

**ANNUAL FINANCIAL REPORT  
OF  
McNAIRY COUNTY, TENNESSEE  
AND  
McNAIRY COUNTY SCHOOL DEPARTMENT**

---

**SINGLE AUDIT REPORT**



**FOR THE YEAR ENDED JUNE 30, 2007**



**ANNUAL FINANCIAL REPORT**  
**McNAIRY COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2007**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
*RICHARD V. NORMENT*  
*Assistant to the Comptroller*

*JAMES R. ARNETTE*  
*Director*

*NORMAN R. NORMENT, CGFM*  
*Audit Manager*

*HORACE B. WISEMAN, CGFM*  
*Auditor 4*

*VICKY BARBER, CFE*  
*ELISHA CROWELL, CFE*  
*State Auditors*

This financial report is available at [www.comptroller.state.tn.us](http://www.comptroller.state.tn.us)

---



---

## McNAIRY COUNTY, TENNESSEE

### TABLE OF CONTENTS

---



---

	Exhibit	Page(s)
Audit Highlights		1-2
<u>INTRODUCTORY SECTION</u>		3
McNairy County Officials		5
<u>FINANCIAL SECTION</u>		7
Independent Auditor's Report		9-11
BASIC FINANCIAL STATEMENTS:		13
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	A	15-16
Statement of Revenues, Expenditures, and Changes in Fund Balances	B	17-18
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	C	19
Notes to the Financial Statements		21-39
REQUIRED SUPPLEMENTARY INFORMATION:		41
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Fund	D-1	43-44
Solid Waste/Sanitation Fund	D-2	45
Highway/Public Works Fund	D-3	46
Schedule of Funding Progress – Pension Plan	D-4	47
Notes to the Required Supplementary Information		49
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		51
Nonmajor Governmental Funds:		53-54
Combining Balance Sheet	E-1	55
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	E-2	56
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
Law Library Fund	E-3	57
Public Library Fund	E-4	58
Special Purpose Fund	E-5	59
Drug Control Fund	E-6	60

	Exhibit	Page(s)
Major Governmental Fund:		61
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	F	63
Fiduciary Funds:		65
Combining Statement of Fiduciary Assets and Liabilities	G-1	67
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	G-2	68
Miscellaneous Schedules:		69
Schedule of Changes in Long-term Notes, Other Loans, and Bonds	H-1	71-72
Schedule of Bond and Interest Requirements by Year	H-2	73
Schedule of Transfers	H-3	74
Schedule of Salaries and Official Bonds of Principal Officials	H-4	75
Schedule of Detailed Revenues – All Governmental Fund Types	H-5	76-79
Schedule of Detailed Expenditures – All Governmental Fund Types	H-6	80-95
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	H-7	96

# ***Audit Highlights***

Annual Financial Report  
McNairy County, Tennessee  
For the Year Ended June 30, 2007

## ***Scope***

We have audited the financial statements of each major fund and the aggregate remaining fund information of McNairy County as of and for the year ended June 30, 2007.

## ***Results***

Our report on McNairy County's financial statements expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34.

Our audit resulted in 11 findings and recommendations, which we have reviewed with McNairy County management. Detailed findings, recommendations, and management's responses are included in the Single Audit Report.

## ***Findings***

The following are summaries of the audit findings:

### **McNAIRY COUNTY**

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.

---

### **OFFICE OF COUNTY MAYOR**

- ◆ McNairy County has not completed the steps set forth in the implementation plan for Governmental Accounting Standards Board Statement No. 34 filed with the Comptroller of the Treasury.
  - ◆ Expenditures and Other Uses exceeded total appropriations in the General Fund. Expenditures exceeded total appropriations in the Law Library, Public Library, and Solid Waste/Sanitation Funds.
  - ◆ All financial activity of the county's libraries was not audited, and the libraries were not subject to budgetary control of the County Commission.
-

## **OFFICE OF HIGHWAY COMMISSIONER**

- ◆ The office did not issue purchase orders properly.
- 

## **OFFICE OF CIRCUIT COURT AND GENERAL SESSIONS COURTS CLERK**

- ◆ The office had deficiencies in maintaining the execution docket trial balance reports.
- 

## **OFFICE OF SHERIFF**

- ◆ The office had a cash shortage of \$1,035.46.
- 

## **OTHER FINDINGS**

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ The trustee and register allowed individuals unsupervised access to their offices after business hours.
- ◆ Duties were not segregated adequately among the officials and employees in the Offices of Trustee and Sheriff.
- ◆ The county used a questionable method of funding rural fire protection.

---

---

# INTRODUCTORY SECTION

---

---

# McNairy County Officials

## June 30, 2007

---

### **Officials**

Jai Templeton, County Mayor  
Harvey Neal Smith, Highway Commissioner  
Stanley Mitchell, Trustee  
Betty Ashe, Assessor of Property  
Ronnie Price, County Clerk  
Ronnie Brooks, Circuit and General Sessions Courts Clerk  
Kim Harrison, Clerk and Master  
Brian Dickey, Register  
Ricky Roten, Sheriff

### **Board of County Commissioners**

Jai Templeton, Chairman	Joe Henry
Jim Rickman, Chairman Pro-Tem	Ronald Henry
Kenneth Amerson	Keith Jernigan
Wilburn Gene Ashe	Anthony Knight
Larry Browning	Jeff Lipford
Neal Burks	David McCullar
Brenda Cauley	Troy Moore
Stevie Clark	Anthony Smith
Tammy Dillon	James Weatherford
O.H. Freeland	Stan Wheeler
Charles Garrison	Carol Ann Woods

---

---

**FINANCIAL SECTION**

---

---



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841**

**INDEPENDENT AUDITOR'S REPORT**

November 16, 2007

McNairy County Mayor and  
Board of County Commissioners  
McNairy County, Tennessee

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of McNairy County, Tennessee, as of and for the year ended June 30, 2007, as shown on pages 15 through 39, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of McNairy County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and discretely presented component units. Accounting principles generally accepted in the

United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the county's governmental activities and discretely presented component units are not reasonably determinable.

As described in Note I, McNairy County, Tennessee, has prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. These standards require county governments that do not present government-wide financial statements to present fund financial statements in conformity with all the accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements. These standards also require some additional disclosures to be included in the notes to the financial statements, as described in Note I.

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of McNairy County, Tennessee, as of June 30, 2007, or the changes in its financial position for the year then ended.

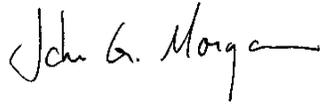
However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of McNairy County, Tennessee, as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated November 16, 2007, on our consideration of McNairy County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison and pension information on pages 43 through 49 are not required parts of the basic financial statements but they do provide supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise McNairy County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan" with a long horizontal flourish extending to the right.

John G. Morgan  
Comptroller of the Treasury

JGM/sb

---

---

## **BASIC FINANCIAL STATEMENTS**

---

---

Exhibit A

McNairy County, Tennessee  
 Balance Sheet  
 Governmental Funds  
 June 30, 2007

	Major Funds			General Debt Service	Nonmajor Funds	Total Govern- mental Funds
	General	Solid Waste / Sanitation	Highway / Public Works		Other Govern- mental Funds	
<b>ASSETS</b>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,084	\$ 1,084
Equity in Pooled Cash and Investments	811,187	282,522	166,770	2,314,998	109,387	3,684,864
Accounts Receivable	0	0	2,084	0	4,506	6,590
Due from Other Governments	145,832	35,219	382,197	405	0	563,653
Due from Other Funds	1,175	0	0	0	0	1,175
Property Taxes Receivable	2,770,178	0	329,935	1,052,887	0	4,153,000
Allowance for Uncollectible Property Taxes	(119,948)	0	(14,946)	(51,940)	0	(186,834)
<b>Total Assets</b>	<b>\$ 3,608,424</b>	<b>\$ 317,741</b>	<b>\$ 866,040</b>	<b>\$ 3,316,350</b>	<b>\$ 114,977</b>	<b>\$ 8,223,532</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 57,267	\$ 7,234	\$ 0	\$ 0	\$ 0	\$ 64,501
Payroll Deductions Payable	11,904	633	304	0	334	13,175
Contracts Payable	0	0	206,182	0	0	206,182
Due to Other Funds	0	63	0	0	1,112	1,175
Due to State of Tennessee	0	0	1,639	0	0	1,639
Deferred Revenue - Current Property Taxes	2,548,117	0	301,553	949,890	0	3,799,560
Deferred Revenue - Delinquent Property Taxes	91,291	0	12,012	45,646	0	148,949
Other Deferred Revenues	12,892	16,485	119,779	0	0	149,156
<b>Total Liabilities</b>	<b>\$ 2,721,471</b>	<b>\$ 24,415</b>	<b>\$ 641,469</b>	<b>\$ 995,536</b>	<b>\$ 1,446</b>	<b>\$ 4,384,337</b>
<b>Fund Balances</b>						
Reserved for Alcohol and Drug Treatment	\$ 16,355	\$ 0	\$ 0	\$ 0	\$ 0	\$ 16,355
Reserved for Drug Court	7,729	0	0	0	0	7,729
Reserved for Sexual Offender Registration	2,520	0	0	0	0	2,520
Reserved for Courtroom Security	1,122	0	0	0	0	1,122
Reserved for Computer System - Register	9,001	0	0	0	0	9,001
Reserved for Automation Purposes - General Sessions Court	27,523	0	0	0	0	27,523
Reserved for Automation Purposes - Sheriff	15,316	0	0	0	0	15,316
Reserved for Loan Program	44,191	0	0	0	0	44,191

(Continued)

Exhibit A

McNairy County, Tennessee  
 Balance Sheet  
 Governmental Funds (Cont.)

	Major Fund			Nonmajor	Total	
	General	Solid Waste / Sanitation	Highway / Public Works	Funds Other Governmental Funds		Governmental Funds
<u>LIABILITIES AND FUND BALANCES (Cont.)</u>						
<u>Fund Balances (Cont.)</u>						
Reserved for Other General Purposes	\$ 3,953	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,953
Unreserved, Reported In:						
General Fund	759,243	0	0	0	0	759,243
Special Revenue Funds	0	293,326	224,571	0	112,000	629,897
Debt Service Funds	0	0	0	2,320,814	0	2,320,814
Capital Projects Funds	0	0	0	0	1,531	1,531
Total Fund Balances	<u>\$ 886,953</u>	<u>\$ 293,326</u>	<u>\$ 224,571</u>	<u>\$ 2,320,814</u>	<u>\$ 113,531</u>	<u>\$ 3,839,195</u>
Total Liabilities and Fund Balances	<u>\$ 3,608,424</u>	<u>\$ 317,741</u>	<u>\$ 866,040</u>	<u>\$ 3,316,350</u>	<u>\$ 114,977</u>	<u>\$ 8,223,532</u>

The notes to the financial statements are an integral part of this statement.

Exhibit B

McNairy County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2007

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 2,621,758	\$ 175,654	\$ 325,070	\$ 1,675,573	\$ 3,603	\$ 4,801,658
Licenses and Permits	1,520	0	0	0	0	1,520
Fines, Forfeitures, and Penalties	157,784	0	0	0	43,564	201,348
Charges for Current Services	42,785	843,803	144	0	1,287	888,019
Other Local Revenues	48,022	916	55,106	239,433	34,447	377,924
Fees Received from County Officials	960,351	0	0	0	0	960,351
State of Tennessee	1,171,089	190,345	1,974,610	0	0	3,336,044
Federal Government	353,029	0	0	0	0	353,029
Other Governments and Citizens Groups	0	0	10,116	1,010,350	32,583	1,053,049
Total Revenues	\$ 5,356,338	\$ 1,210,718	\$ 2,365,046	\$ 2,925,356	\$ 115,484	\$ 11,972,942
<u>Expenditures</u>						
Current:						
General Government	\$ 864,303	\$ 2,053	\$ 0	\$ 0	\$ 68,756	\$ 935,112
Finance	430,968	0	0	0	0	430,968
Administration of Justice	460,320	0	0	0	0	460,320
Public Safety	1,825,427	0	0	0	62,876	1,888,303
Public Health and Welfare	118,418	946,348	0	0	0	1,064,766
Social, Cultural, and Recreational Services	0	0	0	0	84,074	84,074
Agriculture and Natural Resources	113,015	0	0	0	2,550	115,565
Other Operations	1,303,602	30,565	0	0	25,061	1,359,228
Highways	28,730	0	1,750,067	0	0	1,778,797
Debt Service:						
Principal on Debt	68,989	0	0	2,178,361	24,686	2,272,036
Interest on Debt	3,300	0	0	739,925	381	743,606
Other Debt Service	54,387	0	0	73,378	0	127,765
Total Expenditures	\$ 5,271,459	\$ 978,966	\$ 1,750,067	\$ 2,991,664	\$ 268,384	\$ 11,260,540
Excess (Deficiency) of Revenues Over Expenditures	\$ 84,879	\$ 231,752	\$ 614,979	\$ (66,308)	\$ (152,900)	\$ 712,402

(Continued)

Exhibit B

McNairy County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds (Cont.)

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Other Financing Sources (Uses)</u>						
Other Loans Issued	\$ 529,700	\$ 0	\$ 0	\$ 0	\$ 0	\$ 529,700
Insurance Recovery	60,985	0	972	0	0	61,957
Transfers In	0	0	0	685,206	151,308	836,514
Transfers Out	(151,308)	0	(685,206)	0	0	(836,514)
Total Other Financing Sources (Uses)	\$ 439,377	\$ 0	\$ (684,234)	\$ 685,206	\$ 151,308	\$ 591,657
Net Change in Fund Balances	\$ 524,256	\$ 231,752	\$ (69,255)	\$ 618,898	\$ (1,592)	\$ 1,304,059
Fund Balance, July 1, 2006	362,697	61,574	293,826	1,701,916	115,123	2,535,136
Fund Balance, June 30, 2007	\$ 886,953	\$ 293,326	\$ 224,571	\$ 2,320,814	\$ 113,531	\$ 3,839,195

The notes to the financial statements are an integral part of this statement.

Exhibit C

McNairy County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2007

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 623,357
Accounts Receivable	1,611
Due from Other Governments	314,079
Cash Shortage	<u>1,035</u>
Total Assets	<u>\$ 940,082</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 314,079
Due to Litigants, Heirs, and Others	<u>626,003</u>
Total Liabilities	<u>\$ 940,082</u>

The notes to the financial statements are an integral part of this statement.

**McNAIRY COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2007**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

McNairy County's financial statements are not presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

McNairy County has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and discretely presented component units. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement No. 34 and accounting principles generally accepted in the United States of America. McNairy County has elected instead to implement only the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused McNairy County's auditor to issue an adverse opinion on the county's financial statements.

Although McNairy County's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement No. 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement No. 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

The following are the more significant accounting policies of McNairy County:

**A. Reporting Entity**

McNairy County is a public municipal corporation governed by an elected 21-member board. As required by GAAP, these financial statements present McNairy County (the primary government).

**Blended Component Units** – There are no legally separate component units of McNairy County that meet the criteria for being reported as part of the primary government by the blending method.

**Excluded Component Units** – The following entities meet the criteria for discretely presented component units of the county. Since McNairy County is presenting fund financial statements only, the financial information of entities that meet the criteria for discretely presented component units is not included in the fund financial statements, as required by generally accepted accounting principles. These entities would have been presented as separate columns in the government-wide financial statements to emphasize that they are legally separate from the county.

The McNairy County School Department operates the public school system in the county, and the voters of McNairy County elect its board. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The McNairy County Airport Authority operates the county's only airport facility, and the McNairy County Commission appoints its governing body and approves its operating budget. The McNairy County Airport Authority is funded primarily through rentals and fuel sales.

The McNairy County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of McNairy County, and the McNairy County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval.

The McNairy County School Department, the McNairy County Airport Authority, and the McNairy County Emergency Communications District issue separate financial statements from those of the county. The School Department's financial statements are published as a separate report but under the same cover as the county's financial statements. McNairy County Airport Authority's and McNairy County Emergency Communications District's financial statements are published as separate reports. Complete financial statements of the McNairy County Airport Authority and the McNairy County Emergency Communications District can be obtained from their administrative offices at the following addresses:

Administrative Offices:

McNairy County Airport Authority  
2281 Airport Road  
Selmer, TN 38375

McNairy County Emergency Communications District  
300 Industrial Park Drive  
Selmer, TN 38375

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Fund financial statements of McNairy County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, the county does not have any proprietary funds to report. An emphasis is placed on major funds within the governmental category.

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. The fiduciary funds in total are reported in a single column.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. McNairy County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds which have no measurement focus. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

McNairy County reports the following major governmental funds:

**General Fund** – This is the county’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Solid Waste/Sanitation Fund** – This fund accounts for the county’s garbage collection operations.

**Highway Public Works Fund** – This fund accounts for transactions of the county’s Highway Department.

**General Debt Service Fund** – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, McNairy County reports the following fund types:

**Capital Projects Fund** – The Community Development/Industrial Park Fund accounts for transactions of the Cypress Creek Watershed.

**Agency Funds** – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received by the state to be forwarded to the various cities in McNairy County. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

C. **Assets, Liabilities, and Net Assets or Equity**

1. **Deposits and Investments**

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county’s own legally issued bonds or notes; the State Treasurer’s Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by McNairy County and McNairy County School Department funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund. McNairy County and the McNairy County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

## **2. Receivables and Payables**

Activity between funds for unremitted current collections outstanding at the end of the fiscal year is referred to as due to/from other funds.

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.42 percent of total taxes levied.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred revenue as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in Chancery Court between the following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.

**3. Capital Assets**

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. McNairy County does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, McNairy County does not present government-wide statements.

**4. Compensated Absences**

It is the county's policy to permit employees to accumulate a limited amount of earned but unused vacation benefits which will be paid to employees upon separation from service. There is no liability for unpaid accumulated sick leave since McNairy County does not have a policy to pay any amounts when employees separate from service with the government. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

**5. Long-term Obligations**

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences and landfill closure/postclosure care costs are recognized to the extent that the liabilities have matured (come due for payment) each period.

Governmental funds recognize debt premiums and discounts, as well as debt 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.

**6. Fund Equity**

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (special revenue fund) which is not budgeted, and capital projects funds, which adopt project length budgets. All annual appropriations lapse at fiscal year end.

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, Beer Board, Budget and Finance Committee, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The county's budgetary basis of accounting is consistent with GAAP, except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and GAAP basis is presented on the face of each budgetary schedule.

**B. Expenditures Exceeded Appropriations**

Expenditures and other uses exceeded total appropriations approved by the County Commission in the General Fund by \$376,299. Also, expenditures

exceeded total appropriations approved by the County Commission in the Solid Waste/Sanitation (\$5,895), Law Library (\$1,444), and Public Library (\$240) Funds.

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

**C. Cash Shortage**

The Sheriff's Department had a cash shortage of \$1,035.46 as of June 30, 2007. This cash shortage was liquidated by the sheriff subsequent to June 30, 2007. Details of this cash shortage are discussed in the Schedule of Findings and Questioned Costs.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

McNairy County and the McNairy County School Department participate in an internal cash and investment pool through the Office of Trustee. The McNairy County School Department meets the criteria for a discretely presented component unit of McNairy County. Since McNairy County is presenting fund financial statements only, the financial information for the McNairy County School Department is not included in these fund financial statements. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected in the fund financial statements represents nonpooled amounts held separately by individual funds.

**Deposits**

**Legal Provisions.** All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for the purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the county.

**Investments**

**Legal Provisions.** Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase. McNairy County had no pooled or nonpooled investments at June 30, 2007.

**B. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2007, is as follows:

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste/Sanitation	\$ 63
General	Nonmajor governmental	1,112

These balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made.

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2007, consisted of the following amounts:

Transfers Out	Transfers In	
	General Debt Service Fund	Nonmajor Governmental Funds
General Fund	\$ 0	\$ 151,308
Highway/Public Works Fund	685,206	0
Total	<u>\$ 685,206</u>	<u>\$ 151,308</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**C. Long-term Debt**

Since McNairy County is presenting fund financial statements only, long-term debt is not reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in government-wide financial statements, but McNairy County is not presenting government-wide financial statements.

