

McMINN COUNTY, TENNESSEE

FINANCIAL STATEMENTS

JUNE 30, 2013



**HENDERSON HUTCHERSON
& MCCULLOUGH, PLLC**

McMINN COUNTY, TENNESSEE

Annual Financial Report Table of Contents

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

	Page Numbers
Budgetary Comparison Schedules	
Budgetary Comparison Schedules – Special Revenue Nonmajor Governmental Funds	C - 19
Discretely Presented Component Unit – Board of Education	
Combining Balance Sheet – Board of Education Governmental Funds	D - 1
Reconciliation of the Balance Sheet of Board of Education Governmental Funds to the Statement of Net Assets	D - 2
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Board of Education Governmental Funds	D - 3
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Board of Education Governmental Funds to the Statement of Activities	D - 4
Budgetary Comparison Schedule – Board of Education Governmental Funds	D - 5
Financial Schedules	
Schedule of Property Taxes Receivable	E - 1
Schedule of Investments by Fund	E - 2
Combining Schedule of Cash Receipts, Disbursements and Balances – Equity in Pooled Cash and Investments with Trustee	E - 3
Schedule of Salaries and Official Bonds of Principal Officials	E - 5
Schedule of Tax Rates and Assessments	E - 6
<i>Single Audit Section</i>	
Schedule of Expenditures of Federal and State Awards	F - 1
Notes to Schedule of Expenditures of Federal and State Awards	F - 4
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	F - 5
Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A – 133	F - 7
Schedule of Findings and Questioned Costs	F - 9
Schedule of Prior Audit Findings	F - 11

McMINN COUNTY, TENNESSEE

ROSTER OF COUNTY OFFICIALS

June 30, 2013

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

John Gentry
Jason Luallen
Randall R. Moss
Mickey Blevins
Phil Tuggle
Jerry Anderson

Members of the County Commission:

David Crews, Chairman
Scott Curtis
Dale Holbrook
Tim King
Roger Masingale
Charles Slack
Gary L. Mason
Bob Powers
J.W. McPhail
Tad Simpson

Constitutional Officers:

Circuit, General Sessions and Probate
Courts Clerk:
Clerk and Master
County Clerk
Register of Deeds
Sheriff

Rhonda J. Cooley
Patty S. Gaines
Evonne Hoback
Cheryl Ingram
Joe D. Guy

McMINN COUNTY, TENNESSEE

ROSTER OF COUNTY OFFICIALS

June 30, 2013

Members of the County Board of Education:

Quinten Howard, Chairperson
Kathy Dougherty
Sharon Brown
Donna Cagle
Larry Cantrell
Joe Coleman
Johnna Hampton
Melinda King
Mike Lowry
Henry Webb

Members of the McMinn County Emergency Communications District:

Mike Jones, Chairman
Russ Duggan
Marvin Kelley
Mark Lowry
Harold Masengil
Joe Riley
Chris Webb
Scott Curtis
Murry Willis



**HENDERSON HUTCHERSON
& MCCULLOUGH, PLLC**

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2013, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We have audited the financial statements of each of the discretely presented component units of the County as of and for the year ended June 30, 2013 as displayed in the County's basic financial statements, except as described in the subsequent sentence of this paragraph. We did not audit the financial statements of the McMinn County "911" Emergency Communications discretely presented component unit, which represents 6.2% of the assets and 2.8% of the revenues of the discretely present 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 discretely presented component unit, is based 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of McMinn County, Tennessee as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and road and bridge fund for the year then ended in conformity with accounting principles generally accepted in the United States of America

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress on pages iv-x and B-1 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 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 about 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise McMinn County's basic financial statements. The introductory section, budgetary comparison schedules, combining and individual nonmajor fund financial statements, other supplementary information and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules, combining and individual nonmajor fund financial statements, other supplementary information and schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules, combining and individual nonmajor fund financial statements, other supplementary information and schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Chattanooga, Tennessee
December 27, 2013

Henderson Hutcherson
is McCullough, PLLC

Management's Discussion and Analysis

As management of the McMinn County Government, we offer readers of the McMinn County Government's financial statements this narrative overview and analysis of the financial activities of the McMinn County Government for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented in this report.

Financial Highlights

Primary Government

- The assets of the McMinn County Primary Government exceeded its liabilities at the close of the most recent fiscal year by \$89,566,706 (net position).
- The total net position of the McMinn County Primary Government decreased by \$369,630 or 1.7% of 2013 expenses which totaled \$21,830,244.
- At the close of the current fiscal year, the McMinn County Government's governmental funds reported combined ending fund balances of \$34,361,246, an increase of \$2,019,100 in comparison with the prior year. Approximately 8% of this total amount, \$2,662,518 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,662,518, or almost 27%, of the total general fund expenditures. This demonstrates the County's fiscal discipline and positions the County well to meet unexpected emergencies, temporary cash needs and other uncertainties the County faces in the normal course of everyday operations.
- McMinn County Government general fund revenue sources, including transfers, were \$1,099,439 more than budgeted. The largest factor in this variance was \$507,241 received in intergovernmental revenues from the State of Tennessee more than budgeted.

Component Unit, McMinn County Board of Education

- Governmental fund assets of the McMinn County Board of Education, a component unit, exceeded its liabilities at the close of the most recent fiscal year by \$6,160,678. Of this amount, \$3,501,536 (unassigned 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 Position shows an investment of \$26,736,092 in capital assets of the Board.
- The McMinn County Board of Education's net position increased by \$625,808. The largest factor contributing to the increase was the addition to capital assets of the construction in progress of McMinn County High School additions and renovations.

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 position* presents information on all of the McMinn County Government's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

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

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

Also included in the government-wide financial statements are the activities of the Emergency Communications District, a component unit for which the County is financially accountable, but which issues its own financial statements. The government-wide financial statements can be found on pages A-1 through A-4 of this report.

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

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

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

The McMinn County Government maintains eight 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 Capital Projects Fund, all of which are considered to be major funds.

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

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

The basic governmental fund financial statements can be found on pages A-5 through A-12 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.

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the McMinn County Government’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page A-16 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages A-17 through A-38 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 iv through x and McMinn County Government’s progress in funding its obligation to provide pension benefits to its employees can be found on page B-1of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages C-4 through C-7 of this report.

Government-wide Financial Analysis

As noted earlier, net position 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 \$89,566,706 at the close of the most recent fiscal year. A summary version of the Statement of Net Position at June 30, 2013 is as follows:

**McMinn County, Tennessee
Net Position-Primary Government
June 30, 2013**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 45,241,121	\$ 45,233,362	\$ 1,993,043	\$ 1,968,492	\$ 47,234,164	\$ 47,201,854
Capital Assets	<u>54,012,755</u>	<u>55,841,220</u>	<u>2,676,686</u>	<u>2,806,082</u>	<u>56,689,441</u>	<u>58,647,302</u>
Total Assets	<u>99,253,876</u>	<u>101,074,582</u>	<u>4,669,729</u>	<u>4,774,574</u>	<u>103,923,605</u>	<u>105,849,156</u>
Other Liabilities	1,144,661	2,909,930	31,039	38,869	1,175,700	2,948,799
Long-Term Liabilities	<u>289,191</u>	<u>279,462</u>	<u>4,117,188</u>	<u>3,931,571</u>	<u>4,406,379</u>	<u>4,211,033</u>
Total Liabilities	<u>1,433,852</u>	<u>3,189,392</u>	<u>4,148,227</u>	<u>3,970,440</u>	<u>5,582,079</u>	<u>7,159,832</u>
Deferred Inflows of Resources	<u>8,774,820</u>	<u>8,752,988</u>	-	-	<u>8,774,820</u>	<u>8,752,988</u>
Net Position:						
Net Investment in Capital						
Assets	54,012,755	55,841,220	2,676,686	2,806,082	56,689,441	58,647,302
Restricted	6,764,259	5,827,319	-	-	6,764,259	5,827,319
Unrestricted	<u>28,268,190</u>	<u>27,463,663</u>	<u>(2,155,184)</u>	<u>(2,001,948)</u>	<u>26,113,006</u>	<u>25,461,715</u>
Total Net Position	<u>\$ 89,045,204</u>	<u>\$ 89,132,202</u>	<u>\$ 521,502</u>	<u>\$ 804,134</u>	<u>\$ 89,566,706</u>	<u>\$ 89,936,336</u>

The net investment in capital assets of the McMinn County Government (e.g., land, buildings, infrastructure, machinery and equipment) accounts for 63% of total net position. 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 position (8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of \$26,113,006 may be used to meet the government’s ongoing obligations to citizens. Although the portion of net position is unrestricted within the entity-wide financial statements, the County Commission has assigned and committed \$24,906,455 those resources specific County purposes, as designated by local ordinance. For additional discussion on the assignment of fund balance please see the discussion under Financial Analysis of the Government’s Funds, beginning on page viii.

The Primary Government's net position decreased by \$369,630 during the current fiscal year.

Governmental activities. Governmental activities decreased the McMinn County Government's net position by \$86,998. A summary version of the Statement of Activities is as follows:

**McMinn County, Tennessee
Change in Net Assets
For the Fiscal Year Ended June 30, 2013**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Charges for services	\$ 2,267,223	\$ 2,311,082	\$ 1,639,383	\$ 1,352,515	\$ 3,906,606	\$ 3,663,597
Operating grants and contributions	4,552,136	4,415,893	33,200	32,685	4,585,336	4,448,578
General Revenues:						
Taxes	11,897,881	12,413,395	-	-	11,897,881	12,413,395
Sale of Property	-	941,492	-	9,970	-	951,462
Investment Earnings	76,005	117,437	1,642	808	77,647	118,245
Miscellaneous	<u>992,359</u>	<u>1,762,456</u>	<u>785</u>	<u>-</u>	<u>993,144</u>	<u>1,762,456</u>
Total Revenues	<u>19,785,604</u>	<u>21,961,755</u>	<u>1,675,010</u>	<u>1,395,978</u>	<u>21,460,614</u>	<u>23,357,733</u>
Expenses:						
General government	8,296,349	8,652,382	-	-	8,296,349	8,652,382
Public safety	5,135,468	5,548,516	-	-	5,135,468	5,548,516
Health	556,999	906,644	-	-	556,999	906,644
Social Services	7,532	7,782	-	-	7,532	7,782
Culture and recreation	243,674	240,704	-	-	243,674	240,704
Public Works/Roads and Bridges	5,632,580	5,743,233	-	-	5,632,580	5,743,233
Education	-	-	-	-	-	-
Solid Waste	-	-	<u>1,957,642</u>	<u>2,005,494</u>	<u>1,957,642</u>	<u>2,005,494</u>
Total expenses	<u>19,872,602</u>	<u>21,099,261</u>	<u>1,957,642</u>	<u>2,005,494</u>	<u>21,830,244</u>	<u>23,104,755</u>
Excess (deficiency) before transfers	(86,998)	862,494	(282,632)	(609,516)	(369,630)	252,978
Transfers	-	<u>(1,656,495)</u>	-	<u>1,656,495</u>	-	-
Increase (decrease) in net position	(86,998)	(794,001)	(282,632)	1,046,979	(369,630)	252,978
Net position, beginning	<u>89,132,202</u>	<u>89,926,203</u>	<u>804,134</u>	<u>(242,845)</u>	<u>89,936,336</u>	<u>89,683,358</u>
Net position, ending	<u>\$ 89,045,204</u>	<u>\$ 89,132,202</u>	<u>\$ 521,502</u>	<u>\$ 804,134</u>	<u>\$ 89,566,706</u>	<u>\$ 89,936,336</u>

As shown in the table, General Government, Public Works, and Public Safety were the three largest governmental activities for this fiscal year, 42%, 28%, and 26%, respectively, of total governmental activities expense.

The McMinn County's tax levy of \$1.6155 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 2013-2014 fiscal year budget was balanced by approving a tax rate of \$1.6155 due to the assessed value of property decreasing through the reappraisal process. Revenues are required to remain the same for existing property as a result of reappraisal.

Business-type activities. Operating revenues for the Solid Waste Disposal Fund increased 21% over the prior year. Operating expenses decreased by \$47,852, or 2%. The resulting change in net position for the solid waste operation was a decrease of \$282,632. This change in net position was a decrease of 1,329,611 from the previous fiscal year. The change is primarily related to the increase in operating revenues and the internal transfer.

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, unassigned 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 \$34,361,246, an increase of \$2,018,700 in comparison with the prior year. Approximately 20% or \$6,764,259 is restricted due to internal or external limitations on its use. Approximately 72% or \$24,906,455 has been committed or assigned meaning there are limitations resulting from its intended use. The remaining 8% of fund balance, or \$2,662,518, 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 \$2,662,518, while total fund balance was \$7,366,168. 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 27% of total general fund expenditures, while total fund balance represents 73% of that same amount.

The fund balance of the McMinn County Government's general fund increased by \$643,590 during the current fiscal year. The largest factor in the increase can be attributed to over \$600,000 of Contracted Prisoner Board revenue received over budget.

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 (\$2,155,184). The total change in net position for the solid waste operation was a decrease of \$282,632. 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 \$589,570 in appropriations.

The primary differences can be summarized briefly as follows:

1. An increase of \$252,000 for increased expenditures in Jail Operations.
2. An increase of \$139,000 in Sheriff's Department for grants and special revenue for programs and equipment.
3. An increase of \$75,000 for Tourism for City of Etowah.

Capital Asset Administration

Capital assets. The McMinn County Government's investment in capital assets for its governmental and business-type activities as of June 30, 2013 amounts to \$56,689,441 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure (roads and bridges).

