

McMINN COUNTY, TENNESSEE

FINANCIAL STATEMENTS

JUNE 30, 2015



**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) Other than MD&A</i>	
Schedule of Funding Progress	B - 1
Schedule of Changes in McMinn County's Net Pension Liability (Asset) and Related Ratios Based on Participation	B - 2
Schedule of McMinn County's Contributions Based on Participation in the Public Employee Pension Plan of TCRS	B - 3
Schedule of McMinn County Schools' Proportionate Share of the Net Pension Asset Teacher Legacy Pension Plan of TCRS	B - 4
Schedule of McMinn County Schools' Contributions Teacher Legacy Plan of TCRS	B - 5
Schedule of McMinn County Schools' Contributions Teacher Retirement Plan of TCRS	B - 6
Notes to Pension Schedule	B - 7
<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 Position	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 for Each Major Federal Program and Report on Internal Control over Compliance as Required by OMB Circular A-133	F - 7
Schedule of Findings and Questioned Costs	F - 9
Schedule of Prior Audit Findings	F - 10

McMINN COUNTY, TENNESSEE

ROSTER OF COUNTY OFFICIALS

June 30, 2015

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

John Gentry
Jason Luallen
Dan Evans
Mickey Blevins
Phil Tuggle
Keith Price

Members of the County Commission:

Brent Carter
David Crews, Chairman
Scott Curtis
Dale Holbrook
Tim King
Roger Masingale
Jerry Milsaps
Charles Slack
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, 2015

Members of the County Board of Education:

Quinten Howard, Chairperson
Sharon Brown
Donna Cagle
Larry Cantrell
Mike Cochran
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, 2015, and the related notes to the financial statements, 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 did not audit the financial statements of the McMinn County "911" Emergency Communications discretely presented component unit, which represents 6.7% 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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely-presented component units, each major fund, and the aggregate remaining fund information of McMinn County, Tennessee as of June 30, 2015, 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

Change in Accounting Principle

As described in Note Q, McMinn County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*; GASB No. 69, *Government Combinations and Disposals of Government Operations*; and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

Emphasis of Matter

We draw attention to Note S to the financial statements, which describes a restatement increasing the beginning Governmental Activities by \$877,214 and decreasing the discretely presented McMinn County Board of Education's net position by \$7,135,288 on the Government-wide Statement of Activities. These restatements were necessary because of the transitional requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iv through x and the required supplementary information on pages B-1 through B-7, 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.

Supplementary and 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 10, 2015, 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 10, 2015

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, 2015. We encourage readers to consider the information presented in this report.

Financial Highlights

Primary Government

- The assets of the McMinn County Primary Government exceeded its liabilities at the close of the most recent fiscal year by \$90,879,705 (net position).
- The total net position of the McMinn County Primary Government increased by \$1,410,583 or 6.4% of 2015 expenses which totaled \$22,179,588.
- At the close of the current fiscal year, the McMinn County Government's governmental funds reported combined ending fund balances of \$28,708,947, an increase of \$399,522 in comparison with the prior year. Approximately 10% of this total amount, \$2,886,619 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 \$2,886,619, or 14.2%, 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 \$672,363 more than budgeted. The largest factor in this variance was \$496,115 received in local tax revenues 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 \$7,454,842. Of this amount, \$5,252,329 (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 \$27,393,915 in capital assets of the Board.
- The McMinn County Board of Education's net position increased by \$2,656,321. The largest factor contributing to the increase was the addition to capital assets of the construction in progress of McMinn County School's additions and renovations through security upgrades.

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-44 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-1 of this report. The Schedule of Changes in McMinn County's Net Pension Liability (Asset) and Related Ratios Based on Participation, the Schedule of McMinn County's Contributions Based on Participation in the Public Employee Pension Plan of TCRS, the Schedule of McMinn County Schools' Proportionate Share of the Net Pension Asset Teacher Legacy Pension Plan of TCRS, the Schedule of McMinn County Schools' Contributions Teacher Legacy Plan of TCRS, and the Schedule of McMinn County Schools' Contributions Teacher Retirement Plan of TCRS can be found on pages B-2 thru B-6 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages C-4 through C-12 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 \$90,879,705 at the close of the most recent fiscal year. A summary version of the Statement of Net Position at June 30, 2015 is as follows:

McMinn County, Tennessee
Net Position-Primary Government
June 30, 2015

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 45,178,299	\$ 39,177,249	\$ 580,075	\$ 1,507,277	\$ 45,758,374	\$ 40,684,526
Capital Assets	<u>60,930,352</u>	<u>61,689,287</u>	<u>3,641,081</u>	<u>2,514,179</u>	<u>64,571,433</u>	<u>64,203,466</u>
Total Assets	<u>106,108,651</u>	<u>100,866,536</u>	<u>4,221,156</u>	<u>4,021,456</u>	<u>110,329,807</u>	<u>104,887,992</u>
Deferred Outflows of Resources	<u>352,494</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>352,494</u>	<u>-</u>
Other Liabilities	997,188	1,137,305	25,335	25,694	1,022,523	1,162,999
Long-Term Liabilities	<u>292,304</u>	<u>323,098</u>	<u>5,275,940</u>	<u>5,179,481</u>	<u>5,568,244</u>	<u>5,502,579</u>
Total Liabilities	<u>1,289,492</u>	<u>1,460,403</u>	<u>5,301,275</u>	<u>5,205,175</u>	<u>6,590,767</u>	<u>6,665,578</u>
Deferred Inflows of Resources	<u>13,211,829</u>	<u>8,753,292</u>	<u>-</u>	<u>-</u>	<u>13,211,829</u>	<u>8,753,292</u>
Net Position:						
Net Investment in Capital						
Assets	60,930,352	61,689,287	3,641,081	2,514,179	64,571,433	64,203,466
Restricted	9,658,122	8,952,812	-	-	9,658,122	8,952,812
Unrestricted	<u>21,371,350</u>	<u>20,010,742</u>	<u>(4,721,200)</u>	<u>(3,697,898)</u>	<u>16,650,150</u>	<u>16,312,844</u>
Total Net Position	<u>\$ 91,959,824</u>	<u>\$ 90,652,841</u>	<u>\$ (1,080,119)</u>	<u>\$ (1,183,719)</u>	<u>\$ 90,879,705</u>	<u>\$ 89,469,122</u>

The investment in capital assets of the McMinn County Government (e.g., land, buildings, infrastructure, machinery and equipment) accounts for 71% 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 (11%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of \$16,650,150 may be used to meet the government's ongoing obligations to citizens. 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 increased by \$1,410,583 during the current fiscal year.

Governmental activities. Governmental activities increased the McMinn County Government's net position by \$429,769. A summary version of the Statement of Activities is as follows:

**McMinn County, Tennessee
Change in Net Position
For the Fiscal Year Ended June 30, 2015**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Charges for services	\$ 2,624,186	\$ 2,256,648	\$ 1,531,664	\$ 1,424,205	\$ 4,155,850	\$ 3,680,853
Operating grants and contributions	5,052,769	7,581,790	32,955	40,972	5,085,724	7,622,762
General Revenues:						
Taxes	12,741,302	11,979,333	-	-	12,741,302	11,979,333
Sale of Property	-	-	-	-	-	-
Investment Earnings	16,421	32,049	1,043	1,994	17,464	34,043
Miscellaneous	711,179	415,925	1,438	1,376	712,618	417,301
Total Revenues	<u>21,145,857</u>	<u>22,265,745</u>	<u>1,567,100</u>	<u>1,468,547</u>	<u>22,712,957</u>	<u>23,734,292</u>
Expenses:						
General government	9,075,257	9,045,699	-	-	9,075,257	9,045,699
Public safety	6,004,940	5,409,750	-	-	6,004,940	5,409,750
Health	636,347	640,993	-	-	636,347	640,993
Social Services	7,532	7,532	-	-	7,532	7,532
Culture and recreation	240,159	242,066	-	-	240,159	242,066
Public Works/Roads and Bridges	4,751,853	5,710,319	-	-	4,751,853	5,710,319
Education	-	-	-	-	-	-
Solid Waste	-	-	1,463,500	2,246,862	1,463,500	2,246,862
Total expenses	<u>20,716,088</u>	<u>21,056,359</u>	<u>1,463,500</u>	<u>2,246,862</u>	<u>22,179,588</u>	<u>23,303,221</u>
Excess (deficiency) before transfers	429,769	1,607,637	103,600	(778,315)	533,369	829,322
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	429,769	1,607,637	103,600	(778,315)	533,369	829,322
Net position, beginning	<u>91,530,055</u>	<u>89,045,204</u>	<u>(1,183,719)</u>	<u>(405,404)</u>	<u>90,346,336</u>	<u>88,639,800</u>
Net position, ending	<u>\$ 91,959,824</u>	<u>\$ 90,652,841</u>	<u>\$(1,080,119)</u>	<u>\$(1,183,719)</u>	<u>\$ 90,879,705</u>	<u>\$ 89,469,122</u>

In prior years, the government was not required to recognize a liability for its defined benefit plans. However, with the implementation of GASB Statement, No. 68, employers are required to recognize a net pension liability in their Statement of Net Position. Therefore, a restatement to McMinn County's beginning net position has been recognized on the Statement of Activities totaling \$877,214.

As shown in the table, General Government, Public Works, and Public Safety were the three largest governmental activities for this fiscal year, 44%, 23%, and 29%, 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 2015-2016 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 9% over the prior year. Operating expenses decreased by \$783,362, or 53%. The resulting change in net position for the solid waste operation was an increase of \$103,600. This change in net position was an increase of \$881,915 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 \$28,708,947, an increase of \$339,522 in comparison with the prior year. Approximately 32% or \$9,216,486 is restricted due to internal or external limitations on its use. Approximately 58% or \$16,568,320 has been committed, assigned or nonspendable meaning there are limitations resulting from its intended use. The remaining 10% of fund balance, or \$2,886,619, 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 \$2,444,983, while total fund balance was \$7,674,056. 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 22% of total general fund expenditures, while total fund balance represents 69% of that same amount.

The fund balance of the McMinn County Government's general fund decreased by \$119,052 during the current fiscal year. The largest factor in the increase can be attributed to local tax 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 (\$4,721,198). The total change in net position for the solid waste operation was an increase of \$103,600. 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 \$512,795 in appropriations.

The primary differences can be summarized briefly as follows:

1. An increase of \$36,500 for the Cooke Park Master Plan.
2. An increase of \$39,000 in Fire Department maintenance and repairs.

3. An increase of \$104,245 in Sheriff's Department for grants and special revenue for programs and equipment. Insurance claims that were not used in FY 2013-14 that were used to purchase replacement vehicles in FY 2014-15 accounted for \$42,657 of that amount.

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, 2015 amounts to \$64,571,433 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure (roads and bridges).

The total increase in the McMinn County Government's net investment in capital assets for the current year was \$367,965 or 0.5%. The largest factor contributing to the increase was the addition to capital assets of the construction in progress of the Justice Center expansion.

McMinn County, Tennessee Capital Assets
(net of depreciation)
June 30, 2015
Primary Government

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 2,375,692	\$ 2,375,692	\$ 438,950	\$ 438,950	\$ 2,814,642	\$ 2,814,642
Construction in progress	1,597,568	10,865,031	1,074,761	-	2,672,329	10,865,031
Infrastructure	35,541,603	37,308,397	1,455,286	1,366,263	36,996,889	38,674,660
Buildings	18,815,214	8,526,121	11,691	15,740	18,826,905	8,541,861
Other fixed assets	<u>2,600,275</u>	<u>2,614,046</u>	<u>660,393</u>	<u>693,226</u>	<u>3,260,668</u>	<u>3,307,272</u>
Total	<u>\$ 60,930,352</u>	<u>\$ 61,689,287</u>	<u>\$ 3,641,081</u>	<u>\$ 2,514,179</u>	<u>\$ 64,571,433</u>	<u>\$ 64,203,466</u>

McMinn County, Tennessee Change in Capital Assets
For the Fiscal Year-End June 30, 2015
Primary Government

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 123,904,127	\$ 115,641,051	\$ 8,290,344	\$ 8,192,149	\$ 132,194,471	\$ 123,833,200
Additions	13,265,067	10,993,814	1,267,595	102,995	14,532,662	11,096,809
Deletions	<u>(10,992,723)</u>	<u>(2,730,738)</u>	<u>-</u>	<u>(4,800)</u>	<u>(10,992,723)</u>	<u>(2,735,538)</u>
Balance before depreciation	126,176,471	123,904,127	9,557,939	8,290,344	135,734,410	132,194,471
Accumulated depreciation	<u>(65,246,119)</u>	<u>(62,214,840)</u>	<u>(5,916,858)</u>	<u>(5,776,165)</u>	<u>(71,162,977)</u>	<u>(67,991,005)</u>
Balance after depreciation	<u>\$ 60,930,352</u>	<u>\$ 61,689,287</u>	<u>\$ 3,641,081</u>	<u>\$ 2,514,179</u>	<u>\$ 64,571,433</u>	<u>\$ 64,203,466</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 7.1%, (not seasonally adjusted), which is a decrease from 8.1% at the end of fiscal year 2014. The county's unemployment rate is higher than the state rate for June 2015, 5.7%, (seasonally adjusted); and also higher than the national rate, 5.3%, (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 2015-2016 fiscal year.