**General Obligation Bonds, Notes, and Other Loans**

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund other general obligation bonds. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 20 years for bonds, up to ten years for notes, and up to 20 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2007, will be retired from the General Debt Service, General, and Special Purpose Funds.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2007, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
General Obligation Bonds	4.75 to 5.4%	\$ 1,183,250	\$ 803,567
General Obligation Bonds - Refunding	2 to 5	13,340,000	10,180,000
Capital Outlay Notes	0 to 5.41	677,653	109,524
Other Loans - Variable Rate	variable	10,440,000	7,110,000
Other Loans - Synthetic Fixed Rate by Swap	variable	6,000,000	515,000

During the 2003-04 year, McNairy County entered into a loan agreement with the Sevier County Public Building Authority. Under this loan agreement, the authority loaned \$2,450,000 to McNairy County for the purchase of fire equipment and various construction projects. The loan's variable interest rate has historically approximated the Bond Market Association Municipal Index (BMA). In addition, the county pays various other fees (broker, auction agent, issuer, administrative, and quarterly) in connection with this loan. At June 30, 2007, the variable interest rate was 3.6 percent and other fees were .66 percent.

During the 1996-97 year, McNairy County entered into two loan agreements with the Sevier County Public Building Authority. Under these loan agreements, the authority loaned \$2,115,000 and \$875,000 to McNairy County for refinancing debt and for building construction. The variable interest rates of these loans have also historically approximated the BMA. In addition, the county pays various other fees (liquidity, remarketing, administrative, issuer, and quarterly) in connection with these loans. At June 30, 2007, the variable interest rate for these loans was 3.8 percent, which approximates the BMA rate. Other fees were .8 percent of the outstanding loan principal of the \$2,115,000 loan and 1.09 percent of the outstanding loan principal of the \$875,000 loan.

During the 1998-99 year, McNairy County entered into two additional loan agreements with the Sevier County Public Building Authority. Under these loan agreements, the authority loaned \$6,000,000 and \$5,000,000 to McNairy County for road construction. The \$6,000,000 Series IV-B-9 loan was converted to a SWAP interest rate in the 2002-03 year, as discussed in the following paragraphs. The variable interest rate of the \$5,000,000 loan has historically approximated the Bond Market Association Municipal Index (BMA). In addition, the county pays various other fees (liquidity, remarketing, administrative, issuer, and quarterly) in connection with this loan. At June 30, 2007, the variable interest rate was 3.8 percent, which approximates the BMA rate, and other fees amounted to .54 percent of the outstanding loan principal.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2007, including interest payments and other loan fees, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2008	\$ 1,052,139	\$ 417,118	\$ 79,464	\$ 6,657
2009	1,089,140	384,952	18,162	2,348
2010	1,126,237	350,780	11,898	542
2011	1,173,433	309,909	0	0
2012	1,190,734	264,208	0	0
2013-2017	5,166,684	652,726	0	0
2018-2022	185,200	27,994	0	0
Total	<u>\$ 10,983,567</u>	<u>\$ 2,407,687</u>	<u>\$ 109,524</u>	<u>\$ 9,547</u>

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2008	\$ 1,160,000	\$ 283,038	\$ 48,040	\$ 1,491,078
2009	1,170,000	239,359	41,263	1,450,622
2010	1,220,000	195,305	34,524	1,449,829
2011	1,270,000	149,368	27,480	1,446,848
2012	50,000	101,548	20,159	171,707
2013-2017	1,755,000	418,744	81,040	2,254,784
2018-2019	1,000,000	36,000	6,645	1,042,645
Total	<u>\$ 7,625,000</u>	<u>\$ 1,423,362</u>	<u>\$ 259,151</u>	<u>\$ 9,307,513</u>

There is \$2,320,814 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$446, based on the 2000 federal census. Debt per capita, including bonds, notes, and other loans totaled \$759, based on the 2000 federal census.

Under its loan agreement, the Sevier County Public Building Authority, at the request of McNairy County, entered into an interest rate swap agreement during the 2002-03 year for all of the outstanding Local Government Improvement Bonds, Series IV-B-9.

**Objective of the interest rate swap.** To protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, McNairy County requested the authority, on its behalf, to enter into an interest rate swap in connection with its Series IV-B-9 variable-rate bonds. The intention of the swap was to effectively change the variable interest rate on the bonds to a synthetic fixed rate.

**Terms.** Under the swap, the authority pays the counterparty a fixed payment of 2.35 percent and receives a variable payment computed as 75 percent of the one month London Interbank Offered Rate (LIBOR). The swap has an outstanding notional amount of \$2.57 million, and the associated variable-rate bond has a \$2.57 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series IV-B-9 Bonds. The bonds' variable-rates have historically approximated the Bond Market Association Municipal Index™ (BMA). The bonds and the related swap agreement mature on June 1, 2011. As of June 30, 2007, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap:		
Fixed payment to counterparty	Fixed	2.35%
Variable payment from counterparty	75% of LIBOR	-3.99%
Net interest rate swap payments		-1.64%
Variable-rate bond coupon payments		3.81%
Synthetic interest rate on bonds		<u>2.17%</u>

**Fair value.** As of June 30, 2007, the swap had a positive fair value of \$19,469. The positive fair value of the swap may be countered by increases in total interest payments required under the variable-rate bond, creating higher synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

**Credit risk.** As of June 30, 2007, McNairy County's exposure to credit risk is equal to the amount of the swap's positive fair value. However, if interest rates change and the fair value of the swap becomes negative, McNairy County would no longer be exposed to credit risk. The swap counterparty was unrated at the time of the swap. To mitigate the potential for credit risk, the authority, on behalf of McNairy County, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, which was rated AAA by Standard and Poor's and Fitch and Aaa by Moody's Investor Service as of June 30, 2007. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

**Basis risk.** As noted above, the swap exposes McNairy County to basis risk should BMA increase to above 75 percent of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA being below 75 percent of LIBOR, then the synthetic rate on the bonds will decrease. The effect of this difference in basis points is indicated by the difference between the rate paid to the counterparty of 2.35 percent and the difference between the synthetic rate paid to the counterparty of 2.17 percent at June 30, 2007. Also as of June 30, 2007, the BMA rate was 3.81 percent whereas 75 percent of LIBOR was 3.99 percent.

**Termination risk.** The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an “additional termination provision.” The authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the authority would be liable to the counterparty for a payment equal to the swap’s fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the authority for a payment equal to the swap’s fair value.

**Swap payments and associated debt.** As of June 30, 2007, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Year Ending June 30	Variable Rate Bonds		Net Interest	Total
	Principal	Interest	Rate Swap Payment	
2008	\$ 125,000	\$ 19,622	\$ (8,446)	\$ 136,176
2009	125,000	14,859	(6,396)	133,463
2010	130,000	10,097	(4,346)	135,751
2011	135,000	5,144	(2,214)	137,930
Total	<u>\$ 515,000</u>	<u>\$ 49,722</u>	<u>\$ (21,402)</u>	<u>\$ 543,320</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

Governmental Activities:

	Bonds	Notes	Other Loans
Balance, July 1, 2006	\$ 12,020,967	\$ 234,160	\$ 8,205,300
Additions	0	0	529,700
Deductions	(1,037,400)	(124,636)	(1,110,000)
Balance, June 30, 2007	<u>\$ 10,983,567</u>	<u>\$ 109,524</u>	<u>\$ 7,625,000</u>
Balance Due Within One Year	<u>\$ 1,052,139</u>	<u>\$ 79,464</u>	<u>\$ 1,160,000</u>

	Compensated Absences	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2006	\$ 25,252	\$ 709,173
Additions	81,603	56,871
Deductions	(76,782)	(15,211)
Balance, June 30, 2007	<u>\$ 30,073</u>	<u>\$ 750,833</u>
Balance Due Within One Year	<u>\$ 30,073</u>	<u>\$ 15,000</u>

Compensated absences will be paid from the employing funds, primarily the General Fund and the Highway/Public Works Fund. Landfill closure/postclosure care costs will be paid from the Solid Waste/Sanitation Fund.

**D. Short-term Debt**

McNairy County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund. The notes were necessary because funds were not available for general operating expenses coming due before current tax collections. Short-term debt activity for the year ended June 30, 2007, was as follows:

	Balance 7-1-06	Issued	Redeemed	Balance 6-30-07
Tax Anticipation Notes	\$ 0	\$ 500,000	\$ (500,000)	\$ 0

#### IV. OTHER INFORMATION

##### A. Risk Management

McNairy County is exposed to various risks related to general liability, property, and casualty losses. The county participates in the Local Government Property and Casualty Fund (LGPCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The county pays an annual premium to the LGPCF for its general liability, property, and casualty insurance coverage. The creation of the LGPCF provides for it to be self-sustaining through member premiums. The LGPCF reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

McNairy County participates in the Local Government Workers' Compensation Fund (LGWCF), a public entity risk pool established under the provisions of Section 29-20-401, Tennessee Code Annotated, by the Tennessee County Services Association to provide a program of workers' compensation coverage to employees of local governments. The county pays an annual premium to the LGWCF for its workers' compensation insurance coverage. The LGWCF is to be self-sustaining through member premiums. The LGWCF reinsures through commercial insurance companies for claims exceeding \$300,000.

The employees of McNairy County are provided health insurance through the purchase of commercial insurance. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

##### B. Contingent Liabilities

The county is involved in several pending lawsuits. The county attorney estimates that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the county's financial statements.

##### C. Changes in Administration

On August 31, 2006, Wilburn Gene Ashe left the Office of County Mayor and was succeeded by Jai Templeton, and Tom Hill left the Office of Highway Commissioner and was succeeded by Harvey Neal Smith.

##### D. Landfill Closure/Postclosure Care Costs

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. These closure and postclosure care costs generally are paid near or after the date that the landfill stops accepting waste. McNairy County closed its

Class I and II landfill in prior years and has contracted its waste management to a private vendor. McNairy County still operates a Class III and IV landfill. The Solid Waste/Sanitation Fund (special revenue fund) reports the operations of the Class III and IV landfill and the closure and postclosure care costs of the closed Class I and II landfill as expenditures in each period in which they are incurred. The \$750,833 reported as landfill closure and postclosure care liability at June 30, 2007, represents the accrued postclosure care costs of \$555,393 associated with the old Class I and II landfill, and accrued closure and postclosure care costs of \$195,440 associated with the Class III and IV landfill. The accrued closure and postclosure costs of the Class III and IV landfill (\$195,440) are based on the use of 55 percent of the estimated capacity of the landfill. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**E. Retirement Commitments**

**Employees**

**Plan Description**

Employees of McNairy County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as McNairy County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

## Funding Policy

McNairy County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2007, was 3.88 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for McNairy County is established and may be amended by the TCRS Board of Trustees.

## Annual Pension Cost

For the year ended June 30, 2007, McNairy County's annual pension cost of \$223,468 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), and (c) projected 3.5 percent annual increase in the Social Security wage base. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. McNairy County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was eight years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

### Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-07	\$223,468	100%	\$0
6-30-06	155,874	100	0
6-30-05	147,843	100	0

## F. Purchasing Laws

### Office of County Mayor

Chapter 171, Private Acts of 1990, provides for the county mayor to serve as purchasing agent for McNairy County and award all contracts for purchases for all departments, excluding purchases made from county highway or county education funds. Purchasing procedures for the County Mayor's Office are governed by the County Purchasing Law of 1983, Sections 5-14-201

through 5-14-206, Tennessee Code Annotated, (TCA) which provide for purchases exceeding \$5,000 (\$10,000 effective May 10, 2007) to be made after public advertisement and solicitation of competitive bids.

Office of County Highway Commissioner

Section 54-7-113, TCA (Uniform Road Law), governs purchasing procedures for the Highway Department. This statute requires all purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

---

---

**REQUIRED SUPPLEMENTARY  
INFORMATION**

---

---

Exhibit D-1

McNairy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,621,758	\$ 2,519,880	\$ 2,519,880	\$ 101,878
Licenses and Permits	1,520	2,000	2,000	(480)
Fines, Forfeitures, and Penalties	157,784	156,000	171,500	(13,716)
Charges for Current Services	42,785	41,100	41,100	1,685
Other Local Revenues	48,022	77,500	42,500	5,522
Fees Received from County Officials	960,351	822,000	822,000	138,351
State of Tennessee	1,171,089	639,550	639,550	531,539
Federal Government	353,029	46,000	46,000	307,029
Total Revenues	<u>\$ 5,356,338</u>	<u>\$ 4,304,030</u>	<u>\$ 4,284,530</u>	<u>\$ 1,071,808</u>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 39,464	\$ 36,500	\$ 38,769	\$ (695)
Board of Equalization	2,158	2,000	2,156	(2)
Beer Board	66	725	593	527
Budget and Finance Committee	0	1,750	0	0
Other Boards and Committees	5,710	2,500	6,760	1,050
County Mayor/Executive	139,689	123,688	140,930	1,241
County Attorney	2,400	2,000	2,400	0
Election Commission	326,201	107,262	326,992	791
Register of Deeds	115,179	114,482	114,482	(697)
County Buildings	233,436	218,338	233,035	(401)
<u>Finance</u>				
Property Assessor's Office	113,128	129,979	130,624	17,496
Reappraisal Program	36,981	40,045	39,400	2,419
County Trustee's Office	119,240	115,859	130,103	10,863
County Clerk's Office	161,619	164,605	165,776	4,157
<u>Administration of Justice</u>				
Circuit Court	158,187	110,954	163,364	5,177
General Sessions Court	141,215	147,103	166,796	25,581
Chancery Court	100,618	105,984	105,984	5,366
Juvenile Court	60,300	61,768	61,768	1,468
<u>Public Safety</u>				
Sheriff's Department	1,030,510	1,050,525	1,049,376	18,866
Jail	499,817	277,280	470,870	(28,947)
Fire Prevention and Control	94,800	71,638	94,045	(755)
Rural Fire Protection	40,140	0	40,140	0
Civil Defense	150,397	38,540	145,939	(4,458)
Inspection and Regulation	9,763	9,863	9,863	100
<u>Public Health and Welfare</u>				
Local Health Center	118,418	112,893	118,195	(223)
<u>Agriculture &amp; Natural Resources</u>				
Agriculture Extension Service	70,099	59,123	69,054	(1,045)

(Continued)

Exhibit D-1

McNairy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund (Cont.)

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Agriculture &amp; Natural Resources (Cont.)</u>				
Soil Conservation	\$ 42,916	\$ 42,916	\$ 42,916	\$ 0
<u>Other Operations</u>				
Other Economic and Community Development	409,839	0	0	(409,839)
Airport	58,275	38,000	58,276	1
Veterans' Services	9,918	11,059	11,059	1,141
Other Charges	127,271	138,500	138,500	11,229
Contributions to Other Agencies	141,333	218,020	177,880	36,547
Employee Benefits	545,216	530,500	537,498	(7,718)
Miscellaneous	11,750	0	0	(11,750)
<u>Highways</u>				
Litter and Trash Collection	28,730	35,000	35,000	6,270
<u>Principal on Debt</u>				
General Government	68,989	0	68,930	(59)
<u>Interest on Debt</u>				
General Government	3,300	0	3,300	0
<u>Other Debt Service</u>				
General Government	54,387	0	54,387	0
Total Expenditures	\$ 5,271,459	\$ 4,119,399	\$ 4,955,160	\$ (316,299)
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 84,879	\$ 184,631	\$ (670,630)	\$ 755,509
<u>Other Financing Sources (Uses)</u>				
Other Loans Issued	\$ 529,700	\$ 0	\$ 529,700	\$ 0
Insurance Recovery	60,985	0	35,000	25,985
Transfers Out	(151,308)	(91,308)	(91,308)	(60,000)
Total Other Financing Sources (Uses)	\$ 439,377	\$ (91,308)	\$ 473,392	\$ (34,015)
Net Change in Fund Balance	\$ 524,256	\$ 93,323	\$ (197,238)	\$ 721,494
Fund Balance, July 1, 2006	362,697	322,025	322,025	40,672
Fund Balance, June 30, 2007	\$ 886,953	\$ 415,348	\$ 124,787	\$ 762,166

Exhibit D-2

McNairy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 175,654	\$ 160,000	\$ 160,000	\$ 15,654
Charges for Current Services	843,803	730,000	730,000	113,803
Other Local Revenues	916	0	0	916
State of Tennessee	190,345	167,000	167,000	23,345
Total Revenues	<u>\$ 1,210,718</u>	<u>\$ 1,057,000</u>	<u>\$ 1,057,000</u>	<u>\$ 153,718</u>
<u>Expenditures</u>				
<u>General Government</u>				
Other General Administration	\$ 2,053	\$ 0	\$ 0	\$ (2,053)
<u>Public Health and Welfare</u>				
Sanitation Management	748,620	722,750	748,124	(496)
Landfill Operation and Maintenance	197,728	174,068	192,347	(5,381)
<u>Other Operations</u>				
Employee Benefits	30,565	32,600	32,600	2,035
Total Expenditures	<u>\$ 978,966</u>	<u>\$ 929,418</u>	<u>\$ 973,071</u>	<u>\$ (5,895)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 231,752</u>	<u>\$ 127,582</u>	<u>\$ 83,929</u>	<u>\$ 147,823</u>
Net Change in Fund Balance	\$ 231,752	\$ 127,582	\$ 83,929	\$ 147,823
Fund Balance, July 1, 2006	61,574	49,205	49,205	12,369
Fund Balance, June 30, 2007	<u>\$ 293,326</u>	<u>\$ 176,787</u>	<u>\$ 133,134</u>	<u>\$ 160,192</u>

Exhibit D-3

McNairy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 325,070	\$ 318,500	\$ 318,500	\$ 6,570
Charges for Current Services	144	150	150	(6)
Other Local Revenues	55,106	108,000	108,000	(52,894)
State of Tennessee	1,974,610	2,137,142	2,137,142	(162,532)
Other Governments and Citizens Groups	10,116	5,000	5,000	5,116
Total Revenues	<u>\$ 2,365,046</u>	<u>\$ 2,568,792</u>	<u>\$ 2,568,792</u>	<u>\$ (203,746)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 110,126	\$ 108,452	\$ 111,802	\$ 1,676
Highway and Bridge Maintenance	512,617	482,869	546,619	34,002
Operation and Maintenance of Equipment	254,866	284,478	260,378	5,512
Other Charges	50,095	61,000	51,000	905
Employee Benefits	253,462	291,000	258,000	4,538
Capital Outlay	568,901	794,000	794,000	225,099
Total Expenditures	<u>\$ 1,750,067</u>	<u>\$ 2,021,799</u>	<u>\$ 2,021,799</u>	<u>\$ 271,732</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 614,979</u>	<u>\$ 546,993</u>	<u>\$ 546,993</u>	<u>\$ 67,986</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 972	\$ 0	\$ 0	\$ 972
Transfers Out	(685,206)	(685,206)	(685,206)	0
Total Other Financing Sources (Uses)	<u>\$ (684,234)</u>	<u>\$ (685,206)</u>	<u>\$ (685,206)</u>	<u>\$ 972</u>
Net Change in Fund Balance	\$ (69,255)	\$ (138,213)	\$ (138,213)	\$ 68,958
Fund Balance, July 1, 2006	<u>293,826</u>	<u>201,062</u>	<u>201,062</u>	<u>92,764</u>
Fund Balance, June 30, 2007	<u>\$ 224,571</u>	<u>\$ 62,849</u>	<u>\$ 62,849</u>	<u>\$ 161,722</u>

Exhibit D-4

McNairy County, Tennessee  
Schedule of Funding Progress – Pension Plan  
June 30, 2007

**Required Supplementary Information**  
Schedule of Funding Progress for McNairy County

(Dollar amounts in thousands)

Actuarial Valuation Date	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)
6-30-05	\$ 6,817	\$ 6,817	\$ 0	100 %	\$ 4,980	0 %
6-30-03	6,009	6,009	0	100	4,681	0
6-30-01	5,349	5,349	0	100	4,201	0

**McNAIRY COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2007**

**A. BUDGETARY INFORMATION**

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the McNairy County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, Beer Board, Budget and Finance Committee, etc.). Management may make revisions within major categories, but only the McNairy County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The county's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

**B. EXPENDITURES EXCEEDED APPROPRIATIONS**

Expenditures and other uses exceeded total appropriations approved by the County Commission in the General Fund by \$376,299. Also, expenditures exceeded total appropriations approved by the County Commission in the Solid Waste/Sanitation fund by \$5,895. Such overexpenditures are a violation of state statutes. These overexpenditures were funded from other available funds.

