

**ANNUAL FINANCIAL REPORT  
McNAIRY COUNTY, TENNESSEE**



**FOR THE YEAR ENDED JUNE 30, 2008**



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**ANNUAL FINANCIAL REPORT**  
**McNAIRY COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2008**

*DEPARTMENT OF AUDIT*  
*JUSTIN P. WILSON*  
*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.tn.gov/comptroller](http://www.tn.gov/comptroller)

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## McNAIRY COUNTY, TENNESSEE

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# ***Audit Highlights***

Annual Financial Report  
McNairy County, Tennessee  
For the Year Ended June 30, 2008

## ***Scope***

We have audited the basic financial statements of McNairy County as of and for the year ended June 30, 2008.

## ***Results***

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

Our audit resulted in 13 findings and recommendations, which we have reviewed with McNairy County management. Detailed findings, recommendations, and management's responses are included in the Single Audit section of this report.

## ***Findings***

The following are summaries of the audit findings:

### **McNAIRY COUNTY AND McNAIRY COUNTY SCHOOL DEPARTMENT**

- ◆ McNairy County and the McNairy County School Department do not have the resources to produce financial statements and notes to the financial statements.
- ◆ The Solid Waste/Sanitation and General Purpose School funds required material audit adjustments for proper financial statement presentation.

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### **OFFICE OF COUNTY MAYOR**

- ◆ All financial activity of the libraries was not audited, and the libraries were not subject to budgetary control of the County Commission.
- ◆ Some funds were not invested in accordance with state statute.

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### **OFFICE OF DIRECTOR OF SCHOOLS**

- ◆ Expenditures exceeded appropriations approved by the County Commission in the Capital Outlay major appropriation category (the legal level of control) in the General Purpose School Fund by \$174,015.
-

## **OFFICE OF CIRCUIT COURT CLERK**

- ◆ A cash shortage of \$13,528.19 existed in the office as of January 15, 2008.
- 

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

- ◆ Execution docket trial balances did not reconcile with cash journal accounts.
- 

## **OFFICE OF GENERAL SESSIONS COURT CLERK**

- ◆ The office did not properly account for rental fees.
  - ◆ A deputy was indicted on official misconduct, soliciting unlawful compensation, and misuse of official information.
- 

## **OTHER FINDINGS**

- ◆ A central system of accounting, budgeting, and purchasing had not been adopted.
- ◆ 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.

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# INTRODUCTORY SECTION

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# McNairy County Officials

## June 30, 2008

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### **Officials**

Jai Templeton, County Mayor  
Harvey Neal Smith, Highway Commissioner  
Charlie Miskelly, Director of Schools  
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	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

### **Board of Education**

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

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## FINANCIAL SECTION

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**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-1402  
PHONE (615) 401-7841**

**INDEPENDENT AUDITOR'S REPORT**

March 5, 2009

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 the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McNairy County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise McNairy County's basic financial statements as listed in the table of contents. 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 did not audit the financial statements of the McNairy County Emergency Communications District, which represent 2.2 percent and 1.5 percent, respectively, of the assets and revenues of the aggregate discretely presented components units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion insofar as it relates to the amounts included for the McNairy County Emergency Communications District, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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 and the report of other auditors provide a reasonable basis for our opinions.

The financial statements of the McNairy County Airport Authority, a component unit requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component units referred to above do not include the amounts for the McNairy County Airport Authority, which should be included to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements of the aggregate discretely presented component units are not reasonably determinable.

In our opinion, based on our audit and the report of other auditors, except for the effects of not including the financial statements of the McNairy County Airport Authority, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of McNairy County, Tennessee, as of June 30, 2008, and the results of operations of the aggregate discretely presented component units for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of McNairy County, Tennessee, as of June 30, 2008, and the respective changes in financial position, where applicable, 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 March 5, 2009, 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 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.