The total decrease in the McMinn County Government's net investment in capital assets for the current year was \$1,957,861 or 3%. The decrease in value of the investment in capital assets can be attributed to 2013 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)
June 30, 2013
Primary Government

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 2,116,395	\$ 2,116,395	\$ 438,950	\$ 438,950	\$ 2,555,345	\$ 2,555,345
Construction in progress	2,155,436	1,318,955	-	-	2,155,436	1,318,955
Infrastructure	39,472,819	41,637,241	1,475,831	1,475,831	40,948,650	43,113,072
Buildings	8,601,141	8,991,243	22,461	31,487	8,623,602	9,022,730
Other fixed assets	<u>1,666,964</u>	<u>1,777,386</u>	<u>739,444</u>	<u>859,814</u>	<u>2,406,408</u>	<u>2,637,200</u>
Total	<u>\$ 54,012,755</u>	<u>\$ 55,841,220</u>	<u>\$ 2,676,686</u>	<u>\$ 2,806,082</u>	<u>\$ 56,689,441</u>	<u>\$ 58,647,302</u>

McMinn County, Tennessee Change in Capital Assets
For the Fiscal Year-End June 30, 2013
Primary Government

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Beginning balance	\$ 114,827,781	\$ 112,675,152	\$ 8,173,556	\$ 8,233,405	\$ 123,001,337	\$ 120,908,405
Additions	1,134,879	2,202,481	27,393	143,710	1,162,272	143,710
Deletions	<u>(321,609)</u>	<u>(49,852)</u>	<u>(8,800)</u>	<u>(203,559)</u>	<u>(330,409)</u>	<u>(203,559)</u>
Balance before depreciation	115,641,051	114,827,781	8,192,149	8,173,556	123,833,200	123,001,337
Accumulated depreciation	<u>(61,628,296)</u>	<u>(58,986,561)</u>	<u>(5,515,463)</u>	<u>(5,367,474)</u>	<u>(67,143,759)</u>	<u>(64,354,035)</u>
Balance after depreciation	<u>\$ 54,012,755</u>	<u>\$ 55,841,220</u>	<u>\$ 2,676,686</u>	<u>\$ 2,806,082</u>	<u>\$ 56,689,441</u>	<u>\$ 58,647,302</u>

Additional information on the McMinn County Government's capital assets can be found in Note G of this report on page A-30.

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for McMinn County at the end of this fiscal year was 9.9%, (not seasonally adjusted), which is a decrease from 10.0% at the end of fiscal year 2012. The county's unemployment rate is higher than the state rate for June 2013, 8.8%, (seasonally adjusted); and also higher than the national rate, 7.6%, (seasonally adjusted), for the same period.
- To help lower the unemployment rate and to help improve the county's economic activity, the McMinn County Government continually seeks to spur growth of industry in McMinn County. The efforts of the McMinn County Government along with the McMinn County Economic Development Authority to help the growth of existing industries include providing information about available industrial properties, by providing the demographics of the County to interested parties, and providing information regarding available continuing education and training.

- These factors were considered in preparing the McMinn County Government's budget for the 2013-2014 fiscal year.

During the current year, unassigned fund balance in the general fund increased to \$2,662,518. The McMinn County Government's budget for the 2013-2014 fiscal year was balanced by appropriating \$982,070 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

McMINN COUNTY, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 432,985	\$ 75	\$ 433,060
Equity in pooled cash and investments	33,714,816	1,615,292	35,330,108
Receivables, net of allowance for uncollectibles	11,340,803	94,303	11,435,106
Internal balances	(283,373)	283,373	-
Due from agency fund	1,551	-	1,551
Due from component units	6,325	-	6,325
Inventories	28,014	-	28,014
Prepaid items	-	-	-
Land and other nondepreciable assets	4,271,831	438,950	4,710,781
Other capital assets, net of accumulated depreciation	<u>49,740,924</u>	<u>2,237,736</u>	<u>51,978,660</u>
Total assets	<u>99,253,876</u>	<u>4,669,729</u>	<u>103,923,605</u>
LIABILITIES			
Accounts payable and accrued expenses	596,446	31,039	627,485
Due to component unit	472,729	-	472,729
Due to primary government	-	-	-
OPEB obligation	75,486	-	75,486
Long-term liabilities:			
Due in less than one year	289,191	-	289,191
Due in more than one year	<u>-</u>	<u>4,117,188</u>	<u>4,117,188</u>
Total liabilities	<u>1,433,852</u>	<u>4,148,227</u>	<u>5,582,079</u>
DEFERRED INFLOW OF RESOURCES			
Unavailable revenue - property taxes	<u>8,774,820</u>	<u>-</u>	<u>8,774,820</u>
Total deferred inflows of resources	<u>8,774,820</u>	<u>-</u>	<u>8,774,820</u>
NET POSITION			
Net investment in capital assets	54,012,755	2,676,686	56,689,441
Restricted for:			
Capital Projects	884,224	-	884,224
Permanent Endowment	4,695,283	-	4,695,283
Other uses	1,184,752	-	1,184,752
Unrestricted	<u>28,268,190</u>	<u>(2,155,184)</u>	<u>26,113,006</u>
Total net position	<u>\$ 89,045,204</u>	<u>\$ 521,502</u>	<u>\$ 89,566,706</u>

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

Component Units	
McMinn County Board of Education	"E-911" Emergency Communication
\$ -	\$ -
4,646,812	1,528,740
8,006,556	89,732
472,729	-
-	-
-	-
-	-
41,984	-
3,916,030	99,557
<u>22,820,062</u>	<u>899,210</u>
<u>39,904,173</u>	<u>2,617,239</u>
371,486	23,790
-	-
6,133	192
-	4,568
166,339	-
<u>-</u>	<u>-</u>
<u>543,958</u>	<u>28,550</u>
<u>5,871,803</u>	<u>-</u>
<u>5,871,803</u>	<u>-</u>
26,736,092	998,767
-	-
-	-
2,143,637	-
<u>4,608,683</u>	<u>1,589,922</u>
<u>\$ 33,488,412</u>	<u>\$ 2,588,689</u>

McMINN COUNTY, TENNESSEE

STATEMENT OF ACTIVITIES

Year ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Government activities:				
General government	\$ 8,296,349	\$ 2,267,223	\$ 2,570,313	\$ -
Public safety	5,135,468	428,649	-	-
Health	556,999	-	-	-
Social services	7,532	-	-	-
Culture and recreation	243,674	-	-	-
Roads and bridges	<u>5,632,580</u>	<u>-</u>	<u>1,981,823</u>	<u>-</u>
Total governmental activities	19,872,602	2,695,872	4,552,136	-
Business-type activities:				
Solid waste disposal	<u>1,957,642</u>	<u>1,639,383</u>	<u>33,200</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 21,830,244</u>	<u>\$ 4,335,255</u>	<u>\$ 4,585,336</u>	<u>\$ -</u>
Component units:				
Education	\$ 44,083,917	\$ 881,173	\$ 33,272,876	\$ -
Emergency communications	<u>1,115,032</u>	<u>477,187</u>	<u>799,140</u>	<u>-</u>
TOTAL COMPONENT UNITS	<u>\$ 45,198,949</u>	<u>\$ 1,358,360</u>	<u>\$ 34,072,016</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Sales taxes				
Business taxes				
Hotel/Motel taxes				
Other taxes				
Miscellaneous				
Unrestricted investment earnings				
Total general revenues				
Change in net position				
NET POSITION				
Beginning				
Ending				

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

Net (Expense) Revenues and
Changes in Net Position

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Board of Education	Emergency Communications District
\$ (3,458,813)		\$ (3,458,813)		
(4,706,819)		(4,706,819)		
(556,999)		(556,999)		
(7,532)		(7,532)		
(243,674)		(243,674)		
<u>(3,650,757)</u>		<u>(3,650,757)</u>		
<u>(12,624,594)</u>		<u>(12,624,594)</u>		
	\$ (285,059)	<u>(285,059)</u>		
<u>(12,624,594)</u>	<u>(285,059)</u>	<u>(12,909,653)</u>		
			\$ (9,929,868)	
			<u>-</u>	\$ <u>161,295</u>
			<u>(9,929,868)</u>	<u>161,295</u>
8,616,209	-	8,616,209	6,279,501	-
561,032	-	561,032	4,034,804	-
264,102	-	264,102	118,128	-
351,822	-	351,822	-	-
1,676,067	-	1,676,067	30,549	-
992,359	785	993,144	86,904	13,500
<u>76,005</u>	<u>1,642</u>	<u>77,647</u>	<u>5,790</u>	<u>1,875</u>
<u>12,537,596</u>	<u>2,427</u>	<u>12,540,023</u>	<u>10,555,676</u>	<u>15,375</u>
(86,998)	(282,632)	(369,630)	625,808	176,670
<u>89,132,202</u>	<u>804,134</u>	<u>89,936,336</u>	<u>32,862,604</u>	<u>2,412,019</u>
<u>\$ 89,045,204</u>	<u>\$ 521,502</u>	<u>\$ 89,566,706</u>	<u>\$ 33,488,412</u>	<u>\$ 2,588,689</u>

McMINN COUNTY, TENNESSEE

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2013

	<u>General</u>	<u>Road and Bridge</u>	<u>Constitutional Officers</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 432,985
Equity in pooled cash and investments	6,675,989	1,962,177	-
Receivables, net of allowance for uncollectibles	5,385,105	1,931,717	-
Due from other governmental funds	17,641	-	-
Due from agency fund	1,551	-	-
Due from component units	6,325	-	-
Inventories	28,014	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 12,114,625</u>	<u>\$ 3,893,894</u>	<u>\$ 432,985</u>
LIABILITIES			
Accounts payable	\$ 70,729	\$ 1,009	\$ 88,123
Accrued items and other	160,080	38,623	-
Due to other funds	748	16,153	-
Due to component units	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>231,557</u>	<u>55,785</u>	<u>88,123</u>
DEFERRED INFLOW OF RESOURCES			
Unavailable revenue - property taxes	4,516,900	1,527,300	-
	<u> </u>	<u> </u>	<u> </u>
Total deferred inflow of resources	<u>4,516,900</u>	<u>1,527,300</u>	<u>-</u>
Fund balances:			
Nonspendable	28,014	-	-
Assigned	3,490,884	2,310,809	344,862
Restricted for:			
Alcohol and drug treatment	291,787	-	-
Sexual offender registration	32,961	-	-
Hotel/Motel tax	748,661	-	-
Other restricted activities	111,343	-	-
Unassigned	2,662,518	-	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>7,366,168</u>	<u>2,310,809</u>	<u>344,862</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,114,625</u>	<u>\$ 3,893,894</u>	<u>\$ 432,985</u>

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

<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 432,985
20,461,805	4,614,845	33,714,816
3,941,128	82,853	11,340,803
-	-	17,641
-	-	1,551
-	-	6,325
-	-	28,014
<u>\$ 24,402,933</u>	<u>\$ 4,697,698</u>	<u>\$ 45,542,135</u>
\$ 235,467	\$ 950	\$ 396,278
-	1,465	200,168
284,113	-	301,014
<u>472,729</u>	<u>-</u>	<u>472,729</u>
<u>992,309</u>	<u>2,415</u>	<u>1,370,189</u>
<u>3,766,500</u>	<u>-</u>	<u>9,810,700</u>
<u>3,766,500</u>	<u>-</u>	<u>9,810,700</u>
-	-	28,014
18,759,900	-	24,906,455
-	-	291,787
-	-	32,961
-	-	748,661
884,224	4,695,283	5,690,850
-	-	2,662,518
<u>19,644,124</u>	<u>4,695,283</u>	<u>34,361,246</u>
<u>\$ 24,402,933</u>	<u>\$ 4,697,698</u>	<u>\$ 45,542,135</u>

McMINN COUNTY, TENNESSEE

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

June 30, 2013

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

Fund balances - total governmental funds	\$ 34,361,246
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	54,012,755
Certain revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	1,035,880
Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and therefore are not reported as fund liabilities.	
OPEB liability	(75,486)
Compensated absences	<u>(289,191)</u>
Net position of governmental activities	<u>\$ 89,045,204</u>

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

McMINN COUNTY, TENNESSEE

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

Year ended June 30, 2013

	<u>General</u>	<u>Road and Bridge</u>	<u>Constitutional Officers</u>
REVENUES			
Taxes	\$ 6,181,092	\$ 1,656,977	\$ -
Intergovernmental	2,417,691	1,981,823	-
Charges for services	73,452	-	2,193,771
Fines, forfeitures and penalties	256,702	-	-
Investment earnings	13,131	2,575	1,607
Sale of property	-	-	-
Miscellaneous	<u>452,720</u>	<u>33,034</u>	<u>5,000</u>
Total revenues	<u>9,394,788</u>	<u>3,674,409</u>	<u>2,200,378</u>
EXPENDITURES			
Current:			
General government	4,198,748	-	964,395
Public safety	4,982,201	-	5,000
Health	556,999	-	-
Social services	7,532	-	-
Culture and recreation	243,673	-	-
Public works	-	-	-
Roads and bridges	-	3,088,713	-
Capital outlay:			
General government	-	-	-
Roads and bridges	<u>-</u>	<u>604,713</u>	<u>-</u>
Total expenditures	<u>9,989,153</u>	<u>3,693,426</u>	<u>969,395</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(594,365)</u>	<u>(19,017)</u>	<u>1,230,983</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	1,237,955	-	-
Transfers to other funds	<u>-</u>	<u>-</u>	<u>(1,237,955)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	643,590	(19,017)	(6,972)
FUND BALANCES			
Beginning	<u>6,722,578</u>	<u>2,329,826</u>	<u>351,834</u>
Ending	<u>\$ 7,366,168</u>	<u>\$ 2,310,809</u>	<u>\$ 344,862</u>

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

<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,880,114	\$ -	\$ 11,718,183
129,998	22,624	4,552,136
-	-	2,267,223
-	171,947	428,649
29,434	29,258	76,005
-	-	-
501,605	-	992,359
<u>4,541,151</u>	<u>223,829</u>	<u>20,034,555</u>
1,064,881	57,419	6,285,443
-	140,891	5,128,092
-	-	556,999
-	-	7,532
-	-	243,673
-	-	-
-	-	3,088,713
2,100,290	-	2,100,290
<u>-</u>	<u>-</u>	<u>604,713</u>
<u>3,165,171</u>	<u>198,310</u>	<u>18,015,455</u>
<u>1,375,980</u>	<u>25,519</u>	<u>2,019,100</u>
-	-	1,237,955
<u>-</u>	<u>-</u>	<u>(1,237,955)</u>
1,375,980	25,519	2,019,100
<u>18,268,144</u>	<u>4,669,764</u>	<u>32,342,146</u>
<u>\$ 19,644,124</u>	<u>\$ 4,695,283</u>	<u>\$ 34,361,246</u>