---

---

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

---

---

# Nonmajor Governmental Funds

## Special Revenue Funds

---

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

---

Law Library Fund – The Law Library Fund is used to account for a special tax levied by private act on litigation. Proceeds of the tax must be expended for the benefit of the county’s law library.

Public Library Fund – The Public Library Fund is used to account for the transactions of the Irving Meek and Jack McConnico libraries.

Special Purpose Fund – The Special Purpose Fund is used to account for transactions of a higher education center.

Drug Control Fund – The Drug Control Fund is used to account for revenues received from drug-related fines, forfeitures, and seizures.

Constitutional Officers - Fees Fund – The Constitutional Officers - Fees Fund is used to account for operating expenses paid directly from the fee and commission accounts of the trustee, clerks, register, and sheriff.

# Capital Projects Fund

---

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

---

Community Development/Industrial Park Fund – The Community Development/Industrial Park Fund is used to account for the transactions of the Cypress Creek Watershed.

Exhibit E-1

McNairy County, Tennessee  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2007

	Special Revenue Funds					Total	Capital Projects Fund	Total Nonmajor Governmental Funds
	Law Library	Public Library	Special Purpose	Drug Control	Constitu- tional Officers - Fees		Community Development/ Industrial Park	
<u>ASSETS</u>								
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,084	\$ 1,084	\$ 0	1,084
Equity in Pooled Cash and Investments	1,186	3,951	3,647	99,072	0	107,856	1,531	109,387
Accounts Receivable	0	0	4,506	0	0	4,506	0	4,506
<b>Total Assets</b>	<b>\$ 1,186</b>	<b>\$ 3,951</b>	<b>\$ 8,153</b>	<b>\$ 99,072</b>	<b>\$ 1,084</b>	<b>\$ 113,446</b>	<b>\$ 1,531</b>	<b>\$ 114,977</b>
<u>LIABILITIES AND FUND BALANCES</u>								
<u>Liabilities</u>								
Payroll Deductions Payable	\$ 0	\$ 261	\$ 73	\$ 0	\$ 0	\$ 334	\$ 0	334
Due to Other Funds	0	28	0	0	1,084	1,112	0	1,112
<b>Total Liabilities</b>	<b>\$ 0</b>	<b>\$ 289</b>	<b>\$ 73</b>	<b>\$ 0</b>	<b>\$ 1,084</b>	<b>\$ 1,446</b>	<b>\$ 0</b>	<b>\$ 1,446</b>
<u>Fund Balances</u>								
Unreserved	\$ 1,186	\$ 3,662	\$ 8,080	\$ 99,072	\$ 0	\$ 112,000	\$ 1,531	113,531
<b>Total Fund Balances</b>	<b>\$ 1,186</b>	<b>\$ 3,662</b>	<b>\$ 8,080</b>	<b>\$ 99,072</b>	<b>\$ 0</b>	<b>\$ 112,000</b>	<b>\$ 1,531</b>	<b>\$ 113,531</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,186</b>	<b>\$ 3,951</b>	<b>\$ 8,153</b>	<b>\$ 99,072</b>	<b>\$ 1,084</b>	<b>\$ 113,446</b>	<b>\$ 1,531</b>	<b>\$ 114,977</b>

Exhibit E-2

McNairy County, Tennessee  
 Combining Statement of Revenues, Expenditures,  
 and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2007

	Special Revenue Funds					Capital Projects Fund	Total
	Law Library	Public Library	Special Purpose	Drug Control	Total	Community Development/ Industrial Park	Nonmajor Governmental Funds
<u>Revenues</u>							
Local Taxes	\$ 3,603	\$ 0	\$ 0	\$ 0	\$ 3,603	\$ 0	\$ 3,603
Fines, Forfeitures, and Penalties	0	0	0	43,564	43,564	0	43,564
Charges for Current Services	0	0	1,287	0	1,287	0	1,287
Other Local Revenues	0	0	31,206	3,241	34,447	0	34,447
Other Governments and Citizens Groups	0	0	32,583	0	32,583	0	32,583
Total Revenues	<u>\$ 3,603</u>	<u>\$ 0</u>	<u>\$ 65,076</u>	<u>\$ 46,805</u>	<u>\$ 115,484</u>	<u>\$ 0</u>	<u>\$ 115,484</u>
<u>Expenditures</u>							
Current:							
General Government	\$ 0	\$ 0	\$ 68,756	\$ 0	\$ 68,756	\$ 0	\$ 68,756
Public Safety	0	0	0	62,876	62,876	0	62,876
Social, Cultural, and Recreational Services	4,784	79,290	0	0	84,074	0	84,074
Agriculture and Natural Resources	0	0	0	0	0	2,550	2,550
Other Operations	0	19,483	5,578	0	25,061	0	25,061
Debt Service:							
Principal on Debt	0	0	24,686	0	24,686	0	24,686
Interest on Debt	0	0	381	0	381	0	381
Total Expenditures	<u>\$ 4,784</u>	<u>\$ 98,773</u>	<u>\$ 99,401</u>	<u>\$ 62,876</u>	<u>\$ 265,834</u>	<u>\$ 2,550</u>	<u>\$ 268,384</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,181)</u>	<u>\$ (98,773)</u>	<u>\$ (34,325)</u>	<u>\$ (16,071)</u>	<u>\$ (150,350)</u>	<u>\$ (2,550)</u>	<u>\$ (152,900)</u>
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 0	\$ 101,308	\$ 47,000	\$ 0	\$ 148,308	\$ 3,000	\$ 151,308
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 101,308</u>	<u>\$ 47,000</u>	<u>\$ 0</u>	<u>\$ 148,308</u>	<u>\$ 3,000</u>	<u>\$ 151,308</u>
Net Change in Fund Balances	\$ (1,181)	\$ 2,535	\$ 12,675	\$ (16,071)	\$ (2,042)	\$ 450	\$ (1,592)
Fund Balance, July 1, 2006	2,367	1,127	(4,595)	115,143	114,042	1,081	115,123
Fund Balance, June 30, 2007	<u>\$ 1,186</u>	<u>\$ 3,662</u>	<u>\$ 8,080</u>	<u>\$ 99,072</u>	<u>\$ 112,000</u>	<u>\$ 1,531</u>	<u>\$ 113,531</u>

Exhibit E-3

McNairy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Law Library Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,603	\$ 3,400	\$ 3,400	\$ 203
Total Revenues	\$ 3,603	\$ 3,400	\$ 3,400	\$ 203
<u>Expenditures</u>				
<u>Social, Cultural, and Recreational Services</u>				
Libraries	\$ 4,784	\$ 3,340	\$ 3,340	\$ (1,444)
Total Expenditures	\$ 4,784	\$ 3,340	\$ 3,340	\$ (1,444)
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,181)	\$ 60	\$ 60	\$ (1,241)
Net Change in Fund Balance	\$ (1,181)	\$ 60	\$ 60	\$ (1,241)
Fund Balance, July 1, 2006	2,367	3,767	3,767	(1,400)
Fund Balance, June 30, 2007	\$ 1,186	\$ 3,827	\$ 3,827	\$ (2,641)

Exhibit E-4

McNairy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Public Library Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
<u>Expenditures</u>				
<u>Social, Cultural, and Recreational Services</u>				
Libraries	\$ 79,290	\$ 91,308	\$ 79,292	\$ 2
<u>Other Operations</u>				
Employee Benefits	19,483	0	19,241	(242)
Total Expenditures	\$ 98,773	\$ 91,308	\$ 98,533	\$ (240)
Excess (Deficiency) of Revenues Over Expenditures	\$ (98,773)	\$ (91,308)	\$ (98,533)	\$ (240)
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 101,308	\$ 91,308	\$ 91,308	\$ 10,000
Total Other Financing Sources (Uses)	\$ 101,308	\$ 91,308	\$ 91,308	\$ 10,000
Net Change in Fund Balance	\$ 2,535	\$ 0	\$ (7,225)	\$ 9,760
Fund Balance, July 1, 2006	1,127	7,418	7,418	(6,291)
Fund Balance, June 30, 2007	\$ 3,662	\$ 7,418	\$ 193	\$ 3,469

Exhibit E-5

McNairy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Special Purpose Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 1,287	\$ 1,800	\$ 1,800	\$ (513)
Other Local Revenues	31,206	41,000	41,000	(9,794)
Other Governments and Citizens Groups	32,583	30,000	30,000	2,583
Total Revenues	<u>\$ 65,076</u>	<u>\$ 72,800</u>	<u>\$ 72,800</u>	<u>\$ (7,724)</u>
<u>Expenditures</u>				
<u>General Government</u>				
Other Facilities	\$ 68,756	\$ 90,653	\$ 69,158	\$ 402
<u>Other Operations</u>				
Employee Benefits	5,578	6,260	6,260	682
<u>Principal on Debt</u>				
General Government	24,686	0	24,686	0
<u>Interest on Debt</u>				
General Government	381	0	381	0
Total Expenditures	<u>\$ 99,401</u>	<u>\$ 96,913</u>	<u>\$ 100,485</u>	<u>\$ 1,084</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (34,325)</u>	<u>\$ (24,113)</u>	<u>\$ (27,685)</u>	<u>\$ (6,640)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 47,000	\$ 30,000	\$ 30,000	\$ 17,000
Total Other Financing Sources (Uses)	<u>\$ 47,000</u>	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 17,000</u>
Net Change in Fund Balance	\$ 12,675	\$ 5,887	\$ 2,315	\$ 10,360
Fund Balance, July 1, 2006	(4,595)	441	441	(5,036)
Fund Balance, June 30, 2007	<u>\$ 8,080</u>	<u>\$ 6,328</u>	<u>\$ 2,756</u>	<u>\$ 5,324</u>

Exhibit E-6

McNairy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 43,564	\$ 40,000	\$ 40,000	\$ 3,564
Other Local Revenues	3,241	0	0	3,241
Total Revenues	<u>\$ 46,805</u>	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ 6,805</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 62,876	\$ 35,500	\$ 69,415	\$ 6,539
Total Expenditures	<u>\$ 62,876</u>	<u>\$ 35,500</u>	<u>\$ 69,415</u>	<u>\$ 6,539</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (16,071)</u>	<u>\$ 4,500</u>	<u>\$ (29,415)</u>	<u>\$ 13,344</u>
Net Change in Fund Balance	\$ (16,071)	\$ 4,500	\$ (29,415)	\$ 13,344
Fund Balance, July 1, 2006	<u>115,143</u>	<u>95,601</u>	<u>95,601</u>	<u>19,542</u>
Fund Balance, June 30, 2007	<u><u>\$ 99,072</u></u>	<u><u>\$ 100,101</u></u>	<u><u>\$ 66,186</u></u>	<u><u>\$ 32,886</u></u>

# **Major Governmental Fund**

## **General Debt Service Fund**

---

The General Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

---

Exhibit F

McNairy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,675,573	\$ 1,568,340	\$ 1,568,340	\$ 107,233
Other Local Revenues	239,433	125,000	125,000	114,433
Other Governments and Citizens Groups	1,010,350	0	1,010,350	0
Total Revenues	<u>\$ 2,925,356</u>	<u>\$ 1,693,340</u>	<u>\$ 2,703,690</u>	<u>\$ 221,666</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 374,414	\$ 458,208	\$ 478,353	\$ 103,939
Highways and Streets	1,058,297	1,066,950	1,066,950	8,653
Education	745,650	705,650	745,651	1
<u>Interest on Debt</u>				
General Government	181,179	274,564	208,006	26,827
Highways and Streets	196,089	269,978	196,090	1
Education	362,657	327,002	364,309	1,652
<u>Other Debt Service</u>				
General Government	40,927	25,000	65,512	24,585
Highways and Streets	25,995	0	25,995	0
Education	6,456	0	6,456	0
Total Expenditures	<u>\$ 2,991,664</u>	<u>\$ 3,127,352</u>	<u>\$ 3,157,322</u>	<u>\$ 165,658</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (66,308)</u>	<u>\$ (1,434,012)</u>	<u>\$ (453,632)</u>	<u>\$ 387,324</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	<u>\$ 685,206</u>	<u>\$ 1,717,858</u>	<u>\$ 707,508</u>	<u>\$ (22,302)</u>
Total Other Financing Sources (Uses)	<u>\$ 685,206</u>	<u>\$ 1,717,858</u>	<u>\$ 707,508</u>	<u>\$ (22,302)</u>
Net Change in Fund Balance	\$ 618,898	\$ 283,846	\$ 253,876	\$ 365,022
Fund Balance, July 1, 2006	<u>1,701,916</u>	<u>1,375,442</u>	<u>1,375,442</u>	<u>326,474</u>
Fund Balance, June 30, 2007	<u>\$ 2,320,814</u>	<u>\$ 1,659,288</u>	<u>\$ 1,629,318</u>	<u>\$ 691,496</u>

# Fiduciary Funds

---

Agency Funds are used to account for assets held by the county as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

---

Cities - Sales Tax Fund – The Cities - Sales Tax Fund is used to account for the second half of the sales tax revenues collected inside incorporated cities of the county. These revenues are received by the county from the State of Tennessee and forwarded to the various cities on a monthly basis.

Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk, circuit and general sessions courts clerk, clerk and master, register, and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Exhibit G-1

McNairy County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2007

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 623,357	\$ 623,357
Accounts Receivable	0	1,611	1,611
Due from Other Governments	314,079	0	314,079
Cash Shortage	0	1,035	1,035
Total Assets	\$ 314,079	626,003	\$ 940,082
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 314,079	\$ 0	\$ 314,079
Due to Litigants, Heirs, and Others	0	626,003	626,003
Total Liabilities	\$ 314,079	\$ 626,003	\$ 940,082

Exhibit G-2

McNairy County, Tennessee

Combining Statement of Changes in Assets and Liabilities - All Agency Funds

For the Year Ended June 30, 2007

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,657,533	\$ 1,657,533	\$ 0
Due from Other Governments	268,846	314,079	268,846	314,079
Total Assets	\$ 268,846	\$ 1,971,612	\$ 1,926,379	\$ 314,079
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 268,846	\$ 1,971,612	\$ 1,926,379	\$ 314,079
Total Liabilities	\$ 268,846	\$ 1,971,612	\$ 1,926,379	\$ 314,079
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 488,586	\$ 2,714,958	\$ 2,580,187	\$ 623,357
Accounts Receivable	1,686	1,611	1,686	1,611
Cash Shortage	0	1,035	0	1,035
Total Assets	\$ 490,272	\$ 2,717,604	\$ 2,581,873	\$ 626,003
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 490,272	\$ 2,717,604	\$ 2,581,873	\$ 626,003
Total Liabilities	\$ 490,272	\$ 2,717,604	\$ 2,581,873	\$ 626,003
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,657,533	\$ 1,657,533	\$ 0
Cash	488,586	2,714,958	2,580,187	623,357
Accounts Receivable	1,686	1,611	1,686	1,611
Cash Shortage	0	1,035	0	1,035
Due from Other Governments	268,846	314,079	268,846	314,079
Total Assets	\$ 759,118	\$ 4,689,216	\$ 4,508,252	\$ 940,082
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 268,846	\$ 1,971,612	\$ 1,926,379	\$ 314,079
Due to Litigants, Heirs, and Others	490,272	2,717,604	2,581,873	626,003
Total Liabilities	\$ 759,118	\$ 4,689,216	\$ 4,508,252	\$ 940,082

---

---

## MISCELLANEOUS SCHEDULES

---

---

Exhibit H-1

McNairy County, Tennessee  
Schedule of Changes in Long-term Notes,  
Other Loans, and Bonds  
For the Year Ended June 30, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-07
<u>NOTES PAYABLE</u>								
<u>Payable through General Fund</u>								
Patrol Cars	\$ 66,967	2.64%	11-13-03	11-13-06	\$ 22,323	\$ 0	\$ 22,323	0
Patrol Cars	68,000	3.75	10-24-03	10-24-06	22,666	0	22,666	0
Patrol Cars	72,000	3.89	4-15-05	4-15-08	48,000	0	24,000	24,000
Total Payable through General Fund					<u>\$ 92,989</u>	<u>\$ 0</u>	<u>\$ 68,989</u>	<u>\$ 24,000</u>
<u>Payable through General Debt Service Fund</u>								
Agriculture Extension Building Construction	107,000	4.5	5-15-01	5-15-10	\$ 47,555	\$ 0	\$ 11,864	35,691
Bridge Construction	250,000	5.35	10-9-1997	10-9-07	44,458	0	19,097	25,361
Total Payable through General Debt Service Fund					<u>\$ 92,013</u>	<u>\$ 0</u>	<u>\$ 30,961</u>	<u>\$ 61,052</u>
<u>Payable through Special Purpose Fund</u>								
Rural Economic Development Loan	196,666	0	8-27-1998	5-12-08	\$ 39,968	\$ 0	\$ 20,004	19,964
Rural Utilities Service, Series 1999	51,987	5.41	4-6-00	5-20-08	9,190	0	4,682	4,508
Total Payable through Special Purpose Fund					<u>\$ 49,158</u>	<u>\$ 0</u>	<u>\$ 24,686</u>	<u>\$ 24,472</u>
Total Notes Payable					<u>\$ 234,160</u>	<u>\$ 0</u>	<u>\$ 124,636</u>	<u>\$ 109,524</u>

(Continued)

Exhibit H-1

McNairy County, Tennessee  
Schedule of Changes in Long-term Notes,  
Other Loans, and Bonds (Cont.)

