes X None Reported

Type of auditor's report issued on compliance for major programs and projects: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Education Agencies
84.389	Title I Grants to Local Education Agencies, Recovery Act
84.027	Special Education Cluster (IDEA)
84.027a	Individuals with Disabilities Education Act
84.173	Individuals with Disabilities Education Act) - Part B
84.391	Special Education - Preschool Grants (IDEA)
84.392	ARRA-Special Education - Grants to States (IDEA)
84.394	ARRA-Special Education - Preschool Grants (IDEA)
84.397	State Fiscal Stabilization Fund- Education State Grants, Recovery Act
	State Fiscal Stabilization Fund- Government Services, Recovery Act

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

Auditee qualified as low-risk auditee? Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written responses are contained in this report.

Finding 2010.01: The capital asset balances required material audit adjustments for proper financial statement presentation. At June 30, 2010 certain capital asset balances were not materially correct, and current year and prior period audit adjustments were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require the County to have adequate internal controls over the maintenance and monitoring of its accounting records. Material audit adjustments were required because the County's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is an indicator that a material weakness in internal controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. The County should have appropriate processes in place to ensure that its capital asset records are materially correct.

Management Response: The final step in the capitalization process was omitted, which prevented the successful transfer of a capital asset to be depreciated. McMinn County will establish a review process that will help identify any incomplete capitalization transactions. This should help eliminate any future occurrences.

Finding 2010.02: The estimated liability and expense for closure and post-closure costs in the Solid Waste Disposal Fund required material audit adjustment for proper financial statement presentation. At June 30, 2010 management had not obtained a current estimate of total cost of closure and post-closure costs related to the County's landfill. The total cost estimate that was used to estimate the liability and expense for closure and post-closure costs was not based on current costs (cost that would be incurred were these services to be obtained during the current period) as required for the financial statements to be materially correct at year-end. The County should obtain updated estimates of the total cost of closure and post-closure costs on an annual basis.

Management Response: McMinn County held the position that the annual financial assurance instruments as provided by Tennessee Department of Environment and Conservation (TDEC) provided the means to maintain a current estimate for proper closure/postclosure costs. TDEC's instruments included inflationary and deflationary calculations. McMinn County has obtained and will continue to obtain annually updated cost estimates for closure/postclosure from certified sources.

Finding 2010.03: Duties were not segregated adequately among the officials and employees in the Offices of Trustee, Clerk of Circuit, General Sessions and Probate Courts, County Clerk, Clerk and Master, Register, and Sheriff. Officials and employees responsible for

maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Our recommendation is that Officials should segregate duties to the extent possible using available resources.

Management Response: The relatively small staffs within the constitutional offices as stated in the finding creates a prohibitive environment to properly segregate duties. McMinn County will pursue efforts to segregate duties wherever possible.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings and questioned costs for federal awards.

McMINN COUNTY, TENNESSEE

SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2010

OFFICE OF THE CIRCUIT, GENERAL SESSIONS, AND PROBATE COURT CLERK

Finding 2009.01: 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)

Condition: 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. The predecessor auditors were asked to extend their audit procedures to investigate the discrepancies. The predecessor auditors 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. The predecessor auditors 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.

Current Status: 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 has been installed, which allows for a report to be run for all cases that have been filed without a fee being collected. The Office of the Circuit, General Sessions and Probate Courts have recovered \$14,984 of the cash shortage through insurance claims and have recorded a receivable for the remaining \$500.