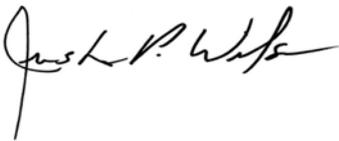
As described in Note V.B., McNairy County has implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. For the first time, the financial statements include the government-wide financial statements. Also, McNairy County has implemented the provisions of Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures.

The management of McNairy County 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 States of America.

The budgetary comparison, pension, and other postemployment benefits information on pages 77 through 85 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, combining and individual fund financial statements of the McNairy County School Department (a discretely presented component unit), 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, combining and individual fund financial statements of the McNairy County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied by us 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 by us 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, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent initial "J" and "W".

Justin P. Wilson  
Comptroller of the Treasury

JPW/sb

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

McNairy County, Tennessee  
Statement of Net Assets  
June 30, 2008

	Primary Governmental Activities	Component Units	
		McNairy County School Department	Emergency Communications District
<u>ASSETS</u>			
Cash	\$ 1,008	\$ 0	\$ 84,261
Equity in Pooled Cash and Investments	4,874,905	2,824,608	48,395
Accounts Receivable	1,249,886	100	23,511
Allowance for Uncollectibles	(223,717)	0	0
Investments	262,396	0	0
Due from Other Governments	435,044	1,035,289	27,750
Property Taxes Receivable	3,894,699	3,523,774	0
Allowance for Uncollectible Property Taxes	(151,136)	(136,743)	0
Prepaid Insurance	0	0	7,508
Capital Assets:			
Assets Not Depreciated:			
Land	491,232	375,479	0
Construction in Progress	0	138,598	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	3,127,642	9,112,356	0
Infrastructure	1,813,152	0	0
Other Capital Assets	1,844,149	1,592,182	229,183
Total Assets	<u>\$ 17,619,260</u>	<u>\$ 18,465,643</u>	<u>\$ 420,608</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 38,926	\$ 0	\$ 4,965
Accrued Vacation	0	0	9,910
Payroll Deductions Payable	17,947	10,061	0
Accrued Interest Payable	91,755	2,604	0
Deferred Revenue - Current Property Taxes	3,548,934	3,210,938	0
Due to the State of Tennessee	1,717	0	0
Noncurrent Liabilities:			
Due Within One Year	2,419,778	70,637	0
Due in More Than One Year	15,370,298	132,635	0
Total Liabilities	<u>\$ 21,489,355</u>	<u>\$ 3,426,875</u>	<u>\$ 14,875</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 2,211,447	\$ 0	\$ 0
Invested in Capital Assets	0	11,218,615	229,183
Restricted for:			
Capital Projects	4,201	0	0
Highway/Public Works	556,285	0	0
Debt Service	2,629,086	0	0

(Continued)

Exhibit A

McNairy County, Tennessee  
Statement of Net Assets (Cont.)

	Primary Governmental Activities	Component Units	
		McNairy County School Department	Emergency Communications District
<u>NET ASSETS (Cont.)</u>			
Restricted for (Cont.):			
Drug Control	\$ 81,890	\$ 0	\$ 0
Solid Waste/Sanitation	1,510,764	0	0
Special Purpose	500,000	0	0
Other Purposes	96,721	39,373	0
School Federal Projects	0	206,594	0
Central Cafeteria	0	943,086	0
Unrestricted	<u>(11,460,489)</u>	<u>2,631,100</u>	<u>176,550</u>
Total Net Assets	<u>\$ (3,870,095)</u>	<u>\$ 15,038,768</u>	<u>\$ 405,733</u>