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-07
<b><u>OTHER LOANS PAYABLE</u></b>								
<b><u>Payable through General Debt Service Fund</u></b>								
Local Government Public Improvement Loan	\$ 2,450,000	Variable	10-15-03	10-15-19	\$ 1,920,300	\$ 529,700	\$ 0	\$ 2,450,000
Refinancing Loan	2,115,000	Variable	4-24-1997	6-1-08	70,000	0	35,000	35,000
Higher Education Building Construction Loan	875,000	Variable	4-24-1997	6-1-17	585,000	0	40,000	545,000
Local Government Public Improvement Loan	5,000,000	Variable	5-27-1999	6-1-11	5,000,000	0	920,000	4,080,000
Local Government Public Improvement Loan	6,000,000	Variable	1-27-00	6-1-11	630,000	0	115,000	515,000
Total Other Loans Payable					<u>\$ 8,205,300</u>	<u>\$ 529,700</u>	<u>\$ 1,110,000</u>	<u>\$ 7,625,000</u>
<b><u>BONDS PAYABLE</u></b>								
<b><u>Payable through General Debt Service Fund</u></b>								
Airport Bonds, Series 1995	290,000	5 to 5.4%	12-1-1995	2-1-11	\$ 115,000	\$ 0	\$ 20,000	\$ 95,000
USDA Rural Development Bonds	350,500	4.75	11-13-01	11-13-16	279,782	0	20,736	259,046
USDA Rural Development Bonds	217,750	4.75	5-1-02	5-1-22	188,992	0	8,392	180,600
USDA Rural Development Bonds	325,000	4.75	6-21-02	6-21-22	282,193	0	13,272	268,921
Refunding Bonds, Series 2003	3,035,000	3 to 5	3-11-03	9-1-12	2,220,000	0	290,000	1,930,000
School Refunding Bonds, Series 2003	10,305,000	2 to 4	4-22-03	3-1-17	8,935,000	0	685,000	8,250,000
Total Bonds Payable					<u>\$ 12,020,967</u>	<u>\$ 0</u>	<u>\$ 1,037,400</u>	<u>\$ 10,983,567</u>

Exhibit H-2

McNairy County, Tennessee  
Schedule of Bond and Interest Requirements By Year

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2008	\$ 1,052,139	\$ 417,118	\$ 1,469,257
2009	1,089,140	384,952	1,474,092
2010	1,126,237	350,780	1,477,017
2011	1,173,433	309,909	1,483,342
2012	1,190,734	264,208	1,454,942
2013	1,243,144	212,298	1,455,442
2014	925,668	167,574	1,093,242
2015	958,312	130,130	1,088,442
2016	1,001,082	91,360	1,092,442
2017	1,038,478	51,364	1,089,842
2018	33,816	8,823	42,639
2019	35,422	7,216	42,638
2020	37,105	5,534	42,639
2021	38,868	3,771	42,639
2022	39,989	2,650	42,639
Total	<u>\$ 10,983,567</u>	<u>\$ 2,407,687</u>	<u>\$ 13,391,254</u>

Exhibit H-3

McNairy County, Tennessee  
Schedule of Transfers  
For the Year Ended June 30, 2007

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Public Library	To provide funds for operations	\$ 101,308
General	Special Purpose	To provide funds for operations	47,000
General	Community Development/Industrial Park	To provide funds for operations	3,000
Highway/Public Works	General Debt Service	To provide funds for debt retirement	<u>685,206</u>
Total Transfers			<u><u>\$ 836,514</u></u>

Exhibit H-4

McNairy County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor:				
Wilburn Gene Ashe (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	\$ 10,793	\$ 50,000	The Ohio Casualty Insurance Company
Jai Templeton (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	53,966	50,000	"
Highway Commissioner:				
Tom Hill (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	10,290	100,000	"
Harvey Neal Smith (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	49,162	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	56,069	678,200	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	56,069	10,000	West American Insurance Company
County Clerk	Section 8-24-102, <u>TCA</u>	56,069	50,000	The Ohio Casualty Insurance Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	56,069	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> and Chancery Court Judge	56,819 (1)	65,000	"
Register	Section 8-24-102, <u>TCA</u>	56,069	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	62,276 (2)	25,000	"
Employee Bonds:				
County Employees			100,000	"

(1) Includes special commissioner fees of \$750.

(2) Includes law enforcement training supplement of \$600.

Exhibit H-5

McNairy County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2007

	Special Revenue Funds						Debt Service Fund	Total
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control	Highway / Public Works	General Debt Service	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 2,187,257	\$ 0	\$ 0	\$ 0	\$ 0	\$ 289,549	\$ 1,100,244	\$ 3,577,050
Trustee's Collections - Prior Year	123,213	0	0	0	0	14,789	56,195	194,197
Circuit/Clerk & Master Collections - Prior Years	74,870	0	0	0	0	12,292	16,762	103,924
Interest and Penalty	20,970	0	0	0	0	2,761	10,485	34,216
Payments in-Lieu-of Taxes - T.V.A.	802	0	0	0	0	100	401	1,303
<u>County Local Option Taxes</u>								
Local Option Sales Tax	0	0	173,250	0	0	0	0	173,250
Wheel Tax	0	0	0	0	0	0	486,515	486,515
Litigation Tax - General	134,788	0	0	0	0	0	0	134,788
Litigation Tax - Special Purpose	0	3,603	0	0	0	0	0	3,603
Business Tax	23,152	0	0	0	0	0	0	23,152
<u>Statutory Local Taxes</u>								
Bank Excise Tax	22,202	0	0	0	0	3,645	4,971	30,818
Wholesale Beer Tax	34,504	0	0	0	0	0	0	34,504
Coal Severance Tax	0	0	0	0	0	1,934	0	1,934
Interstate Telecommunications Tax	0	0	2,404	0	0	0	0	2,404
<b>Total Local Taxes</b>	<b>\$ 2,621,758</b>	<b>\$ 3,603</b>	<b>\$ 175,654</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 325,070</b>	<b>\$ 1,675,573</b>	<b>\$ 4,801,658</b>
<u>Licenses and Permits</u>								
<u>Permits</u>								
Beer Permits	\$ 1,520	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,520
<b>Total Licenses and Permits</b>	<b>\$ 1,520</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,520</b>
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 9,876	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,876
Game and Fish Fines	2,365	0	0	0	0	0	0	2,365
Drug Control Fines	798	0	0	0	406	0	0	1,204
Drug Court Fees	1,244	0	0	0	0	0	0	1,244
Jail Fees	395	0	0	0	0	0	0	395
Judicial Commissioner Fees	403	0	0	0	0	0	0	403
DUI Treatment Fines	329	0	0	0	0	0	0	329

(Continued)

Exhibit H-5

McNairy County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types (Cont.)

	Special Revenue Funds						Debt Service Fund	Total
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control	Highway / Public Works	General Debt Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>								
<u>Circuit Court (Cont.)</u>								
Data Entry Fee - Circuit Court	\$ 146	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	146
<u>Criminal Court</u>								
Game and Fish Fines	144	0	0	0	0	0	0	144
Drug Control Fines	19	0	0	0	0	0	0	19
Jail Fees	28	0	0	0	0	0	0	28
<u>General Sessions Court</u>								
Fines	27,699	0	0	0	0	0	0	27,699
Officers Costs	47,978	0	0	0	0	0	0	47,978
Game and Fish Fines	346	0	0	0	0	0	0	346
Drug Control Fines	9,946	0	0	0	43,158	0	0	53,104
Drug Court Fees	6,485	0	0	0	0	0	0	6,485
Jail Fees	28,711	0	0	0	0	0	0	28,711
Judicial Commissioner Fees	5,000	0	0	0	0	0	0	5,000
Data Entry Fee - General Sessions Court	9,775	0	0	0	0	0	0	9,775
Courtroom Security Fee	854	0	0	0	0	0	0	854
<u>Juvenile Court</u>								
Fines	2,049	0	0	0	0	0	0	2,049
<u>Chancery Court</u>								
Officers Costs	672	0	0	0	0	0	0	672
Data Entry Fee - Chancery Court	2,522	0	0	0	0	0	0	2,522
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 157,784</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 43,564</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>201,348</b>
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Residential Waste Collection Charge	\$ 0	\$ 0	\$ 647,317	\$ 0	\$ 0	\$ 0	\$ 0	647,317
Tipping Fees	0	0	196,486	0	0	0	0	196,486
<u>Fees</u>								
Copy Fees	845	0	0	0	0	0	0	845
Telephone Commissions	20,534	0	0	0	0	0	0	20,534
Vending Machine Collections	124	0	0	1,287	0	144	0	1,555
Data Processing Fee - Register	11,725	0	0	0	0	0	0	11,725
Data Processing Fee - Sheriff	8,557	0	0	0	0	0	0	8,557

(Continued)

Exhibit H-5

McNairy County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types (Cont.)

	Special Revenue Funds						Debt Service Fund	Total
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control	Highway / Public Works	General Debt Service	
<u>Charges for Current Services (Cont.)</u>								
<u>Fees (Cont.)</u>								
Sexual Offender Registration Fees - Sheriff	\$ 1,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,000
Total Charges for Current Services	\$ 42,785	\$ 0	\$ 843,803	\$ 1,287	\$ 0	\$ 144	\$ 0	\$ 888,019
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 214,233	\$ 214,233
Lease/Rentals	107	0	0	31,206	0	0	25,200	56,513
Sale of Materials and Supplies	0	0	0	0	0	2,457	0	2,457
Sale of Gasoline	0	0	0	0	0	21,017	0	21,017
Miscellaneous Refunds	44,061	0	916	0	0	12,382	0	57,359
<u>Nonrecurring Items</u>								
Sale of Equipment	0	0	0	0	0	19,250	0	19,250
<u>Other Local Revenues</u>								
Other Local Revenues	3,854	0	0	0	3,241	0	0	7,095
Total Other Local Revenues	\$ 48,022	\$ 0	\$ 916	\$ 31,206	\$ 3,241	\$ 55,106	\$ 239,433	\$ 377,924
<u>Fees Received from County Officials</u>								
<u>Fees-In-Lieu of Salary</u>								
County Clerk	\$ 172,718	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 172,718
Circuit Court Clerk	39,062	0	0	0	0	0	0	39,062
General Sessions Court Clerk	259,541	0	0	0	0	0	0	259,541
Clerk and Master	85,314	0	0	0	0	0	0	85,314
Register	133,567	0	0	0	0	0	0	133,567
Sheriff	775	0	0	0	0	0	0	775
Trustee	269,374	0	0	0	0	0	0	269,374
Total Fees Received from County Officials	\$ 960,351	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 960,351
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 9,090	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,090
State Reappraisal Grant	10,790	0	0	0	0	0	0	10,790
Solid Waste Grants	0	0	16,766	0	0	0	0	16,766

(Continued)

Exhibit H-5

McNairy County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types (Cont.)

	Special Revenue Funds						Debt Service Fund	Total
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control	Highway / Public Works		
<u>State of Tennessee (Cont.)</u>								
<u>Public Safety Grants</u>								
Other Public Safety Grants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 26,897	\$ 0	\$ 26,897
<u>Health and Welfare Grants</u>								
Health Department Programs	124,179	0	0	0	0	0	0	124,179
<u>Public Works Grants</u>								
State Aid Program	0	0	0	0	0	152,043	0	152,043
Litter Program	28,986	0	0	0	0	0	0	28,986
<u>Other State Revenues</u>								
Income Tax	9,461	0	0	0	0	0	0	9,461
Beer Tax	18,753	0	0	0	0	0	0	18,753
Alcoholic Beverage Tax	31,160	0	0	0	0	0	0	31,160
Mixed Drink Tax	14,522	0	0	0	0	0	0	14,522
State Revenue Sharing - T.V.A.	0	0	173,579	0	0	0	0	173,579
Prisoner Transportation	32,165	0	0	0	0	0	0	32,165
Contracted Prisoner Boarding	303,484	0	0	0	0	0	0	303,484
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,775,838	0	1,775,838
Petroleum Special Tax	0	0	0	0	0	19,832	0	19,832
Registrar's Salary Supplement	17,991	0	0	0	0	0	0	17,991
Other State Grants	533,282	0	0	0	0	0	0	533,282
Other State Revenues	37,226	0	0	0	0	0	0	37,226
Total State of Tennessee	\$ 1,171,089	\$ 0	\$ 190,345	\$ 0	\$ 0	\$ 1,974,610	\$ 0	\$ 3,336,044
<u>Federal Government</u>								
<u>Federal Through State</u>								
Homeland Security Grants	\$ 144,510	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 144,510
Other Federal through State	208,519	0	0	0	0	0	0	208,519
Total Federal Government	\$ 353,029	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 353,029
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Paving and Maintenance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,116	\$ 0	\$ 10,116
Contributions	0	0	0	32,583	0	0	1,010,350	1,042,933
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 32,583	\$ 0	\$ 10,116	\$ 1,010,350	\$ 1,053,049
Total	\$ 5,356,338	\$ 3,603	\$ 1,210,718	\$ 65,076	\$ 46,805	\$ 2,365,046	\$ 2,925,356	\$ 11,972,942

Exhibit H-6

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2007

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	13,504	
Audit Services		12,749	
Dues and Memberships		3,090	
Legal Services		10,008	
Periodicals		113	
Total County Commission			\$ 39,464

Board of Equalization

Board and Committee Members Fees	\$	2,158	
Total Board of Equalization			2,158

Beer Board

Periodicals	\$	66	
Total Beer Board			66

Other Boards and Committees

Board and Committee Members Fees	\$	5,710	
Total Other Boards and Committees			5,710

County Mayor/Executive

County Official/Administrative Officer	\$	64,759	
Accountants/Bookkeepers		21,245	
Secretary(ies)		18,716	
Part-time Personnel		3,818	
Communication		1,953	
Dues and Memberships		1,450	
Maintenance Agreements		851	
Maintenance & Repair Services - Office Equipment		124	
Printing, Stationery, and Forms		1,470	
Travel		1,705	
Other Contracted Services		7,139	
Office Supplies		2,204	
Other Charges		832	
Data Processing Equipment		13,423	
Total County Mayor/Executive			139,689

County Attorney

County Official/Administrative Officer	\$	2,400	
Total County Attorney			2,400

(Continued)

Exhibit H-6

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

General Government (Cont.)

Election Commission

County Official/Administrative Officer	\$	50,462	
Other Salaries & Wages		7,336	
Election Commission		4,464	
Election Workers		29,497	
In-Service Training		297	
Communication		2,066	
Legal Notices, Recording, and Court Costs		5,397	
Maintenance & Repair Services - Equipment		2,480	
Printing, Stationery, and Forms		14,600	
Rentals		930	
Travel		1,299	
Other Contracted Services		204,389	
Office Supplies		1,345	
Periodicals		1,423	
Office Equipment		216	
Total Election Commission			\$ 326,201

Register of Deeds

County Official/Administrative Officer	\$	56,069	
Deputy(ies)		21,244	
Secretary(ies)		15,721	
Communication		1,888	
Data Processing Services		13,915	
Dues and Memberships		369	
Maintenance Agreements		841	
Maintenance & Repair Services - Office Equipment		76	
Postal Charges		332	
Printing, Stationery, and Forms		2,499	
Travel		1,536	
Office Supplies		689	
Total Register of Deeds			115,179

County Buildings

Custodial Personnel	\$	13,989	
Contributions		4,000	
Maintenance & Repair Services - Buildings		11,786	
Maintenance & Repair Services - Office Equipment		442	
Maintenance & Repair Services - Vehicles		15	
Pest Control		220	
Postal Charges		27,963	

(Continued)

Exhibit H-6

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Custodial Supplies	\$	5,101	
Electricity		92,555	
Natural Gas		25,794	
Periodicals		666	
Water and Sewer		14,726	
Other Supplies and Materials		10,365	
Building and Contents Insurance		19,162	
Premiums on Corporate Surety Bonds		6,652	
Total County Buildings			\$ 233,436

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	56,069	
Assistant(s)		18,515	
Deputy(ies)		28,506	
Communication		1,265	
Contracts with Private Agencies		3,632	
Dues and Memberships		1,141	
Maintenance Agreements		1,114	
Maintenance & Repair Services - Office Equipment		91	
Printing, Stationery, and Forms		1,028	
Travel		1,101	
Other Supplies and Materials		666	
Total Property Assessor's Office			113,128

Reappraisal Program

Part-time Personnel	\$	20,745	
Data Processing Services		14,872	
Gasoline		722	
Office Supplies		171	
Other Charges		471	
Total Reappraisal Program			36,981

County Trustee's Office

County Official/Administrative Officer	\$	56,069
Deputy(ies)		21,245
Clerical Personnel		15,724
Part-time Personnel		1,363
Communication		1,575
Data Processing Services		4,977
Dues and Memberships		369

(Continued)

Exhibit H-6

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Maintenance Agreements	\$	620	
Maintenance & Repair Services - Office Equipment		103	
Printing, Stationery, and Forms		1,550	
Travel		666	
Office Supplies		65	
Periodicals		630	
Data Processing Equipment		14,244	
Office Equipment		40	
Total County Trustee's Office			\$ 119,240

County Clerk's Office

County Official/Administrative Officer	\$	56,069	
Deputy(ies)		20,624	
Secretary(ies)		31,969	
Clerical Personnel		22,710	
Communication		1,645	
Data Processing Services		12,863	
Dues and Memberships		369	
Maintenance & Repair Services - Office Equipment		480	
Printing, Stationery, and Forms		2,170	
Periodicals		54	
Data Processing Equipment		11,966	
Furniture and Fixtures		700	
Total County Clerk's Office			161,619

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	56,069	
Deputy(ies)		206	
Clerical Personnel		17,357	
Part-time Personnel		23,220	
Jury and Witness Fees		40,813	
Other Per Diem & Fees		2,439	
Communication		2,501	
Contracts with Government Agencies		4,975	
Maintenance Agreements		6,090	
Printing, Stationery, and Forms		3,636	
Duplicating Supplies		156	
Office Supplies		725	
Total Circuit Court			158,187

(Continued)

Exhibit H-6

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court

Judge(s)	\$	89,722	
Part-time Personnel		31,811	
Other Per Diem & Fees		12,466	
Communication		1,730	
Contracts with Government Agencies		3,474	
Printing, Stationery, and Forms		173	
Travel		1,839	
Total General Sessions Court			\$ 141,215

Chancery Court

County Official/Administrative Officer	\$	56,069	
Deputy(ies)		31,527	
Communication		1,029	
Data Processing Services		6,558	
Dues and Memberships		464	
Printing, Stationery, and Forms		1,642	
Travel		874	
Office Supplies		1,593	
Periodicals		412	
Premiums on Corporate Surety Bonds		450	
Total Chancery Court			100,618

Juvenile Court

County Official/Administrative Officer	\$	25,758	
Youth Service Officer(s)		16,238	
Clerical Personnel		15,033	
Communication		922	
Maintenance Agreements		458	
Travel		885	
Office Supplies		650	
Office Equipment		356	
Total Juvenile Court			60,300

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	61,676	
Deputy(ies)		353,021	
Accountants/Bookkeepers		2,196	
Salary Supplements		43,003	
Guards		229,062	

(Continued)

Exhibit H-6

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Secretary(ies)	\$	31,568	
Part-time Personnel		60,341	
In-Service Training		7,926	
Communication		22,692	
Dues and Memberships		1,450	
Maintenance Agreements		3,981	
Maintenance & Repair Services - Equipment		4,131	
Maintenance & Repair Services - Vehicles		15,796	
Printing, Stationery, and Forms		1,310	
Tow-in Services		4,010	
Travel		1,057	
Gasoline		73,711	
Office Supplies		2,710	
Periodicals		1,656	
Tires and Tubes		3,586	
Uniforms		6,518	
Other Supplies and Materials		2,855	
Vehicle and Equipment Insurance		48,773	
Workers' Compensation Insurance		43,000	
Law Enforcement Equipment		4,481	
Total Sheriff's Department			\$ 1,030,510

Jail

Medical Personnel	\$	17,094
Salary Supplements		116
Custodial Personnel		58,401
Maintenance Agreements		385
Maintenance & Repair Services - Buildings		13,953
Maintenance & Repair Services - Equipment		13,012
Maintenance & Repair Services - Office Equipment		2,402
Maintenance & Repair Services - Vehicles		1,769
Medical and Dental Services		192,997
Pest Control		100
Custodial Supplies		8,441
Drugs and Medical Supplies		54,723
Food Preparation Supplies		17,197
Food Supplies		105,136
Office Supplies		2,392
Prisoners Clothing		2,638
Other Supplies and Materials		3,827

(Continued)

Exhibit H-6

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Law Enforcement Equipment	\$ 5,234	
Total Jail		\$ 499,817

Fire Prevention and Control

Supervisor/Director	\$ 19,138	
Communication	1,772	
Contracts with Government Agencies	3,000	
Maintenance & Repair Services - Vehicles	3,919	
Gasoline	9,580	
Instructional Supplies and Materials	724	
Office Supplies	301	
Tires and Tubes	965	
Liability Insurance	27,894	
Refunds	300	
Workers' Compensation Insurance	13,200	
Other Equipment	14,007	
Total Fire Prevention and Control		94,800

Rural Fire Protection

Contracts with Government Agencies	\$ 40,140	
Total Rural Fire Protection		40,140

Civil Defense

Supervisor/Director	\$ 35,465	
Part-time Personnel	3,430	
Communication	1,459	
Maintenance & Repair Services - Equipment	86	
Maintenance & Repair Services - Vehicles	270	
Travel	80	
Office Supplies	577	
Other Supplies and Materials	109,030	
Total Civil Defense		150,397

Inspection and Regulation

Supervisor/Director	\$ 9,763	
Total Inspection and Regulation		9,763

Public Health and Welfare

Local Health Center

Supervisor/Director	\$ 34,655	
---------------------	-----------	--

(Continued)

Exhibit H-6

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Custodial Personnel	\$	7,800	
Communication		4,781	
Contracts with Government Agencies		36,483	
Maintenance & Repair Services - Buildings		9,208	
Maintenance & Repair Services - Equipment		333	
Pest Control		281	
Postal Charges		3,709	
Travel		3,158	
Other Contracted Services		797	
Custodial Supplies		870	
Drugs and Medical Supplies		1,519	
Electricity		7,025	
Natural Gas		2,547	
Office Supplies		3,520	
Periodicals		162	
Water and Sewer		1,570	
Total Local Health Center			\$ 118,418

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	58,646	
Communication		1,995	
Maintenance Agreements		1,710	
Other Contracted Services		2,180	
Other Supplies and Materials		3,813	
Office Equipment		1,755	
Total Agriculture Extension Service			70,099

Soil Conservation

County Official/Administrative Officer	\$	23,294	
Secretary(ies)		18,822	
Contributions		800	
Total Soil Conservation			42,916

Other Operations

Other Economic and Community Development

Other Charges	\$	409,839	
Total Other Economic and Community Development			409,839

(Continued)

Exhibit H-6

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Other Operations (Cont.)