During the current year, unassigned fund balance in the general fund decreased to \$2,44,983. The McMinn County Government's budget for the 2015-2016 fiscal year was balanced by appropriating \$975,631 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, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 351,310	\$ 75	\$ 351,385
Equity in pooled cash and investments	27,745,158	437,117	28,182,275
Receivables, net of allowance for uncollectibles	11,769,685	142,883	11,912,568
Due from component units	4,392	-	4,392
Inventories	37,521	-	37,521
Land and other nondepreciable assets	3,973,260	1,513,711	5,486,971
Other capital assets, net of accumulated depreciation	56,957,092	2,127,370	59,084,462
Net pension asset	5,270,233	-	5,270,233
Total assets	<u>106,108,651</u>	<u>4,221,156</u>	<u>110,329,807</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred pension outflows	352,494	-	352,494
Total assets and deferred outflows of resources	<u>106,461,145</u>	<u>4,221,156</u>	<u>110,682,301</u>
LIABILITIES			
Accounts payable and accrued expenses	884,247	25,335	909,582
Due to primary government	-	-	-
OPEB obligation	112,941	-	112,941
Long-term liabilities:			
Due in less than one year	292,304	-	292,304
Due in more than one year	-	5,275,940	5,275,940
Total liabilities	<u>1,289,492</u>	<u>5,301,275</u>	<u>6,590,767</u>
DEFERRED INFLOW OF RESOURCES			
Deferred pension inflows	3,958,816	-	3,958,816
Unavailable revenue - property taxes	9,253,013	-	9,253,013
Total deferred inflows of resources	<u>13,211,829</u>	<u>-</u>	<u>13,211,829</u>
NET POSITION			
Investment in capital assets	60,930,352	3,641,081	64,571,433
Restricted for:			
General	6,389	-	6,389
Road and Bridges	2,986,731	-	2,986,731
Constitutional Officers	297,262	-	297,262
Permanent Endowment	-	-	-
Expendable	1,022,268	-	1,022,268
Nonexpendable	3,094,167	-	3,094,167
Other uses	2,251,305	-	2,251,305
Unrestricted	21,371,350	(4,721,200)	16,650,150
Total net position	<u>\$ 91,959,824</u>	<u>\$ (1,080,119)</u>	<u>\$ 90,879,705</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
\$ -	\$ -
6,443,787	1,972,904
7,954,229	18,861
1,542	-
-	-
3,248,728	134,557
24,145,187	774,164
87,478	126,578
<u>41,880,951</u>	<u>3,027,064</u>
<u>2,104,229</u>	<u>16,258</u>
<u>43,985,180</u>	<u>3,043,322</u>
127,536	27,478
4,234	158
296,671	7,603
534,489	-
-	-
<u>962,930</u>	<u>35,239</u>
7,338,332	95,081
6,103,222	-
<u>13,441,554</u>	<u>95,081</u>
27,393,915	908,721
-	-
-	-
-	-
-	-
1,980,026	-
206,755	2,004,281
<u>\$ 29,580,696</u>	<u>\$ 2,913,002</u>

McMINN COUNTY, TENNESSEE
STATEMENT OF ACTIVITIES
Year ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Government activities:				
General government	\$ 9,075,257	\$ 2,263,280	\$ 3,128,504	\$ -
Public safety	6,004,940	360,906	-	-
Health	636,347	-	-	-
Social services	7,532	-	-	-
Culture and recreation	240,159	-	-	-
Roads and bridges	4,751,853	-	1,924,265	-
Total governmental activities	20,716,088	2,624,186	5,052,769	-
Business-type activities:				
Solid waste disposal	1,463,500	1,531,664	32,955	-
TOTAL PRIMARY GOVERNMENT	\$ 22,179,588	\$ 4,155,850	\$ 5,085,724	\$ -
Component units:				
Education	\$ 42,817,774	\$ 521,678	\$ 33,772,739	\$ -
Emergency communications	1,154,447	556,035	754,809	-
TOTAL COMPONENT UNITS	\$ 43,972,221	\$ 1,077,713	\$ 34,527,548	\$ -

General revenues:
Property taxes
Sales taxes
Business taxes
Hotel/Motel taxes
Other taxes
Pension income
Miscellaneous
Unrestricted investment earnings

Total general revenues

Change in net position

Net position - beginning, as previously reported

Change in accounting principle, GASB 68

Net position - beginning, as restated

Net position - 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
\$ (3,683,473)		\$ (3,683,473)		
(5,644,034)		(5,644,034)		
(636,347)		(636,347)		
(7,532)		(7,532)		
(240,159)		(240,159)		
<u>(2,827,588)</u>		<u>(2,827,588)</u>		
<u>(13,039,133)</u>		<u>(13,039,133)</u>		
	\$ <u>101,119</u>	<u>101,119</u>		
<u>(13,039,133)</u>	<u>101,119</u>	<u>(12,938,014)</u>		
			\$ (8,523,357)	
			<u>-</u>	\$ <u>156,397</u>
			<u>(8,523,357)</u>	<u>156,397</u>
10,007,979	-	10,007,979	6,655,063	-
522,001	-	522,001	4,196,261	-
307,894	-	307,894	120,668	-
466,250	-	466,250	-	-
918,201	-	918,201	42,622	-
518,977	-	518,977	96,808	-
711,179	1,438	712,617	61,218	17,250
<u>16,421</u>	<u>1,043</u>	<u>17,464</u>	<u>7,038</u>	<u>2,262</u>
<u>13,468,902</u>	<u>2,481</u>	<u>13,471,383</u>	<u>11,179,678</u>	<u>19,512</u>
429,769	103,600	533,369	2,656,321	175,909
90,652,841	(1,183,719)	89,469,122	34,059,663	2,718,061
<u>877,214</u>	<u>-</u>	<u>877,214</u>	<u>(7,135,288)</u>	<u>19,032</u>
<u>91,530,055</u>	<u>(1,183,719)</u>	<u>90,346,336</u>	<u>26,924,375</u>	<u>2,737,093</u>
<u>\$ 91,959,824</u>	<u>\$ (1,080,119)</u>	<u>\$ 90,879,705</u>	<u>\$ 29,580,696</u>	<u>\$ 2,913,002</u>

McMINN COUNTY, TENNESSEE

**BALANCE SHEET
GOVERNMENTAL FUNDS**

JUNE 30 2015

	<u>General</u>	<u>Road and Bridge</u>	<u>Constitutional Officers</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 351,310
Equity in pooled cash and investments	6,960,826	2,911,655	-
Receivables, net of allowance for uncollectibles	5,711,154	1,988,455	-
Due from other governmental funds	11,125	-	-
Due from component units	4,392	-	-
Inventories	37,521	-	-
	<u>12,725,018</u>	<u>4,900,110</u>	<u>351,310</u>
Total assets	\$ 12,725,018	\$ 4,900,110	\$ 351,310
LIABILITIES			
Accounts payable	\$ 84,896	\$ 266,948	\$ 54,048
Accrued items and other	183,430	39,316	-
Due to other funds	-	11,125	-
	<u>268,326</u>	<u>317,389</u>	<u>54,048</u>
Total liabilities	268,326	317,389	54,048
DEFERRED INFLOW OF RESOURCES			
Unavailable revenue - property taxes	<u>4,782,636</u>	<u>1,595,990</u>	<u>-</u>
Total deferred inflow of resources	4,782,636	1,595,990	-
Fund balances:			
Nonspendable	37,522	-	-
Assigned	3,375,493	-	-
Restricted for:			
General government	6,389	-	-
Alcohol and drug treatment	332,766	-	-
Sexual offender registration	41,769	-	-
Hotel/Motel tax	1,219,967	-	-
Road and bridges	-	2,986,731	-
Constitutional officers	-	-	297,262
Permanent Endowment			
Expendable	-	-	-
Nonexpendable	-	-	-
Other restricted activities	215,167	-	-
Unassigned	<u>2,444,983</u>	<u>-</u>	<u>-</u>
Total fund balances	7,674,056	2,986,731	297,262
Total liabilities, deferred inflows of resources, and fund balances	\$ 12,725,018	\$ 4,900,110	\$ 351,310

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

<u>Capital Projects</u>	<u>Woods Memorial Permanent Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 351,310
13,311,144	4,117,476	444,057	27,745,158
4,069,743	-	333	11,769,685
-	-	-	11,125
-	-	-	4,392
-	-	-	37,521
<u>\$ 17,380,887</u>	<u>\$ 4,117,476</u>	<u>\$ 444,390</u>	<u>\$ 39,919,191</u>
\$ 251,814	\$ -	\$ -	\$ 657,706
-	1,041	2,754	226,541
-	-	-	11,125
<u>251,814</u>	<u>1,041</u>	<u>2,754</u>	<u>895,372</u>
<u>3,936,246</u>	<u>-</u>	<u>-</u>	<u>10,314,872</u>
<u>3,936,246</u>	<u>-</u>	<u>-</u>	<u>10,314,872</u>
-	-	-	37,522
13,192,827	-	-	16,568,320
-	-	-	6,389
-	-	-	332,766
-	-	-	41,769
-	-	-	1,219,967
-	-	-	2,986,731
-	-	-	297,262
-	1,022,268	-	1,022,268
-	3,094,167	-	3,094,167
-	-	-	215,167
-	-	441,636	2,886,619
<u>13,192,827</u>	<u>4,116,435</u>	<u>441,636</u>	<u>28,708,947</u>
<u>\$ 17,380,887</u>	<u>\$ 4,117,476</u>	<u>\$ 444,390</u>	<u>\$ 39,919,191</u>

McMINN COUNTY, TENNESSEE

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

June 30, 2015

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

Fund balances - total governmental funds	\$ 28,708,947
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.	60,930,352
The net pension asset is considered a long-term asset and , therefore, not reported in the funds.	5,270,233
Deferred results and contributions to pension plans made after the measurement date are recorded as expenditures in the governmental funds but must be deferred in the statement of net position.	352,494
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.	1,061,859
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	(112,941)
Compensated absences	(292,304)
Certain amounts related to the net pension asset are deferred amortized over time. The items are not reported in the funds.	<u>(3,958,816)</u>
Net position of governmental activities	<u>\$ 91,959,824</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, 2015

	General	Road and Bridge	Constitutional Officers
REVENUES			
Taxes	\$ 6,501,049	\$ 1,682,468	\$ -
Intergovernmental	2,633,259	1,924,265	-
Charges for services	79,639	-	2,183,641
Fines, forfeitures and penalties	241,484	-	-
Investment earnings	13,075	2,061	752
Miscellaneous	395,975	152,965	7,600
Total revenues	<u>9,864,481</u>	<u>3,761,759</u>	<u>2,191,993</u>
EXPENDITURES			
Current:			
General government	4,402,002	-	1,035,580
Public safety	5,867,087	-	8,100
Health	636,347	-	-
Social services	7,532	-	-
Culture and recreation	240,159	-	-
Roads and bridges	-	3,295,962	-
Capital outlay:			
General government	-	-	-
Roads and bridges	-	-	-
Total expenditures	<u>11,153,127</u>	<u>3,295,962</u>	<u>1,043,680</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,288,646)</u>	<u>465,797</u>	<u>1,148,313</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	1,169,594	-	-
Transfers to other funds	-	-	(1,169,594)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(119,052)</u>	<u>465,797</u>	<u>(21,281)</u>
FUND BALANCES			
Beginning	<u>7,793,108</u>	<u>2,520,934</u>	<u>318,543</u>
Ending	<u>\$ 7,674,056</u>	<u>\$ 2,986,731</u>	<u>\$ 297,262</u>

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

Capital Projects	Woods Memorial Permanent Fund	Other Governmental Funds	Total Governmental Funds
\$ 3,987,357	\$ -	\$ -	\$ 12,170,874
495,245	-	-	5,052,769
-	-	-	2,263,280
-	-	119,422	360,906
-	-	533	16,421
146,725	-	7,914	711,179
<u>4,629,327</u>	<u>-</u>	<u>127,869</u>	<u>20,575,429</u>
-	17,457	45,486	5,500,525
-	-	116,749	5,991,936
-	-	-	636,347
-	-	-	7,532
-	-	-	240,159
-	-	-	3,295,962
4,648,220	-	-	4,648,220
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>4,648,220</u>	<u>17,457</u>	<u>162,235</u>	<u>20,320,681</u>
<u>(18,893)</u>	<u>(17,457)</u>	<u>(34,366)</u>	<u>254,748</u>
-	-	-	1,169,594
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,169,594)</u>
(18,893)	(17,457)	(34,366)	254,748
<u>13,211,720</u>	<u>4,133,892</u>	<u>476,002</u>	<u>28,454,199</u>
<u>\$ 13,192,827</u>	<u>\$ 4,116,435</u>	<u>\$ 441,636</u>	<u>\$ 28,708,947</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, 2015

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

Net change in fund balances - total governmental funds	\$ 254,748
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.	2,350,344
Depreciation expense on governmental capital assets are included in the governmental activities in the statement of activities.	(3,109,279)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements.	51,451
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	30,794
Change in pension income	518,977
Deferred pension contributions	352,494
Change in OPEB liability	<u>(19,760)</u>
Change in net position of governmental activities	<u>\$ 429,769</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 - GAAP BASIS - GENERAL FUND**