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, 2013

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

Net change in fund balances - total governmental funds	\$ 2,019,100
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of net position.	1,134,879
Depreciation expense on governmental capital assets are included in the governmental activities in the statement of activities.	(2,963,344)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements.	(248,951)
Certain items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Change in compensated absences	(9,729)
Change in OPEB liability	<u>(18,953)</u>
Change in net position of governmental activities	<u>\$ (86,998)</u>

McMINN COUNTY, TENNESSEE

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

Year ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 5,840,621	\$ 5,840,621	\$ 6,181,092	\$ 340,471
Intergovernmental revenues	1,607,040	1,910,450	2,417,691	507,241
Charges for services	56,500	57,080	73,452	16,372
Fines, forfeitures and penalties	207,000	220,426	256,702	36,276
Investment earnings	17,000	17,000	13,131	(3,869)
Miscellaneous	<u>395,802</u>	<u>397,727</u>	<u>452,720</u>	<u>54,993</u>
Total revenues	<u>8,123,963</u>	<u>8,443,304</u>	<u>9,394,788</u>	<u>951,484</u>
EXPENDITURES				
Current:				
General government	4,372,232	4,510,089	4,198,748	311,341
Public safety	4,700,804	5,138,041	4,982,201	155,840
Health	665,673	674,134	556,999	117,135
Social services	10,532	10,532	7,532	3,000
Culture and recreation	<u>238,732</u>	<u>244,747</u>	<u>243,673</u>	<u>1,074</u>
Total expenditures	<u>9,987,973</u>	<u>10,577,543</u>	<u>9,989,153</u>	<u>588,390</u>
Excess of revenues over expenditures	<u>(1,864,010)</u>	<u>(2,134,239)</u>	<u>(594,365)</u>	<u>1,539,874</u>
OTHER FINANCING SOURCES				
Transfers in	<u>1,090,000</u>	<u>1,090,000</u>	<u>1,237,955</u>	<u>147,955</u>
Total other financing sources	<u>1,090,000</u>	<u>1,090,000</u>	<u>1,237,955</u>	<u>147,955</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ (774,010)</u>	<u>\$ (1,044,239)</u>	643,590	<u>\$ 1,687,829</u>
Fund Balances				
Beginning			<u>6,722,578</u>	
Ending			<u>\$ 7,366,168</u>	

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

McMINN COUNTY, TENNESSEE

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

Year ended June 30, 2013

	<u>Budget Original</u>	<u>Budget Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes	\$ 1,571,918	\$ 1,571,918	\$ 1,656,977	\$ 85,059
Intergovernmental revenues	1,926,350	1,926,350	1,981,823	55,473
Investment earnings	3,600	3,600	2,575	(1,025)
Miscellaneous	<u>6,000</u>	<u>6,000</u>	<u>33,034</u>	<u>27,034</u>
Total revenues	<u>3,507,868</u>	<u>3,507,868</u>	<u>3,674,409</u>	<u>166,541</u>
EXPENDITURES				
Current:				
Road and bridge:				
Administration	182,238	182,238	163,437	18,801
Highway and bridge maintenance	1,961,774	1,961,774	1,953,323	8,451
Equipment maintenance and operation	614,642	614,642	546,546	68,096
Other charges	186,368	186,368	180,272	6,096
Employee benefits	569,231	569,231	245,135	324,096
Capital outlay	<u>642,097</u>	<u>642,097</u>	<u>604,713</u>	<u>37,384</u>
Total budgetary expenditures	<u>4,156,350</u>	<u>4,156,350</u>	<u>3,693,426</u>	<u>462,924</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ (648,482)</u>	<u>\$ (648,482)</u>	(19,017)	<u>\$ (296,383)</u>
Fund Balances				
Beginning			<u>2,329,826</u>	
Ending			<u>\$ 2,310,809</u>	

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

McMINN COUNTY, TENNESSEE

**PROPRIETARY FUND
STATEMENT OF NET POSITION**

June 30, 2013

	<u>Business-type Activities- Solid Waste Disposal Fund</u>
ASSETS	
Current assets:	
Petty cash	\$ 75
Equity in pooled cash and investments	1,615,292
Accounts receivable, net of allowance for doubtful accounts	94,303
Due from other funds	<u>284,861</u>
Total current assets	<u>1,994,531</u>
Noncurrent assets -	
Capital assets -	
Land and other nondepreciable assets	438,950
Capital assets, net of accumulated depreciation	<u>2,237,736</u>
Total capital assets	<u>2,676,686</u>
Total assets	<u>4,671,217</u>
LIABILITIES	
Current liabilities:	
Accounts payable	23,634
Accrued payroll	7,405
Due to other funds	<u>1,488</u>
Total current liabilities	32,527
Long-term liabilities:	
Estimated liability for closure and post-closure costs	<u>4,117,188</u>
Total liabilities	<u>4,149,715</u>
NET POSITION	
Net investment in capital assets	2,676,686
Unrestricted	<u>(2,155,184)</u>
Total net position	<u>\$ 521,502</u>

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

McMINN COUNTY, TENNESSEE

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

Year ended June 30, 2013

	Business-type Activities- Solid Waste Disposal Fund
OPERATING REVENUES	
Charges for services	\$ 1,639,383
Total operating revenues	<u>1,639,383</u>
OPERATING EXPENSES	
Salaries and wages	388,639
Repairs and maintenance	462,284
Surcharges	63,826
Closure and post-closure care costs	200,992
Contracts with private agencies	131,896
Employee benefits	135,585
Fuel	195,431
Supplies and materials	59,263
Insurance	15,603
Other	148,334
Depreciation and amortization	<u>155,789</u>
Total operating expenses	<u>1,957,642</u>
Operating loss	(318,259)
NONOPERATING REVENUES	
Waste tire grants	33,200
Miscellaneous	785
Investment earnings	<u>1,642</u>
Change in net position	(282,632)
NET POSITION	
Beginning	<u>804,134</u>
Ending	<u>\$ 521,502</u>

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

McMINN COUNTY, TENNESSEE

**PROPRIETARY FUND
STATEMENT OF CASH FLOWS**

Year ended June 30, 2013

	<u>Business-type Activities- Solid Waste Disposal Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,639,383
Receipts from interfund charges for services	1,271,258
Payments to employees	(388,639)
Payments for goods and services	<u>(1,155,630)</u>
Net cash from operating activities	<u>1,366,373</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Waste tire grants	33,200
Miscellaneous	<u>785</u>
Net cash provided by non-capital financing activities	<u>33,985</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(27,393)
Proceeds from the sale of assets	<u>1,000</u>
Net cash from capital and related financing activities	<u>(26,393)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>1,642</u>
Net cash from investing activities	<u>1,642</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,375,607
BEGINNING CASH AND CASH EQUIVALENTS	<u>239,760</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 1,615,367</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	<u>\$ (318,259)</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES	
Depreciation and amortization expense	155,789
Increase in accounts receivable	78,310
Increase in due from other funds	1,271,258
Decrease in accounts payable	(6,243)
Decrease in due to other funds	(99)
Increase in liability for closure and postclosure care costs	<u>185,617</u>
Total adjustments	<u>1,684,632</u>
Net cash used by operating activities	<u>\$ 1,366,373</u>

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

McMINN COUNTY, TENNESSEE

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION**

June 30, 2013

	Athens School Fund	Etowah School Fund	Judicial District Drug Fund	Constitutional Officers Agency Funds
ASSETS				
Cash	\$ -	\$ -	\$ -	\$ 686,986
Investments	-	-	-	1,638,925
Equity in pooled cash and investments	-	-	1,212,579	-
Receivables:				
Property taxes	1,645,200	355,900	-	-
Accounts	<u>180,144</u>	<u>38,907</u>	<u>9,211</u>	<u>-</u>
Total assets	<u>1,825,344</u>	<u>394,807</u>	<u>1,221,790</u>	<u>2,325,911</u>
LIABILITIES				
Accrued items and other	180,144	38,907	796	-
Intergovernmental payables	-	-	1,219,443	152,769
Due to litigants, heirs and others	<u>-</u>	<u>-</u>	<u>1,551</u>	<u>2,173,142</u>
Total liabilities	<u>180,144</u>	<u>38,907</u>	<u>1,221,790</u>	<u>2,325,911</u>
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue - property taxes	<u>1,645,200</u>	<u>355,900</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>1,645,200</u>	<u>355,900</u>	<u>-</u>	<u>-</u>
NET POSITION	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

McMINN COUNTY, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

	<u>Page</u>
Note A - Summary of Significant Accounting Policies	A - 17
Note B - Stewardship, Compliance and Accountability	A - 27
Note C - Cash and Investments	A - 27
Note D - Receivables	A - 28
Note E - Solid Waste Disposal Closure and Post Closure Care Costs	A - 29
Note F - Commitments and Contingencies	A - 29
Note G - Capital Assets	A - 30
Note H - Employee Retirement Systems	A - 31
Note I - Other Postemployment Benefits (OPEB)	A - 33
Note J - Long-term Liabilities	A - 36
Note K - Interfund Receivables and Payables	A - 36
Note L - Interfund Transfers	A - 37
Note M - Major Taxpayers	A - 37
Note N - Joint Ventures	A - 37
Note O - Litigation	A - 38
Note P - Risk Management	A - 38
Note Q - Leases	A - 38
Note R - Subsequent Events	A - 38
Note S - Change in Accounting Principles	A - 38

McMINN COUNTY, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

(1) REPORTING ENTITY

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

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

Discretely Presented Component Units

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

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

(2) **JOINT VENTURES**

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

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

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

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

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

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

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

Internal service funds of a government (which traditionally provide services primarily to other funds of the government) are presented in the summary form as part of the proprietary fund financial statement. Operating revenues and expenses are the result of providing services to the principal user of the internal service. Any revenues or expenses that are not the result of providing those services are classified as nonoperating. Since the principal users of the internal services are the County's governmental activities, financial statements of internal service funds are consolidated into the governmental activities column when presented at the government-wide level. To the extent possible, the costs of these services are reflected in the appropriate functional activity (public safety, highways and streets, etc.). Currently, the County has no internal service funds.

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

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

(4) **BASIS OF PRESENTATION**

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

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

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

a) Major Funds:

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

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.

b) Proprietary Fund:

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

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

c) Other Fund Types:

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.

d) Non-Current Governmental Assets/Liabilities:

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

(5) BASIS OF ACCOUNTING

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

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

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

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

Major revenue sources susceptible to accrual include: grants, interest, sales and use taxes, hotel/motel taxes, property taxes, and intergovernmental revenues. In general, other revenues are recognized when cash is received. The County defined the length of time used for "available" to be sixty days for the purpose of revenue recognition in the governmental fund financial statements.

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

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

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

Budget Basis/Authority

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

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

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

Budgetary Process

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

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

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

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

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

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

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

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

a) Cash and Cash Equivalents

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

b) Investments

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

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

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

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

c) Receivables and Payables

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."

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

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

d) Inventories

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

e) Capital Assets

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date donated. The County maintains infrastructure asset records consistent with other capital assets. The County’s threshold for additions to capital assets is \$10,000 and an estimated useful life in excess of one year except for buildings and improvements that are capitalized when the cost is \$50,000 or more. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed as incurred. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

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

f) Deferred Inflow of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises under a modified accrual basis of accounting and full accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds balance sheet and government-wide statement of net position. The governmental funds and governmental activities report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

g) Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

h) Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

i) 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.

j) 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 \$2,000 of insurance costs for five years or until the employee becomes eligible for Medicare (whichever comes first), or a lump sum payment of \$10,000, on a pay-as-you go basis.

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

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

k) 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 position. Similarly, long-term debt and other obligations of the County 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.

l) Net Position

The government-wide financial statements and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets is intended to reflect the position of net assets which are associated with non-liquid capital assets less outstanding capital asset related debt.

Restricted Net Position represents net position that has third party (statutory, bond covenant or granting agency) limitations on their use.

Unrestricted Net Position represents net position that is not restricted for any project or other purpose. While management may have categorized and segmented portions for various purposes, the County has the unrestricted authority to revisit or alter these managerial decisions.

m) Fund Balance

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable Fund Balance – amounts that are either not in spendable form (such as inventory or prepaids) or legally or contractually required to be maintained intact (such as notes receivable or principal of a permanent fund).

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

Committed Fund Balance – 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 purposes unless the government takes the same highest level action to remove the constraint.

Assigned Fund Balance – 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. The County Commission has by resolution authorized the County's Budget/Finance Committee to make assignments for the general government. This is the residual classification for all governmental funds other than the general fund. At June 30, 2013, the General fund assigned balance consists of \$2,879,650 Debt Service; \$418,727 Emergency Services; \$59,141 Health Department, \$7,158 Finance; \$15,718 Public Health; and \$110,490 Capital Projects.

Unassigned Fund Balance – amounts that are available for any purpose; positive amounts are reported only in the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General fund.

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

<u>Fund Balance</u>	<u>General</u>	<u>Road and Bridge</u>	<u>Constitutional Officers</u>	<u>Capital Projects</u>	<u>Other Governmental</u>
Nonspendable	\$ 28,014	\$ -	\$ -	\$ -	\$ -
Assigned	3,490,884	2,310,809	344,862	18,759,900	-
Restricted	1,184,752	-	-	884,224	4,129,277
Unassigned	<u>2,662,518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>566,006</u>
	<u>\$ 7,366,168</u>	<u>\$ 2,310,809</u>	<u>\$ 344,862</u>	<u>\$ 19,644,124</u>	<u>\$ 4,695,283</u>

(8) REVENUES, EXPENDITURES, AND EXPENSES

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

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

a) Property Taxes

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

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

Lien date	January 1, 2012
Levy date	October 1, 2012
Tax bills mailed	October 1, 2012
Payment due dates	October 1, 2012 through February 28, 2013
Delinquency date	March 1, 2013

b) Grant Revenue

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

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

c) Investment Income

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

d) Interfund Transactions

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

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

e) Payments Between the County and Component Units

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

f) Indirect Costs

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

g) Estimates

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

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions

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

Excess of Expenditures Over Appropriations in Individual Funds

For the year ended June 30, 2013, the County had no material excess of expenditures over appropriations in individual funds.