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

Exhibit B

McNairy County, Tennessee  
 Statement of Activities  
 For the Year Ended June 30, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units	
					Total Governmental Activities	McNairy County School Department	Emergency Communications District	
Primary Government:								
Governmental Activities:								
General Government	\$ 768,506	\$ 185,531	\$ 31,180	\$ 0	\$ (551,795)	\$ 0	\$ 0	0
Finance	520,816	454,250	10,880	0	(55,686)	0	0	0
Administration of Justice	567,756	559,378	29,922	0	21,544	0	0	0
Public Safety	2,384,236	263,326	51,405	127,561	(1,941,944)	0	0	0
Public Health and Welfare	1,240,893	1,877,122	221,166	0	857,395	0	0	0
Social, Cultural, and Recreational Services	121,156	0	0	0	(121,156)	0	0	0
Agriculture and Natural Resources	109,984	0	0	0	(109,984)	0	0	0
Other Operations	851,873	0	0	0	(851,873)	0	0	0
Highways/Public Works	1,641,908	0	1,856,176	244,892	459,160	0	0	0
Interest on Long-term Debt	716,056	0	0	0	(716,056)	0	0	0
Other Debt Service	64,463	0	0	0	(64,463)	0	0	0
<b>Total Primary Government</b>	<b>\$ 8,987,647</b>	<b>\$ 3,339,607</b>	<b>\$ 2,200,729</b>	<b>\$ 372,453</b>	<b>\$ (3,074,858)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>0</b>
Component Units:								
McNairy County School Department	\$ 31,982,381	\$ 1,019,523	\$ 3,777,842	\$ 583,551	0	\$ (26,601,465)	\$ 0	0
Emergency Communications District	533,796	249,172	253,168	0	0	0	0	(31,456)
<b>Total Component Units</b>	<b>\$ 32,516,177</b>	<b>\$ 1,268,695</b>	<b>\$ 4,031,010</b>	<b>\$ 583,551</b>	<b>0</b>	<b>\$ (26,601,465)</b>	<b>\$ (31,456)</b>	<b>0</b>

(Continued)

Exhibit B

McNairy County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary		Component Units	
				Total Governmental Activities	McNairy County School Department	Emergency Communications District	
General Revenues:							
Property Taxes Levied for General Purposes				\$ 3,094,597	\$ 3,774,415	\$	0
Property Taxes Levied for Debt Service				1,040,141	0		0
Local Option Sales Taxes				164,216	2,073,435		0
Wheel Tax				496,150	0		0
Mineral Severance Tax				213,466	0		0
Litigation Tax				156,087	0		0
Other Local Taxes				73,954	45,129		0
Grants and Contributions Not Restricted to Specific Programs				1,957,765	21,350,213		8,482
Unrestricted Investment Earnings				132,995	33,116		1,637
Miscellaneous				67,590	71,064		582
Total General Revenues				\$ 7,396,961	\$ 27,347,372	\$	10,701
Change in Net Assets				\$ 4,322,103	\$ 745,907	\$	(20,755)
Net Assets, July 1, 2007				(8,556,627)	14,292,861		426,488
Prior-period Adjustment				364,429	0		0
Net Assets, June 30, 2008				\$ (3,870,095)	\$ 15,038,768	\$	405,733

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

Exhibit C-1

McNairy County, Tennessee  
 Balance Sheet  
 Governmental Funds  
 June 30, 2008

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,008	\$ 1,008	\$ 1,008
Equity in Pooled Cash and Investments	906,358	483,335	244,153	2,672,183	568,876	4,874,905	4,874,905
Investments	262,396	0	0	0	0	262,396	262,396
Accounts Receivable	5,255	1,242,873	1,758	0	0	1,249,886	1,249,886
Allowance for Uncollectibles	0	(223,717)	0	0	0	(223,717)	(223,717)
Due from Other Governments	101,259	15,388	313,077	0	5,320	435,044	435,044
Due from Other Funds	1,158	0	0	0	14,403	15,561	15,561
Property Taxes Receivable	2,626,286	0	309,103	959,310	0	3,894,699	3,894,699
Allowance for Uncollectible Property Taxes	(101,639)	0	(11,995)	(37,502)	0	(151,136)	(151,136)
<b>Total Assets</b>	<b>\$ 3,801,073</b>	<b>\$ 1,517,879</b>	<b>\$ 856,096</b>	<b>\$ 3,593,991</b>	<b>\$ 589,607</b>	<b>\$ 10,358,646</b>	<b>\$ 10,358,646</b>