Year ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 5,963,434	\$ 6,004,934	\$ 6,501,049	\$ 496,115
Intergovernmental revenues	2,547,021	2,588,359	2,633,259	44,900
Charges for services	65,500	65,500	79,639	14,139
Fines, forfeitures and penalties	207,000	224,910	241,484	16,574
Investment earnings	13,000	13,000	13,075	75
Miscellaneous	<u>325,009</u>	<u>325,009</u>	<u>395,975</u>	<u>70,966</u>
Total revenues	<u>9,120,964</u>	<u>9,221,712</u>	<u>9,864,481</u>	<u>642,769</u>
EXPENDITURES				
Current:				
General government	4,666,010	4,781,120	4,402,002	379,118
Public safety	5,592,387	5,977,922	5,867,087	110,835
Health	836,195	846,245	636,347	209,898
Social services	7,532	7,532	7,532	-
Culture and recreation	<u>238,128</u>	<u>240,228</u>	<u>240,159</u>	<u>69</u>
Total expenditures	<u>11,340,252</u>	<u>11,853,047</u>	<u>11,153,127</u>	<u>699,920</u>
Excess of revenues over expenditures	<u>(2,219,288)</u>	<u>(2,631,335)</u>	<u>(1,288,646)</u>	<u>1,342,689</u>
OTHER FINANCING SOURCES				
Transfers in	<u>1,140,000</u>	<u>1,140,000</u>	<u>1,169,594</u>	<u>29,594</u>
Total other financing sources	<u>1,140,000</u>	<u>1,140,000</u>	<u>1,169,594</u>	<u>29,594</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ (1,079,288)</u>	<u>\$ (1,491,335)</u>	(119,052)	<u>\$ 1,372,283</u>
Fund Balances				
Beginning			<u>7,793,108</u>	
Ending			<u>\$ 7,674,056</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, 2015

	Budget Original	Budget Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,576,307	\$ 1,583,732	\$ 1,682,468	\$ 98,736
Intergovernmental revenues	1,926,350	1,926,350	1,924,265	(2,085)
Investment earnings	3,600	3,600	2,061	(1,539)
Sale of equipment	-	124,000	143,311	19,311
Miscellaneous	6,000	1,000	9,654	8,654
Total revenues	<u>3,512,257</u>	<u>3,638,682</u>	<u>3,761,759</u>	<u>123,077</u>
EXPENDITURES				
Current:				
Road and bridge:				
Administration	227,732	227,732	216,669	11,063
Highway and bridge maintenance	2,377,288	2,384,713	1,956,867	427,846
Equipment maintenance and operation	681,212	681,212	478,582	202,630
Other charges	196,768	197,228	197,225	3
Employee benefits	34,832	64,832	62,528	2,304
Interest on notes	1,000	1,000	-	1,000
Capital outlay	<u>657,097</u>	<u>776,097</u>	<u>384,091</u>	<u>392,006</u>
Total budgetary expenditures	<u>4,175,929</u>	<u>4,332,814</u>	<u>3,295,962</u>	<u>1,036,852</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ (663,672)</u>	<u>\$ (694,132)</u>	465,797	<u>\$ (913,775)</u>
Fund Balances				
Beginning			<u>2,520,934</u>	
Ending			<u>\$ 2,986,731</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, 2015

	<u>Business-type Activities- Solid Waste Disposal Fund</u>
ASSETS	
Current assets:	
Petty cash	\$ 74
Equity in pooled cash and investments	437,118
Accounts receivable, net of allowance for doubtful accounts	<u>142,883</u>
Total current assets	<u>580,075</u>
Noncurrent assets:	
Capital assets -	
Land and other nondepreciable assets	438,950
Construction in process	1,074,761
Capital assets, net of accumulated depreciation	<u>2,127,370</u>
Total capital assets	<u>3,641,081</u>
Total assets	<u>4,221,156</u>
LIABILITIES	
Current liabilities:	
Accounts payable	17,930
Accrued payroll	<u>7,405</u>
Total current liabilities	25,335
Long-term liabilities:	
Estimated liability for closure and post-closure costs	<u>5,275,940</u>
Total liabilities	<u>5,301,275</u>
NET POSITION	
Investment in capital assets	3,641,081
Unrestricted	<u>(4,721,200)</u>
Total net position	<u>\$ (1,080,119)</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, 2015

	<u>Business-type Activities- Solid Waste Disposal Fund</u>
OPERATING REVENUES	
Charges for services	\$ 1,531,664
Other state revenues	<u>32,955</u>
Total operating revenues	<u>1,564,619</u>
OPERATING EXPENSES	
Salaries and wages	348,979
Repairs and maintenance	249,509
Surcharges	53,325
Closure and post-closure care costs	159,232
Contracts with private agencies	37,469
Employee benefits	93,652
Fuel	116,168
Supplies and materials	59,453
Insurance	22,741
Other	182,673
Depreciation and amortization	<u>140,300</u>
Total operating expenses	<u>1,463,500</u>
Operating loss	101,119
NONOPERATING REVENUES	
Miscellaneous	1,438
Investment earnings	<u>1,043</u>
Change in net position	103,600
NET POSITION	
Beginning	<u>(1,183,719)</u>
Ending	<u>\$ (1,080,119)</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, 2015

	<u>Business-type Activities- Solid Waste Disposal Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,531,664
Payments to employees	(348,979)
Payments for goods and services	<u>(974,221)</u>
Net cash from operating activities	<u>208,464</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Receipts from other state revenues	32,955
Miscellaneous	<u>1,438</u>
Net cash provided by non-capital financing activities	<u>34,393</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	<u>(1,211,125)</u>
Net cash from capital and related financing activities	<u>(1,211,125)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>1,043</u>
Net cash from investing activities	<u>1,043</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(967,225)
BEGINNING CASH AND CASH EQUIVALENTS	<u>1,404,417</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 437,192</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ 101,119
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES	
Depreciation and amortization expense	140,300
Increase in accounts receivable	(41,417)
Decrease in accounts payable	1,035
Increase in liability for closure and postclosure care costs	<u>7,427</u>
Total adjustments	<u>107,345</u>
Net cash used by operating activities	<u>\$ 208,464</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, 2015

	Athens School Fund	Etowah School Fund	Judicial District Drug Fund	Constitutional Officers Agency Funds
ASSETS				
Cash	\$ -	\$ -	\$ -	\$ 855,551
Investments	-	-	-	1,534,474
Equity in pooled cash and investments	-	-	1,090,299	-
Receivables:				
Property taxes	1,752,745	349,560	-	-
Accounts	<u>193,303</u>	<u>38,224</u>	<u>492</u>	<u>-</u>
Total assets	<u>1,946,048</u>	<u>387,784</u>	<u>1,090,791</u>	<u>2,390,025</u>
LIABILITIES				
Accrued items and other	193,303	38,224	-	-
Intergovernmental payables	-	-	1,090,791	234,757
Due to litigants, heirs and others	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,155,268</u>
Total liabilities	<u>193,303</u>	<u>38,224</u>	<u>1,090,791</u>	<u>2,390,025</u>
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue - property taxes	<u>1,752,745</u>	<u>349,560</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>1,752,745</u>	<u>349,560</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, 2015

	<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 Benefit Plans	A - 31
Note I - Other Postemployment Benefits (OPEB)	A - 39
Note J - Long-term Liabilities	A - 42
Note K - Interfund Receivables and Payables	A - 42
Note L - Interfund Transfers	A - 42
Note M - Major Taxpayers	A - 43
Note N - Joint Ventures	A - 43
Note O - Litigation	A - 43
Note P - Risk Management	A - 44
Note Q - Accounting Changes	A - 44
Note R - Subsequent Events	A - 44
Note S - Prior Period Adjustment	A - 44

McMINN COUNTY, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

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 Ventures.

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 Ventures.

(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 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 governmental 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.

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.

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.

(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, Law Library and Fraud and Economic Crimes Fraud Special Revenue Funds are not subject to the budgetary control of the County Commission. Therefore, these funds are presented as unbudgeted special revenue funds.

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. Outstanding encumbrances are reappropriated in the subsequent year. The County did not have encumbrances recorded at year end.

(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 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

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) Pensions

For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of McMinn County's, the Teacher Legacy Pension Plan and the Teacher Retirement Plan's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS, the Teacher Legacy Pension Plan and the Teacher Retirement Plan. Investments are reported at fair value.

l) 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, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net to the applicable bond premium or discount. Bond issuance costs are reported as expense in the period incurred.

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.

m) 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.

Investment in Capital Assets is intended to reflect the net position of 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.

n) 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, 2015, the General fund assigned balance consists of \$2,879,650 Debt Service; \$384,327 Emergency Services; \$88,035 Health Department; and \$23,481 Public Health.

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>Woods Memorial</u>	<u>Other Governmental</u>
Nonspendable	\$ 37,522	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned	3,375,493	-	-	13,192,827	-	441,636
Restricted	1,816,058	2,986,731	297,262	-	4,116,435	-
Unassigned	<u>2,444,983</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$7,674,056</u>	<u>\$2,986,731</u>	<u>\$ 297,262</u>	<u>\$ 13,192,827</u>	<u>\$4,116,435</u>	<u>\$ 441,636</u>

(8) REVENUES, EXPENDITURES, AND EXPENSES

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.

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, 2014
Levy date	October 1, 2014
Tax bills mailed	October 1, 2014
Payment due dates	October 1, 2014 through February 28, 2015
Delinquency date	March 1, 2015

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.

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, 2015, the County had no material excess of expenditures over appropriations in individual funds.

Deficit Net Position

The solid waste fund, an enterprise fund, has a deficit in net position of \$1,080,119 at June 30, 2015. This deficit resulted from a decrease in operating activity. The deficit decreased by \$103,600 from the prior year.

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 2015, 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, 2015, the carrying amount of the County’s deposits is as follows:

Balances with the Trustee are as follows:

Cash on hand	\$ 256,256
Bank accounts	8,975,710
Interest-bearing deposits in financial institutions	<u>30,131,009</u>
	<u>\$ 39,362,975</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	\$ 28,556,090	\$ 373,815	\$28,182,275
Component units:			
Board of Education	7,491,510	1,047,723	6,443,787
Emergency Communications District	<u>1,986,028</u>	<u>13,124</u>	<u>1,972,904</u>
Total government-wide	38,033,628	1,434,662	36,598,966
Trustee:			
Fee and Commission	232,531	-	232,531
Agency fund:			
Judicial District Drug	<u>1,096,816</u>	<u>6,517</u>	<u>1,090,299</u>
	<u>\$ 39,362,975</u>	<u>\$ 1,441,179</u>	<u>\$37,921,796</u>

Deposits held by Constitutional Officers are as follows:

	Constitutional Officers Special Revenue Funds (Major Fund)	Agency Funds	Total
Circuit, General Sessions and Probate Clerks	\$ 33,833	\$ 1,384,811	\$ 1,418,644
Clerk and Master	7,722	770,457	778,179
County Clerk	66,829	174,191	241,020
Register of Deeds	20,394	-	20,394
Trustee	222,531	-	222,531
Sheriff	<u>1</u>	<u>60,566</u>	<u>60,567</u>
	<u>\$ 351,310</u>	<u>\$ 2,390,025</u>	<u>\$ 2,741,335</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, 2015, 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, 2015, consist of the following:

Funds	Property Taxes	Other Taxes	Accounts	Notes	Allowance for Uncollectible	Net
Primary Government:						
General	\$ 5,163,687	\$ 179,710	\$ 728,757	\$ -	\$ 361,000	\$5,711,154
Road and bridge	1,723,757	376,671	9,027	-	121,000	1,988,455
Capital projects	4,250,935	1,795	30,013	85,000	298,000	4,069,743
Nonmajor	<u>-</u>	<u>-</u>	<u>333</u>	<u>-</u>	<u>-</u>	<u>333</u>
	11,138,379	558,176	768,130	85,000	780,000	11,769,685
Business-type Activity:						
Solid waste disposal	<u>-</u>	<u>-</u>	<u>165,518</u>	<u>-</u>	<u>22,635</u>	<u>142,883</u>
	<u>\$ 11,138,379</u>	<u>\$ 558,176</u>	<u>\$ 933,648</u>	<u>\$ 85,000</u>	<u>\$ 802,635</u>	<u>\$11,912,568</u>
Component Units:						
Board of Education	\$ 7,356,993	\$ 745,286	\$ 366,950	\$ -	\$ 515,000	\$7,954,229
E-911	<u>-</u>	<u>-</u>	<u>18,861</u>	<u>-</u>	<u>-</u>	<u>18,861</u>
	<u>\$ 7,356,993</u>	<u>\$ 745,286</u>	<u>\$ 960,235</u>	<u>\$ -</u>	<u>\$ 544,047</u>	<u>\$8,224,769</u>
Fiduciary:						
Agency	<u>\$ 2,261,305</u>	<u>\$ 232,019</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 159,000</u>	<u>\$2,334,324</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 \$5,275,940 as of June 30, 2015, which is based on 57.40% usage of the landfill. It is estimated that an additional \$3,908,152 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 16.3 and 7.8 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, 2015. However, the actual cost of closure and post closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

NOTE F – COMMITMENTS AND CONTINGENCIES

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

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

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

NOTE G – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, is as follows:

Primary Government	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$ 2,375,692	\$ -	\$ -	\$ 2,375,692
Construction in progress	<u>10,865,031</u>	<u>1,647,260</u>	<u>10,914,723</u>	<u>1,597,568</u>
Total non-depreciable assets	<u>13,240,723</u>	<u>1,647,260</u>	<u>10,914,723</u>	<u>3,973,260</u>
Depreciable Assets:				
Infrastructure	85,748,175	398,968	-	86,147,143
Buildings	15,225,133	10,717,437	-	25,942,570
Equipment, furniture and vehicles	<u>9,690,096</u>	<u>501,402</u>	<u>78,000</u>	<u>10,113,498</u>
Total depreciable assets	<u>110,663,404</u>	<u>11,617,807</u>	<u>78,000</u>	<u>122,203,211</u>
Less Accumulated Depreciation for:				
Infrastructure	48,439,778	2,165,762	-	50,605,540
Buildings	6,699,012	428,344	-	7,127,356
Equipment, furniture and vehicles	<u>7,076,050</u>	<u>515,173</u>	<u>78,000</u>	<u>7,513,223</u>
Total accumulated depreciation	<u>62,214,840</u>	<u>3,109,279</u>	<u>78,000</u>	<u>65,246,119</u>
Depreciable Assets, net	<u>48,448,564</u>	<u>8,508,528</u>	<u>-</u>	<u>56,957,092</u>
Governmental activities capital assets, net	<u>\$ 61,689,287</u>	<u>\$ 10,155,788</u>	<u>\$ 10,914,723</u>	<u>\$60,930,352</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>1,074,761</u>	<u>-</u>	<u>1,074,761</u>
Total non-depreciable assets	<u>438,950</u>	<u>1,074,761</u>	<u>-</u>	<u>1,513,711</u>
Depreciable Assets:				
Infrastructure	5,205,977	92,865	-	5,298,842
Buildings	160,572	-	-	160,572
Equipment, furniture and vehicles	<u>2,484,845</u>	<u>99,969</u>	<u>-</u>	<u>2,584,814</u>
Total depreciable assets	<u>7,851,394</u>	<u>192,834</u>	<u>-</u>	<u>8,044,228</u>
Less Accumulated Depreciation for:				
Infrastructure	3,839,714	3,842	-	3,843,556
Buildings	144,832	4,049	-	148,881
Equipment, furniture and vehicles	<u>1,791,619</u>	<u>132,802</u>	<u>-</u>	<u>1,924,421</u>
Total accumulated depreciation	<u>5,776,165</u>	<u>140,693</u>	<u>-</u>	<u>5,916,858</u>
Depreciable Assets, net	<u>2,075,229</u>	<u>52,141</u>	<u>-</u>	<u>2,127,370</u>
Governmental activities capital assets, net	<u>\$ 2,514,179</u>	<u>\$ 1,126,902</u>	<u>\$ -</u>	<u>\$ 3,641,081</u>

Discretely Presented Component Units

	Beginning Balance	Additions	Retirements	Ending Balance
Non-Depreciable Assets:				
Land	\$ 994,498	\$ -	\$ -	\$ 994,498
Construction in progress	<u>-</u>	<u>2,388,787</u>	<u>-</u>	<u>2,388,787</u>
Total non-depreciable assets	<u>994,498</u>	<u>2,388,787</u>	<u>-</u>	<u>3,383,285</u>
Depreciable Assets:				
Buildings	46,789,922	14,170	-	46,804,092
Equipment, furniture and vehicles	<u>7,586,519</u>	<u>270,699</u>	<u>-</u>	<u>7,857,218</u>
Total depreciable assets	<u>54,376,441</u>	<u>284,869</u>	<u>-</u>	<u>54,661,310</u>
Less Accumulated Depreciation for:				
Buildings	22,227,875	1,406,814	-	23,658,988
Equipment, furniture and vehicles	<u>5,650,274</u>	<u>456,996</u>	<u>-</u>	<u>6,082,971</u>
Total accumulated depreciation	<u>27,878,149</u>	<u>1,863,810</u>	<u>-</u>	<u>29,741,959</u>
Depreciable Assets, net	<u>26,498,292</u>	<u>(1,578,941)</u>	<u>-</u>	<u>24,919,351</u>
Component units capital assets, net	<u>\$ 27,492,790</u>	<u>\$ 809,846</u>	<u>\$ -</u>	<u>\$28,302,636</u>

Depreciation expense is charged to functions as follows:

Primary Government – Governmental Activities:

General government	\$ 997,821
Public safety	13,004
Public works	<u>2,098,454</u>
Total	<u>\$ 3,109,279</u>

Business-type activities:

Solid waste disposal fund	<u>\$ 140,300</u>
---------------------------	-------------------

Discretely Presented Component Units:

Education	\$ 1,732,241
"E-911" Emergency communications	<u>131,569</u>
Total	<u>\$ 1,863,810</u>

NOTE H – EMPLOYEE BENEFIT PLANS

Tennessee Consolidated Retirement System – McMinn County

General Information about the Pension Plan

Plan description. Employees of McMinn County including the E-911 discretely-presented component unit are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service.

Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms. At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	354
Inactive employees entitled to but not yet receiving benefits	498
Active employees	469
	<u>1,321</u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. McMinn County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for McMinn County were \$352,494 based on a rate of 3.17% percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept McMinn County's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

McMinn County's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, average 4.25 percent
Investment rate or return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique.

The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	<u>1%</u>
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from McMinn County will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes on Net Pension Liability (Asset)

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Asset (a) – (b)</u>
Balances at 6/30/2013	\$ 47,733,748	\$ 47,789,811	\$ (56,063)
Changes for the year:			
Service cost	1,060,056	-	1,060,056
Interest expense	3,561,893	-	3,561,893
Differences between expected and actual experience	(784,897)	-	(784,897)
Contributions – employer	-	755,409	(755,409)
Contributions – employees	-	622,258	(622,258)
Net investment income	-	7,819,985	(7,819,985)
Benefits payments, including refunds of employee contributions	(2,603,798)	(2,603,798)	-
Administrative expense	-	(19,852)	19,852
Net changes	<u>1,233,254</u>	<u>6,574,002</u>	<u>(5,340,748)</u>
Balances at 6/30/2014	<u>\$ 48,967,002</u>	<u>\$ 54,363,813</u>	<u>\$ (5,396,811)</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of McMinn County calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability (asset)	\$ <u>501,251</u>	\$ <u>(5,396,811)</u>	\$ <u>(10,299,684)</u>

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension income. For the year ended June 30, 2015, McMinn County recognized pension income of \$531,442.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, McMinn County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 627,918
Net difference between projected and actual earnings on pension plan investments	-	3,425,979
Contributions subsequent to the measurement date of June 30, 2014	<u>352,494</u>	<u>-</u>
Total	<u>\$ 352,494</u>	<u>\$ 4,053,897</u>

* The amount shown above for “Contributions subsequent to the measurement date of June 30, 2014,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2016	\$(1,013,474)
2017	(1,013,474)
2018	(1,013,474)
2019	(1,013,474)
2020	-
Thereafter	-

*In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan

At June 30, 2015, McMinn County reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

Tennessee Consolidated Retirement System – McMinn County Schools Teacher Legacy Pension Plan

General Information about the Pension Plan

Plan description. Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of McMinn County Schools are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The Local Education Agencies (LEA) makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. If required employer contributions are not remitted. Employer contributions by McMinn County Schools for the year ended June 30, 2015, to the Teacher Legacy Pension Plan were \$1,734,492 which is 3.17% percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension asset. At June 30, 2014, the McMinn County Schools reported an asset of \$87,478 for its proportionate share of net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. McMinn County School's proportion of the net pension liability was based on McMinn County School's employer contributions to the pension plan during the year ended June 30, 2014 relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014 measurement date, McMinn County School's proportion was 0.54 percent. The proportion measured as of June 30, 2013 was 0.55 percent.

Pension income. For the year ended June 30, 2015, McMinn County recognized pension income of \$96,808.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, McMinn County Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 212,374	\$ -
Net difference between projected and actual earnings on pension plan investments	-	7,207,626
Changes in proportion of net pension liability (asset)	-	130,706
LEA's contributions subsequent to the measurement date of June 30, 2014	<u>1,734,492</u>	<u>-</u>
Total	<u>\$ 1,946,866</u>	<u>\$ 7,338,332</u>

McMinn County Schools employer contributions of \$1,734,492, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2016	\$(1,788,295)
2017	(1,788,295)
2018	(1,788,295)
2019	(1,788,295)
2020	13,611
Thereafter	13,611

*In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Actuarial assumptions. The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, average 4.25 percent
Investment rate or return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	<u>1%</u>
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from McMinn County will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of McMinn County School's calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Net pension liability (asset)	<u>\$14,754,145</u>	<u>\$ (87,478)</u>	<u>\$(12,374,732)</u>

Payable to the Pension Plan

At June 30, 2015, McMinn County reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

Tennessee Consolidated Retirement System – McMinn County Schools Teacher Retirement Plan

General Information about the Pension Plan

Plan description. Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of McMinn County Schools are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014 are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a separate cost-sharing, multiple-employer defined benefit plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire at 65 years of age with 5 years of service credit or pursuant to the rule 90 in which the member's age and credit service total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The Local Education Agencies (LEA) makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provision governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by McMinn County Schools for the year ended June 30, 2015, to the Teacher Legacy Pension Plan were \$157,364 which is 3.17% percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liabilities. Since the measurement date is June 30, 2014, which is prior to the July 1, 2014 inception of the Teacher Retirement Plan, there is not a net pension liability to report at June 30, 2015.

Pension expense. Since the measurement date is June 30, 2014, McMinn County Schools did not recognize a pension expense at June 30, 2015.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, McMinn County Schools reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
McMinn County School’s contributions subsequent to the measurement date of June 30, 2014	\$ 157,364	\$ -
Total	<u>\$ 157,364</u>	<u>\$ -</u>

McMinn County Schools employer contributions of \$157,364, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction in net pension liability in the year ended June 30, 2016.

Payable to the Pension Plan

At June 30, 2015, McMinn County Schools reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

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, 2015, 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, 2015, 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	\$ 24,107	\$ 277,631	\$ 301,735
Interest on net OPEB obligation	3,726	2,679	6,405
Adjustment to annual required contribution	<u>(4,395)</u>	<u>(4,205)</u>	<u>(8,600)</u>
Annual OPEB cost	23,438	276,105	299,540
Contributions made	<u>(3,678)</u>	<u>(46,397)</u>	<u>(50,075)</u>
Increase (decrease) in net OPEB obligation	19,760	229,708	249,465
Net OPEB obligation beginning of year	<u>93,181</u>	<u>66,963</u>	<u>160,144</u>
Net OPEB obligation end of year	<u>\$ 112,941</u>	<u>\$ 296,671</u>	<u>\$ 409,612</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	\$ 23,438	\$ 276,105	\$ 299,540
Percentage of annual OPEB cost contributed	15.7%	16.8%	16.7%
Net OPEB obligation	\$ 112,941	\$ 296,671	\$ 409,612

(4) Funded Status and Funding Progress

Primary Government:

As of July 1, 2014, the most recent actuarial valuation date, the County's Plan was 0% funded. The actuarial accrued liability for benefits was \$186,098, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$186,098. The covered payroll (annual payroll of active employees covered by the plan) was \$11,531,584, and the ratio of the UAAL to the covered payroll was 1.60%. 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, 2014, the most recent actuarial valuation date, the Board's Plan was 0% funded. The actuarial accrued liability for benefits was \$2,255,221, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,255,221.

The covered payroll (annual payroll of active employees covered by the plan) was \$27,291,960, and the ratio of the UAAL to the covered payroll was N/A.

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, 2014, 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
2014 trend rates – medical	8.00%	8.00%
Ultimate medical cost trend rate	5.00%	5.00%
Year ultimate medical trend rate reached	2020	2020
Projected annual increase in payroll	2.50%	2.50%
UAAL amortization period	25.35 years	17.79 years

NOTE J – LONG-TERM LIABILITIES

Included in Long-Term Liabilities was the accrual for compensated absences. The balance of the liability was \$292,304 included in governmental funds and \$534,489 in the component units. 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, 2015, changes in long-term debt were as follows:

	Beginning Balance	Adjustments/ Additions	Adjustments/ Retirements	Ending Balance	Current Portion
Governmental Activities					
Compensated absences	\$ 323,098	\$ -	\$ 30,794	\$ 292,304	\$ 292,304
Business-type Activities					
Landfill closure and post closure costs	5,179,481	96,459	-	5,275,940	-
Component Unit McMinn County BOE					
Compensated absences	<u>193,071</u>	<u>341,418</u>	<u>-</u>	<u>534,489</u>	<u>534,489</u>
	<u>\$ 5,695,650</u>	<u>\$ 437,877</u>	<u>\$ 30,794</u>	<u>\$ 6,102,733</u>	<u>\$ 826,793</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, 2015, 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	\$ 4,392
		<u>\$ 4,392</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	\$ 4,234
General Fund	E-911 Agency	158
		<u>\$ 4,392</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, 2015, is as follows:

Primary Government

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
Other governmental funds:		
Trustee	General Fund	\$ 390,000
County Clerk	General Fund	515,356
Circuit, General Sessions and Probate Clerk	General Fund	50,000
Clerk and Master	General Fund	<u>214,238</u>
		<u>\$ 1,169,594</u>

These transfers were properly approved by the County Commission.

NOTE M – MAJOR TAXPAYERS

The County has one taxpayer that paid 8% of the total 2014 property taxes billed and collected prior to June 30, 2015.