Airport

Other Charges	\$ 58,275	
Total Airport		\$ 58,275

Veterans' Services

Supervisor/Director	\$ 8,465	
Communication	502	
Travel	402	
Office Supplies	549	
Total Veterans' Services		9,918

Other Charges

Liability Insurance	\$ 72,875	
Trustee's Commission	54,396	
Total Other Charges		127,271

Contributions to Other Agencies

Contributions	\$ 141,333	
Total Contributions to Other Agencies		141,333

Employee Benefits

Social Security	\$ 128,189	
State Retirement	63,217	
Medical Insurance	288,175	
Unemployment Compensation	14,418	
Employer Medicare	27,217	
Workers' Compensation Insurance	24,000	
Total Employee Benefits		545,216

Miscellaneous

Site Development	\$ 11,750	
Total Miscellaneous		11,750

Highways

Litter and Trash Collection

Part-time Personnel	\$ 18,776	
Travel	648	
Gasoline	1,371	
Instructional Supplies and Materials	3,204	
Periodicals	1,552	
Other Supplies and Materials	3,179	
Total Litter and Trash Collection		28,730

(Continued)

Exhibit H-6

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Principal on Debt

General Government

Principal on Notes	\$ 68,989	
Total General Government		\$ 68,989

Interest on Debt

General Government

Interest on Notes	\$ 3,300	
Total General Government		3,300

Other Debt Service

General Government

Other Debt Issuance Charges	\$ 54,387	
Total General Government		<u>54,387</u>

Total General Fund		\$ 5,271,459
--------------------	--	--------------

Law Library Fund

Social, Cultural, and Recreational Services

Libraries

Clerical Personnel	\$ 1,800	
Library Books/Media	2,946	
Trustee's Commission	38	
Total Libraries		<u>\$ 4,784</u>

Total Law Library Fund		4,784
------------------------	--	-------

Public Library Fund

Social, Cultural, and Recreational Services

Libraries

County Official/Administrative Officer	\$ 39,039	
Part-time Personnel	36,359	
Electricity	983	
Natural Gas	28	
Office Supplies	2,491	
Periodicals	284	
Water and Sewer	106	
Total Libraries		\$ 79,290

Other Operations

Employee Benefits

Social Security	\$ 4,656	
-----------------	----------	--

(Continued)

Exhibit H-6

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

Public Library Fund (Cont.)

Other Operations (Cont.)

Employee Benefits (Cont.)

State Retirement	\$	1,993	
Medical Insurance		11,745	
Employer Medicare		1,089	
Total Employee Benefits		<u>19,827</u>	\$ 19,483

Total Public Library Fund \$ 98,773

Solid Waste/Sanitation Fund

General Government

Other General Administration

Other Charges	\$	2,053	
Total Other General Administration		<u>2,053</u>	\$ 2,053

Public Health and Welfare

Sanitation Management

Contracts with Private Agencies	\$	704,940	
Legal Services		15,942	
Other Contracted Services		15,092	
Building and Contents Insurance		4,974	
Trustee's Commission		3,497	
Vehicle and Equipment Insurance		4,175	
Total Sanitation Management		<u>748,620</u>	748,620

Landfill Operation and Maintenance

Supervisor/Director	\$	20,000	
Data Processing Personnel		13,905	
Foremen		29,211	
Equipment Operators		19,652	
Overtime Pay		3,220	
Communication		4,058	
Contracts with Government Agencies		3,066	
Evaluation and Testing		8,093	
Maintenance & Repair Services - Equipment		31,826	
Postal Charges		8,009	
Travel		374	
Diesel Fuel		34,757	
Electricity		523	
Fertilizer, Lime, and Seed		2,835	
Lubricants		2,575	
Office Supplies		8,327	

(Continued)

Exhibit H-6

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Landfill Operation and Maintenance (Cont.)

Periodicals	\$	1,088	
Tires and Tubes		1,456	
Water and Sewer		730	
Gravel and Chert		749	
Refunds		227	
Data Processing Equipment		3,047	
Total Landfill Operation and Maintenance			\$ 197,728

Other Operations

Employee Benefits

Social Security	\$	5,263	
State Retirement		3,084	
Medical Insurance		15,566	
Employer Medicare		1,231	
Workers' Compensation Insurance		5,421	
Total Employee Benefits			<u>30,565</u>

Total Solid Waste/Sanitation Fund \$ 978,966

Special Purpose Fund

General Government

Other Facilities

Custodial Personnel	\$	16,353	
Communication		11,952	
Maintenance Agreements		2,747	
Maintenance & Repair Services - Buildings		4,993	
Travel		387	
Other Contracted Services		675	
Custodial Supplies		3,294	
Diesel Fuel		114	
Electricity		20,622	
Gasoline		222	
Natural Gas		981	
Periodicals		550	
Water and Sewer		2,099	
Building and Contents Insurance		3,730	
Furniture and Fixtures		37	
Total Other Facilities			\$ 68,756

(Continued)

Exhibit H-6

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

Special Purpose Fund (Cont.)

Other Operations

Employee Benefits

Social Security	\$	1,014	
State Retirement		516	
Medical Insurance		3,811	
Employer Medicare		237	
Total Employee Benefits			\$ 5,578

Principal on Debt

General Government

Principal on Notes	\$	24,686	
Total General Government			24,686

Interest on Debt

General Government

Interest on Notes	\$	381	
Total General Government			381

Total Special Purpose Fund \$ 99,401

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	3,000	
Travel		813	
Veterinary Services		30	
Other Supplies and Materials		3,526	
Motor Vehicles		19,756	
Other Equipment		35,751	
Total Drug Enforcement			\$ 62,876

Total Drug Control Fund 62,876

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	59,452	
Accountants/Bookkeepers		24,550	
Board and Committee Members Fees		1,361	
Communication		3,354	
Dues and Memberships		3,490	
Postal Charges		275	

(Continued)

## Exhibit H-6

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

Highway/Public Works Fund (Cont.)Highways (Cont.)Administration (Cont.)

Printing, Stationery, and Forms	\$	2,093	
Travel		1,825	
Electricity		7,417	
Office Supplies		729	
Water and Sewer		306	
Office Equipment		5,274	
Total Administration			\$ 110,126

Highway and Bridge Maintenance

Foremen	\$	36,195	
Equipment Operators		109,867	
Truck Drivers		70,697	
Laborers		136,912	
Other Contracted Services		11,050	
Concrete		139	
Crushed Stone		122,303	
General Construction Materials		1,176	
Pipe - Metal		16,236	
Road Signs		7,858	
Wood Products		184	
Total Highway and Bridge Maintenance			512,617

Operation and Maintenance of Equipment

Mechanic(s)	\$	65,895	
Licenses		78	
Maintenance & Repair Services - Equipment		2,265	
Diesel Fuel		56,043	
Equipment and Machinery Parts		64,183	
Garage Supplies		10,220	
Gasoline		37,790	
Lubricants		5,702	
Propane Gas		218	
Tires and Tubes		12,472	
Total Operation and Maintenance of Equipment			254,866

Other Charges

Other Contracted Services	\$	385	
Trustee's Commission		24,849	
Vehicle and Equipment Insurance		24,861	
Total Other Charges			50,095

(Continued)

Exhibit H-6

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits

Social Security	\$	35,753	
State Retirement		28,533	
Medical Insurance		132,536	
Unemployment Compensation		5,658	
Workers' Compensation Insurance		50,982	
Total Employee Benefits			\$ 253,462

Capital Outlay

Bridge Construction	\$	89,800	
Highway Construction		258,061	
Highway Equipment		52,040	
State Aid Projects		169,000	
Total Capital Outlay			568,901

Total Highway/Public Works Fund \$ 1,750,067

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	352,400	
Principal on Notes		11,864	
Principal on Other Loans		10,150	
Total General Government			\$ 374,414

Highways and Streets

Principal on Notes	\$	19,097	
Principal on Other Loans		1,039,200	
Total Highways and Streets			1,058,297

Education

Principal on Bonds	\$	685,000	
Principal on Other Loans		60,650	
Total Education			745,650

Interest on Debt

General Government

Interest on Bonds	\$	116,197	
Interest on Notes		2,195	
Interest on Other Loans		62,787	
Total General Government			181,179

(Continued)

Exhibit H-6

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Debt Service Fund (Cont.)

Interest on Debt (Cont.)

Highways and Streets

Interest on Notes	\$ 3,938	
Interest on Other Loans	<u>192,151</u>	
Total Highways and Streets		\$ 196,089

Education

Interest on Bonds	\$ 325,350	
Interest on Other Loans	<u>37,307</u>	
Total Education		362,657

Other Debt Service

General Government

Trustee's Commission	\$ 30,416	
Other Debt Service	<u>10,511</u>	
Total General Government		40,927

Highways and Streets

Other Debt Service	\$ <u>25,995</u>	
Total Highways and Streets		25,995

Education

Other Debt Service	\$ <u>6,456</u>	
Total Education		<u>6,456</u>

Total General Debt Service Fund \$ 2,991,664

Community Development/Industrial Park Fund

Agriculture & Natural Resources

Flood Control

Workers' Compensation Insurance	\$ 450	
Site Development	<u>1,500</u>	
Total Flood Control		\$ 1,950

Other Agriculture & Natural Resources

Other Charges	\$ <u>600</u>	
Total Other Agriculture & Natural Resources		<u>600</u>

Total Community Development/Industrial Park Fund 2,550

Total Governmental Funds - Primary Government \$ 11,260,540

Exhibit H-7

McNairy County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2007

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	<u>\$ 1,657,533</u>
Total Cash Receipts	<u>\$ 1,657,533</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,640,958
Trustee's Commission	<u>16,575</u>
Total Cash Disbursements	<u>\$ 1,657,533</u>
 Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2006	<u>0</u>
 Cash Balance, June 30, 2007	<u><u>\$ 0</u></u>

**ANNUAL FINANCIAL REPORT**  
**McNAIRY COUNTY SCHOOL DEPARTMENT**  
**A COMPONENT UNIT OF McNAIRY COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2007**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
*RICHARD V. NORMENT*  
*Assistant to the Comptroller*

*JAMES R. ARNETTE*  
*Director*

*NORMAN R. NORMENT, CGFM*  
*Audit Manager*

*HORACE B. WISEMAN, CGFM*  
*Auditor 4*

*VICKY BARBER, CFE*  
*ELISHA CROWELL, CFE*  
*State Auditors*

This financial report is available at [www.comptroller.state.tn.us](http://www.comptroller.state.tn.us)

---



---

**McNAIRY COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF McNAIRY COUNTY, TENNESSEE  
TABLE OF CONTENTS**

---



---

	Exhibit	Page(s)
Audit Highlights		1
<u>INTRODUCTORY SECTION</u>		3
McNairy County School Officials		5
<u>FINANCIAL SECTION</u>		7
Independent Auditor's Report		9-10
BASIC FINANCIAL STATEMENTS:		11
Government-wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	16
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	18
Notes to the Financial Statements		19-32
REQUIRED SUPPLEMENTARY INFORMATION:		33
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	D-1	35-36
School Federal Projects Fund	D-2	37
Central Cafeteria Fund	D-3	38
Notes to the Required Supplementary Information		39

	Exhibit	Page(s)
Miscellaneous Schedules:		41
Schedule of Changes in Long-term Notes	E-1	43
Schedule of Transfers	E-2	44
Schedule of Salary and Official Bond of Principal Official	E-3	45
Schedule of Detailed Revenues – All Governmental Fund Types	E-4	46-47
Schedule of Detailed Expenditures – All Governmental Fund Types	E-5	48-59

# ***Audit Highlights***

Annual Financial Report  
McNairy County School Department  
For the Year Ended June 30, 2007

## ***Scope***

We have audited the basic financial statements of the McNairy County School Department as of and for the year ended June 30, 2007.

## ***Results***

Our report on McNairy County School Department's financial statements is unqualified.

Our audit resulted in two findings and recommendations, which we have reviewed with the McNairy County School Department management. Detailed findings and recommendations are included in the Single Audit Report.

## ***Findings***

The following are summaries of the audit findings:

### **McNAIRY COUNTY SCHOOL DEPARTMENT**

- ◆ The School Federal Projects Fund had a cash overdraft of \$234,397 at June 30, 2007.
- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.

---

---

# INTRODUCTORY SECTION

---

---

McNairy County School Officials  
June 30, 2007

---

**Official**

Charlie Miskelly, Director of Schools

**Board of Education**

Tony Chapman, Chairman  
Frank Lacey, Vice Chairman  
Lynn Baker  
Johnny Blakely  
Jean Jones  
Larry Smith  
Alvin Wilson

---

---

## **FINANCIAL SECTION**

---

---



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841**

**INDEPENDENT AUDITOR'S REPORT**

November 16, 2007

McNairy County Director of Schools and  
Board of Education  
McNairy County, Tennessee

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of the governmental activities and each major fund of the McNairy County School Department, a component unit of McNairy County, Tennessee, as of and for the year ended June 30, 2007, which collectively comprise the McNairy County School Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the McNairy County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the McNairy County School Department as of June 30, 2007, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 16, 2007, on our consideration of the McNairy County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

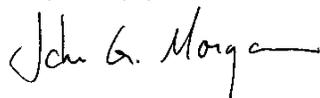
As described in Note V.B., the McNairy County School Department has implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. For the first time, the financial statements include government-wide financial statements.

The management of the McNairy County School Department did not prepare a management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United State of America.

The budgetary comparison information on pages 35 through 39 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the McNairy County School Department's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, and the miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,



John G. Morgan  
Comptroller of the Treasury

JGM/sb

---

---

## **BASIC FINANCIAL STATEMENTS**

---

---

Exhibit A

McNairy County, Tennessee  
Statement of Net Assets  
McNairy County School Department  
June 30, 2007

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 2,105,071
Due from Other Governments	949,585
Property Taxes Receivable	3,765,440
Allowance for Uncollectible Property Taxes	(258,581)
Capital Assets:	
Assets Not Depreciated:	
Land	375,479
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	9,479,106
Other Capital Assets	1,617,552
Total Assets	<u>\$ 18,033,652</u>
<u>LIABILITIES</u>	
Payroll Deductions Payable	\$ 10,662
Cash Overdraft	234,397
Accrued Interest Payable	3,621
Deferred Revenue - Current Property Taxes	3,351,002
Noncurrent Liabilities:	
Due Within One Year	69,956
Due in More Than One Year	71,153
Total Liabilities	<u>\$ 3,740,791</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, net of related debt	\$ 11,331,879
Restricted for:	
School Federal Projects	70,521
Central Cafeteria	851,150
Other Purposes	25,529
Unrestricted	<u>2,013,782</u>
Total Net Assets	<u>\$ 14,292,861</u>

The notes to the financial statements are an integral part of this statement.

Exhibit B

McNairy County, Tennessee  
Statement of Activities  
McNairy County School Department  
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets Total Governmental Activities
Governmental Activities:					
Instruction	\$ 18,588,100	\$ 878,016	\$ 2,265,144	\$ 758,867	\$ (14,686,073)
Support Services	6,733,179	78,017	41,787	0	(6,613,375)
Operation of Non-Instructional Services	3,380,800	0	1,204,448	0	(2,176,352)
Interest on Long-term Debt	5,802	0	0	0	(5,802)
Other Debt Service	1,010,350	0	0	0	(1,010,350)
<b>Total Governmental Activities</b>	<b>\$ 29,718,231</b>	<b>\$ 956,033</b>	<b>\$ 3,511,379</b>	<b>\$ 758,867</b>	<b>\$ (24,491,952)</b>
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 3,676,467
Local Option Sales Tax					1,874,428
Other Local Taxes					47,433
Grants and Contributions Not Restricted to Specific Programs					18,710,105
Unrestricted Investment Income					25,924
Miscellaneous					133,625
<b>Total General Revenues</b>					<b>\$ 24,467,982</b>
Change in Net Assets					\$ (23,970)
Net Assets, July 1, 2006					14,316,831
Net Assets, June 30, 2007					<b>\$ 14,292,861</b>

The notes to the financial statements are an integral part of this statement.

Exhibit C-1

McNairy County, Tennessee  
Balance Sheet - Governmental Funds  
McNairy County School Department  
June 30, 2007

	Major Funds			Total Govern- mental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 1,243,259	\$ 0	\$ 861,812	\$ 2,105,071
Due from Other Governments	644,667	304,918	0	949,585
Property Taxes Receivable	3,765,440	0	0	3,765,440
Allowance for Uncollectible Property Taxes	(258,581)	0	0	(258,581)
Total Assets	<u>\$ 5,394,785</u>	<u>\$ 304,918</u>	<u>\$ 861,812</u>	<u>\$ 6,561,515</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Payroll Deductions Payable	\$ 0	\$ 0	\$ 10,662	\$ 10,662
Cash Overdraft	0	234,397	0	234,397
Deferred Revenue - Current Property Taxes	3,351,002	0	0	3,351,002
Deferred Revenue - Delinquent Property Taxes	139,339	0	0	139,339
Other Deferred Revenues	193,238	3,500	0	196,738
Total Liabilities	<u>\$ 3,683,579</u>	<u>\$ 237,897</u>	<u>\$ 10,662</u>	<u>\$ 3,932,138</u>
<u>Fund Balances</u>				
Reserved for Career Ladder - Extended Contract	\$ 17,797	\$ 0	\$ 0	\$ 17,797
Reserved for Career Ladder Program	7,732	0	0	7,732
Reserved for Innovative Education Program Strategies	0	11,312	0	11,312
Reserved for Special Education - Grants to States	0	45,966	0	45,966
Other Federal Reserves	0	9,743	0	9,743
Unreserved, Reported In:				
General Fund	1,685,677	0	0	1,685,677
Special Revenue Funds	0	0	851,150	851,150
Total Fund Balances	<u>\$ 1,711,206</u>	<u>\$ 67,021</u>	<u>\$ 851,150</u>	<u>\$ 2,629,377</u>
Total Liabilities and Fund Balances	<u>\$ 5,394,785</u>	<u>\$ 304,918</u>	<u>\$ 861,812</u>	<u>\$ 6,561,515</u>

The notes to the financial statements are an integral part of this statement.

Exhibit C-2

McNairy County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets  
McNairy County School Department  
June 30, 2007

Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	2,629,377
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	375,479	
Add: buildings and improvements net of accumulated depreciation		9,479,106	
Add: other capital assets net of accumulated depreciation		<u>1,617,552</u>	11,472,137
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(140,258)	
Less: compensated absences payable		(851)	
Less: accrued interest on notes		<u>(3,621)</u>	(144,730)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>336,077</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>14,292,861</u></u>

The notes to the financial statements are an integral part of this statement.