NOTE C – CASH AND INVESTMENTS

State statutes allow the County to invest in obligations of the federal government, Tennessee governments, repurchase agreements, certificates of deposit, demand and time deposits and in the State of Tennessee Local Government Investment Pool. During 2013, 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, 2013, the carrying amount of the County’s deposits is as follows:

Balances with the Trustee are as follows:

Cash on hand	\$ 226,830
Bank accounts	8,122,571
Interest-bearing deposits in financial institutions	37,094,130
	<u>\$ 45,443,531</u>

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

	<u>Trustee Balance</u>	<u>Outstanding Warrants</u>	<u>Carrying Value</u>
Primary government	\$ 36,058,880	\$ 728,772	\$ 35,330,108
Component units:			
Board of Education	6,457,951	1,811,139	4,646,812
Emergency Communications District	<u>1,529,522</u>	<u>782</u>	<u>1,528,740</u>
Total government-wide	44,046,353	2,540,693	41,505,660
Trustee:			
Fee and Commission	178,012	-	178,012
Agency fund:			
Athens School	1	-	1
Judicial District Drug	<u>1,219,165</u>	<u>6,586</u>	<u>1,212,579</u>
	<u>\$ 45,443,531</u>	<u>\$ 2,547,279</u>	<u>\$ 42,896,252</u>

Deposits held by Constitutional Officers are as follows:

	<u>Constitutional Officers Special Revenue Funds (Major Fund)</u>	<u>Agency Funds</u>	<u>Total</u>
Circuit, General Sessions and Probate Clerks	\$ 148,776	\$ 1,336,512	\$ 1,485,288
Clerk and Master	-	836,630	836,630
County Clerk	57,509	119,799	177,308
Register of Deeds	67,030	-	67,030
Trustee	159,669	-	159,669
Sheriff	<u>1</u>	<u>32,970</u>	<u>32,971</u>
	<u>\$ 432,985</u>	<u>\$ 2,325,911</u>	<u>\$ 2,758,896</u>

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

Credit risk – At June 30, 2013 none of the County’s, the Constitutional Officer’s, or the District’s bank balances was exposed to credit risk.

NOTE D – RECEIVABLES

Receivables at June 30, 2013, consist of the following:

<u>Funds</u>	<u>Property Taxes</u>	<u>Other Taxes</u>	<u>Accounts</u>	<u>Notes</u>	<u>Allowance for Uncollectible</u>	<u>Net</u>
Primary Government:						
General	\$ 4,963,572	\$ 206,955	\$ 661,250	\$ -	\$ 446,672	\$ 5,385,105
Road and bridge	1,678,414	392,842	11,575	-	151,114	1,931,717
Capital projects	4,139,115	33,057	56,571	85,000	372,615	3,941,128
Nonmajor	<u>-</u>	<u>-</u>	<u>82,853</u>	<u>-</u>	<u>-</u>	<u>82,853</u>
	10,781,101	632,854	812,249	85,000	970,401	11,340,803
Business-type Activity:						
Solid waste disposal	<u>-</u>	<u>-</u>	<u>116,938</u>	<u>-</u>	<u>22,635</u>	<u>94,303</u>
	<u>\$ 10,781,101</u>	<u>\$ 632,854</u>	<u>\$ 929,187</u>	<u>\$ 85,000</u>	<u>\$ 993,036</u>	<u>\$ 11,435,106</u>

Component Units:						
Board of Education	\$ 7,239,321	\$ 746,698	\$ 672,057	\$ -	\$ 651,520	\$ 8,006,556
E-911	-	-	89,732	-	-	89,732
	<u>\$ 7,239,321</u>	<u>\$ 746,698</u>	<u>\$ 761,789</u>	<u>\$ -</u>	<u>\$ 651,520</u>	<u>\$ 8,096,288</u>
Fiduciary:						
Agency	<u>\$ 2,198,989</u>	<u>\$ 219,020</u>	<u>\$ 9,242</u>	<u>\$ -</u>	<u>\$ 197,889</u>	<u>\$ 2,229,362</u>

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

NOTE E – SOLID WASTE DISPOSAL 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 a 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.

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 \$4,117,188 as of June 30, 2013, which is based on 55.17% usage of the landfill. It is estimated that an additional \$5,066,904 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 area is expected to be 20-25 and 13 years, respectively. The estimated total current cost of the landfill closure and post closure care \$9,184,092 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, 2013. However, the actual cost of closure and post closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

NOTE F – COMMITMENTS AND CONTINGENCIES

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

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

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

Other significant commitments include the encumbrances as shown below.

	<u>Encumbrances</u>
General Purpose School fund for capital assets	<u>\$ 462,716</u>

NOTE G – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, is as follows:

Primary Government	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$ 2,116,395	\$ -	\$ -	\$ 2,116,395
Construction in progress	<u>1,318,955</u>	<u>836,481</u>	<u>-</u>	<u>2,155,436</u>
Total non-depreciable assets	<u>3,435,350</u>	<u>836,481</u>	<u>-</u>	<u>4,271,831</u>
Depreciable Assets:				
Infrastructure	88,048,154	-	-	88,048,154
Buildings	14,908,735	-	-	14,908,735
Equipment, furniture and vehicles	<u>8,435,542</u>	<u>298,398</u>	<u>321,609</u>	<u>8,412,331</u>
Total depreciable assets	<u>111,392,431</u>	<u>298,398</u>	<u>321,609</u>	<u>111,369,220</u>
Less Accumulated Depreciation for:				
Infrastructure	46,410,913	2,164,422	-	48,575,335
Buildings	5,917,492	390,102	-	6,307,594
Equipment, furniture and vehicles	<u>6,658,156</u>	<u>408,820</u>	<u>321,609</u>	<u>6,745,367</u>
Total accumulated depreciation	<u>58,986,561</u>	<u>2,963,344</u>	<u>321,609</u>	<u>61,628,296</u>
Depreciable Assets, net	<u>52,405,870</u>	<u>(2,664,946)</u>	<u>-</u>	<u>49,740,924</u>
Governmental activities capital assets, net	<u>\$ 55,841,220</u>	<u>\$ (1,828,465)</u>	<u>\$ -</u>	<u>\$ 54,012,755</u>

Business-type Activity	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$ 438,950	\$ -	\$ -	\$ 438,950
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-depreciable assets	<u>438,950</u>	<u>-</u>	<u>-</u>	<u>438,950</u>
Depreciable Assets:				
Infrastructure	5,205,977	-	-	5,205,977
Buildings	160,572	-	-	160,572
Equipment, furniture and vehicles	<u>2,368,057</u>	<u>27,393</u>	<u>8,800</u>	<u>2,386,650</u>
Total depreciable assets	<u>7,734,606</u>	<u>27,393</u>	<u>8,800</u>	<u>7,753,199</u>
Less Accumulated Depreciation for:				
Infrastructure	3,730,146	-	-	3,730,146
Buildings	129,085	9,026	-	138,111
Equipment, furniture and vehicles	<u>1,508,243</u>	<u>146,763</u>	<u>7,800</u>	<u>1,647,206</u>
Total accumulated depreciation	<u>5,367,474</u>	<u>155,789</u>	<u>7,800</u>	<u>5,515,464</u>
Depreciable Assets, net	<u>2,367,132</u>	<u>(128,396)</u>	<u>1,000</u>	<u>2,237,736</u>
Governmental activities capital assets, net	<u>\$ 2,806,082</u>	<u>\$ (128,396)</u>	<u>\$ 1,000</u>	<u>\$ 2,676,686</u>

Discretely Presented Component Units

	Beginning Balance	Additions	Retirements	Ending Balance
Non-Depreciable Assets:				
Land	\$ 959,498	\$ -	\$ -	\$ 959,498
Construction in progress	1,954,791	1,318,976	217,678	3,056,089
Total non-depreciable assets	<u>2,914,289</u>	<u>1,318,976</u>	<u>217,678</u>	<u>4,015,587</u>
Depreciable Assets:				
Buildings	42,494,315	-	-	42,494,315
Equipment, furniture and vehicles	7,110,415	354,607	50,268	7,414,754
Total depreciable assets	<u>49,604,730</u>	<u>354,607</u>	<u>50,268</u>	<u>49,909,069</u>
Less Accumulated Depreciation for:				
Buildings	19,825,896	1,182,015	-	21,007,911
Equipment, furniture and vehicles	4,772,718	459,436	50,268	5,181,886
Total accumulated depreciation	<u>24,598,614</u>	<u>1,641,451</u>	<u>50,268</u>	<u>26,189,797</u>
Depreciable Assets, net	<u>25,006,116</u>	<u>(1,286,844)</u>	<u>-</u>	<u>23,719,272</u>
Component units capital assets, net	<u>\$ 27,920,405</u>	<u>\$ 32,132</u>	<u>\$ 217,678</u>	<u>\$ 27,734,859</u>

Depreciation expense is charged to functions as follows:

Primary Government – Governmental Activities:

General government	\$ 871,773
Public safety	7,376
Public works	<u>2,084,195</u>
Total	<u>\$ 2,963,344</u>

Business-type activities:

Solid waste disposal fund	<u>\$ 155,790</u>
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Discretely Presented Component Units:

Education	\$ 1,500,712
"E-911" Emergency communications	<u>140,739</u>
Total	<u>\$ 1,641,451</u>

NOTE H – EMPLOYEE RETIREMENT SYSTEMS

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

The following is a summary of each of these plans:

Tennessee Consolidated Retirement Systems

(1) Political Subdivision Pension Plan (PSPP)

Plan Description:

Employees of McMinn County are members of the Political Subdivision Pension Plan (PSPP), an agent, multiple-employer, defined benefit pension plan administered by the TCRS. TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with thirty years of service. A reduced retirement benefit is available to vested members at the age of 55.

Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty.

Members joining the system after July 1, 1979, become vested after five years of service and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as McMinn County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to 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, 2013, was 6.07% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for McMinn County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost:

For the year ending June 30, 2013, McMinn County’s annual pension cost of \$743,761 to TCRS was equal to McMinn County’s required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. McMinn County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was 2 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2013	\$ 743,761	100.00%	\$ -
June 30, 2012	825,807	100.00%	-
June 30, 2011	831,882	100.00%	-

Funded Status and Funding Progress:

As of July 1, 2011, the most recent actuarial valuation date, the plan was 98.28% funded. The actuarial accrued liability for benefits was \$46.97 million, and the actuarial value of assets was \$46.16 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.81 million. The covered payroll (annual payroll of active employees covered by the plan) was \$12.03 million, and the ratio of UAAL to the covered payroll was 6.73%.

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

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

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

Plan Description:

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

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

Funding Policy:

Most teachers are required by state statute to contribute 5.0 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, 2013, was 8.88% 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, 2013, 2012, and 2011, were \$1,886,698, \$1,891,623, and \$1,880,530, respectively, equal to the required contribution for each year.

NOTE I – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Effective July 1, 2010, the County adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement addressed how governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits.

(1) Plan Description:

Primary Government:

In addition to providing pension benefits, the County provides a portion of the health care benefits for certain retired employees under a single-employer defined benefit healthcare plan. Those with 30 years of service with 10 of those years with McMinn County are eligible for a reimbursement of \$2,000 for 5 years or until they are Medicare eligible (if earlier), or a lump sum amount of \$10,000. 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 \$2,000 for 5 years or a lump sum amount of \$10,000. In addition, a retiree must have met the age requirement of 55 years with 10 years of service with the Board to be eligible for Board health insurance until they are Medicare eligible and must pay 100 percent of the premium. A stand-alone financial report is not issued.

(2) Funding Policy:

Primary Government:

The County is reimbursed by the retirees using a formula based on date of retirement, years of service, and the County's computed cost for active employees. During the fiscal year ended June 30, 2013, 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, 2013, the Board made no contributions for health care benefits. The Board will make payments in amounts sufficient to cover benefits paid and administrative costs; however, the Board will not fund the remaining portion of the annual required contribution.

(3) Annual OPEB Cost and Net OPEB Obligation:

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

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

	Primary Government	Board of Education	Total
Annual required contribution	\$ 19,229	\$ 266,728	\$ 285,957
Interest on net OPEB obligation	2,262	(3,068)	(806)
Adjustment to annual required contribution	<u>(2,538)</u>	<u>4,387</u>	<u>1,849</u>
Annual OPEB cost	18,953	268,047	287,000
Contributions made	<u>-</u>	<u>(233,334)</u>	<u>(233,334)</u>
Increase (decrease) in net OPEB obligation	18,953	34,713	53,666
Net OPEB obligation beginning of year	<u>56,533</u>	<u>(76,697)</u>	<u>(20,164)</u>
Net OPEB obligation end of year	<u>\$ 75,486</u>	<u>\$ (41,984)</u>	<u>\$ 33,502</u>

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

Annual OPEB cost	\$ 18,593	\$ 268,047	\$ 287,000
Percentage of annual OPEB cost contributed	0.0%	87.0%	81.3%
Net OPEB obligation	\$ 75,486	\$ (41,984)	\$ 33,502

(4) Funded Status and Funding Progress

Primary Government:

As of July 1, 2012, the most recent actuarial valuation date, the County's Plan was 0% funded. The actuarial accrued liability for benefits was \$169,265, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$169,265. The covered payroll (annual payroll of active employees covered by the plan) was \$0, and the ratio of the UAAL to the covered payroll was 0%. 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 July 1, 2012, the most recent actuarial valuation date, the Board's Plan was 0% funded. The actuarial accrued liability for benefits was \$2,392,090, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,392,090. The covered payroll (annual payroll of active employees covered by the plan) was \$26,626,304, and the ratio of the UAAL to the covered payroll was 9.00%. The Board will make payments in amounts sufficient to cover benefits paid and administrative costs; however, the Board will not fund the remaining portion of the annual required contribution.