NOTE N – 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 (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, 2015, is \$10,765,000 of which McMinn County’s exposure would be 50% or \$5,382,500. 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, 2015, the latest available audited financial statements, is as follows:

Total assets	\$ 2,958,039
Total deferred outflows of resources	12,177
Total liabilities	(142,163)
Total deferred inflows of resources	<u>(45,038)</u>
Total net position	<u>\$ 2,783,015</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, 2015.

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 2015 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 – ACCOUNTING CHANGES

Provisions of Governmental Accounting Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*; Statement No. 69, *Government Combinations and Disposals of Government Operations*; and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* became effective for the year ended June 30, 2015.

GASB Statement No. 68, replaces the requirement of Statements No. 27 and No. 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this statement. This statement establishes standards for measuring recognizing liabilities, deferred outflows/inflows, and expenses/expenditures.

GASB Statement No. 69, establishes accounting and financial reporting standards related to government combinations and disposals of government operations such as mergers, acquisitions, and transfer of operations.

GASB Statement No. 71, addresses issues related to amounts of contributions made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

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 – PRIOR PERIOD ADJUSTMENT

In prior years, the government was not required to recognize a liability for its defined benefit plans. However, with the implementation of GASB Statement, No. 68, government employers are required to recognize a net pension liability in their Statement of Net Position. Therefore, a restatement to McMinn County's and the McMinn County Board of Education's beginning net position has been recognized on the Statement of Activities totaling \$877,214 and \$(7,135,288) respectively. In addition, a restatement to the E-911 component unit was made for \$19,032.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MD&A**

McMINN COUNTY, TENNESSEE

SCHEDULE OF FUNDING PROGRESS

June 30, 2015

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						
07/01/14	\$ -	\$ 186,098	\$ 186,098	0.00%	\$ 11,531,584	1.60%
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
Board of Education						
07/01/14	\$ -	\$ 2,255,221	\$ 2,255,221	0.00%	\$ 27,291,960	N/A
07/01/12	-	2,392,090	2,392,090	0.00%	19,902,439	12.00%
07/01/10	-	1,980,373	1,980,373	0.00%	19,823,388	10.00%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method.

McMINN COUNTY, TENNESSEE

SCHEDULE OF CHANGES IN MCMINN COUNTY'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS

Last Fiscal Year Ending June 30

	2014
Total Pension Liability (Asset)	
Service cost	\$ 1,060,056
Interest	3,561,893
Changes in benefit terms	-
Differences between actual and expected experience	(784,897)
Change in assumptions	-
Benefit payments, including refunds of employee contributions	<u>(2,603,798)</u>
Net change in total pension liability	1,233,254
Total pension liability - beginning	<u>47,733,748</u>
Total pension liability - ending (a)	<u><u>\$ 48,967,002</u></u>
 Plan Fiduciary Net Position	
Contributions - employer	\$ 755,409
Contributions - employee	622,258
Net investment income	7,819,985
Benefit payments, including refunds of employee contributions	(2,603,798)
Administrative expense	<u>(19,852)</u>
Net change in plan fiduciary net position	6,574,002
Plan fiduciary net position - beginning	<u>47,789,811</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 54,363,813</u></u>
 Net Pension Liability (asset) - ending (a) - (b)	<u><u>\$ (5,396,811)</u></u>
 Plan fiduciary net position as a percentage of total pension liability	111.02%
 Covered - employee payroll	\$ 12,445,043
 Net pension liability (asset) as a percentage of covered-employee payroll	43.37%

Note: This is a 10-year schedule; however, the information in this schedule is not required to be presented retrospectively. Years will added to this schedule in future fiscal years until 10 years of information is available.

McMINN COUNTY, TENNESSEE

SCHEDULE OF MCMINN COUNTY'S CONTRIBUTIONS

BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS

Last Fiscal Year Ending June 30

	2014	2015
Actuarially determined contribution	\$ 755,409	\$ 352,494
Contributions in relation to the actuarially determined contribution	<u>755,409</u>	<u>352,494</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$12,445,043	\$11,119,685
Contributions as a percentage covered-employee payroll	6.07%	3.17%

Note: This is a 10-year schedule; however, the information in this schedule is not required to be presented retrospectively. Years will added to this schedule in future fiscal years until 10 years of information is available.

McMINN COUNTY, TENNESSEE

**SCHEDULE OF MCMINN COUNTY SCHOOLS'S PROPORTIONATE SHARE
OF THE NET PENSION ASSET TEACHER LEGACY PENSION PLAN OF
TCRS**

Last Fiscal Year Ending June 30

	2014
McMinn County schools's proportion of the net pension asset	0.538341%
McMinn County Schools's proportionate share of the net pension asset	\$ 87,478
McMinn County Schools's covered-employee payroll	\$ 21,129,806
McMinn County Schools's proportionate share of the net pension asset as a percentage of its covered-employee payroll	0.41%
Plan fiduciary net position as a percentage of the total pension liability	100.08%

*The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule; however, the information in this schedule is not required to be presented retrospectively. Years will added to this schedule in future fiscal years until 10 years of information is available.

McMINN COUNTY, TENNESSEE

**SCHEDULE OF MCMINN COUNTY SCHOOLS'S CONTRIBUTIONS
TEACHER LEGACY PLAN OF TCRS**

Last Fiscal Year Ending June 30

	2014	2015
Actuarially determined contribution	\$ 1,876,330	\$ 1,734,492
Contributions in relation to the actuarially determined contribution	<u>1,876,330</u>	<u>1,734,492</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
McMinn County Schools's covered-employee payroll	\$21,129,806	\$54,715,836
Contributions as a percentage of McMinn County Schools's covered-employee payroll	8.88%	3.17%

Note: This is a 10-year schedule; however, the information in this schedule is not required to be presented retrospectively. Years will added to this schedule in future fiscal years until 10 years of information is available.

McMINN COUNTY, TENNESSEE

**SCHEDULE OF MCMINN COUNTY SCHOOLS'S CONTRIBUTIONS
TEACHER RETIREMENT PLAN OF TCRS**

Last Fiscal Year Ending June 30

	2015
Actuarially determined contribution	\$ 157,364
Contributions in relation to the actuarially determined contribution	<u>157,364</u>
Contribution deficiency (excess)	<u>\$ -</u>
McMinn County Schools's covered-employee payroll	\$4,964,164
Contributions as a percentage of McMinn County Schools's covered-employee payroll	3.17%

Note: This is a 10-year schedule; however, the information in this schedule is not required to be presented retrospectively. Years will added to this schedule in future fiscal years until 10 years of information is available.

McMINN COUNTY, TENNESSEE

NOTES TO PENSION SCHEDULE

June 30, 2015

Valuation date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	1 year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based in age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

OTHER SUPPLEMENTARY INFORMATION

McMINN COUNTY, TENNESSEE

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

Year ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property taxes	\$ 4,400,565	\$ 4,400,565	\$ 4,549,441	\$ 148,876
Local sales tax	465,000	465,000	581,176	116,176
Hotel/Motel taxes	230,000	266,500	415,598	149,098
Other taxes	867,869	872,869	954,834	81,965
Total taxes	<u>5,963,434</u>	<u>6,004,934</u>	<u>6,501,049</u>	<u>496,115</u>
Intergovernmental revenues:				
State of Tennessee	2,291,399	2,332,737	2,330,842	(1,895)
United States Government	255,622	255,622	302,417	46,795
Total intergovernmental revenues	<u>2,547,021</u>	<u>2,588,359</u>	<u>2,633,259</u>	<u>44,900</u>
Charges for services:				
Other	65,500	65,500	79,639	14,139
Total charges for services	<u>65,500</u>	<u>65,500</u>	<u>79,639</u>	<u>14,139</u>
Fines, forfeitures and penalties	207,000	224,910	241,484	16,574
Investment earnings	13,000	13,000	13,075	75
Miscellaneous	325,009	325,009	395,975	70,966
Total revenues	<u>9,120,964</u>	<u>9,221,712</u>	<u>9,864,481</u>	<u>642,769</u>
EXPENDITURES				
Current:				
General government:				
County Commission	154,011	154,011	134,975	19,036
County Mayor	234,527	236,027	230,033	5,994
County Attorney	37,242	46,942	46,893	49
Election Commission	259,663	261,163	235,659	25,504
Register of Deeds	40,190	40,190	35,894	4,296
Planning Commission	51,386	52,136	50,057	2,079
County buildings	396,178	399,928	362,330	37,598
Accounting and budgeting	536,013	543,513	496,692	46,821
Purchasing	10,000	10,000	(26,095)	36,095
Property Assessor's office	422,595	427,095	403,064	24,031

(continued)

McMINN COUNTY, TENNESSEE

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

Year ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES (continued):				
Current (continued):				
General government (continued):				
County Trustee	\$ 47,900	\$ 47,900	\$ 43,380	\$ 4,520
County Clerk	568,387	576,637	553,824	22,813
Audit services	39,900	39,900	39,900	-
Circuit Court	74,809	79,809	79,037	772
General Sessions Court	246,994	246,994	240,685	6,309
Drug Court	13,000	25,910	-	25,910
Chancery Court	269,683	271,933	241,028	30,905
Courtroom Security	160,454	167,704	167,332	372
Agricultural Extension Service	147,138	147,138	126,003	21,135
Soil conversation	36,511	37,261	37,017	244
Interest on notes	1,000	1,000	-	1,000
Tourism	76,659	113,159	113,061	98
Industrial development	177,274	177,274	156,587	20,687
Airport	52,600	52,600	46,625	5,975
Veterans' services	84,896	86,396	78,911	7,485
Other insurance	216,000	227,500	228,808	(1,308)
Trustee's commission	120,000	120,000	114,308	5,692
Employee benefits	191,000	191,000	165,994	25,006
Total general government	<u>4,666,010</u>	<u>4,781,120</u>	<u>4,402,002</u>	<u>379,118</u>
Public safety:				
Sheriff's department	1,645,609	1,749,854	1,716,674	33,180
Special patrols	81,628	83,128	78,873	4,255
Sexual Offender Registry	3,000	3,000	2,547	453
Jail	2,817,166	3,048,406	3,048,203	203
Juvenile services	314,976	319,476	263,614	55,862
Work release program	45,480	46,230	38,294	7,936
Fire prevention and control	89,905	128,905	128,487	418
Civil defense	376,804	376,804	376,802	2
Rescue squad	8,100	8,100	8,100	-
Other emergency management	162,719	164,219	155,758	8,461
County medical examiner	47,000	49,800	49,735	65
Total public safety	<u>5,592,387</u>	<u>5,977,922</u>	<u>5,867,087</u>	<u>110,835</u>

(continued)

McMINN COUNTY, TENNESSEE

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

Year ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES (continued):				
Current (continued):				
Health:				
Local health center	\$ 658,825	\$ 659,575	\$ 484,964	\$ 174,611
Ambulance service	9,900	19,200	19,153	47
Litter grant	55,800	55,800	34,711	21,089
Keep McMinn Beautiful	36,282	36,282	22,131	14,151
Other local health services	<u>75,388</u>	<u>75,388</u>	<u>75,388</u>	<u>-</u>
Total health	<u>836,195</u>	<u>846,245</u>	<u>636,347</u>	<u>209,898</u>
Social services:				
General welfare assistance	<u>7,532</u>	<u>7,532</u>	<u>7,532</u>	<u>-</u>
Culture and recreation:				
Public Library	144,761	144,761	144,761	-
Parks	<u>93,367</u>	<u>95,467</u>	<u>95,398</u>	<u>69</u>
Total culture and recreation	<u>238,128</u>	<u>240,228</u>	<u>240,159</u>	<u>69</u>
Total budgetary expenditures	<u>11,340,252</u>	<u>11,853,047</u>	<u>11,153,127</u>	<u>699,920</u>
Excess of revenues over expenditures	<u>(2,219,288)</u>	<u>(2,631,335)</u>	<u>(1,288,646)</u>	<u>1,342,689</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,140,000	1,140,000	1,169,594	29,594
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>1,140,000</u>	<u>1,140,000</u>	<u>1,169,594</u>	<u>29,594</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ (1,079,288)</u>	<u>\$ (1,491,335)</u>	(119,052)	<u>\$ 1,372,283</u>
Fund Balances				
Beginning			<u>7,793,108</u>	
Ending			<u>\$ 7,674,056</u>	

McMINN COUNTY, TENNESSEE

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

June 30, 2015

	<u>Special Revenue Funds</u>	
	<u>Law Library</u>	<u>Drug Control</u>
ASSETS		
Equity in pooled cash and investments	\$ 53,040	176,474
Receivables:		
Accounts	<u>-</u>	<u>137</u>
Total assets	<u>\$ 53,040</u>	<u>\$ 176,611</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accrued items and other payables	<u>\$ -</u>	<u>\$ 2,154</u>
Total liabilities	<u>-</u>	<u>2,154</u>
Fund Balances:		
Restricted	<u>53,040</u>	<u>174,457</u>
Total fund balances	<u>53,040</u>	<u>174,457</u>
Total liabilities and fund balances	<u>\$ 53,040</u>	<u>\$ 176,611</u>

<u>Fraud and Economic Crimes</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 214,543	\$ 444,057
<u>196</u>	<u>333</u>
<u>\$ 214,739</u>	<u>\$ 444,390</u>
<u>\$ 600</u>	<u>2,754</u>
<u>600</u>	<u>2,754</u>
<u>214,139</u>	<u>441,636</u>
<u>214,139</u>	<u>441,636</u>
<u>\$ 214,739</u>	<u>\$ 444,390</u>