Exhibit C-3

McNairy County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
McNairy County School Department  
For the Year Ended June 30, 2007

	Major Funds			Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>Revenues</u>				
Local Taxes	\$ 5,605,042	\$ 0	\$ 0	\$ 5,605,042
Licenses and Permits	5,073	0	0	5,073
Charges for Current Services	60,560	0	867,867	928,427
Other Local Revenues	64,267	0	55,705	119,972
State of Tennessee	18,571,850	83,706	0	18,655,556
Federal Government	225,442	2,983,237	1,095,854	4,304,533
<b>Total Revenues</b>	<b>\$ 24,532,234</b>	<b>\$ 3,066,943</b>	<b>\$ 2,019,426</b>	<b>\$ 29,618,603</b>
<u>Expenditures</u>				
Current:				
Instruction	\$ 15,950,933	\$ 2,089,161	\$ 0	\$ 18,040,094
Support Services	6,507,508	408,533	0	6,916,041
Operation of Non-Instructional Services	601,435	655,481	2,015,217	3,272,133
Capital Outlay	8,041	0	0	8,041
Debt Service:				
Principal on Debt	68,668	0	0	68,668
Interest on Debt	7,290	0	0	7,290
Other Debt Service	1,010,350	0	0	1,010,350
<b>Total Expenditures</b>	<b>\$ 24,154,225</b>	<b>\$ 3,153,175</b>	<b>\$ 2,015,217</b>	<b>\$ 29,322,617</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 378,009	\$ (86,232)	\$ 4,209	\$ 295,986
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 29,372	\$ 0	\$ 0	\$ 29,372
Transfers In	37,777	0	0	37,777
Transfers Out	0	(37,777)	0	(37,777)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 67,149</b>	<b>\$ (37,777)</b>	<b>\$ 0</b>	<b>\$ 29,372</b>
Net Change in Fund Balances	\$ 445,158	\$ (124,009)	\$ 4,209	\$ 325,358
Fund Balance, July 1, 2006	1,266,048	191,030	846,941	2,304,019
<b>Fund Balance, June 30, 2007</b>	<b>\$ 1,711,206</b>	<b>\$ 67,021</b>	<b>\$ 851,150</b>	<b>\$ 2,629,377</b>

The notes to the financial statements are an integral part of this statement.

Exhibit C-4

McNairy County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
McNairy County School Department  
For the Year Ended June 30, 2007

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ 325,358
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 365,167	
Less: current year depreciation expense	<u>(780,319)</u>	(415,152)
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property tax and other deferred June 30, 2007	\$ 336,077	
Less: deferred delinquent property tax and other deferred June 30, 2006	<u>(340,543)</u>	(4,466)
<p>(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the effect of these differences in the treatment of long-term debt and related items.</p>		
Add: principal payments on notes		68,668
<p>(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds</p>		
Change in accrued interest payable	\$ 1,487	
Change in compensated absences	<u>135</u>	<u>1,622</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (23,970)</u>

The notes to the financial statements are an integral part of this statement.

**McNAIRY COUNTY SCHOOL DEPARTMENT**  
**A COMPONENT UNIT OF McNAIRY COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2007**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The McNairy County School Department's financial statements are presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

The following are the more significant accounting policies of the School Department:

**A. Reporting Entity**

The School Department operates the public school system in the county, and the voters of McNairy County elect its board. The School Department is a component unit of McNairy County, the primary government. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the School Department. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the statement of activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the School Department does not have any business-type activities to report and only reports governmental activities in the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given

function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

McNairy County issues all debt for the School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2007.

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of the School Department are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, the School Department has no proprietary or fiduciary funds to report. An emphasis is placed on major funds within the governmental category. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School Department considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. The School Department considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when the School Department receives cash.

The School Department reports the following major governmental funds:

**General Purpose School Fund** – This is the primary operating fund of the School Department. It is used to account for general operations of the School Department.

**School Federal Projects Fund** – This fund accounts for restricted federal revenues which must be expended on specific education programs.

**Central Cafeteria Fund** – This fund accounts for the cafeteria operations in each of the schools.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the School Department's policy to use restricted revenues first, then unrestricted resources as they are needed.

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

State statutes authorize McNairy County, the School Department's primary government, to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county's own legally issued bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by McNairy County and the discretely presented McNairy County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the primary government's General Debt Service Fund. McNairy County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency

obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held by the School Department at the balance sheet date.

## **2. Receivables and Payables**

All property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.42 percent of total taxes levied.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred revenue as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in Chancery Court between the following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.

**3. Capital Assets**

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition.

Capital assets, which include property, plant, and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	25
Other Capital Assets	5-10

**4. Compensated Absences**

The policy of the School Department permits employees to accumulate a limited amount of earned but unused sick leave days. Employees who are not members of the Tennessee Consolidated Retirement System will be paid for their unused sick leave upon retirement. This sick leave is accrued when incurred in the government-wide financial statements for the School Department. A liability for sick leave is reported in the governmental funds only if amounts have matured, for example, as a result of employee retirements.

Professional employees of the School Department are allowed to accumulate an unlimited amount of unused sick leave days. However, the granting of sick leave for professional employees has no guaranteed payment attached and therefore is not required to be accrued or recorded. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**5. Net Assets and Fund Equity**

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

As of June 30, 2007, McNairy County had \$8,795,000 in outstanding debt for capital purposes for the School Department. This debt is a liability of McNairy County, but the capital assets acquired are reported in the financial statements of the School Department. The School Department received assets significantly increasing its unrestricted net assets with no corresponding increase in the School Department's liabilities.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

Exhibit C-4 includes explanations of the nature of individual elements of items required to reconcile the net changes in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds. All annual appropriations lapse at fiscal year end.

The School Department is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the McNairy County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Purpose School Fund major categories: Regular Instruction Program, Special Education Program, Vocational Education Program, Adult Education Program, etc.). Management may make revisions within major categories, but only the McNairy County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The School Department's budgetary basis of accounting is consistent with GAAP, except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and GAAP basis is presented on the face of each budgetary schedule.

**B. Cash Overdraft**

The School Federal Projects Fund had a cash overdraft of \$234,397 at June 30, 2007. This cash overdraft resulted from issuing warrants that exceeded cash on deposit with the county trustee. The cash overdraft was liquidated subsequent to June 30, 2007.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

McNairy County and the School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments.

**Deposits**

**Legal Provisions.** All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the county.

**Investments**

**Legal Provisions.** Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These

investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase. The county had no pooled or nonpooled investments at June 30, 2007.

**B. Capital Assets**

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

**Governmental Activities:**

	Balance 7-1-06	Increases	Balance 6-30-07
Capital Assets Not Depreciated:			
Land	\$ 375,479	\$ 0	\$ 375,479
Total Capital Assets Not Depreciated	<u>\$ 375,479</u>	<u>\$ 0</u>	<u>\$ 375,479</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 22,942,696	\$ 0	\$ 22,942,696
Other Capital Assets	4,681,680	365,167	5,046,847
Total Capital Assets Depreciated	<u>\$ 27,624,376</u>	<u>\$ 365,167</u>	<u>\$ 27,989,543</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 13,033,243	\$ 430,347	\$ 13,463,590
Other Capital Assets	3,079,323	349,972	3,429,295
Total Accumulated Depreciation	<u>\$ 16,112,566</u>	<u>\$ 780,319</u>	<u>\$ 16,892,885</u>
Total Capital Assets Depreciated, Net	<u>\$ 11,511,810</u>	<u>\$ (415,152)</u>	<u>\$ 11,096,658</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,887,289</u>	<u>\$ (415,152)</u>	<u>\$ 11,472,137</u>

Depreciation expense was charged to functions of the School Department as follows:

Governmental Activities:

Instruction	\$ 456,807
Support Services	297,523
Operation of Non-Instructional Services	<u>25,989</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 780,319</u></u>

**C. Interfund Transfers**

Interfund transfers for the year ended June 30, 2007, consisted of the following amount:

<u>Transfers Out</u>	<u>Transfers In</u> General Purpose School Fund
School Federal Projects Fund	\$ <u>37,777</u>
Total	\$ <u><u>37,777</u></u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

**D. Long-term Debt**

General Obligation Notes

The county issued capital outlay notes to provide funds for school energy efficiency improvements. Capital outlay notes can also be issued to fund capital facilities and other capital outlay purchases, such as equipment.

Capital outlay notes are direct obligations and pledge the full faith and credit of the government. Capital outlay notes outstanding were issued for original terms of up to seven years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. The capital outlay notes outstanding as of June 30, 2007, will be retired from the General Purpose School Fund.

Capital outlay notes outstanding as of June 30, 2007, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
Capital Outlay Notes	3 to 4.33%	\$ 474,504	\$ 140,258

The annual requirements to amortize all notes outstanding as of June 30, 2007, including interest payments, are presented in the following table:

Year Ending June 30	Notes	
	Principal	Interest
2008	\$ 69,633	\$ 5,179
2009	70,625	2,604
Total	\$ 140,258	\$ 7,783

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Notes	Compensated Absences
Balance, July 1, 2006	\$ 208,926	\$ 985
Additions	0	194
Deductions	(68,668)	(328)
Balance, June 30, 2007	\$ 140,258	\$ 851
Balance Due Within One Year	\$ 69,633	\$ 323

Compensated absences will be paid from the employing funds, primarily the General Purpose School Fund and the School Federal Projects Fund.

## V. OTHER INFORMATION

### A. Risk Management

#### Liability, Property, Casualty, and Workers' Compensation Insurance

The School Department participates in the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established

by the Tennessee School Boards Association, an association of member school districts. The School Department pays an annual premium to the TSB-RMT for its general liability, property, casualty and workers' compensation insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums. The TSB-RMT reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

#### Employee Health Insurance

The School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-302, Tennessee Code Annotated (TCA), all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, TCA, provides for the LEGIF to be self-sustaining through member premiums.

#### **B. Accounting Change**

At the beginning of the year, the School Department implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. In the prior year, the School Department had elected to implement only the provisions of Statement No. 34 that related to fund financial statements.

#### **C. Contingent Liabilities**

The county attorney advised that there were no pending lawsuits, unasserted claims, or assessments involving the School Department that would materially affect the School Department's financial statements.

#### **D. Retirement Commitments**

##### Employees

##### **Plan Description**

Employees of McNairy County, including the School Department, are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability

benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as McNairy County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Since the McNairy County School Department participates in McNairy County's plan, retirement information for the McNairy County School Department is not available separately from the retirement information provided for the county. Complete disclosure for the county's participation in the TCRS is described in footnote IV.G. of the Annual Financial Report of McNairy County, Tennessee.

## **School Teachers**

### **Plan Description**

The McNairy County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters

34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

### **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the McNairy County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2007, was 6.13 percent of annual covered payroll. The employer contribution requirement for the McNairy County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2007, 2006, and 2005, were \$879,992, \$754,879, and \$734,635, respectively, equal to the required contributions for each year.

### **E. Purchasing Law**

Purchasing procedures for the School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, Tennessee Code Annotated, which provide for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires that competitive bids be solicited through newspaper advertisement on all purchases estimated to exceed \$10,000.

---

---

**REQUIRED SUPPLEMENTARY  
INFORMATION**

---

---

Exhibit D-1

McNairy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
McNairy County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 5,605,042	\$ 5,695,060	\$ 5,385,077	\$ 219,965
Licenses and Permits	5,073	5,000	5,000	73
Charges for Current Services	60,560	43,000	47,345	13,215
Other Local Revenues	64,267	45,000	47,000	17,267
State of Tennessee	18,571,850	17,988,675	18,677,529	(105,679)
Federal Government	225,442	233,581	226,858	(1,416)
<b>Total Revenues</b>	<b>\$ 24,532,234</b>	<b>\$ 24,010,316</b>	<b>\$ 24,388,809</b>	<b>\$ 143,425</b>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 13,206,336	\$ 13,231,817	\$ 13,359,817	\$ 153,481
Special Education Program	1,544,156	1,529,650	1,563,402	19,246
Vocational Education Program	936,649	916,052	946,187	9,538
Adult Education Program	263,792	358,126	358,126	94,334
<u>Support Services</u>				
Attendance	53,133	52,243	53,348	215
Health Services	135,730	132,765	136,466	736
Other Student Support	347,841	346,053	352,563	4,722
Regular Instruction Program	652,654	657,998	673,191	20,537
Special Education Program	222,966	207,787	223,537	571
Vocational Education Program	74,257	74,004	74,262	5
Adult Programs	75,054	75,152	75,152	98
Board of Education	362,851	369,257	366,593	3,742
Director of Schools	148,083	146,857	148,772	689
Office of the Principal	962,361	967,641	969,341	6,980
Fiscal Services	85,198	85,600	87,243	2,045
Operation of Plant	1,698,325	1,671,497	1,702,197	3,872
Maintenance of Plant	332,758	343,734	358,722	25,964
Transportation	1,322,324	1,336,509	1,341,209	18,885
Central and Other	33,973	33,971	33,976	3
<u>Operation of Non-Instructional Services</u>				
Food Service	48,833	48,772	48,872	39
Early Childhood Education	552,602	322,786	597,924	45,322
<u>Capital Outlay</u>				
Regular Capital Outlay	8,041	0	8,041	0
<u>Principal on Debt</u>				
Education	68,668	68,668	68,668	0
<u>Interest on Debt</u>				
Education	7,290	7,725	7,290	0
<u>Other Debt Service</u>				
Education	1,010,350	1,032,652	1,032,652	22,302
<b>Total Expenditures</b>	<b>\$ 24,154,225</b>	<b>\$ 24,017,316</b>	<b>\$ 24,587,551</b>	<b>\$ 433,326</b>

(Continued)

Exhibit D-1

McNairy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
McNairy County School Department  
General Purpose School Fund (Cont.)

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Excess (Deficiency) of Revenues Over Expenditures	\$ 378,009	\$ (7,000)	\$ (198,742)	\$ 576,751
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 29,372	\$ 0	\$ 29,372	\$ 0
Transfers In	37,777	7,000	22,000	15,777
Total Other Financing Sources (Uses)	\$ 67,149	\$ 7,000	\$ 51,372	\$ 15,777
Net Change in Fund Balance	\$ 445,158	\$ 0	\$ (147,370)	\$ 592,528
Fund Balance, July 1, 2006	1,266,048	1,085,558	1,085,558	180,490
Fund Balance, June 30, 2007	\$ 1,711,206	\$ 1,085,558	\$ 938,188	\$ 773,018

Exhibit D-2

McNairy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
McNairy County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
State of Tennessee	\$ 83,706	\$ 36,000	\$ 112,875	\$ (29,169)
Federal Government	2,983,237	3,252,980	3,431,217	(447,980)
Total Revenues	<u>\$ 3,066,943</u>	<u>\$ 3,288,980</u>	<u>\$ 3,544,092</u>	<u>\$ (477,149)</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,196,897	\$ 1,377,644	\$ 1,432,003	\$ 235,106
Special Education Program	753,315	756,281	795,959	42,644
Vocational Education Program	138,949	139,551	138,949	0
<u>Support Services</u>				
Other Student Support	64,596	65,461	69,078	4,482
Regular Instruction Program	196,303	398,412	367,991	171,688
Special Education Program	120,674	36,610	129,744	9,070
Vocational Education Program	4,485	4,000	4,485	0
Transportation	22,475	24,603	24,792	2,317
<u>Operation of Non-Instructional Services</u>				
Community Services	655,481	621,342	720,850	65,369
Total Expenditures	<u>\$ 3,153,175</u>	<u>\$ 3,423,904</u>	<u>\$ 3,683,851</u>	<u>\$ 530,676</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (86,232)</u>	<u>\$ (134,924)</u>	<u>\$ (139,759)</u>	<u>\$ 53,527</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	<u>\$ (37,777)</u>	<u>\$ (47,891)</u>	<u>\$ (50,776)</u>	<u>\$ 12,999</u>
Total Other Financing Sources (Uses)	<u>\$ (37,777)</u>	<u>\$ (47,891)</u>	<u>\$ (50,776)</u>	<u>\$ 12,999</u>
Net Change in Fund Balance	\$ (124,009)	\$ (182,815)	\$ (190,535)	\$ 66,526
Fund Balance, July 1, 2006	191,030	182,815	190,535	495
Fund Balance, June 30, 2007	<u>\$ 67,021</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 67,021</u>

Exhibit D-3

McNairy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
McNairy County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 867,867	\$ 0	\$ 867,867	\$ 842,000	\$ 842,000	\$ 25,867
Other Local Revenues	55,705	0	55,705	44,260	44,260	11,445
Federal Government	1,095,854	0	1,095,854	1,037,700	1,037,700	58,154
Total Revenues	<u>\$ 2,019,426</u>	<u>\$ 0</u>	<u>\$ 2,019,426</u>	<u>\$ 1,923,960</u>	<u>\$ 1,923,960</u>	<u>\$ 95,466</u>
<u>Expenditures</u>						
<u>Operation of Non-Instructional Services</u>						
Food Service	\$ 2,015,217	\$ (18,260)	\$ 1,996,957	\$ 1,923,960	\$ 2,002,250	\$ 5,293
Total Expenditures	<u>\$ 2,015,217</u>	<u>\$ (18,260)</u>	<u>\$ 1,996,957</u>	<u>\$ 1,923,960</u>	<u>\$ 2,002,250</u>	<u>\$ 5,293</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 4,209	\$ 18,260	\$ 22,469	\$ 0	\$ (78,290)	\$ 100,759
Net Change in Fund Balance	\$ 4,209	\$ 18,260	\$ 22,469	\$ 0	\$ (78,290)	\$ 100,759
Fund Balance, July 1, 2006	846,941	(18,260)	828,681	827,249	827,249	1,432
Fund Balance, June 30, 2007	<u>\$ 851,150</u>	<u>\$ 0</u>	<u>\$ 851,150</u>	<u>\$ 827,249</u>	<u>\$ 748,959</u>	<u>\$ 102,191</u>

**McNAIRY COUNTY SCHOOL DEPARTMENT**  
**A COMPONENT UNIT OF McNAIRY COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2007**

**BUDGETARY INFORMATION**

The School Department is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the McNairy County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Purpose School Fund major categories: Regular Instruction Program, Special Education Program, Vocational Education Program, Adult Education Program, etc.). The McNairy County Board of Education may make revisions within major categories, but only the McNairy County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The School Department's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

---

---

## MISCELLANEOUS SCHEDULES

---

---

Exhibit E-1

McNairy County, Tennessee  
Schedule of Changes in Long-term Notes  
McNairy County School Department  
For the Year Ended June 30, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Paid and/or Matured During Period	Outstanding 6-30-07
<u>NOTES PAYABLE</u>							
<u>Payable through General Purpose School Fund</u>							
Energy Efficiency Loan	\$ 218,874	3 %	7-27-01	9-1-08	\$ 99,372	\$ 32,150	\$ 67,222
Energy Efficiency Capital Outlay Note	255,630	4.33	11-12-01	10-1-08	109,554	36,518	73,036
Total Notes Payable					<u>\$ 208,926</u>	<u>\$ 68,668</u>	<u>\$ 140,258</u>

Exhibit E-2

McNairy County, Tennessee  
Schedule of Transfers  
McNairy County School Department  
For the Year Ended June 30, 2007

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 37,777</u>
Total Transfers			<u>\$ 37,777</u>

Exhibit E-3

McNairy County, Tennessee  
Schedule of Salary and Official Bond of Principal Official  
McNairy County School Department  
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and County Board of Education	\$ 83,603 (1)	\$ 100,000	Western Surety Company
Employee Dishonesty Coverage: Office of Director of Schools			150,000	Tennessee School Boards Risk Management Trust

(1) - Includes chief executive officer training supplement of \$900.