(5) Actuarial Valuations

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

(6) Actuarial Methods and Assumptions

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

In the July 1, 2012, valuation for both Plans, the entry age normal cost method and a funding rate of 4% was used. Other key assumptions are as follows:

	Primary Government	Board of Education
2012 trend rates – medical	9.00%	9.00%
Ultimate medical cost trend rate	5.00%	5.00%
Year ultimate medical trend rate reached	2020	2020
Annual salary increases	3.50%	3.50%
Projected annual increase in payroll	2.50%	2.50%
UAAL amortization period	26.99 years	19.93 years

NOTE J – LONG-TERM LIABILITIES

Included in Long-Term Liabilities was the accrual for compensated absences. The balance of the liability was \$289,191 and \$279,462 as of June 30, 2013 and 2012, respectively. Ad valorem taxes are used to provide for the before mentioned obligations. Employees accrue vacation time based on the years of continuous service. Employees with less than 12 months of service accrue paid time off at the rate of 1/2 half day per month. After 1 year of service, they accrue paid time off at the rate of one day per month and employees with more than 10 years of service accrue paid time off at one and one half days per month.

Employees can only be paid on accrued sick leave if they have completed twenty-five consecutive years of service.

During the year ended June 30, 2013, changes in long-term debt were as follows:

	Beginning Balance	Adjustments/ Additions	Adjustments/ Retirements	Ending Balance	Current Portion
Governmental Activities					
Compensated absences	\$ 279,462	\$ 9,729	\$ -	\$ 289,191	\$ 289,191
Business-type Activities					
Landfill closure and post closure costs	3,931,571	200,992	15,375	4,117,188	-
Component Units					
Compensated absences	<u>222,522</u>	<u>-</u>	<u>56,183</u>	<u>166,339</u>	<u>166,339</u>
	<u>\$ 4,433,555</u>	<u>\$ 210,721</u>	<u>\$ 71,558</u>	<u>\$ 4,572,718</u>	<u>\$ 455,530</u>

NOTE K – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. The composition of the County and component unit interfund balances as of June 30, 2013, are as follows:

Due to/from other funds – Primary Government

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Road and Bridge	\$ 16,153
General Fund	Solid Waste Disposal	1,488
Solid Waste Disposal	General Fund	748
Solid Waste Disposal	Capital Projects	<u>284,113</u>
		<u>\$ 302,502</u>

Due to/from Primary Government and Component Units

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	General Purpose School	\$ 6,133
General Fund	E-911 Agency	192
General Purpose School	Capital Projects	<u>472,729</u>
		<u>\$ 479,054</u>

NOTE L – INTERFUND TRANSFERS

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

The composition of primary government and component unit transfers for the year ended June 30, 2013, is as follows:

Primary Government and Component Units

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
Trustee	General Fund	\$ 390,000
County Clerk	General Fund	480,575
Circuit, General Sessions and Probate Clerk	General Fund	100,000
Clerk and Master	General Fund	223,380
Register of Deeds	General Fund	<u>44,000</u>
		<u>\$ 1,237,955</u>

These transfers were properly approved by the County Commission.

NOTE M – MAJOR TAXPAYERS

The County has one taxpayer that paid 9% of the total 2012 property taxes billed and collected prior to June 30, 2013.

NOTE N – JOINT VENTURE

Hiwassee Utilities Commission - The County is a participant in a joint venture with Bradley County in the operation of the Hiwassee Utilities Commission (the “Commission”). The Commission was established in 1972 under the Inter-local Cooperation Act and under Tennessee Code Sections 12-801 and 5-1601 to provide service as an urban public utility and the Commission became operational in 1982. Each of the participants appoints three members of the Board to oversee the operations. In 2008, the Counties authorized the issuance of \$12,000,000 Local Government Public Improvement Series B-14-A bond. While these are revenue bonds, the Counties will levy ad valorem taxes on all taxable property within the corporate limits of each County in the event such revenues are insufficient. The bonds bear an average interest rate of 4.87% per annum. The remaining balance at June 30, 2012, is \$11,165,000 of which McMinn County’s exposure would be 50% or \$5,582,500. Complete separate financial statements for the Commission may be obtained at 3973 Chatala Valley Road, Charleston, Tennessee 37310.

E.G. Fisher Public Library - In 1995, the Library was formed as a not-for-profit corporation under the laws of the State of Tennessee. The Library is a full service library offering circulation and reference services, reader’s advisory, children’s services and programs, and a strong genealogical collection to residents of McMinn County. The County 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 County 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. Summarized information for the Library’s fiscal year ending June 30, 2013, the latest available audited financial statements, is as follows:

Total assets	\$ 2,117,084
Total liabilities	<u>5,666</u>
Total net position	<u>\$ 2,111,418</u>

NOTE O – LITIGATION

McMinn County is named as defendant in several lawsuits seeking damages in various amounts, none of which is expected to exceed insurance coverage. The County attorney has stated that it is difficult to estimate the outcome of these cases at this time and that any potential claims against the County not covered by insurance resulting from the litigation cannot specifically be estimated. Therefore, no amounts have been accrued as of June 30, 2013.

NOTE P – RISK MANAGEMENT

McMinn County is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County insures itself against potential losses associated with these risks through purchase of commercial insurance. There were no reductions in limits of liability or coverage of insurance policies in effect during 2013 from those in effect in the preceding year. In addition, there have been no losses in excess of insurance coverage during the last three years.

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

NOTE Q – LEASES

During the prior fiscal year, the Board of Education entered into a lease for computer equipment on January 20, 2011. The lease is for thirty six months at a monthly lease payment of \$2,917, and the County retains the ability to buy out of the lease for \$1 plus the fair market of the equipment, if they decide to purchase the leased equipment.

NOTE R – SUBSEQUENT EVENTS

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

NOTE S – CHANGE IN ACCOUNTING PRINCIPLES

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No.4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

McMINN COUNTY, TENNESSEE

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2013

Schedule of Funding Progress

Tennessee Consolidated Retirement System

Actuarial Valuation Date (entry age)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
Political Subdivision Pension Plan (PSPP)						
07/01/11	\$ 46,164,000	\$ 46,973,000	\$ 809,000	98.28%	\$ 12,029,000	6.73%
07/01/09	40,109,000	41,244,000	1,134,000	97.25%	12,045,000	9.42%
07/01/07	40,952,000	42,368,000	1,416,000	96.66%	16,926,000	8.37%

McMinn County Administered Plans (Other Postemployment Benefit Plans)

Actuarial Valuation Date (entry age)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
Primary Government						
07/01/12	\$ -	\$ 169,265	\$ 169,265	0.00%	\$ 7,727,666	2.20%
07/01/10	-	164,416	164,416	0.00%	N/A	N/A
07/01/08	-	87,071	87,071	0.00%	6,615,088	1.30%
Board of Education						
07/01/12	\$ -	\$ 2,392,090	\$ 2,392,090	0.00%	\$ 26,626,304	9.00%
07/01/10	-	1,980,373	1,980,373	0.00%	19,823,388	10.00%
07/01/08	-	850,252	850,252	0.00%	6,615,088	12.90%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial method went into affect during the year of the 2007 actuarial valuation; therefore, only the most recent valuations are presented.

McMINN COUNTY, TENNESSEE

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

Year ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property taxes	\$ 4,351,921	\$ 4,351,921	\$ 4,318,760	\$ (33,161)
Local sales tax	465,000	465,000	561,032	96,032
Hotel/Motel taxes	230,000	230,000	351,822	121,822
Other taxes	793,700	793,700	949,478	155,778
Total taxes	<u>5,840,621</u>	<u>5,840,621</u>	<u>6,181,092</u>	<u>340,471</u>
Intergovernmental revenues:				
State of Tennessee	1,408,039	1,711,449	2,257,316	545,867
United States Government	199,001	199,001	160,375	(38,626)
Total intergovernmental revenues	<u>1,607,040</u>	<u>1,910,450</u>	<u>2,417,691</u>	<u>507,241</u>
Charges for services:				
Other	56,500	57,080	73,452	16,372
Total charges for services	<u>56,500</u>	<u>57,080</u>	<u>73,452</u>	<u>16,372</u>
Fines, forfeitures and penalties	207,000	220,426	256,702	36,276
Investment earnings	17,000	17,000	13,131	(3,869)
Miscellaneous	395,802	397,727	452,720	54,993
Total revenues	<u>8,123,963</u>	<u>8,443,304</u>	<u>9,394,788</u>	<u>951,484</u>
EXPENDITURES				
Current:				
General government:				
County Commission	139,774	139,774	131,141	8,633
County Mayor	225,611	225,611	217,207	8,404
County Attorney	37,164	73,220	73,219	1
Election Commission	253,446	254,446	229,127	25,319
Register of Deeds	39,490	39,490	31,795	7,695
Planning Commission	51,436	51,436	47,456	3,980
County buildings	391,102	391,102	321,279	69,823
Accounting and budgeting	519,269	519,269	492,352	26,917
Purchasing	10,000	10,000	(35,519)	45,519
Property Assessor's office	421,374	421,374	395,073	26,301

(continued)

McMINN COUNTY, TENNESSEE

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - (continued)**

Year ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES (continued):				
Current (continued):				
General government (continued):				
County Trustee	\$ 37,010	\$ 37,010	\$ 32,594	\$ 4,416
County Clerk	550,435	551,237	561,920	(10,683)
Audit services	40,700	40,700	40,700	-
Circuit Court	71,432	71,432	64,852	6,580
General Sessions Court	244,834	244,834	235,656	9,178
Drug Court	13,000	26,426	26,426	-
Chancery Court	258,619	258,619	239,355	19,264
Courtroom Security	160,031	164,679	164,678	1
Agricultural Extension Service	140,642	140,642	133,033	7,609
Soil conversation	22,854	22,854	20,605	2,249
Interest on Notes	1,000	1,000	-	1,000
Tourism	59,500	134,500	122,973	11,527
Industrial development	95,033	100,033	98,905	1,128
Airport	50,600	52,525	50,641	1,884
Veterans' services	80,876	80,876	77,557	3,319
Other insurance	159,000	159,000	167,436	(8,436)
Trustee's Commission	120,000	120,000	109,511	10,489
Employee benefits	178,000	178,000	148,776	29,224
Total general government	<u>4,372,232</u>	<u>4,510,089</u>	<u>4,198,748</u>	<u>311,341</u>
Public safety:				
Sheriff's department	1,513,677	1,653,139	1,653,120	19
Special patrols	82,020	82,020	62,144	19,876
Sexual Offender Registry	3,000	3,580	3,579	1
Jail	1,954,610	2,206,610	2,206,543	67
Juvenile services	312,166	312,166	295,961	16,205
Work release program	49,278	49,278	48,875	403
Fire prevention and control	89,905	111,970	111,966	4
Civil defense	305,228	305,228	305,228	-
Rescue squad	8,100	8,100	8,100	-
Other emergency management	243,738	243,738	178,018	65,720
County medical examiner	47,000	47,000	38,026	8,974
Litter Grant	55,800	78,930	56,147	22,783
Keep McMinn Beautiful	36,282	36,282	14,494	21,788
Total public safety	<u>4,700,804</u>	<u>5,138,041</u>	<u>4,982,201</u>	<u>155,840</u>

McMINN COUNTY, TENNESSEE

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - (continued)**

Year ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES (continued):				
Current (continued):				
Health:				
Local health center	\$ 584,885	\$ 584,885	\$ 468,352	\$ 116,533
Ambulance service	9,900	18,361	18,360	1
Other local health services	<u>70,888</u>	<u>70,888</u>	<u>70,287</u>	<u>601</u>
Total health	<u>665,673</u>	<u>674,134</u>	<u>556,999</u>	<u>117,135</u>
Social services:				
General welfare assistance	<u>10,532</u>	<u>10,532</u>	<u>7,532</u>	<u>3,000</u>
Culture and recreation:				
Public Library	144,760	144,760	144,760	-
Parks	92,898	98,913	98,913	-
Other	<u>1,073</u>	<u>1,073</u>	<u>-</u>	<u>1,073</u>
Total culture and recreation	<u>238,731</u>	<u>244,746</u>	<u>243,673</u>	<u>1,073</u>
Total budgetary expenditures	<u>9,987,972</u>	<u>10,577,542</u>	<u>9,989,153</u>	<u>588,389</u>
Excess of revenues over expenditures	<u>(1,864,009)</u>	<u>(2,134,238)</u>	<u>(594,365)</u>	<u>1,539,873</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,090,000	1,090,000	1,237,955	147,955
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>1,090,000</u>	<u>1,090,000</u>	<u>1,237,955</u>	<u>147,955</u>
Excess of Revenues and other sources over expenditures and other uses	<u>\$ (774,009)</u>	<u>\$ (1,044,238)</u>	643,590	<u>\$ 1,687,828</u>
Fund Balances				
Beginning			<u>6,722,578</u>	
Ending			<u>\$ 7,366,168</u>	

McMINN COUNTY, TENNESSEE

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

June 30, 2013

	Special Revenue Funds	
	Law Library	Drug Control
ASSETS		
Equity in pooled cash and investments	\$ 44,562	261,579
Receivables:		
Accounts	-	19,065
Total assets	\$ 44,562	\$ 280,644
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accrued items and other payables	\$ -	\$ 1,465
Total liabilities	-	1,465
Fund Balances:		
Restricted	44,562	279,179
Total fund balances	44,562	279,179
Total liabilities and fund balances	\$ 44,562	\$ 280,644