McMINN COUNTY, TENNESSEE

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

Year ended June 30, 2015

	Special Revenue Funds	
	Law Library	Drug Control
REVENUES		
Fines, forfeitures and penalties	\$ 4,257	\$ 61,203
Investment earnings	-	233
Other	-	7,914
Total revenues	4,257	69,350
EXPENDITURES		
Current:		
General government	43	-
Public safety	-	116,749
Total expenditures	43	116,749
Excess (deficiency) of revenues over (under) expenditures	4,214	(47,399)
Fund Balances		
Beginning	48,826	221,856
Ending	\$ 53,040	\$ 174,457

<u>Fraud and Economic Crimes</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 53,962	\$ 119,422
300	533
<u>-</u>	<u>7,914</u>
<u>54,262</u>	<u>127,869</u>
45,443	45,486
<u>-</u>	<u>116,749</u>
<u>45,443</u>	<u>162,235</u>
8,819	(34,366)
<u>205,320</u>	<u>476,002</u>
<u>\$ 214,139</u>	<u>\$ 441,636</u>

McMINN COUNTY, TENNESSEE

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

June 30, 2015

	<u>Circuit, General Sessions and Probate Court Clerk</u>	<u>Clerk and Master</u>	<u>County Clerk</u>
ASSETS			
Cash and cash equivalents	\$ 33,833	\$ 7,722	\$ 66,829
Total assets	<u>\$ 33,833</u>	<u>\$ 7,722</u>	<u>\$ 66,829</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ -	\$ -	\$ 54,048
Total liabilities	<u>-</u>	<u>-</u>	<u>54,048</u>
Fund Balances:			
Restricted	<u>33,833</u>	<u>7,722</u>	<u>12,781</u>
Total fund balances	<u>33,833</u>	<u>7,722</u>	<u>12,781</u>
Total liabilities and fund balances	<u>\$ 33,833</u>	<u>\$ 7,722</u>	<u>\$ 66,829</u>

<u>Register of Deeds</u>	<u>Trustee</u>	<u>Sheriff's Narcotic Division</u>	<u>Total Constitutional Officers</u>
<u>\$ 20,394</u>	<u>\$ 222,531</u>	<u>\$ 1</u>	<u>\$ 351,310</u>
<u>\$ 20,394</u>	<u>\$ 222,531</u>	<u>\$ 1</u>	<u>\$ 351,310</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,048</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>54,048</u>
<u>20,394</u>	<u>222,531</u>	<u>1</u>	<u>297,262</u>
<u>20,394</u>	<u>222,531</u>	<u>1</u>	<u>297,262</u>
<u>\$ 20,394</u>	<u>\$ 222,531</u>	<u>\$ 1</u>	<u>\$ 351,310</u>

Register of Deeds	Trustee	Sheriff's Narcotic Division	Total Constitutional Officers
\$ 187,408	\$ 609,296	\$ -	\$ 2,183,641
235	-	-	752
<u>-</u>	<u>-</u>	<u>7,600</u>	<u>7,600</u>
<u>187,643</u>	<u>609,296</u>	<u>7,600</u>	<u>2,191,993</u>
195,995	206,207	-	1,035,580
<u>-</u>	<u>-</u>	<u>8,100</u>	<u>8,100</u>
<u>195,995</u>	<u>206,207</u>	<u>8,100</u>	<u>1,043,680</u>
<u>(8,352)</u>	<u>403,089</u>	<u>(500)</u>	<u>1,148,313</u>
<u>-</u>	<u>(390,000)</u>	<u>-</u>	<u>(1,169,594)</u>
<u>-</u>	<u>(390,000)</u>	<u>-</u>	<u>(1,169,594)</u>
(8,352)	13,089	(500)	(21,281)
<u>28,746</u>	<u>209,442</u>	<u>501</u>	<u>318,543</u>
<u>\$ 20,394</u>	<u>\$ 222,531</u>	<u>\$ 1</u>	<u>\$ 297,262</u>

McMINN COUNTY, TENNESSEE

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

Year ended June 30, 2015

	Circuit, General Sessions and Probate Court Clerk	Clerk and Master	County Clerk
	<u> </u>	<u> </u>	<u> </u>
REVENUE AND OTHER RECEIPTS			
Fees and commissions	\$ 642,518	\$ 221,960	\$ 522,459
Investment earnings	290	-	227
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>642,808</u>	<u>221,960</u>	<u>522,686</u>
EXPENDITURES			
Current:			
General government			
Salaries - Office holder	-	-	-
Salaries - Staff	482,801	-	-
Employee benefits	70,947	-	-
Payroll taxes	39,602	-	-
Office expense	3,936	-	-
Miscellaneous	36,092	-	-
Public safety:			
Sheriff	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>633,378</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>9,430</u>	<u>221,960</u>	<u>522,686</u>
OTHER FINANCING SOURCES (USES)			
Transfers to General Fund	<u>(50,000)</u>	<u>(214,238)</u>	<u>(515,356)</u>
Total other financing sources (uses)	<u>(50,000)</u>	<u>(214,238)</u>	<u>(515,356)</u>
Net change in cash balances	(40,570)	7,722	7,330
Cash balances at beginning of year	<u>74,403</u>	<u>-</u>	<u>59,499</u>
Cash balances at end of year	<u>\$ 33,833</u>	<u>\$ 7,722</u>	<u>\$ 66,829</u>

Register of Deeds	Trustee	Sheriff's Narcotic Division	Total Constitutional Officers
\$ 187,408	\$ 609,296	\$ -	\$ 2,183,641
235	-	-	752
<u>-</u>	<u>-</u>	<u>7,600</u>	<u>7,600</u>
<u>187,643</u>	<u>609,296</u>	<u>7,600</u>	<u>2,191,993</u>
49,812	54,258	-	104,070
46,007	66,142	-	594,950
40,776	45,114	-	156,837
30,404	39,198	-	109,204
13,572	-	-	17,508
15,424	1,495	-	53,011
<u>-</u>	<u>-</u>	<u>8,100</u>	<u>8,100</u>
<u>195,995</u>	<u>206,207</u>	<u>8,100</u>	<u>1,043,680</u>
<u>(8,352)</u>	<u>403,089</u>	<u>(500)</u>	<u>1,148,313</u>
<u>-</u>	<u>(390,000)</u>	<u>-</u>	<u>(1,169,594)</u>
<u>-</u>	<u>(390,000)</u>	<u>-</u>	<u>(1,169,594)</u>
(8,352)	13,089	(500)	(21,281)
<u>28,746</u>	<u>209,442</u>	<u>501</u>	<u>372,591</u>
<u>\$ 20,394</u>	<u>\$ 222,531</u>	<u>\$ 1</u>	<u>\$ 351,310</u>

McMINN COUNTY, TENNESSEE

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

Year ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
CONSTITUTIONAL OFFICERS CIRCUIT, GENERAL SESSIONS AND PROBATE CLERK				
Cash	\$ 248,869	\$ 2,907,712	\$ 2,640,632	\$ 515,949
Investments	<u>838,127</u>	<u>30,835</u>	<u>-</u>	<u>868,962</u>
Total assets	<u>\$ 1,086,996</u>	<u>\$ 2,938,547</u>	<u>\$ 2,640,632</u>	<u>\$ 1,384,911</u>
Due to litigants, heirs and others	<u>\$ 1,086,996</u>	<u>\$ 2,938,547</u>	<u>\$ 2,640,632</u>	<u>\$ 1,384,911</u>
Total liabilities	<u>\$ 1,086,996</u>	<u>\$ 2,938,547</u>	<u>\$ 2,640,632</u>	<u>\$ 1,384,911</u>
CLERK AND MASTER				
Cash	\$ 102,431	\$ 1,892,629	\$ 1,882,393	\$ 112,667
Investments	<u>635,642</u>	<u>29,870</u>	<u>-</u>	<u>665,512</u>
Total assets	<u>\$ 738,073</u>	<u>\$ 1,922,499</u>	<u>\$ 1,882,393</u>	<u>\$ 778,179</u>
Due to litigants, heirs and others	<u>\$ 738,073</u>	<u>\$ 1,922,499</u>	<u>\$ 1,882,393</u>	<u>\$ 778,179</u>
Total liabilities	<u>\$ 738,073</u>	<u>\$ 1,922,499</u>	<u>\$ 1,882,393</u>	<u>\$ 778,179</u>
COUNTY CLERK				
Cash	<u>\$ 133,683</u>	<u>\$ 3,838,396</u>	<u>\$ 3,798,280</u>	<u>\$ 173,799</u>
Total assets	<u>\$ 133,683</u>	<u>\$ 3,838,396</u>	<u>\$ 3,798,280</u>	<u>\$ 173,799</u>
Intergovernmental payables	<u>\$ 133,683</u>	<u>\$ 3,838,396</u>	<u>\$ 3,798,280</u>	<u>\$ 173,799</u>
Total liabilities	<u>\$ 133,683</u>	<u>\$ 3,838,396</u>	<u>\$ 3,798,280</u>	<u>\$ 173,799</u>
REGISTER OF DEEDS				
Cash	<u>\$ -</u>	<u>\$ 687,107</u>	<u>\$ 687,107</u>	<u>\$ -</u>
Total assets	<u>\$ -</u>	<u>\$ 687,107</u>	<u>\$ 687,107</u>	<u>\$ -</u>
Intergovernmental payables	<u>\$ -</u>	<u>\$ 687,107</u>	<u>\$ 687,107</u>	<u>\$ -</u>
Total liabilities	<u>\$ -</u>	<u>\$ 687,107</u>	<u>\$ 687,107</u>	<u>\$ -</u>

(continued)

McMINN COUNTY, TENNESSEE

AGENCY FUNDS

COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES (continued)

Year ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
SHERIFF'S NARCOTIC DIVISION				
Cash	\$ 31,252	\$ 249,425	\$ 220,111	\$ 60,566
Total assets	<u>\$ 31,252</u>	<u>\$ 249,425</u>	<u>\$ 220,111</u>	<u>\$ 60,566</u>
Intergovernmental payables	\$ 31,252	\$ 249,425	\$ 220,111	\$ 60,566
Total liabilities	<u>\$ 31,252</u>	<u>\$ 249,425</u>	<u>\$ 220,111</u>	<u>\$ 60,566</u>
TOTAL CONSTITUTIONAL OFFICERS AGENCY FUNDS				
Cash	\$ 516,235	\$ 9,575,269	\$ 9,228,523	\$ 862,981
Investments	<u>1,473,769</u>	<u>60,705</u>	<u>-</u>	<u>1,534,474</u>
Total assets	<u>\$ 1,990,004</u>	<u>\$ 9,635,974</u>	<u>\$ 9,228,523</u>	<u>\$ 2,397,455</u>
Due to litigants, heirs and others	\$ 1,825,069	\$ 4,861,046	\$ 4,523,025	\$ 2,163,090
Intergovernmental payables	<u>164,935</u>	<u>4,774,928</u>	<u>4,705,498</u>	<u>234,365</u>
Total liabilities	<u>\$ 1,990,004</u>	<u>\$ 9,635,974</u>	<u>\$ 9,228,523</u>	<u>\$ 2,397,455</u>
OTHER AGENCY FUNDS WITH TRUSTEE				
ATHENS SCHOOL FUND				
Cash	\$ -	\$ 875,193	\$ 875,193	\$ -
Receivables	<u>1,838,560</u>	<u>1,946,048</u>	<u>1,838,560</u>	<u>1,946,048</u>
Total assets	<u>\$ 1,838,560</u>	<u>\$ 2,821,241</u>	<u>\$ 2,713,753</u>	<u>\$ 1,946,048</u>
Accrued items and other	\$ 181,860	\$ 193,303	\$ 181,860	\$ 193,303
Intergovernmental payables	<u>1,656,700</u>	<u>1,752,745</u>	<u>1,656,700</u>	<u>1,752,745</u>
Total liabilities	<u>\$ 1,838,560</u>	<u>\$ 1,946,048</u>	<u>\$ 1,838,560</u>	<u>\$ 1,946,048</u>
ETOWAH SCHOOL FUND				
Cash	\$ -	\$ 245,931	\$ 245,931	\$ -
Receivables	<u>388,601</u>	<u>387,784</u>	<u>388,601</u>	<u>387,784</u>
Total assets	<u>\$ 388,601</u>	<u>\$ 633,715</u>	<u>\$ 634,532</u>	<u>\$ 387,784</u>
Accrued items and other	\$ 38,401	\$ 38,224	\$ 38,401	\$ 38,224
Intergovernmental payables	<u>350,200</u>	<u>349,560</u>	<u>350,200</u>	<u>349,560</u>
Total liabilities	<u>\$ 388,601</u>	<u>\$ 387,784</u>	<u>\$ 388,601</u>	<u>\$ 387,784</u>

(continued)