## Exhibit E-4

McNairy County, Tennessee  
 Schedule of Detailed Revenues -  
All Governmental Fund Types  
 McNairy County School Department  
 For the Year Ended June 30, 2007

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 3,358,666	\$ 0	\$ 0	\$ 3,358,666
Trustee's Collections - Prior Year	188,062	0	0	188,062
Circuit/Clerk & Master Collections - Prior Years	141,919	0	0	141,919
Interest and Penalty	32,009	0	0	32,009
Payments in-Lieu-of Taxes - T.V.A.	1,203	0	0	1,203
<u>County Local Option Taxes</u>				
Local Option Sales Tax	1,836,947	0	0	1,836,947
<u>Statutory Local Taxes</u>				
Bank Excise Tax	42,084	0	0	42,084
Interstate Telecommunications Tax	4,152	0	0	4,152
Total Local Taxes	\$ 5,605,042	\$ 0	\$ 0	\$ 5,605,042
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 5,073	\$ 0	\$ 0	\$ 5,073
Total Licenses and Permits	\$ 5,073	\$ 0	\$ 0	\$ 5,073
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Other	\$ 27,725	\$ 0	\$ 0	\$ 27,725
Lunch Payments - Children	0	0	367,253	367,253
Lunch Payments - Adults	0	0	72,900	72,900
Income from Breakfast	0	0	45,036	45,036
A la carte Sales	0	0	365,102	365,102
Receipts from Individual Schools	32,715	0	0	32,715
<u>Other Charges for Services</u>				
Other Charges for Services	120	0	17,576	17,696
Total Charges for Current Services	\$ 60,560	\$ 0	\$ 867,867	\$ 928,427
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 25,924	\$ 25,924
Lease/Rentals	27,606	0	0	27,606
Miscellaneous Refunds	0	0	29,781	29,781
<u>Nonrecurring Items</u>				
Contributions and Gifts	26,950	0	0	26,950
<u>Other Local Revenues</u>				
Other Local Revenues	9,711	0	0	9,711
Total Other Local Revenues	\$ 64,267	\$ 0	\$ 55,705	\$ 119,972
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 16,803,373	\$ 0	\$ 0	\$ 16,803,373
Early Childhood Education	555,298	0	0	555,298
School Food Service	25,636	0	0	25,636
Driver Education	13,760	0	0	13,760
Other State Education Funds	153,678	65,284	0	218,962
Career Ladder Program	299,640	0	0	299,640

(Continued)

Exhibit E-4

McNairy County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
McNairy County School Department (Cont.)

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
Career Ladder - Extended Contract	\$ 198,106	\$ 0	\$ 0	\$ 198,106
Other Vocational	0	16,000	0	16,000
<u>Other State Revenues</u>				
Mixed Drink Tax	1,197	0	0	1,197
State Revenue Sharing - T.V.A.	322,362	0	0	322,362
Other State Grants	101,633	2,422	0	104,055
Other State Revenues	97,167	0	0	97,167
Total State of Tennessee	\$ 18,571,850	\$ 83,706	\$ 0	\$ 18,655,556
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 804,572	\$ 804,572
Breakfast	0	0	239,682	239,682
USDA - Other	0	0	51,600	51,600
Adult Education State Grant Program	158,136	0	0	158,136
Vocational Education - Basic Grants to States	0	90,551	0	90,551
Other Vocational	0	20,000	0	20,000
Title I Grants to Local Education Agencies	0	868,661	0	868,661
Innovative Education Program Strategies	0	128,443	0	128,443
Special Education - Grants to States	14,807	908,352	0	923,159
Special Education Preschool Grants	0	23,518	0	23,518
Eisenhower Professional Development State Grants	0	237,344	0	237,344
Other Federal through State	52,499	706,368	0	758,867
Total Federal Government	\$ 225,442	\$ 2,983,237	\$ 1,095,854	\$ 4,304,533
Total	\$ 24,532,234	\$ 3,066,943	\$ 2,019,426	\$ 29,618,603

Exhibit E-5

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
McNairy County School Department  
For the Year Ended June 30, 2007

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 9,422,261	
Career Ladder Program	186,181	
Career Ladder Extended Contracts	165,000	
Educational Assistants	289,292	
Certified Substitute Teachers	7,195	
Non-certified Substitute Teachers	103,470	
Social Security	569,557	
State Retirement	605,311	
Medical Insurance	1,035,047	
Dental Insurance	79,054	
Unemployment Compensation	7,673	
Employer Medicare	133,035	
Travel	8,188	
Instructional Supplies and Materials	179,512	
Textbooks	153,613	
Other Supplies and Materials	155	
Regular Instruction Equipment	261,792	
Total Regular Instruction Program		\$ 13,206,336

Special Education Program

Supervisor/Director	\$ 19,069	
Teachers	942,307	
Career Ladder Program	20,000	
Clerical Personnel	19,570	
Educational Assistants	65,750	
Certified Substitute Teachers	1,025	
Non-certified Substitute Teachers	17,575	
Social Security	64,329	
State Retirement	61,851	
Medical Insurance	231,506	
Dental Insurance	4,000	
Unemployment Compensation	764	
Employer Medicare	15,028	
Contracts with Other Public Agencies	13,441	
Contracts with Private Agencies	15,000	
Other Contracted Services	37,067	
Instructional Supplies and Materials	10,000	
Other Charges	5,874	
Total Special Education Program		1,544,156

(Continued)

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
McNairy County School Department (Cont.)

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Teachers	\$	714,103	
Career Ladder Program		9,000	
Non-certified Substitute Teachers		2,622	
Social Security		44,096	
State Retirement		44,326	
Medical Insurance		70,533	
Unemployment Compensation		455	
Employer Medicare		10,312	
Instructional Supplies and Materials		41,202	
Total Vocational Education Program			\$ 936,649

Adult Education Program

Teachers	\$	181,455	
Social Security		11,250	
State Retirement		6,634	
Medical Insurance		25,097	
Unemployment Compensation		154	
Employer Medicare		2,631	
Travel		3,632	
Instructional Supplies and Materials		24,182	
Other Charges		7,304	
Other Equipment		1,453	
Total Adult Education Program			263,792

Support Services

Attendance

Supervisor/Director	\$	38,155	
Career Ladder Program		1,000	
Social Security		2,388	
State Retirement		2,361	
Medical Insurance		7,011	
Unemployment Compensation		23	
Employer Medicare		560	
Travel		1,635	
Total Attendance			53,133

Health Services

Medical Personnel	\$	52,712	
Other Salaries & Wages		44,359	

(Continued)

Exhibit E-5

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
McNairy County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services (Cont.)

Social Security	\$	6,016	
State Retirement		4,952	
Medical Insurance		18,005	
Unemployment Compensation		91	
Employer Medicare		1,410	
Travel		4,742	
Other Supplies and Materials		3,443	
Total Health Services			\$ 135,730

Other Student Support

Career Ladder Program	\$	5,000	
Guidance Personnel		260,729	
Social Security		15,109	
State Retirement		16,000	
Medical Insurance		27,730	
Unemployment Compensation		139	
Employer Medicare		3,534	
Evaluation and Testing		19,600	
Total Other Student Support			347,841

Regular Instruction Program

Supervisor/Director	\$	70,842	
Career Ladder Program		6,972	
Librarians		306,350	
Materials Supervisor		8,693	
Instructional Computer Personnel		60,412	
Secretary(ies)		19,757	
Certified Substitute Teachers		76	
Social Security		27,794	
State Retirement		28,019	
Medical Insurance		55,439	
Unemployment Compensation		255	
Employer Medicare		6,500	
Communication		5,242	
Travel		20,597	
Other Contracted Services		6,919	
Library Books/Media		12,883	
Other Supplies and Materials		1,132	
In Service/Staff Development		3,983	

(Continued)

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
McNairy County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Other Charges	\$	6,289	
Other Equipment		4,500	
Total Regular Instruction Program			\$ 652,654

Special Education Program

Supervisor/Director	\$	58,412	
Career Ladder Program		2,000	
Psychological Personnel		34,845	
Assessment Personnel		45,921	
Secretary(ies)		19,634	
Social Security		9,800	
State Retirement		7,200	
Medical Insurance		10,354	
Unemployment Compensation		69	
Employer Medicare		2,320	
Travel		9,996	
Other Charges		22,415	
Total Special Education Program			222,966

Vocational Education Program

Supervisor/Director	\$	60,412	
Career Ladder Program		2,000	
Social Security		3,825	
State Retirement		3,782	
Medical Insurance		3,343	
Employer Medicare		895	
Total Vocational Education Program			74,257

Adult Programs

Supervisor/Director	\$	60,154	
Career Ladder Program		3,000	
Social Security		3,890	
State Retirement		3,757	
Medical Insurance		3,343	
Employer Medicare		910	
Total Adult Programs			75,054

Board of Education

Board and Committee Members Fees	\$	5,600	
----------------------------------	----	-------	--

(Continued)

Exhibit E-5

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
McNairy County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Social Security	\$	347	
Employer Medicare		81	
Audit Services		10,000	
Dues and Memberships		14,402	
Legal Services		4,610	
Travel		10,934	
Other Contracted Services		6,121	
Premiums on Corporate Surety Bonds		1,610	
Trustee's Commission		139,601	
Workers' Compensation Insurance		168,626	
Other Charges		919	
Total Board of Education			\$ 362,851

Director of Schools

County Official/Administrative Officer	\$	82,703	
Career Ladder Program		900	
Secretary(ies)		26,577	
Social Security		6,831	
State Retirement		6,100	
Medical Insurance		6,000	
Unemployment Compensation		46	
Employer Medicare		1,598	
Communication		8,484	
Office Supplies		7,962	
Other Charges		882	
Total Director of Schools			148,083

Office of the Principal

Principals	\$	477,864	
Career Ladder Program		14,000	
Secretary(ies)		284,087	
Social Security		46,078	
State Retirement		41,000	
Medical Insurance		82,518	
Unemployment Compensation		572	
Employer Medicare		10,756	
Communication		5,486	
Total Office of the Principal			962,361

(Continued)

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
McNairy County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services

Accountants/Bookkeepers	\$	47,235	
Secretary(ies)		22,674	
Social Security		4,200	
State Retirement		2,353	
Unemployment Compensation		56	
Employer Medicare		982	
Travel		107	
Other Contracted Services		4,939	
Office Supplies		2,652	
Total Fiscal Services			\$ 85,198

Operation of Plant

Custodial Personnel	\$	429,360	
Other Salaries & Wages		2,082	
Social Security		26,500	
State Retirement		16,560	
Medical Insurance		52,954	
Unemployment Compensation		524	
Employer Medicare		6,073	
Custodial Supplies		54,982	
Electricity		568,175	
Natural Gas		173,000	
Water and Sewer		91,786	
Building and Contents Insurance		261,998	
Plant Operation Equipment		14,331	
Total Operation of Plant			1,698,325

Maintenance of Plant

Maintenance Personnel	\$	140,456	
Other Salaries & Wages		3,650	
Social Security		8,045	
State Retirement		5,517	
Medical Insurance		17,014	
Unemployment Compensation		136	
Employer Medicare		2,077	
Communication		2,225	
Maintenance & Repair Services - Buildings		66,684	
Maintenance & Repair Services - Equipment		11,742	
Maintenance & Repair Services - Vehicles		327	

(Continued)

Exhibit E-5

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
McNairy County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Other Contracted Services	\$	36,647	
Other Supplies and Materials		13,485	
Other Charges		463	
Maintenance Equipment		24,290	
Total Maintenance of Plant			\$ 332,758

Transportation

Supervisor/Director	\$	39,348	
Mechanic(s)		57,449	
Bus Drivers		457,558	
Clerical Personnel		19,873	
Other Salaries & Wages		48,663	
Social Security		34,643	
State Retirement		23,729	
Medical Insurance		11,424	
Unemployment Compensation		626	
Employer Medicare		8,102	
Communication		2,669	
Maintenance & Repair Services - Vehicles		67,941	
Medical and Dental Services		5,515	
Diesel Fuel		167,040	
Gasoline		17,997	
Lubricants		7,539	
Tires and Tubes		29,026	
Other Supplies and Materials		5,055	
Other Charges		463	
Transportation Equipment		317,664	
Total Transportation			1,322,324

Central and Other

Data Processing Personnel	\$	30,441	
Social Security		1,887	
State Retirement		1,181	
Unemployment Compensation		23	
Employer Medicare		441	
Total Central and Other			33,973

(Continued)

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
McNairy County School Department (Cont.)

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	34,628	
Social Security		2,147	
State Retirement		1,344	
Medical Insurance		7,649	
Employer Medicare		502	
Other Charges		<u>2,563</u>	
Total Food Service	\$		48,833

Early Childhood Education

Teachers	\$	237,845	
Educational Assistants		62,431	
Other Salaries & Wages		21,000	
Certified Substitute Teachers		25	
Non-certified Substitute Teachers		3,591	
Social Security		20,215	
State Retirement		16,214	
Medical Insurance		44,813	
Dental Insurance		1,800	
Unemployment Compensation		19	
Employer Medicare		4,728	
Travel		3,200	
Other Contracted Services		420	
Instructional Supplies and Materials		128,386	
In Service/Staff Development		3,859	
Other Charges		<u>4,056</u>	
Total Early Childhood Education			552,602

Capital Outlay

Regular Capital Outlay

Architects	\$	6,441	
Other Contracted Services		<u>1,600</u>	
Total Regular Capital Outlay			8,041

Principal on Debt

Education

Principal on Notes	\$	<u>68,668</u>	
Total Education			68,668

(Continued)

Exhibit E-5

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
McNairy County School Department (Cont.)

General Purpose School Fund (Cont.)

Interest on Debt

Education

Interest on Notes	\$ 7,290	
Total Education		\$ 7,290

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 1,010,350	
Total Education		<u>1,010,350</u>

Total General Purpose School Fund \$ 24,154,225

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 836,849	
Other Salaries & Wages	1,096	
Certified Substitute Teachers	4,506	
Non-certified Substitute Teachers	2,850	
Social Security	50,833	
State Retirement	49,003	
Medical Insurance	72,937	
Dental Insurance	4,715	
Unemployment Compensation	496	
Employer Medicare	11,888	
Maintenance & Repair Services - Equipment	180	
Travel	486	
Instructional Supplies and Materials	142,042	
Other Charges	11,643	
Regular Instruction Equipment	<u>7,373</u>	
Total Regular Instruction Program		\$ 1,196,897

Special Education Program

Teachers	\$ 46,906
Educational Assistants	486,697
Other Salaries & Wages	36,333
Social Security	35,349
State Retirement	23,094
Unemployment Compensation	663
Employer Medicare	8,267
Contracts with Other Public Agencies	335

(Continued)

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
McNairy County School Department (Cont.)

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Contracts with Private Agencies	\$	95,046	
Other Contracted Services		429	
Instructional Supplies and Materials		19,683	
Other Supplies and Materials		513	
Total Special Education Program			\$ 753,315

Vocational Education Program

Teachers	\$	16,855	
Travel		7,873	
Instructional Supplies and Materials		36,499	
In Service/Staff Development		20,944	
Other Charges		13,098	
Vocational Instruction Equipment		43,680	
Total Vocational Education Program			138,949

Support Services

Other Student Support

Social Workers	\$	31,894	
Social Security		1,977	
State Retirement		1,234	
Unemployment Compensation		17	
Employer Medicare		462	
Travel		13,269	
Other Supplies and Materials		7,149	
In Service/Staff Development		8,444	
Other Charges		150	
Total Other Student Support			64,596

Regular Instruction Program

Supervisor/Director	\$	60,154	
Secretary(ies)		13,428	
Social Security		4,562	
State Retirement		4,208	
Dental Insurance		277	
Unemployment Compensation		42	
Employer Medicare		1,067	
Travel		12,921	
Library Books/Media		25,952	
Other Supplies and Materials		3,007	

(Continued)

Exhibit E-5

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
McNairy County School Department (Cont.)

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

In Service/Staff Development	\$	64,953	
Other Charges		2,032	
Other Equipment		3,700	
Total Regular Instruction Program			\$ 196,303

Special Education Program

Communication	\$	541	
Consultants		6,244	
Travel		16,974	
Other Contracted Services		50,500	
Other Supplies and Materials		34,188	
Other Charges		12,227	
Total Special Education Program			120,674

Vocational Education Program

Travel	\$	4,485	
Total Vocational Education Program			4,485

Transportation

Bus Drivers	\$	20,131	
Social Security		1,248	
State Retirement		781	
Unemployment Compensation		23	
Employer Medicare		292	
Total Transportation			22,475

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	7,369	
Teachers		218,466	
Clerical Personnel		19,463	
Part-time Personnel		220,756	
Other Salaries & Wages		300	
Social Security		26,565	
State Retirement		14,940	
Unemployment Compensation		1,293	
Employer Medicare		6,214	
Other Contracted Services		17,736	
Other Supplies and Materials		115,318	

(Continued)

Exhibit E-5

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
McNairy County School Department (Cont.)

School Federal Projects Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services (Cont.)

In Service/Staff Development	\$	4,785	
Other Charges		<u>2,276</u>	
Total Community Services			\$ <u>655,481</u>

Total School Federal Projects Fund \$ 3,153,175

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Accountants/Bookkeepers	\$	22,238	
Clerical Personnel		14,520	
Cafeteria Personnel		622,729	
Other Salaries & Wages		23,013	
Social Security		38,566	
State Retirement		21,663	
Medical Insurance		111,854	
Unemployment Compensation		1,665	
Employer Medicare		9,019	
Communication		6,719	
Maintenance & Repair Services - Equipment		6,409	
Transportation - Other than Students		9,506	
Travel		1,002	
Other Contracted Services		26,155	
Food Supplies		922,237	
Office Supplies		1,987	
Uniforms		7,895	
Other Supplies and Materials		60,558	
Food Service Equipment		<u>107,482</u>	
Total Food Service			\$ <u>2,015,217</u>

Total Central Cafeteria Fund 2,015,217

Total Governmental Funds - McNairy County School Department \$ 29,322,617

**SINGLE AUDIT REPORT**  
**McNAIRY COUNTY, TENNESSEE**  
**AND**  
**McNAIRY COUNTY SCHOOL DEPARTMENT**  
**FOR THE YEAR ENDED JUNE 30, 2007**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
*RICHARD V. NORMENT*  
*Assistant to the Comptroller*

*JAMES R. ARNETTE*  
*Director*

*NORMAN R. NORMENT, CGFM*  
*Audit Manager*

*HORACE B. WISEMAN, CGFM*  
*Auditor 4*

*VICKY BARBER, CFE*  
*ELISHA CROWELL, CFE*  
*State Auditors*

This report is available at [www.comptroller.state.tn.us](http://www.comptroller.state.tn.us)

---

---

## SINGLE AUDIT REPORT TABLE OF CONTENTS

---

---

	Page(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 <u>Government Auditing Standards</u>	1-3
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>	5-7
Schedule of Expenditures of Federal Awards and State Grants	9-10
Schedule of Audit Findings Not Corrected	11-12
Schedule of Findings and Questioned Costs	13-22
Auditee Reporting Responsibilities	23



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841

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

November 16, 2007

McNairy County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education  
McNairy County, Tennessee

To the County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education:

We have audited the financial statements of each major fund and the aggregate remaining fund information of McNairy County, Tennessee, and the governmental activities and each major fund of the McNairy County School Department as of and for the year ended June 30, 2007, which collectively comprise a portion of McNairy County's and the McNairy County School Department's basic financial statements and have issued our reports thereon dated November 16, 2007. Our report on the financial statements of McNairy County, Tennessee, expresses an adverse opinion because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the McNairy County School Department is unqualified. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered McNairy County's and the McNairy County School's Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the

financial statements, but not for the purpose of expressing an opinion on the effectiveness of McNairy County's and the McNairy County School Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of McNairy County's and the McNairy County's School Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 07.05, 07.06, 07.07(A,B,C), 07.08, 07.10, and 07.11.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be significant weaknesses. However, of the significant deficiencies described above, we consider item 07.06 to be a material weakness.

### Compliance and Other Matters

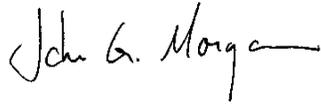
As part of obtaining reasonable assurance about whether McNairy County's and the McNairy County School Department's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 07.01, 07.02, 07.03, 07.04, 07.07(D), and 07.12.

We consider item 07.09 described in the accompany Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations. We also noted certain matters that we reported to management of McNairy County and the McNairy County School Department in separate communications.

McNairy County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit McNairy County's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the county mayor, director of schools, highway commissioner, County Commission, Board of Education, others within McNairy County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan" with a long horizontal flourish extending to the right.