Fraud and Economic Crimes	Permanent Funds Woods Hospital Proceeds	Total Nonmajor Governmental Funds
\$ 238,887	\$ 4,069,817	\$ 4,614,845
<u>3,449</u>	<u>60,339</u>	<u>82,853</u>
<u>\$ 242,336</u>	<u>\$ 4,130,156</u>	<u>\$ 4,697,698</u>
<u>\$ 71</u>	<u>\$ 879</u>	<u>2,415</u>
<u>71</u>	<u>879</u>	<u>2,415</u>
<u>242,265</u>	<u>4,129,277</u>	<u>4,695,283</u>
<u>242,265</u>	<u>4,129,277</u>	<u>4,695,283</u>
<u>\$ 242,336</u>	<u>\$ 4,130,156</u>	<u>\$ 4,697,698</u>

McMINN COUNTY, TENNESSEE

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

Year ended June 30, 2013

	Special Revenue Funds	
	Law Library	Drug Control
REVENUES		
Fines, forfeitures and penalties	\$ 4,466	\$ 105,222
Intergovernmental	-	22,624
Investment earnings	-	406
Total revenues	4,466	128,252
EXPENDITURES		
Current:		
General government	54	-
Public safety	-	140,891
Total expenditures	54	140,891
Excess (deficiency) of revenues over (under) expenditures	4,412	(12,639)
Fund Balances		
Beginning	40,150	291,818
Ending	\$ 44,562	\$ 279,179

<u>Fraud and Economic Crimes</u>	<u>Permanent Funds Woods Hospital Proceeds</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 62,259	\$ -	\$ 171,947
-	-	22,624
<u>162</u>	<u>28,690</u>	<u>29,258</u>
<u>62,421</u>	<u>28,690</u>	<u>223,829</u>
45,263	12,102	57,419
<u>-</u>	<u>-</u>	<u>140,891</u>
<u>45,263</u>	<u>12,102</u>	<u>198,310</u>
17,158	16,588	25,519
<u>225,107</u>	<u>4,112,689</u>	<u>4,669,764</u>
<u>\$ 242,265</u>	<u>\$ 4,129,277</u>	<u>\$ 4,695,283</u>

McMINN COUNTY, TENNESSEE

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

June 30, 2013

	<u>Circuit, General Sessions and Probate Court Clerk</u>	<u>Clerk and Master</u>	<u>County Clerk</u>
ASSETS			
Cash and cash equivalents	\$ 148,776	\$ -	\$ 57,509
Total assets	<u>\$ 148,776</u>	<u>\$ -</u>	<u>\$ 57,509</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ -	\$ -	\$ 53,123
Total liabilities	<u>-</u>	<u>-</u>	<u>53,123</u>
Fund Balances:			
Assigned	<u>148,776</u>	<u>-</u>	<u>4,386</u>
Total fund balances	<u>148,776</u>	<u>-</u>	<u>4,386</u>
Total liabilities and fund balances	<u>\$ 148,776</u>	<u>\$ -</u>	<u>\$ 57,509</u>

<u>Register of Deeds</u>	<u>Trustee</u>	<u>Sheriff's Narcotic Division</u>	<u>Total Constitutional Officers</u>
\$ 67,030	\$ 159,669	\$ 1	\$ 432,985
<u>\$ 67,030</u>	<u>\$ 159,669</u>	<u>\$ 1</u>	<u>\$ 432,985</u>
\$ -	\$ 35,000	\$ -	\$ 88,123
<u>-</u>	<u>35,000</u>	<u>-</u>	<u>88,123</u>
<u>67,030</u>	<u>124,669</u>	<u>1</u>	<u>344,862</u>
<u>67,030</u>	<u>124,669</u>	<u>1</u>	<u>344,862</u>
<u>\$ 67,030</u>	<u>\$ 159,669</u>	<u>\$ 1</u>	<u>\$ 432,985</u>

Register of Deeds	Trustee	Sheriff's Narcotic Division	Total Constitutional Officers
\$ 217,127	\$ 590,484	\$ -	\$ 2,193,771
589	-	-	1,607
<u>-</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>
<u>217,716</u>	<u>590,484</u>	<u>5,000</u>	<u>2,200,378</u>
195,022	200,483	-	964,395
<u>-</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>
<u>195,022</u>	<u>200,483</u>	<u>5,000</u>	<u>969,395</u>
<u>22,694</u>	<u>390,001</u>	<u>-</u>	<u>1,230,983</u>
<u>(44,000)</u>	<u>(390,000)</u>	<u>-</u>	<u>(1,237,955)</u>
<u>(44,000)</u>	<u>(390,000)</u>	<u>-</u>	<u>(1,237,955)</u>
(21,306)	1	-	(6,972)
<u>88,336</u>	<u>124,668</u>	<u>1</u>	<u>351,834</u>
<u>\$ 67,030</u>	<u>\$ 124,669</u>	<u>\$ 1</u>	<u>\$ 344,862</u>

<u>Register of Deeds</u>	<u>Trustee</u>	<u>Sheriff's Narcotic Division</u>	<u>Total Constitutional Officers</u>
\$ 217,127	\$ 590,484	\$ -	\$ 2,189,097
589	-	-	1,275
-	-	5,000	5,000
<u>217,716</u>	<u>590,484</u>	<u>5,000</u>	<u>2,195,372</u>
64,559	51,021	-	115,580
58,186	57,929	-	561,135
33,352	38,631	-	141,888
8,935	33,540	-	77,183
16,566	-	-	21,365
13,424	19,362	-	47,244
-	-	5,000	5,000
<u>195,022</u>	<u>200,483</u>	<u>5,000</u>	<u>969,395</u>
<u>22,694</u>	<u>390,001</u>	<u>-</u>	<u>1,225,977</u>
<u>(44,000)</u>	<u>(390,000)</u>	<u>-</u>	<u>(1,237,955)</u>
<u>(44,000)</u>	<u>(390,000)</u>	<u>-</u>	<u>(1,237,955)</u>
(21,306)	1	-	(11,978)
<u>88,336</u>	<u>159,668</u>	<u>1</u>	<u>444,963</u>
<u>\$ 67,030</u>	<u>\$ 159,669</u>	<u>\$ 1</u>	<u>\$ 432,985</u>

McMINN COUNTY, TENNESSEE

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

Year ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
CONSTITUTIONAL OFFICERS CIRCUIT, GENERAL SESSIONS AND PROBATE CLERK				
Cash	\$ 363,964	\$ 4,361,933	\$ 4,312,729	\$ 413,168
Investments	<u>946,248</u>	<u>175,121</u>	<u>198,025</u>	<u>923,344</u>
Total assets	<u>\$ 1,310,212</u>	<u>\$ 4,537,054</u>	<u>\$ 4,510,754</u>	<u>\$ 1,336,512</u>
Due to litigants, heirs and others	<u>\$ 1,310,212</u>	<u>\$ 4,537,054</u>	<u>\$ 4,510,754</u>	<u>\$ 1,336,512</u>
Total liabilities	<u>\$ 1,310,212</u>	<u>\$ 4,537,054</u>	<u>\$ 4,510,754</u>	<u>\$ 1,336,512</u>
CLERK AND MASTER				
Cash	\$ 288,205	\$ 1,149,895	\$ 1,317,051	\$ 121,049
Investments	<u>636,502</u>	<u>138,310</u>	<u>59,231</u>	<u>715,581</u>
Total assets	<u>\$ 924,707</u>	<u>\$ 1,288,205</u>	<u>\$ 1,376,282</u>	<u>\$ 836,630</u>
Due to litigants, heirs and others	<u>\$ 924,707</u>	<u>\$ 488,716</u>	<u>\$ 576,793</u>	<u>\$ 836,630</u>
Total liabilities	<u>\$ 924,707</u>	<u>\$ 488,716</u>	<u>\$ 576,793</u>	<u>\$ 836,630</u>
COUNTY CLERK				
Cash	\$ 115,056	\$ 3,527,453	\$ 3,522,710	\$ 119,799
Total assets	<u>\$ 115,056</u>	<u>\$ 3,527,453</u>	<u>\$ 3,522,710</u>	<u>\$ 119,799</u>
Intergovernmental payables	<u>\$ 115,056</u>	<u>\$ 3,021,007</u>	<u>\$ 3,016,264</u>	<u>\$ 119,799</u>
Total liabilities	<u>\$ 115,056</u>	<u>\$ 3,021,007</u>	<u>\$ 3,016,264</u>	<u>\$ 119,799</u>
REGISTER OF DEEDS				
Cash	\$ -	\$ 755,803	\$ 755,803	\$ -
Total assets	<u>\$ -</u>	<u>\$ 755,803</u>	<u>\$ 755,803</u>	<u>\$ -</u>
Intergovernmental payables	<u>\$ -</u>	<u>\$ 755,803</u>	<u>\$ 755,803</u>	<u>\$ -</u>
Total liabilities	<u>\$ -</u>	<u>\$ 755,803</u>	<u>\$ 755,803</u>	<u>\$ -</u>

(continued)

McMINN COUNTY, TENNESSEE

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (continued)

Year ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
SHERIFF'S NARCOTIC DIVISION				
Cash	\$ 44,022	\$ 223,594	\$ 234,646	\$ 32,970
Total assets	<u>\$ 44,022</u>	<u>\$ 223,594</u>	<u>\$ 234,646</u>	<u>\$ 32,970</u>
Intergovernmental payables	\$ 44,022	\$ 223,594	\$ 234,646	\$ 32,970
Total liabilities	<u>\$ 44,022</u>	<u>\$ 223,594</u>	<u>\$ 234,646</u>	<u>\$ 32,970</u>
TOTAL CONSTITUTIONAL OFFICERS AGENCY FUNDS				
Cash	\$ 811,247	\$ 10,018,678	\$ 10,142,939	\$ 686,986
Investments	<u>1,582,750</u>	<u>313,431</u>	<u>257,256</u>	<u>1,638,925</u>
Total assets	<u>\$ 2,393,997</u>	<u>\$ 10,332,109</u>	<u>\$ 10,400,195</u>	<u>\$ 2,325,911</u>
Due to litigants, heirs and others	\$ 2,234,919	\$ 5,025,770	\$ 5,087,547	\$ 2,173,142
Intergovernmental payables	<u>159,078</u>	<u>4,000,404</u>	<u>4,006,713</u>	<u>152,769</u>
Total liabilities	<u>\$ 2,393,997</u>	<u>\$ 9,026,174</u>	<u>\$ 9,094,260</u>	<u>\$ 2,325,911</u>
OTHER AGENCY FUNDS WITH TRUSTEE				
ATHENS SCHOOL FUND				
Cash	\$ -	\$ 1,179,334	\$ 1,179,334	\$ -
Receivables	<u>1,830,380</u>	<u>1,825,344</u>	<u>1,830,380</u>	<u>1,825,344</u>
Total assets	<u>\$ 1,830,380</u>	<u>\$ 3,004,678</u>	<u>\$ 3,009,714</u>	<u>\$ 1,825,344</u>
Accrued items and other	\$ 168,961	\$ 180,144	\$ 168,961	\$ 180,144
Intergovernmental payables	<u>1,661,419</u>	<u>1,645,200</u>	<u>1,661,419</u>	<u>1,645,200</u>
Total liabilities	<u>\$ 1,830,380</u>	<u>\$ 1,825,344</u>	<u>\$ 1,830,380</u>	<u>\$ 1,825,344</u>
ETOWAH SCHOOL FUND				
Cash	\$ -	\$ 251,019	\$ 251,019	\$ -
Receivables	<u>397,713</u>	<u>394,807</u>	<u>397,713</u>	<u>394,807</u>
Total assets	<u>\$ 397,713</u>	<u>\$ 645,826</u>	<u>\$ 648,732</u>	<u>\$ 394,807</u>
Accrued items and other	\$ 36,858	\$ 559,234	\$ 557,185	\$ 38,907
Intergovernmental payables	<u>360,855</u>	<u>355,900</u>	<u>360,855</u>	<u>355,900</u>
Total liabilities	<u>\$ 397,713</u>	<u>\$ 915,134</u>	<u>\$ 918,040</u>	<u>\$ 394,807</u>

(continued)

McMINN COUNTY, TENNESSEE

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

Year ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
JUDICIAL DISTRICT DRUG FUND				
Cash	\$ 1,568,287	\$ 542,386	\$ 898,094	\$ 1,212,579
Receivables	<u>15,321</u>	<u>9,211</u>	<u>15,321</u>	<u>9,211</u>
Total assets	<u>\$ 1,583,608</u>	<u>\$ 551,597</u>	<u>\$ 913,415</u>	<u>\$ 1,221,790</u>
Accrued items and other	\$ 15	\$ 796	\$ 15	\$ 796
Intergovernmental payables	1,582,003	542,386	904,946	1,219,443
Due to litigants, heirs and others	<u>1,590</u>	<u>1,551</u>	<u>1,590</u>	<u>1,551</u>
Total liabilities	<u>\$ 1,583,608</u>	<u>\$ 544,733</u>	<u>\$ 906,551</u>	<u>\$ 1,221,790</u>
TRUSTEE - OTHER				
Cash	\$ -	\$ 2,802,216	\$ 2,802,216	\$ -
Total assets	<u>\$ -</u>	<u>\$ 2,802,216</u>	<u>\$ 2,802,216</u>	<u>\$ -</u>
Intergovernmental payables	\$ -	\$ 1,817,072	\$ 1,817,072	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 1,817,072</u>	<u>\$ 1,817,072</u>	<u>\$ -</u>
TOTAL OTHER AGENCY FUNDS				
Cash	\$ -	\$ 4,232,569	\$ 4,232,569	\$ -
Investments	1,568,287	542,386	898,094	1,212,579
Receivables	<u>2,243,414</u>	<u>2,229,362</u>	<u>2,243,414</u>	<u>2,229,362</u>
Total assets	<u>\$ 3,811,701</u>	<u>\$ 7,004,317</u>	<u>\$ 7,374,077</u>	<u>\$ 3,441,941</u>
Accrued items and other	\$ 205,834	\$ 740,174	\$ 726,161	\$ 219,847
Intergovernmental payables	3,604,277	4,360,558	4,744,292	3,220,543
Due to litigants, heirs and others	<u>1,590</u>	<u>1,551</u>	<u>1,590</u>	<u>1,551</u>
Total liabilities	<u>\$ 3,811,701</u>	<u>\$ 5,102,283</u>	<u>\$ 5,472,043</u>	<u>\$ 3,441,941</u>