McMINN COUNTY, TENNESSEE

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

Year ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
JUDICIAL DISTRICT DRUG FUND				
Cash	\$ 1,609,921	\$ 577,194	\$ 1,096,816	\$ 1,090,299
Receivables	<u>1,712</u>	<u>492</u>	<u>1,712</u>	<u>492</u>
Total assets	<u>\$ 1,611,633</u>	<u>\$ 577,686</u>	<u>\$ 1,098,528</u>	<u>\$ 1,090,791</u>
Accrued items and other	\$ -	\$ -	\$ -	\$ -
Intergovernmental payables	1,611,633	1,090,791	1,611,633	1,090,791
Due to litigants, heirs and others	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 1,611,633</u>	<u>\$ 1,090,791</u>	<u>\$ 1,611,633</u>	<u>\$ 1,090,791</u>
TRUSTEE - OTHER				
Cash	<u>\$ -</u>	<u>\$ 256,258</u>	<u>\$ 256,258</u>	<u>\$ -</u>
Total assets	<u>\$ -</u>	<u>\$ 256,258</u>	<u>\$ 256,258</u>	<u>\$ -</u>
Intergovernmental payables	<u>\$ -</u>	<u>\$ 462,590</u>	<u>\$ 462,590</u>	<u>\$ -</u>
Total liabilities	<u>\$ -</u>	<u>\$ 462,590</u>	<u>\$ 462,590</u>	<u>\$ -</u>
TOTAL OTHER AGENCY FUNDS				
Cash	\$ -	\$ 1,377,382	\$ 1,377,382	\$ -
Investments	1,609,921	577,194	1,096,816	1,090,299
Receivables	<u>2,228,873</u>	<u>2,334,324</u>	<u>2,228,873</u>	<u>2,334,324</u>
Total assets	<u>\$ 3,838,794</u>	<u>\$ 4,288,900</u>	<u>\$ 4,703,071</u>	<u>\$ 3,424,623</u>
Accrued items and other	\$ 220,261	\$ 231,527	\$ 220,261	\$ 231,527
Intergovernmental payables	3,618,533	3,655,686	4,081,123	3,193,096
Due to litigants, heirs and others	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 3,838,794</u>	<u>\$ 3,887,213</u>	<u>\$ 4,301,384</u>	<u>\$ 3,424,623</u>

McMINN COUNTY, TENNESSEE

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

Year ended June 30, 2015

	Circuit, General Sessions and Probate Court Clerk	Clerk and Master	County Clerk
REVENUE AND OTHER RECEIPTS			
Litigation tax	\$ 804,493	\$ 21,410	\$ 1,422
Mortgage and transfer taxes	-	-	-
Rule and execution docket	1,136,776	6,791	-
Motor vehicle titles and registrations	-	-	1,817,590
Business tax and marriage licenses	-	-	101,829
Property taxes	-	576,639	-
Sales tax	-	-	1,252,401
Drivers license	-	-	56,053
Hotel/Motel tax	-	-	464,398
Beer tax and license renewals	-	-	138,171
Receipts on behalf of other funds	-	-	-
Receipts on behalf of others	-	1,055,045	-
Alimony and child support	29,679	4,300	-
Fines, forfeitures and penalties	324,241	-	-
Department of Safety	168,092	-	-
Fees and commissions	90,085	221,960	-
Officer costs	147,260	-	-
Bonds and deposits	80,125	-	-
Miscellaneous	157,796	36,354	6,532
	<u>2,938,547</u>	<u>1,922,499</u>	<u>3,838,396</u>
Total revenue and other receipts			
EXPENDITURES			
Payments to litigants, heirs and others	1,050,470	1,014,840	1,322
Alimony and child support	31,063	4,300	-
Payments to State of TN	584,387	10,545	3,199,397
Funds transferred to other governments	149,332	91,210	-
Funds transferred to County government	768,138	496,293	568,439
Funds remitted to other County offices	-	-	-
Payments on behalf of other funds	-	-	-
Rule and execution docket	-	6,891	-
Fees and commissions	57,242	221,960	29,022
Other expenditures	-	36,354	100
	<u>2,640,632</u>	<u>1,882,393</u>	<u>3,798,280</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	297,915	40,106	40,116
Cash and investment balances - beginning of year	<u>1,086,996</u>	<u>738,073</u>	<u>133,683</u>
Cash and investment balances - end of year	<u>\$ 1,384,911</u>	<u>\$ 778,179</u>	<u>\$ 173,799</u>

Register of Deeds	Trustee	Sheriff's Narcotic Division	Total Constitutional Officers
\$ -	\$ -	\$ -	\$ 827,325
687,107	-	-	687,107
-	-	-	1,143,567
-	-	-	1,817,590
-	-	-	101,829
-	17,825,206	-	18,401,845
-	-	-	1,252,401
-	-	-	56,053
-	-	-	464,398
-	-	-	138,171
-	61,954,699	-	61,954,699
-	-	-	1,055,045
-	-	-	33,979
-	-	249,425	573,666
-	-	-	168,092
-	609,296	-	921,341
-	-	-	147,260
-	-	-	80,125
-	-	-	200,682
687,107	80,389,201	249,425	90,025,175
-	-	-	2,066,632
-	-	-	35,363
670,616	-	-	4,464,945
-	-	-	240,542
-	-	-	1,832,870
-	-	206,674	206,674
-	80,648,257	-	80,648,257
-	-	-	6,891
16,491	609,296	-	934,011
-	-	13,437	49,891
687,107	81,257,553	220,111	90,486,076
-	(868,352)	29,314	(460,901)
-	40,231,330	31,252	42,221,334
\$ -	\$ 39,362,978	\$ 60,566	\$ 41,760,433

McMINN COUNTY, TENNESSEE

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

Year ended June 30, 2015

	Drug Control			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Fines, forfeitures and penalties	\$ 132,665	\$ 132,665	\$ 61,203	\$ (71,462)
Investment earnings	800	800	233	(567)
Miscellaneous	-	-	7,914	7,914
Total revenues	<u>133,465</u>	<u>133,465</u>	<u>69,350</u>	<u>(64,115)</u>
EXPENDITURES				
Current:				
Public safety:				
Drug enforcement	<u>201,234</u>	<u>201,234</u>	<u>116,749</u>	<u>84,485</u>
Total budgetary expenditures	<u>201,234</u>	<u>201,234</u>	<u>116,749</u>	<u>84,485</u>
Deficiency of revenues under budgetary expenditures	<u>\$ (67,769)</u>	<u>\$ (67,769)</u>	(47,399)	<u>\$ (148,600)</u>
FUND BALANCES				
Beginning			<u>221,856</u>	
Ending			<u>\$ 174,457</u>	

McMINN COUNTY, TENNESSEE

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

Year ended June 30, 2015

	Capital Projects			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Taxes	\$ 3,784,616	\$ 3,784,616	\$ 3,987,357	\$ 202,741
Intergovernmental	269,500	269,500	495,245	225,745
State of TN	-	-	146,725	146,725
Total revenues	<u>4,054,116</u>	<u>4,054,116</u>	<u>4,629,327</u>	<u>575,211</u>
EXPENDITURES				
Capital outlay:				
General government	3,090,000	7,867,149	2,681,967	5,185,182
Education	<u>1,200,000</u>	<u>2,647,384</u>	<u>1,966,253</u>	<u>681,131</u>
Total budgetary expenditures	<u>4,290,000</u>	<u>10,514,533</u>	<u>4,648,220</u>	<u>5,866,313</u>
Excess (deficiency) of revenues over (under) budgetary expenditures	<u>\$ (235,884)</u>	<u>\$ (6,460,417)</u>	(18,893)	<u>\$ 6,441,524</u>
FUND BALANCES				
Beginning			<u>13,211,720</u>	
Ending			<u>\$ 13,192,827</u>	

McMINN COUNTY, TENNESSEE

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

June 30, 2015

	General Purpose School	Federal Projects	Cafeteria	Eliminations	Total Board of Education Governmental Funds
ASSETS					
Equity in pooled cash and investments	\$ 4,701,080	\$ 203,307	\$ 1,539,400	\$ -	\$ 6,443,787
Receivables (net of allowances for uncollectibles):					
Property taxes	6,812,946	-	-	-	6,812,946
Accounts	1,044,590	96,693	-	-	1,141,283
Due from other funds	<u>1,542</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,542</u>
Total assets	<u>\$ 12,560,158</u>	<u>\$ 300,000</u>	<u>\$ 1,539,400</u>	<u>\$ -</u>	<u>\$ 14,399,558</u>
LIABILITIES					
Accounts payable	\$ 37,338	\$ -	\$ 245	\$ -	\$ 37,583
Accrued items and other	89,953	-	-	-	89,953
Due to primary government	<u>4,234</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,234</u>
Total liabilities	<u>131,525</u>	<u>-</u>	<u>245</u>	<u>-</u>	<u>131,770</u>
DEFERRED INFLOW OF RESOURCES					
Unavailable revenue - property taxes	<u>6,812,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,812,946</u>
Total deferred inflows of resource	<u>6,812,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,812,946</u>
FUND BALANCES					
Assigned	101,178	-	-	-	101,178
Restricted	262,180	300,000	1,539,155	-	2,101,335
Unassigned	<u>5,252,329</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,252,329</u>
Total fund balances	<u>5,615,687</u>	<u>300,000</u>	<u>1,539,155</u>	<u>-</u>	<u>7,454,842</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,560,158</u>	<u>\$ 300,000</u>	<u>\$ 1,539,400</u>	<u>\$ -</u>	<u>\$ 14,399,558</u>

McMINN COUNTY, TENNESSEE

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

June 30, 2015

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	\$ 7,454,842
Amounts reported for the Board of Education in the statement of net position 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.	27,393,915
The net pension asset is considered a long-term asset and, therefore, not reported in the funds.	87,478
Deferred results and contributions to pension plans made after the measurement date are recorded as expenditures in the governmental funds but must be deferred in the statement of net position.	2,104,229
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.	709,724
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.	
OPEB liability	(296,671)
Compensated absences	(534,489)
Certain amounts related to the net pension asset are deferred amortized over time. The items are not reported in the funds.	<u>(7,338,332)</u>
Net position of the Board of Education	<u>\$ 29,580,696</u>

McMINN COUNTY, TENNESSEE

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

Year ended June 30, 2015

	General Purpose School	Federal Projects	Cafeteria	Total Board of Education Governmental Funds
REVENUES				
Taxes	\$ 10,980,586	\$ -	\$ -	\$ 10,980,586
Intergovernmental	27,356,974	3,648,664	2,766,942	33,772,580
Charges for services	85,807	-	473,595	559,402
Other local revenues	<u>37,631</u>	<u>-</u>	<u>-</u>	<u>37,631</u>
Total revenues	<u>38,460,998</u>	<u>3,648,664</u>	<u>3,240,537</u>	<u>45,350,199</u>
EXPENDITURES				
Current:				
Education	37,725,960	3,648,664	3,003,983	44,378,607
Capital outlay	<u>534,606</u>	<u>-</u>	<u>115,245</u>	<u>649,851</u>
Total expenditures	<u>38,260,566</u>	<u>3,648,664</u>	<u>3,119,228</u>	<u>45,028,458</u>
Excess of revenues over expenditures	<u>200,432</u>	<u>-</u>	<u>121,309</u>	<u>321,741</u>
Fund balances, beginning	<u>5,415,255</u>	<u>300,000</u>	<u>1,417,846</u>	<u>7,133,101</u>
Fund balances, ending	<u>\$ 5,415,255</u>	<u>\$ 300,000</u>	<u>\$ 1,539,155</u>	<u>\$ 7,454,842</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, 2015

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	\$	321,741
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		2,615,257
Depreciation expense on governmental capital assets are included in the governmental activities in the statement of activities		(1,732,241)
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		(341,418)
Change in pension income		96,808
Deferred pension contributions		1,891,854
Change in OPEB liability		(229,708)
Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds		<u>34,028</u>
Change in net position of governmental activities	\$	<u>2,656,321</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, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes				
Property taxes	\$ 6,423,025	\$ 6,423,025	\$ 6,621,035	\$ 198,010
Local sales tax	3,971,906	3,971,906	4,196,261	224,355
Other	<u>131,916</u>	<u>131,916</u>	<u>163,290</u>	<u>31,374</u>
Total taxes	<u>10,526,847</u>	<u>10,526,847</u>	<u>10,980,586</u>	<u>453,739</u>
Intergovernmental revenues:				
State of Tennessee:				
Education	26,764,665	26,970,714	27,049,357	78,643
Food service	30,000	30,000	29,875	(125)
Federal funds received from State of Tennessee and other sources:				
Education	3,112,907	4,475,509	3,952,264	(523,245)
Food service	2,695,687	2,695,687	2,739,509	43,822
Federal Projects	<u>869</u>	<u>869</u>	<u>1,575</u>	<u>706</u>
Total intergovernmental revenues	<u>32,604,128</u>	<u>34,172,779</u>	<u>33,772,580</u>	<u>(400,199)</u>
Charges for services:				
Education	24,000	48,064	85,807	37,743
Food service	<u>496,000</u>	<u>496,000</u>	<u>473,595</u>	<u>(22,405)</u>
Total charges for current services	<u>520,000</u>	<u>544,064</u>	<u>559,402</u>	<u>15,338</u>
Miscellaneous:				
Investment earnings	6,000	6,000	7,038	1,038
Contributions	-	2,500	8,790	6,290
Sale of equipment	5,000	5,000	19,447	14,447
Education	<u>6,000</u>	<u>6,000</u>	<u>2,356</u>	<u>(3,644)</u>
Total miscellaneous	<u>17,000</u>	<u>19,500</u>	<u>37,631</u>	<u>18,131</u>
Total revenues	<u>43,667,975</u>	<u>45,263,190</u>	<u>45,350,199</u>	<u>87,009</u>