John G. Morgan  
Comptroller of the Treasury

JGM/sb



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

November 16, 2007

McNairy County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education  
McNairy County, Tennessee

To the County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education:

Compliance

We have audited the compliance of McNairy County and the McNairy County School Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of their major federal programs for the year ended June 30, 2007. McNairy County's and the McNairy County School Department's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of their major federal programs is the responsibility of McNairy County's and the McNairy County School Department's management. Our responsibility is to express an opinion on McNairy County's and the McNairy County School Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with

the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about McNairy County's and the McNairy County School Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of McNairy County's and the McNairy County School Department's compliance with those requirements.

In our opinion, McNairy County and the McNairy County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2007.

### Internal Control Over Compliance

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

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

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

Our consideration of 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 consider to be material weaknesses, as defined above.

## Schedule of Expenditures of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of McNairy County, Tennessee, and the governmental activities and each major fund of the McNairy County School Department as of and for the year ended June 30, 2007, and have issued our reports thereon dated November 16, 2007. Our report on the financial statements of McNairy County, Tennessee, expresses an adverse opinion because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the McNairy County School Department is unqualified. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise McNairy County's and the McNairy County School Department's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

McNairy County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit McNairy County's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the county mayor, director of schools, highway commissioner, County Commission, Board of Education, others within McNairy County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yours very truly,



John G. Morgan  
Comptroller of the Treasury

JGM/sb

McNairy County, Tennessee, and the McNairy County School Department  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2007

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	(2)	\$ 80,124
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	239,682
National School Lunch Program	10.555	N/A	804,572
Summer Food Service Program for Children	10.559	N/A	51,600
Total U.S. Department of Agriculture			<u>\$ 1,175,978</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(2)	\$ 9,090
Total U.S. Department of Justice			<u>\$ 9,090</u>
U.S. Department of Labor:			
Passed-through Southwest Human Resource Agency:			
WIA Youth Activities	17.259	(2)	\$ 39,605
Total U.S. Department of Labor			<u>\$ 39,605</u>
U.S. Highway Administration:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	(2)	\$ 26,897
Total U.S. Department of Transportation			<u>\$ 26,897</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Adult Education - State Grant Program	84.002	(2)	\$ 158,136
Title I Grants to Local Educational Agencies	84.010	N/A	958,768
Special Education - Grants to States	84.027	N/A	789,321
Vocational Education - Basic Grants to States	84.048	N/A	140,051
Rehabilitation Services - Vocation Rehabilitation Grants to States	84.126	N/A	49,900
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	75,493
Even Start - State Educational Agencies	84.213	(2)	52,499
Tech Prep Education	84.243	N/A	16,000
Twenty-First Century Community Learning Centers	84.287	N/A	798,127
State Grants for Innovative Programs	84.298	N/A	6,936
Education Technology State Grants	84.318	(2)	7,373
Rural Education Achievement Program	84.358	N/A	20,722
Improving Teacher Quality State Grants	84.367	N/A	260,944
Hurricane Education Recovery	84.938	N/A	12,128
Project Help WIA	84.XXX	N/A	25,000
Total U.S. Department of Education			<u>\$ 3,371,398</u>

(Continued)

McNairy County, Tennessee, and the McNairy County School Department  
Schedule of Expenditures of Federal Awards and State Grants (1) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
Election Assistance Program:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirement Payments	90.401	Z07037390	\$ 208,519
Total Election Assistance Program			<u>\$ 208,519</u>
U.S. Corporation For National and Community Service:			
Passed-through State Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	Z070372110	\$ 2,422
Total U.S. Corporation For National and Community Service			<u>\$ 2,422</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Cluster:			
Emergency Management Performance Grants	97.042	(3)	\$ 24,712
Homeland Security Grant Program	97.067	Z0502518900	119,797
Total U.S. Department of Homeland Security			<u>\$ 144,509</u>
Total Expenditures of Federal Awards			<u>\$ 4,978,418</u>
State Grants:			
Reappraisal Program - Comptroller of the Treasury	N/A	Contract Number <u>(2)</u>	\$ 10,790
Fast-Track Infrastructure Grant - State Department of Economic and Community Development	N/A	(2)	503,610
Delta Grant - State Department of Education	N/A	(2)	13,861
Orbit Grant - State Department of Education	N/A	(2)	104,603
Litter Grant - State Department of Environment and Conservation	N/A	(2)	28,986
Title III - State Department of Education	N/A	(2)	4,361
Family Resource Grant - State Department of Education	N/A	(2)	33,238
ABE - Early Childhood Development Grant - State Department of Education	N/A	(2)	64,926
Early Childhood - Lottery Grant - State Department of Education	N/A	(2)	234,672
Early Childhood - Expansion Grant - State Department of Education	N/A	(2)	255,700
Safe Schools Act of 2003 - State Department of Education	N/A	(2)	16,846
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	16,766
Safety Grant - State Department of Transportation	N/A	(2)	<u>15,811</u>
Total State Grants			<u>\$ 1,304,170</u>

CFDA = Catalog of Federal Domestic Assistance  
N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.  
(2) Information not available.  
(3) Z0603284300: \$8,976; Z0702060600: \$15,736.

McNairy County, Tennessee, and the McNairy County School Department  
Schedule of Audit Findings Not Corrected  
June 30, 2007

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for McNairy County, Tennessee, and the McNairy County School Department for the year ended June 30, 2006, which have not been corrected.

**McNAIRY COUNTY**

Finding Number	Page Number	Subject
06.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

**OFFICE OF COUNTY MAYOR**

Finding Number	Page Number	Subject
06.03	13	The office had deficiencies in budget operations

**OFFICE OF HIGHWAY COMMISSIONER**

Finding Number	Page Number	Subject
06.06	15	The office did not issue purchase orders properly

**OFFICE OF DIRECTOR OF SCHOOLS**

Finding Number	Page Number	Subject
06.08	16	The Schools Federal Projects Fund had a cash overdraft

**OFFICE OF CIRCUIT COURT CLERK**

Finding Number	Page Number	Subject
06.09	17	The office had deficiencies in maintaining the execution docket trial balance report

**OFFICE OF GENERAL SESSIONS COURT CLERK**

Finding Number	Page Number	Subject
06.10	18	The office had deficiencies in maintaining the execution docket trial balance report

**OTHER FINDINGS**

Finding Number	Page Number	Subject
06.12	19	A central system of accounting, budgeting, and purchasing had not been adopted
06.13	19	The trustee and register allowed individuals unsupervised access to their offices after business hours
06.15	20	Duties were not segregated adequately in the Offices of Trustee and Sheriff
06.16	21	The county used a questionable method of funding rural fire protection

---

---

**McNAIRY COUNTY, TENNESSEE, AND THE  
McNAIRY COUNTY SCHOOL DEPARTMENT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2007**

---

---

**PART I, SUMMARY OF AUDITOR'S RESULTS**

1. An adverse opinion was issued on the financial statements of McNairy County, and an unqualified opinion was issued on the financial statements of the McNairy County School Department.
2. The audit of the financial statements of McNairy County and the McNairy County School Department disclosed significant deficiencies in internal control. One of these deficiencies was considered to be a material weakness for the McNairy County School Department.
3. The audit disclosed three instances of noncompliance that are material to the financial statements of McNairy County. The audit did not disclose any instances of noncompliance that are material to the financial statements of the McNairy County School Department.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, and the Summer Food Service Program for Children (CFDA Nos. 10.553, 10.555, and 10.559); Title I Grants to Local Educational Agencies (CFDA No. 84.010); and Special Education - Grants to States (CFDA No. 84.027) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. McNairy County and the McNairy County School Department did not qualify as low-risk auditees.

## PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written responses of the county mayor and the highway commissioner have been paraphrased in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

### McNAIRY COUNTY

FINDING 07.01      **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**  
(Material Noncompliance Under Government Auditing Standards)

McNairy County did not identify and determine the historical value of its capital assets, and the related depreciation amounts of these assets. Therefore, the county was unable to provide the information necessary to prepare government-wide financial statements for all of the government's activities, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. GASB is the standard-setting body for accounting principles that state and local governments are required to follow. As a result of this omission, McNairy County's financial statements are not presented in accordance with generally accepted accounting principles; thus, we have issued adverse opinions on the county's financial statements.

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement No. 34 to issue a financial report in compliance with Financial Reporting Standards for County Governments, Component Units of County Governments, and Special School Districts That Do Not Implement Governmental Accounting Standards Board Statement No. 34, established by the Comptroller of the Treasury. McNairy County's financial statements are presented in compliance with these requirements.

### RECOMMENDATION

McNairy County should present government-wide financial statements in conformity with generally accepted accounting principles, and should compile and maintain records that properly account for its capital assets. These records should document the historical costs of the county's capital assets and the related depreciation amounts of these assets. This information is necessary to present the county's financial statements in accordance with generally accepted accounting principles.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

McNairy County is in the process of compiling and maintaining records that properly account for its capital assets

---

OFFICE OF COUNTY MAYOR

FINDING 07.02      **McNAIRY COUNTY HAS NOT COMPLETED THE STEPS SET FORTH IN THE IMPLEMENTATION PLAN FOR GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 34 FILED WITH THE COMPTROLLER OF THE TREASURY**  
(Material Noncompliance Under Government Auditing Standards)

As noted in finding 07.01, McNairy County has not taken the necessary steps to present their financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34. To encourage local governments to comply with GASB Statement No. 34, the Tennessee General Assembly passed legislation (Sections 9-3-401 through 9-3-405, Tennessee Code Annotated) requiring local governments that were not in compliance with GASB Statement No. 34 to file an implementation plan with the Comptroller of the Treasury showing the steps and the timeline the local government would follow to implement the standard no later than June 30, 2008. An examination of the plan the county filed with the Comptroller's Office shows that the county has failed to perform the steps in accordance with the timeline set forth in their plan. If McNairy County does not comply with GASB Statement No. 34 by June 30, 2008, the statutes further provide that the state may withhold certain state funds from the county.

RECOMMENDATION

McNairy County should take the necessary steps to ensure compliance with GASB Statement No. 34 by June 30, 2008.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

McNairy County is in the process of complying with GASB Statement No. 34.

---

FINDING 07.03      **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS**  
(Noncompliance Under Government Auditing Standards)

Expenditures and Other Uses exceeded total appropriations approved by the County Commission in the General Fund by \$379,299. Also, expenditures exceeded total appropriations approved by the County Commission in the Law Library Fund (\$1,444), the Public Library Fund (\$240), and the Solid Waste/Sanitation Fund (\$5,895).

Section 5-9-401, Tennessee Code Annotated, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

#### RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission.

#### MANAGEMENT’S RESPONSE – COUNTY MAYOR

Greater care will be given to the language reflected in the County Commission minutes and supporting documents that will reflect appropriate approval by the County Commission. Improved documentation will show that expenditures do not exceed estimated available funding.

---

**FINDING 07.04      ALL FINANCIAL ACTIVITY OF THE LIBRARIES WAS NOT AUDITED, AND THE LIBRARIES WERE NOT SUBJECT TO BUDGETARY CONTROL OF THE COUNTY COMMISSION**  
(Noncompliance Under Government Auditing Standards)

The Public Library Fund is used to account for most of the financial activity of the county’s Irving Meek and Jack McConnico libraries. However, both libraries and the McNairy County Library Board maintained checking accounts to deposit various revenues and to pay certain operating expenses for the two libraries. The funds channeled through these checking accounts did not flow through the county’s budgetary process, have not been audited, and are not included in the financial statements of this report. We do not consider the exclusion of these amounts to be material to the financial statements of this report.

Section 5-9-401, Tennessee Code Annotated (TCA), states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments, shall be appropriated to such use by the county legislative bodies. Also, Section 10-3-106, TCA, states that “all library accounts of every character shall be audited annually by or under the county legislative body and/or city governing body.”

#### RECOMMENDATION

The Irving Meek and Jack McConnico libraries and the McNairy County Library Board should remit all collections to the county’s Public Library Fund or contract for an audit of their checking accounts. All revenues and expenditures related to the library’s operation should be audited and subject to budgetary control of the County Commission as required by state statutes.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

McNairy County will take steps to account for the county libraries' financial activity in the Public Library Fund.

---

**OFFICE OF HIGHWAY COMMISSIONER**

**FINDING 07.05      **THE OFFICE DID NOT ISSUE PURCHASE ORDERS PROPERLY****  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The office did not issue purchase orders for some applicable purchases. Also, our examination of purchase orders disclosed that the date of issuance, descriptions of items purchased, and dollar amounts of purchases were not listed on many purchase orders. The date of issuance is important to document the encumbrance of the purchase order prior to the actual purchase. The dollar amounts and descriptions of items on purchase orders are necessary to quantify purchasing commitments and to identify the items purchased. Proper use of purchase orders is necessary to control who has purchasing authority for the office and to document purchasing commitments.

**RECOMMENDATION**

To strengthen internal controls over purchasing procedures and to document purchasing commitments, the office should issue purchase orders for all applicable purchases. Also, all purchase orders should include the date of issuance, descriptions of items, and the dollar amounts of items purchased.

MANAGEMENT'S RESPONSE – HIGHWAY COMMISSIONER

We have reviewed proper purchasing procedures with all employees authorized to make purchases for the McNairy County Highway Department. They have been informed that no purchase should be made without first obtaining a purchase order.

---

**OFFICE OF DIRECTOR OF SCHOOLS**

**FINDING 07.06      **THE SCHOOL FEDERAL PROJECTS FUND HAD A CASH OVERDRAFT****  
(Internal Control – Material Weakness Under Government Auditing Standards)

The School Federal Projects Fund had a cash overdraft of \$234,397 at June 30, 2007. This cash overdraft resulted from issuing warrants exceeding cash on deposit with the county trustee.

## RECOMMENDATION

The office should liquidate the cash overdraft and not make disbursements that exceed available cash on deposit with the county trustee.

---

## OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

### FINDING 07.07      **THE OFFICE HAD DEFICIENCIES IN MAINTAINING THE EXECUTION DOCKET TRIAL BALANCE REPORTS** (A. through C. – Internal Control – Significant Deficiency Under Government Auditing Standards; D. – Noncompliance Under Government Auditing Standards)

Our examination disclosed the following deficiencies in both Circuit and General Sessions Courts:

- A. In some instances, the office issued manual checks and later entered these checks into the computer system to be posted to the general ledger; however, the computer system did not automatically post these transactions to the docket trial balance report. As a result, several cases were misstated on the docket trial balance reports of both Circuit and General Sessions Courts.
- B. When a check was voided in the general ledger, the computer system did not automatically post this entry to the docket trial balance report, resulting in several cases' balances being misstated.
- C. The docket trial balances of Circuit and General Sessions Courts were not prepared and reconciled with general ledger accounts on a monthly basis. As a result, errors on the docket trial balances were not detected and corrected timely.
- D. At June 30, 2007, the circuit and general sessions courts clerk had prepared trial balances of execution docket cause balances as required by Section 18-2-103, Tennessee Code Annotated (TCA). However, these trial balances did not reconcile with cash journal accounts by \$36,623 in Circuit Court and \$48,767 in General Sessions Court. Consequently, we were unable to determine if the clerk had complied with the provisions of the Unclaimed Property Act, Section 66-29-110, TCA. This statute provides that any funds held by the court for more than one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer's Office.

## RECOMMENDATION

Office personnel should ensure that all manual and voided checks are properly posted to the accounting records and reports of the office. The execution docket trial balances should be properly prepared and reconciled with cash journal accounts monthly. To comply with state statutes, the clerk should report and pay to the state Treasurer's Office any unclaimed funds held for more than one year.

---

## OFFICE OF SHERIFF

**FINDING 07.08      THE OFFICE HAD A CASH SHORTAGE OF \$1,035.46**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

In July 2007, the sheriff advised us of two separate instances involving missing cash bond collections. Both instances were reported to the District Attorney General's Office and investigated by the Sheriff's Department. The investigation revealed that in December 2006, a jailor received \$234.23 for a cash bond, and in April 2007, a different jailor received \$801.23 for a cash bond. The collections received by the jailors were placed in an unsecured location. In both instances, the monies could not be located when the jailors were asked to make an accounting for their collections. On October 26, 2007, the sheriff deposited \$1,035.46 in personal funds to the office bank account to liquidate the cash shortage.

## RECOMMENDATION

Steps should be taken to ensure that all collections are placed in a secure location until the funds can be deposited into the official bank account.

---

## OTHER FINDINGS AND RECOMMENDATIONS

**FINDING 07.09      A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**  
(Internal Control – Control Deficiency Under Government Auditing Standards)

County officials had not adopted a central system of accounting, budgeting, and purchasing. Establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes.

## RECOMMENDATION

County officials should consider adopting the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

McNairy County will study provisions for a central system of accounting, budgeting and purchasing covering all county departments.

---

FINDING 07.10     **THE TRUSTEE AND REGISTER ALLOWED INDIVIDUALS UNSUPERVISED ACCESS TO THEIR OFFICES AFTER BUSINESS HOURS**

(Internal Control – Significant Deficiency Under Government Auditing Standards)

Our examination disclosed that the trustee and register did not adequately control access to their offices. Individuals who were not office employees had unsupervised access to these offices after business hours. Allowing persons who are not employees to have unsupervised access to an office after business hours seriously weakens internal controls over assets.

RECOMMENDATION

Individuals who are not office employees should not have unsupervised access to these offices after business hours.

---

FINDING 07.11     **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE AND SHERIFF**

(Internal Control – Significant Deficiency Under Government Auditing Standards)

Duties were not segregated adequately among officials and employees in the Offices of Trustee and Sheriff. Officials and employees responsible for maintaining accounting records in these offices were also involved in receipting, depositing, reconciling daily business, posting entries to the cash journal, and/or reconciling bank statements. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.

---

FINDING 07.12     **THE COUNTY USED A QUESTIONABLE METHOD OF FUNDING RURAL FIRE PROTECTION**

(Material Noncompliance Under Government Auditing Standards)

Tennessee statutes provide that if a city offers fire protection, the county can offer fire protection outside those city limits in one of three ways:

- A.     The county can appropriate funds to nonprofit volunteer fire departments.

- B. The county legislative body may establish a countywide fire department and fund the department by either (1) establishing fire tax districts and levying an annual fire tax upon the property owners in each district sufficient to pay that district's share of the total budget of a countywide fire department, or (2) as an alternative to fire tax districts, fire protection for unincorporated portions of the county can be funded with General Fund revenues generated from situs-based taxes that have already been shared with the cities and from contributions made to the county.
  
- C. The county can enter into an interlocal agreement with a municipality to provide fire protection to areas outside the municipality.

All incorporated cities or towns located in McNairy County, Tennessee, provide fire protection to citizens living within their city limits. McNairy County provides fire protection to citizens outside the incorporated towns and cities but does not follow any of the above-noted methods. In accordance with a resolution approved by the County Commission on July 14, 2003, the county reimburses the incorporated towns and cities in McNairy County for their purchases of equipment. This reimbursement is based on an allocation formula approved by the County Commission. In addition, the county pays the salary of the countywide fire chief who coordinates rural volunteer fire departments and purchases firefighting equipment. The county's General Fund also pays for the maintenance and repair of volunteer fire departments vehicles. The county has not established fire tax districts, and the situs-based taxes and contributions the county received and placed into the General Fund were not sufficient to fund the fire department operations paid from the General Fund. Therefore, it appears that McNairy County uses property taxes levied on all county citizens, including those living inside the incorporated towns and cities of McNairy County, to provide fire protection to citizens living outside the incorporated towns and cities.

#### RECOMMENDATION

McNairy County should provide rural fire protection in a method that complies with state statutes.

#### MANAGEMENT'S RESPONSE – COUNTY MAYOR

McNairy County will strive to show that fire protection is funded with General Fund revenues generated from situs-based taxes that have already been shared with the cities and from contributions made to the county.

**PART III, FINDINGS AND QUESTIONED  
COSTS FOR FEDERAL AWARDS**

There were no findings and questioned costs for federal awards.

**McNAIRY COUNTY, TENNESSEE, AND THE  
McNAIRY COUNTY SCHOOL DEPARTMENT  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2007**

There were no audit findings relative to federal awards presented in the prior or current years' Schedules of Findings and Questioned Costs.