McMINN COUNTY, TENNESSEE

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

Year ended June 30, 2013

	Circuit, General Sessions and Probate Court Clerk	Clerk and Master	County Clerk
REVENUE AND OTHER RECEIPTS			
Litigation tax	\$ 871,988	\$ 21,629	\$ 1,918
Mortgage and transfer taxes	-	-	-
Rule and execution docket	1,205,290	5,757	-
Motor vehicle titles and registrations	-	-	1,719,976
Business tax and marriage licenses	-	-	83,524
Property taxes	-	582,598	-
Sales tax	-	-	1,131,961
Drivers license	-	-	65,185
Hotel/Motel tax	-	-	370,339
Beer tax and license renewals	-	-	127,082
Receipts on behalf of other funds	-	-	-
Receipts on behalf of others	-	438,707	-
Alimony and child support	37,423	11,483	-
Fines, forfeitures and penalties	373,558	-	-
Department of Safety	173,484	-	-
Fees and commissions	98,277	192,499	-
Officer costs	145,776	-	-
Bonds and deposits	316,526	-	-
Miscellaneous	163,466	35,532	28,612
Total revenue and other receipts	<u>3,385,788</u>	<u>1,288,205</u>	<u>3,528,597</u>
EXPENDITURES			
Payments to litigants, heirs and others	1,566,622	526,893	3,062
Alimony and child support	37,423	11,483	-
Payments to State of TN	614,697	10,680	3,016,264
Funds transferred to other governments	167,321	114,929	-
Funds transferred to County government	869,319	481,380	478,383
Funds remitted to other County offices	-	-	-
Payments on behalf of other funds	-	-	-
Rule and execution docket	-	5,647	-
Fees and commissions	104,106	192,499	26,145
Other expenditures	-	32,771	-
Total expenditures	<u>3,359,488</u>	<u>1,376,282</u>	<u>3,523,854</u>
Excess (deficiency) of revenues over (under) expenditures	26,300	(88,077)	4,743
Cash and investment balances - beginning of year	<u>1,310,212</u>	<u>924,707</u>	<u>115,056</u>
Cash and investment balances - end of year	<u>\$ 1,336,512</u>	<u>\$ 836,630</u>	<u>\$ 119,799</u>

Register of Deeds	Trustee	Sheriff's Narcotic Division	Total Constitutional Officers
\$ -	\$ -	\$ -	\$ 895,535
749,130	-	-	749,130
-	-	-	1,211,047
-	-	-	1,719,976
-	-	-	83,524
-	17,196,807	-	17,779,405
-	-	-	1,131,961
-	-	-	65,185
-	-	-	370,339
-	-	-	127,082
-	65,837,613	-	65,837,613
-	-	-	438,707
-	-	-	48,906
-	-	235,134	608,692
-	-	-	173,484
-	590,484	-	881,260
-	-	-	145,776
-	-	-	316,526
-	-	434	228,044
<u>749,130</u>	<u>83,624,903</u>	<u>235,568</u>	<u>92,812,191</u>
-	-	-	2,096,577
-	-	-	48,906
721,211	-	-	4,362,852
-	-	-	282,250
-	-	-	1,829,082
-	-	223,594	223,594
-	79,073,273	-	79,073,273
-	-	-	5,647
27,919	590,455	-	941,124
-	-	23,026	55,797
<u>749,130</u>	<u>79,663,728</u>	<u>246,620</u>	<u>88,919,102</u>
-	3,961,175	(11,052)	3,893,089
-	41,482,356	44,022	43,876,353
<u>\$ -</u>	<u>\$ 45,443,531</u>	<u>\$ 32,970</u>	<u>\$ 47,769,442</u>

McMINN COUNTY, TENNESSEE

**SPECIAL REVENUE NONMAJOR GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

Year ended June 30, 2013

	Drug Control			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Fines, forfeitures and penalties	\$ 92,665	\$ 92,665	\$ 105,222	\$ 12,557
State of TN	-	19,035	19,034	(1)
Investment earnings	800	800	406	(394)
Miscellaneous	-	-	3,590	3,590
Total revenues	<u>93,465</u>	<u>112,500</u>	<u>128,252</u>	<u>15,752</u>
EXPENDITURES				
Current:				
Public safety:				
Drug enforcement	<u>179,659</u>	<u>198,694</u>	<u>140,891</u>	<u>57,803</u>
Total budgetary expenditures	<u>179,659</u>	<u>198,694</u>	<u>140,891</u>	<u>57,803</u>
Deficiency of revenues under budgetary expenditures	<u>\$ (86,194)</u>	<u>\$ (86,194)</u>	(12,639)	<u>\$ (42,051)</u>
FUND BALANCES				
Beginning			<u>291,818</u>	
Ending			<u>\$ 279,179</u>	

McMINN COUNTY, TENNESSEE

**CAPITAL PROJECTS GOVERNMENTAL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

Year ended June 30, 2013

	Capital Projects			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Taxes	\$ 3,812,566	\$ 3,812,566	\$ 3,880,114	\$ 67,548
Intergovernmental	493,000	493,000	376,570	(116,430)
State of TN	-	1,709,400	284,467	(1,424,933)
Total revenues	<u>4,305,566</u>	<u>6,014,966</u>	<u>4,541,151</u>	<u>(1,473,815)</u>
EXPENDITURES				
Capital outlay:				
General government	2,990,000	15,269,454	1,650,148	13,619,306
Education	<u>1,200,000</u>	<u>2,699,595</u>	<u>1,515,023</u>	<u>1,184,572</u>
Total budgetary expenditures	<u>4,190,000</u>	<u>17,969,049</u>	<u>3,165,171</u>	<u>14,803,878</u>
Excess (deficiency) of revenues over (under) budgetary expenditures	<u>\$ 115,566</u>	<u>\$ (11,954,083)</u>	1,375,980	<u>\$ 13,330,063</u>
FUND BALANCES				
Beginning			<u>18,268,144</u>	
Ending			<u>\$ 19,644,124</u>	

McMINN COUNTY, TENNESSEE

BOARD OF EDUCATION GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

June 30, 2013

	General Purpose School	Federal Projects	Cafeteria	Eliminations	Total Board of Education Governmental Funds
ASSETS					
Equity in pooled cash and investments	\$ 3,178,185	\$ 103,776	\$ 1,364,851	\$ -	\$ 4,646,812
Receivables (net of allowances for uncollectibles):					
Property taxes	6,587,800	-	-	-	6,587,800
Accounts	1,320,552	98,204	-	-	1,418,756
Due from other funds	<u>472,729</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>472,729</u>
Total assets	<u>\$ 11,559,266</u>	<u>\$ 201,980</u>	<u>\$ 1,364,851</u>	<u>\$ -</u>	<u>\$ 13,126,097</u>
LIABILITIES					
Accounts payable	\$ 199,363	\$ 1,979	\$ 88,084	\$ -	\$ 289,426
Accrued items and other	81,628	-	432	-	82,060
Due to primary government	<u>6,133</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,133</u>
Total liabilities	<u>287,124</u>	<u>1,979</u>	<u>88,516</u>	<u>-</u>	<u>377,619</u>
DEFERRED INFLOW OF RESOURCES					
Unavailable revenue - property taxes	<u>6,587,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,587,800</u>
Total deferred inflows of resources	<u>6,587,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,587,800</u>
FUND BALANCES					
Nonspendable	462,716	-	-	-	462,716
Assigned	52,789	-	-	-	52,789
Restricted	667,301	200,001	1,276,335	-	2,143,637
Unassigned	<u>3,501,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,501,536</u>
Total fund balances	<u>4,684,342</u>	<u>200,001</u>	<u>1,276,335</u>	<u>-</u>	<u>6,160,678</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,559,266</u>	<u>\$ 201,980</u>	<u>\$ 1,364,851</u>	<u>\$ -</u>	<u>\$ 13,126,097</u>

McMINN COUNTY, TENNESSEE

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

June 30, 2013

Differences in amounts reported for the Board of Education in the statement of net position on pages A-1 and A-2:

Fund balances - total Board of Education governmental funds	\$ 6,160,678
Amounts reported for the Board of Education in the statement of net assets are different because:	
Capital assets used in the Board of Education's governmental activities are not financial resources and, therefore, are not reported in the funds.	26,736,092
The net OPEB asset is not an available resource and, therefore, is not reported in the funds	41,984
Long-term liabilities applicable to the Board of Education's governmental activities are not due and payable in the current period and therefore are not reported as fund liabilities. Compensated absences	(166,339)
Certain revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	<u>715,997</u>
Net assets of the Board of Education	<u>\$ 33,488,412</u>

McMINN COUNTY, TENNESSEE

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

Year ended June 30, 2013

	General Purpose School	Federal Projects	Cafeteria	Total Board of Education Governmental Funds
REVENUES				
Taxes	\$ 10,670,856	\$ -	\$ -	\$ 10,670,856
Intergovernmental	26,654,817	4,134,552	2,483,507	33,272,876
Charges for services	26,568	-	854,605	881,173
Other local revenues	<u>92,694</u>	<u>-</u>	<u>-</u>	<u>92,694</u>
Total revenues	<u>37,444,935</u>	<u>4,134,552</u>	<u>3,338,112</u>	<u>44,917,599</u>
EXPENDITURES				
Current:				
Education	35,823,894	3,907,259	3,036,420	42,767,573
Capital outlay	<u>964,696</u>	<u>103,819</u>	<u>179,251</u>	<u>1,247,766</u>
Total expenditures	<u>36,788,590</u>	<u>4,011,078</u>	<u>3,215,671</u>	<u>44,015,339</u>
Excess of revenues over expenditures	<u>656,345</u>	<u>123,474</u>	<u>122,441</u>	<u>902,260</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	123,474	244,502	-	367,976
Transfers out	<u>(100,000)</u>	<u>(267,976)</u>	<u>-</u>	<u>(367,976)</u>
Total other financing sources (uses)	<u>23,474</u>	<u>(23,474)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	679,819	100,000	122,441	902,260
Fund balances, beginning	<u>4,004,523</u>	<u>100,001</u>	<u>1,153,894</u>	<u>5,258,418</u>
Fund balances, ending	<u>\$ 4,684,342</u>	<u>\$ 200,001</u>	<u>\$ 1,276,335</u>	<u>\$ 6,160,678</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, 2013

Differences in amounts reported for governmental activities in the statement of activities
on pages A-3 and A-4:

Net change in fund balances - total Board of Education governmental funds	\$ 902,260
Amounts reported for the Board of Education in the statement of activities are different because:	
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of net position	1,410,664
Depreciation expense on governmental capital assets are included in the governmental activities in the statement of activities	(1,500,712)
Certain items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds	21,470
Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds	<u>(207,874)</u>
Change in net position of governmental activities	<u>\$ 625,808</u>

McMINN COUNTY, TENNESSEE

**BOARD OF EDUCATION GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

Year ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes				
Property taxes	\$ 6,640,377	\$ 6,640,377	\$ 6,487,374	\$ (153,003)
Local sales tax	3,800,000	3,800,000	4,034,804	234,804
Other	<u>118,162</u>	<u>118,162</u>	<u>148,678</u>	<u>30,516</u>
Total taxes	<u>10,558,539</u>	<u>10,558,539</u>	<u>10,670,856</u>	<u>112,317</u>
Intergovernmental revenues:				
State of Tennessee:				
Education	25,990,479	26,172,726	26,283,196	110,470
Food service	29,500	29,500	30,807	1,307
Federal funds received from State of Tennessee and other sources:				
Education	4,891,127	5,260,478	4,254,851	(1,005,627)
Food service	2,078,436	2,439,504	2,452,700	13,196
Federal Projects	<u>869</u>	<u>251,077</u>	<u>251,322</u>	<u>245</u>
Total intergovernmental revenues	<u>32,990,411</u>	<u>34,153,285</u>	<u>33,272,876</u>	<u>(880,409)</u>
Charges for services:				
Education	29,000	29,000	26,568	(2,432)
Food service	<u>993,000</u>	<u>854,000</u>	<u>854,605</u>	<u>605</u>
Total charges for current services	<u>1,022,000</u>	<u>883,000</u>	<u>881,173</u>	<u>(1,827)</u>
Investment earnings:				
Education	<u>8,000</u>	<u>8,000</u>	<u>5,790</u>	<u>(2,210)</u>
Miscellaneous:				
Education	<u>6,000</u>	<u>6,000</u>	<u>86,904</u>	<u>80,904</u>
Total revenues	<u>44,584,950</u>	<u>45,608,824</u>	<u>44,917,599</u>	<u>(691,225)</u>

(continued)

McMINN COUNTY, TENNESSEE

**BOARD OF EDUCATION GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - (continued)**

Year ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES				
Current:				
Education:				
Regular instruction program	\$ 18,896,480	\$ 18,951,842	\$ 18,755,264	\$ 196,578
Alternative insturction program	144,586	144,586	143,087	1,499
Special education program	3,569,196	3,534,637	3,326,514	208,123
Vocational education program	2,011,524	2,063,326	2,021,100	42,226
Student body education fund-LEAPS	-	150,660	150,650	10
Other	215,610	250,851	138,297	112,554
Attendance	163,113	183,113	176,691	6,422
Health services	175,700	175,700	175,585	115
Other student support	966,083	941,831	905,222	36,609
Regular instruction support	3,386,491	3,893,394	3,254,802	638,592
Special education support	453,240	507,928	480,851	27,077
Vocational education support	154,472	159,740	159,150	590
Other programs	65,466	65,466	58,807	6,659
Board of education	781,595	831,595	824,907	6,688
Office of superintendent	315,869	315,869	321,906	(6,037)
Office of principal	2,205,119	2,207,072	2,180,895	26,177
Operation of plant	2,873,410	2,823,410	2,765,369	58,041
Maintenance of plant	1,128,436	1,259,166	869,579	389,587
Transportation	2,077,376	2,077,376	2,097,329	(19,953)
Community services	-	-	-	-
Early childhood	970,905	950,423	925,148	25,275
Food services - Cafeteria	2,940,166	3,143,004	3,036,420	106,584
Total education	43,494,837	44,630,989	42,767,573	1,863,416
Capital outlay:				
Building Improvements	1,188,585	1,560,756	1,247,766	312,990
Total budgetary expenditures	44,683,422	46,191,745	44,015,339	2,176,406
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	160,000	358,761	367,976	(9,215)
Transfers to other funds	(456,517)	(458,761)	(367,976)	-
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	<u>\$ (394,989)</u>	<u>\$ (682,921)</u>	902,260	<u>\$ (2,876,846)</u>
Fund Balances				
Beginning			5,258,418	
Ending			<u>\$ 6,160,678</u>	