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, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES				
Current:				
Education:				
Regular instruction program	\$ 20,070,622	\$ 20,017,975	\$ 19,708,081	\$ 309,894
Alternative instruction program	148,020	148,020	146,509	1,511
Special education program	3,344,635	3,537,616	3,357,020	180,596
Vocational education program	2,064,366	2,085,837	1,992,679	93,158
Student body education fund-LEAPS	-	150,000	150,000	-
Other		136,839	132,904	3,935
Attendance	168,780	75,780	75,725	55
Health services	131,000	131,000	131,000	-
Other student support	1,082,197	1,117,900	1,099,003	18,897
Regular instruction support	2,451,591	3,557,673	3,161,857	395,816
Special education support	469,687	607,712	480,663	127,049
Vocational education support	157,068	179,132	177,309	1,823
Other programs	55,632	41,967	41,947	20
Board of education	822,980	822,982	652,958	170,024
Office of superintendent	318,514	318,514	283,440	35,074
Office of principal	2,216,089	2,220,328	2,193,411	26,917
Operation of plant	2,973,508	3,000,858	2,830,427	170,431
Maintenance of plant	1,290,327	1,776,991	1,271,312	505,679
Transportation	2,405,930	2,734,216	2,345,646	388,570
Community services	-	-	-	-
Early childhood	1,020,818	1,020,818	1,020,818	-
Food services - Cafeteria	3,221,687	3,221,687	3,125,898	95,789
Total education	44,413,451	46,903,845	44,378,607	2,525,238
Capital outlay:				
Building improvements	308,882	810,259	649,851	160,408
Total budgetary expenditures	44,722,333	47,714,104	45,028,458	2,685,646
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	60,787	198,647	60,762	137,885
Transfers to other funds	(60,788)	(60,787)	(60,762)	(25)
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	<u>\$ (1,054,359)</u>	<u>\$ (2,313,054)</u>	321,741	<u>\$ (2,460,752)</u>
Fund Balances				
Beginning			7,133,101	
Ending			<u>\$ 7,454,842</u>	

McMINN COUNTY, TENNESSEE

SCHEDULE OF PROPERTY TAXES RECEIVABLE

June 30, 2015

<u>Year of Levy</u>	<u>Net Amount</u>
2015 *	\$ 18,528,939
2014	940,380
2013	333,968
2012	215,423
2011	310,632
2010	358,094
2009	<u>69,241</u>
	20,756,677
Less: Estimated uncollectible taxes	<u>1,454,000</u>
 Total property taxes receivable	 <u><u>\$ 19,302,677</u></u>

The above outstanding receivables are recorded in the McMinn County, Tennessee financial statements at June 30, 2015, as follows:

Government wide funds:	
General fund	\$ 4,802,687
Road and bridge fund	1,602,757
Capital projects fund	3,952,935
 Component unit funds:	
Board of education	6,841,993
 Accounting for in agency funds:	
Athens school funds	1,752,745
Etowah school funds	<u>349,560</u>
 Total property taxes receivable	 <u><u>\$ 19,302,677</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, 2015

OFFICE OF TRUSTEE

POOLED INVESTMENTS

CERTIFICATE OF DEPOSIT:

FSG Bank	Varies	\$	12,611,009
First National Bank (formerly BB&T)	0.15%		11,520,000
First National Bank (formerly BB&T)	0.15%		5,000,000
Local Government Investment Pool	0.01%		<u>1,000,000</u>

Total Office of Trustee \$ 30,131,009

OFFICE OF CIRCUIT, GENERAL SESSION AND PROBATE CLERK

COURT ORDERED INVESTED FUNDS:

First National Bank (formerly BB&T)	Varies	\$	97,314
Citizens National Bank	Varies		724,918
Athens Federal Savings & Loan	Varies		28,878
Green Bank	1.00%		<u>17,852</u>

Total Office of Circuit, General Sessions
and Probate Clerk \$ 868,962

OFFICE OF CLERK AND MASTER

COURT ORDERED INVESTED FUNDS:

Citizens National Bank	Varies	\$	614,260
First National Bank (formerly BB&T)	Varies		<u>51,252</u>

Total Office of Clerk and Master \$ 665,512

McMINN COUNTY, TENNESSEE

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

Year ended June 30, 2015

	Balance			Commissions
	June 30, 2014	Receipts	Disbursements	and Transfers
Primary Government				
Governmental Activities:				
General Fund	\$ 7,521,650	\$ 13,745,784	\$ 13,992,280	\$ 114,306
Road and Bridge	2,359,298	3,791,047	3,136,317	50,665
Capital Projects Funds:				
Correctional Capital Projects	-	-	-	-
Other Capital Projects	13,432,717	4,672,474	4,627,767	72,979
Woods Hospital Proceeds	4,058,796	70,572	11,217	676
Other Governmental Funds:				
Law Library	48,825	4,258	-	43
Drug Control	223,495	69,473	112,409	-
Fraud and Economic Crimes	203,827	56,763	45,414	473
Business-type Activities:				
Solid Waste Disposal	1,457,530	1,524,778	2,510,281	10,370
Discretely Presented Component Units:				
Board of Education:				
General Purpose School	5,786,366	38,991,551	38,855,227	245,998
School Federal Projects	155,389	3,864,276	3,764,553	-
School Cafeteria	1,440,967	3,045,907	2,927,168	-
"911" Emergency Communication	1,720,902	1,350,571	1,073,901	11,544
Agency Funds:				
Athens School	-	2,821,241	2,777,233	44,008
Etowah School	-	587,311	578,037	9,274
Judicial District Drug	1,612,125	226,784	742,093	-
City Sales tax	-	4,886,260	4,837,397	48,863
Miscellaneous	-	70,855	70,758	97
	40,021,887	79,779,905	80,062,052	609,296
Trustee Commissions	209,443	609,296	586,208	-
Total all funds	<u>\$ 40,231,330</u>	<u>\$ 80,389,201</u>	<u>\$ 80,648,260</u>	<u>\$ 609,296</u>

Funds held by County Trustee:

- Cash on hand
- Checking - Citizens National Bank
- Certificates of deposit

Trustee Balance June 30, 2015	Outstanding Warrants	Balance June 30, 2015
\$ 7,160,848	\$ 200,022	\$ 6,960,826
2,963,363	51,708	2,911,655
-	-	-
13,404,445	93,301	13,311,144
4,117,475	-	4,117,475
53,040	-	53,040
180,559	4,085	176,474
214,703	160	214,543
461,657	24,539	437,118
5,676,692	975,883	4,700,809
255,112	51,805	203,307
1,559,706	20,035	1,539,671
1,986,028	13,124	1,972,904
-	-	-
-	-	-
1,096,816	6,517	1,090,299
-	-	-
-	-	-
<u>39,130,444</u>	<u>1,441,179</u>	<u>37,689,265</u>
<u>232,531</u>	<u>-</u>	<u>232,531</u>
<u><u>\$ 39,362,975</u></u>	<u><u>\$ 1,441,179</u></u>	<u><u>\$ 37,921,796</u></u>

\$ 256,256
 8,975,710
30,131,009
\$ 39,362,975

McMINN COUNTY, TENNESSEE

SCHEDULE OF SALARIES AND OFFICIAL BONDS OF PRINCIPAL OFFICIALS

June 30, 2015

<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	\$ 98,144	County Commission	\$ 50,000	Travelers Casualty & Surety	8/31/2018
Director of Finance	80,137	Section 5-21-109, T.C.A	50,000	CNA Surety	8/31/2018
Commissioner of Highways	83,945	County Commission	100,000	Travelers Casualty & Surety	8/31/2018
Trustee	76,313	Section 8-24-102, T.C.A	1,524,710	Travelers Casualty & Surety	8/31/2018
Assessor of Property	76,313	Section 8-24-104 (B), T.C.A	10,000	Travelers Casualty & Surety	8/31/2018
Administrator of Schools	110,090	State Board of Education and School Boards	100,000	Cincinnati Insurance Company	6/30/2018
<u>Constitutional Officers:</u>					
Circuit, General Sessions, and Probate Court Clerk	76,313	Section 8-24-102, T.C.A	100,000	Cincinnati Insurance Company	8/31/2018
Clerk and Master	76,313	Section 8-24-102, T.C.A	100,000	Cincinnati Insurance Company	8/31/2018
County Clerk	76,313	Section 8-24-102, T.C.A	100,000	Cincinnati Insurance Company	8/31/2018
Register of Deeds	76,823	Section 8-24-102, T.C.A	100,000	Cincinnati Insurance Company	8/31/2018
Sheriff	83,945	Section 8-24-102, T.C.A	25,000	Travelers Casualty & Surety	8/31/2018

McMINN COUNTY, TENNESSEE

SCHEDULE OF TAX RATES AND ASSESSMENTS

June 30, 2015

Year	Tax Rate	ASSESSED VALUES			Total Taxes
		Property, Personal and Real	Total Utilities	Total	
2015	1.616%	\$ 1,071,624,092	\$ 44,062,252	\$ 1,115,686,344	\$ 18,023,913 *
2014	1.616%	1,077,260,135	41,170,235	1,118,430,370	18,068,243
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

* Based upon estimated assessed values for Public Utilities

McMINN COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year ended June 30, 2015

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	\$ 49,087
Emergency Management Performance	97.042	34101-45277	35,461
Emergency Management Performance	97.042	43685-17041	35,500
Homeland Security Grant	97.067	34101-14657	22,850
Homeland Security Grant	97.067	34101-28415	<u>6,879</u>
Total U.S. Department of Homeland Security			<u>149,777</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Tennessee Department of Transportation			
Airport Storage Hangar Construction	20.106	54-555-0141-04	35,787
Airport T-Hangar Demolition & Construction	20.106	54-555-0142-04	3,000
Airport T-Hangar Demolition & Construction Engineering	20.106	54-555-0142-04	3,150
Governor's Highway Safety	20.607	Z-14-GHS224	9,882
Governor's Highway Safety	20.607	Z-14-GHS226	<u>32,111</u>
Total U.S. Department of Transportation			<u>83,930</u>
Total Expenditures of Federal Awards - Primary Government			<u>233,707</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	886,589
National School Lunch Program	10.555	None	<u>1,631,533</u>
Total U.S. Department of Agriculture			<u>2,518,122</u>

(continued)

McMINN COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (continued)
Year ended June 30, 2015

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	\$ 1,346,833
Total Title I Grant Cluster			<u>1,346,833</u>
Special Education Cluster (IDEA)			
Individuals with Disabilities Act - Pre-School	84.173A	None	20,622
Individuals with Disabilities Act - Part B Discretionary Grant	84.027A	None	1,384,491
Total Special Education Cluster (IDEA)			<u>1,405,113</u>
Title IV, Part B Twenty-first CCLU	84.287C	None	92,000
First to the top, Formula/Scopes of Work	84.395	None	71,627
Teacher Incentive Fund Grant, Data	84.374A	None	118,850
Teacher Incentive Fund Grant, Implementation	84.374A	None	297,909
Title II, Part, Training	84.367A	None	170,435
Title VI, Part B, Rural Low Income	84.358A	None	108,138
Carl Perkins, Vocational Education	84.048A	None	<u>129,758</u>
Total passed through Tennessee Department of Education			<u>3,740,663</u>
Total U.S. Department of Education			<u>3,740,663</u>
Total Expenditures of Federal Awards - Component Units			<u>6,258,785</u>
Total Expenditures of Federal Awards - Reporting Entity			<u>6,492,492</u>

(continued)

McMINN COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (continued)
Year ended June 30, 2015

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	119-12-03-030	\$ 150,000
Vocational Rehab Grant	N/A	Z 14-70514-00	29,354
State Funded Pre-K Pilot Grant	N/A	MX4-AAX	1,020,818
Coordinated School Health	N/A	N/A	131,000
Safe Schools Act of 1998	N/A	N/A	28,810
Department of Transportation			
Airport Maintenance	N/A	99-555-1228-04	14,300
Litter Grant	N/A	54-500-4015-04	29,218
Airport Land Acquisition	N/A	54-555-0723-04	17,721
Airport Exhibit A Property Map	N/A	54-555-0743-04	11,062
Airport Waterline Extension	N/A	54-555-0143-04	17,569
Department of Health			
DGA Grant	N/A	GG-1542397	373,199
Tobacco Settlement	N/A	SNF-TS-FY15	46,449
Commission of Children and Youth			
Juvenile Assistance Supplement	N/A	35910-10158	9,000
Juvenile Assistance Reimbursement	N/A	31601-23624	1,395
Department of Economic and Community Development			
Rural Development Center for Advanced Manufacturing Grant	N/A	N/A	19,395
Total Expenditures of State Awards			1,899,290
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			\$ 8,391,782

MCMINN COUNTY, TENNESSEE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

June 30, 2015

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, 2015, which collectively comprise McMinn County's basic financial statements and have issued our report thereon dated December 10, 2015. Our report includes a reference to other auditors who audited the financial statements of 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on 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 10, 2015

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, 2015. 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, 2015.

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. Accordingly, we do not express an opinion on the effectiveness of McMinn 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 10, 2015

Henderson Hutcherson
& McCullough, PLLC

**MCMINN COUNTY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended June 30, 2015

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

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: Unmodified

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>
	U.S. Department of Education:
84.027A	IDEA; Part B
84.173A	IDEA, Preschool
84.358A	Title VI, Part B, Rural Low Income
84.374A	TIF Planning, Data, and Implementation
	U.S. Department of Homeland Security
97.042	Emergency Management Performance

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, 2014

None reported.