McMINN COUNTY, TENNESSEE

SCHEDULE OF PROPERTY TAXES RECEIVABLE

June 30, 2013

<u>Year of Levy</u>	<u>Net Amount</u>
2013 *	\$ 18,068,242
2012	1,175,941
2011	592,583
2010	182,075
2009	76,403
2008	43,842
2007	<u>29,589</u>
	20,168,675
Less: Estimated uncollectible taxes	<u>1,769,075</u>
 Total property taxes receivable	 <u><u>\$ 18,399,600</u></u>

The above outstanding receivables are recorded in the McMinn County, Tennessee financial statements at June 30, 2013, as follows:

Government wide funds:	
General fund	\$ 4,516,900
Road and bridge fund	1,527,300
Capital projects fund - miscellaneous	3,766,500
 Component unit funds:	
Board of education	6,587,800
 Accounting for in agency funds:	
Athens school funds	1,645,200
Etowah school funds	<u>355,900</u>
 Total property taxes receivable	 <u><u>\$ 18,399,600</u></u>

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

McMINN COUNTY, TENNESSEE

SCHEDULE OF INVESTMENTS BY FUND

June 30, 2013

OFFICE OF TRUSTEE

POOLED INVESTMENTS

CERTIFICATE OF DEPOSIT:

FSG Bank	0.90%	\$	8,575,795
First National Bank (formerly BB&T)	0.25%		11,518,335
First National Bank (formerly BB&T)	0.30%		5,000,000
Local Government Investment Pool	Varies		<u>12,000,000</u>

Total Office of Trustee \$ 37,094,130

OFFICE OF CIRCUIT, GENERAL SESSION AND PROBATE CLERK

COURT ORDERED INVESTED FUNDS:

First National Bank (formerly BB&T)	Varies	\$	118,811
Citizens National Bank	Varies		757,860
Athens Federal Savings & Loan	Varies		28,820
Green Bank	1.00%		<u>17,853</u>

Total Office of Circuit, General Sessions
and Probate Clerk \$ 923,344

OFFICE OF CLERK AND MASTER

COURT ORDERED INVESTED FUNDS:

Citizens National Bank	Varies	\$	664,586
First National Bank (formerly BB&T)	Varies		<u>50,995</u>

Total Office of Clerk and Master \$ 715,581

McMINN COUNTY, TENNESSEE

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

Year ended June 30, 2013

	Balance			Commissions
	June 30, 2012	Receipts	Disbursements	and Transfers
Primary Government				
Governmental Activities:				
General Fund	\$ 5,334,286	\$ 14,408,913	\$ 12,690,841	\$ 109,511
Road and Bridge	2,207,377	3,703,307	3,713,911	49,023
Capital Projects Funds:				
Correctional Capital Projects	-	-	-	-
Other Capital Projects	20,770,786	4,880,861	4,881,442	69,125
Other Governmental Funds:				
Law Library	39,173	5,443	-	54
Drug Control	293,701	110,160	141,970	-
Fraud and Economic Crimes	222,627	292,263	274,457	447
Woods Hospital Proceeds	4,081,040	-	11,223	-
Business-type Activities:				
Solid Waste Disposal	266,660	3,028,980	1,630,361	14,332
Discretely Presented Component Units:				
Board of Education:				
General Purpose School	3,835,097	38,275,301	37,316,461	240,943
School Federal Projects	203,914	5,257,843	4,938,036	-
School Cafeteria	1,208,088	3,192,111	3,018,963	-
"911" Emergency Communication	1,291,652	1,255,467	1,006,307	11,290
Agency Funds:				
Athens School	-	2,668,094	2,628,161	39,932
Etowah School	-	576,517	567,782	8,735
Judicial District Drug	1,568,287	542,386	891,508	-
City Sales tax	-	4,706,286	4,659,223	47,063
Miscellaneous	-	130,486	130,486	-
	41,322,688	83,034,418	78,501,132	590,455
Trustee Commissions	159,668	590,484	572,140	-
Total all funds	<u>\$ 41,482,356</u>	<u>\$ 83,624,902</u>	<u>\$ 79,073,272</u>	<u>\$ 590,455</u>

Funds held by County Trustee:
Cash on hand
Checking - Citizens National Bank
Certificates of deposit

Trustee Balance June 30, 2013	Outstanding Warrants	Balance June 30, 2013
\$ 6,942,847	\$ 266,858	\$ 6,675,989
2,147,750	185,572	1,962,178
-	-	-
20,701,080	239,275	20,461,805
44,562	-	44,562
261,891	312	261,579
239,986	1,099	238,887
4,069,817	-	4,069,817
1,650,947	35,656	1,615,291
4,552,994	1,374,808	3,178,186
523,721	419,944	103,777
1,381,236	16,385	1,364,851
1,529,522	782	1,528,740
1	-	1
-	-	-
1,219,165	6,585	1,212,580
-	-	-
-	-	-
45,265,519	2,547,276	42,718,243
178,012	-	178,012
<u>\$ 45,443,531</u>	<u>\$ 2,547,276</u>	<u>\$ 42,896,255</u>
\$ 226,830		
8,122,571		
<u>37,094,130</u>		
<u>\$ 45,443,531</u>		

McMINN COUNTY, TENNESSEE

SCHEDULE OF SALARIES AND OFFICIAL BONDS OF PRINCIPAL OFFICIALS

June 30, 2013

<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	\$ 90,765	County Commission	\$ 50,000	Travelers Casualty & Surety	9/1/2014
Director of Finance	78,565	Section 5-21-109, T.C.A	50,000	CNA Surety	3/1/2014
Commissioner of Highways	76,407	County Commission	100,000	Travelers Casualty & Surety	9/1/2014
Trustee	70,572	Section 8-24-102, T.C.A	1,524,710	Travelers Casualty & Surety	9/1/2014
Assessor of Property	70,572	Section 8-24-104 (B), T.C.A	10,000	Travelers Casualty & Surety	9/1/2016
Administrator of Schools	109,000	State Board of Education and School Boards	100,000	Travelers Casualty & Surety	6/30/2013
<u>Constitutional Officers:</u>					
Circuit, General Sessions, and Probate Court Clerk	70,572	Section 8-24-102, T.C.A	75,000	Travelers Casualty & Surety	9/1/2014
Clerk and Master	70,572	Section 8-24-102, T.C.A	75,000	Travelers Casualty & Surety	9/1/2014
County Clerk	70,572	Section 8-24-102, T.C.A	50,000	Travelers Casualty & Surety	9/1/2014
Register of Deeds	70,572	Section 8-24-102, T.C.A	25,000	Travelers Casualty & Surety	9/1/2014
Sheriff	77,629	Section 8-24-102, T.C.A	25,000	Travelers Casualty & Surety	9/1/2014

McMINN COUNTY, TENNESSEE

SCHEDULE OF TAX RATES AND ASSESSMENTS

June 30, 2013

Year	Tax Rate	ASSESSED VALUES			Total Taxes
		Property, Personal and Real	Total Utilities	Total	
2013	1.555%	\$ 1,131,582,629	\$ 41,183,408	\$ 1,172,766,037	\$ 18,240,030 *
2012	1.555%	1,159,803,070	38,629,839	1,198,432,909	18,639,227
2011	1.555%	1,149,657,665	39,149,646	1,188,807,311	18,489,520
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	1,162,191,538	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

* Based upon estimated assessed values for Public Utilities

McMINN COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through Tennessee Emergency Management Agency:			
Emergency Management Performance	97.042	GG-10-30647-00	\$ 32,979
Emergency Management Performance	97.042	34101-00000011575	34,000
Homeland Security Grant - 2010	97.067	34101-0000005843	63,178
Homeland Security Grant - 2011	97.067	34101-0000009717	<u>7,481</u>
Total U.S. Department of Homeland Security			137,638
U.S. DEPARTMENT OF TRANSPORTATION			
Governor's Highway Safety	20.607	Z-12-GHS190	9,214
Governor's Highway Safety	20.607	Z-13-GHS202	<u>36,627</u>
Total U.S. Department of Transportation			45,841
Total Expenditures of Federal Awards - Primary Government			<u>183,479</u>
COMPONENT UNITS:			
<i>McMinn Board of Education</i>			
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Tennessee Department of Education:			
School Breakfast Program	10.553	None	789,161
National School Lunch Program	10.555	None	<u>1,496,005</u>
Total U.S. Department of Agriculture			<u>2,285,166</u>

(continued)

McMINN COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (continued)

Year ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through Tennessee Department of Education:			
Title I Grant to Local Educational Agencies			
Title I Grant - Improving Academic Achievement	84.010A	None	\$ 1,258,894
Total Title I Grant Cluster			<u>1,258,894</u>
Special Education Cluster (IDEA)			
Individuals with Disabilities Act - Pre-School	84.392A	None	40,921
Individuals with Disabilities Act - Part B Discretionary Grant	84.027A	None	<u>1,552,792</u>
Total Special Education Cluster (IDEA)			<u>1,593,713</u>
Title IV, Part B Twenty-first CCLU	84.287C	None	78,000
First to the top, Formula/Scopes of Work	84.395	None	324,208
Teacher Incentive Fund Grant, Planning	84.374A	None	2,696
Teacher Incentive Fund Grant, Data	84.374A	None	121,987
Teacher Incentive Fund Grant, Implementation	84.374A	None	389,010
Title II, Part, Training	84.367A	None	209,071
Title VI, Part B, Rural Low Income	84.358	None	102,655
Carl Perkins, Vocational Education	84.048A	None	<u>132,317</u>
Total passed through Tennessee Department of Education			<u>4,212,551</u>
Total U.S. Department of Education			<u>4,212,551</u>
Total Expenditures of Federal Awards - Component Units			<u>6,497,717</u>
Total Expenditures of Federal Awards - Reporting Entity			<u>6,681,196</u>

(continued)

McMINN COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (continued)

Year ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
State Grants			
Department of Education			
State LEAPS Grant	N/A	119-12-02-030	\$ 150,650
Vocational Rehab Grant	N/A	DG-13-37956	58,807
State Funded Pre-K Pilot Grant	N/A	MX2-AAX	984,910
Department of Transportation			
State Street Aid	N/A	54043-8408-04	113,551
Airport Maintenance	N/A	99-555-1228-04	14,300
Litter Grant	N/A	54-500-4013-04	32,058
Airport Storm Water Drainage	N/A	54-555-0740-04	6,400
Airport Storm Hangar Engineering	N/A	54-555-0141-04	71,695
Airport T-Hanger Demolition & Construction	N/A	54-555-0142-04	51,903
Department of Health			
DGA Grant	N/A	GG-1339137	358,668
Commission of Children and Youth			
Juvenile Assistance Supplement	N/A	GG-1029849	9,000
Juvenile Assistance Reimbursement	N/A	31601-23622	1,440
Department of Agriculture			
Agriculture Livestock Pavilion Grant	N/A	DG-08-22849-00	19,721
Rural Development Telecommunications Program	N/A	TN 745-A17	250,208
Department of Environment and Conservation			
Optional Waste Tire Grant	N/A	DG-12-35171-00	33,200
Total Expenditures of State Awards			2,156,511
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			\$ 8,837,707

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

MCMINN COUNTY, TENNESSEE

June 30, 2013

NOTE A. BASIS OF PRESENTATION

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



**HENDERSON HUTCHERSON
& MCCULLOUGH, PLLC**

Certified Public Accountants

**INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McMinn County, Tennessee, as of and for the year ended June 30, 2013, which collectively comprise McMinn County's basic financial statements and have issued our report thereon dated December 27, 2013. Our report includes a reference to 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. Other auditors audited McMinn County "911" Emergency Communication District's financial statements as described in our report on the County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion of the effectiveness of the County's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses and significant deficiencies may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Chattanooga, Tennessee
December 27, 2013

Henderson Hutcherson
& McCullough, PLLC



**HENDERSON HUTCHERSON
& MCCULLOUGH, PLLC**

Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
AS REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of McMinn County, Tennessee, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations contracts, and grants applicable to its federal programs

Auditor's Responsibility

Our responsibility is to express an opinion on each of the McMinn County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the County's compliance.

Opinion on Compliance for Each Major Federal Program

In our opinion, McMinn County, Tennessee complied, in all material respects, with the 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, 2013.

Report on Internal Control over Compliance

The management of McMinn County, Tennessee, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the County'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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Chattanooga, Tennessee
December 27, 2013

Henderson Hutcherson
& McCullough, PLLC

MCMINN COUNTY, TENNESSEE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013**

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiencies that are not considered to be material weaknesses? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes no
- Significant deficiencies that are not considered to be material weaknesses? yes none reported

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

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.555	U.S. Department of Agriculture: National School Lunch Program
10.553	School Breakfast Program
84.048A	U.S. Department of Education Carl Perkins, Vocational Education
84.358	Title VI, Part B, Rural Low Income
84.367A	Title II, Part A, Training
84.395	First to the Top, Formula Scopes of Work

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

Auditee qualified as low-risk auditee? yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

MCMINN COUNTY, TENNESSEE

SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2013

None reported.