ASSETS

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>							
Accounts Payable	\$ 32,720	\$ 6,206	\$ 0	\$ 0	\$ 0	\$ 38,926	\$ 38,926
Payroll Deductions Payable	16,151	760	338	0	698	17,947	17,947
Due to Other Funds	14,403	150	0	0	1,008	15,561	15,561
Due to State of Tennessee	0	0	1,717	0	0	1,717	1,717
Deferred Revenue - Current Property Taxes	2,394,122	0	281,662	873,150	0	3,548,934	3,548,934
Deferred Revenue - Delinquent Property Taxes	120,445	0	14,253	44,901	0	179,599	179,599
Other Deferred Revenues	28,237	1,026,472	152,949	0	0	1,207,658	1,207,658
<b>Total Liabilities</b>	<b>\$ 2,606,078</b>	<b>\$ 1,033,588</b>	<b>\$ 450,919</b>	<b>\$ 918,051</b>	<b>\$ 1,706</b>	<b>\$ 5,010,342</b>	<b>\$ 5,010,342</b>

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
\$	14,767	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	14,767
Reserved for Alcohol and Drug Treatment	8,645	0	0	0	0	0	8,645
Reserved for Drug Court	3,820	0	0	0	0	0	3,820
Reserved for Sexual Offender Registration	2,524	0	0	0	0	0	2,524
Reserved for Courtroom Security	6,500	0	0	0	0	0	6,500
Reserved for Computer System - Register	38,738	0	0	0	0	0	38,738
Reserved for Automation Purposes - General Sessions Court	19,917	0	0	0	0	0	19,917
Reserved for Automation Purposes - Sheriff	0	0	0	0	0	500,000	500,000
Reserved for Capital Outlay							
Unreserved, Reported In:							
General Fund	1,100,084	0	0	0	0	0	1,100,084
Special Revenue Funds	0	484,291	405,177	0	0	83,700	973,168
Debt Service Funds	0	0	0	2,675,940	0	0	2,675,940
Capital Projects Funds	0	0	0	0	0	4,201	4,201
Total Fund Balances	\$ 1,194,995	\$ 484,291	\$ 405,177	\$ 2,675,940	\$ 587,901	\$ 5,348,304	
Total Liabilities and Fund Balances	\$ 3,801,073	\$ 1,517,879	\$ 856,096	\$ 3,593,991	\$ 589,607	\$ 10,358,646	

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  
June 30, 2008

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)		\$	5,348,304
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	491,232	
Add: buildings and improvements net of accumulated depreciation		3,127,642	
Add: infrastructure net of accumulated depreciation		1,813,152	
Add: other capital assets net of accumulated depreciation		<u>1,844,149</u>	7,276,175
(2) Long-term liabilities are not due and payable in the current-period and are not reported in the governmental funds.			
Less: notes payable	\$	(604,203)	
Less: other loans payable		(6,465,000)	
Less: bonds payable		(9,931,025)	
Less: accrued interest on notes, capital leases, and bonds		(91,755)	
Less: compensated absences payable		(31,961)	
Less: landfill closure/postclosure care costs		(743,945)	
Less: other postemployment benefits		<u>(13,942)</u>	(17,881,831)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>1,387,257</u>
Net assets of governmental activities (Exhibit A)			<u>\$ (3,870,095)</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  
For the Year Ended June 30, 2008

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
<u>Revenues</u>							
Local Taxes	\$ 3,020,183	\$ 139,377	\$ 542,633	\$ 1,542,260	\$ 3,883	\$ 5,248,336	
Licenses and Permits	855	0	0	0	0	855	
Fines, Forfeitures, and Penalties	161,414	0	0	0	21,466	182,880	
Charges for Current Services	51,051	842,520	117	0	1,321	895,009	
Other Local Revenues	(37,960)	15,138	65,616	260,328	35,578	338,700	
Fees Received from County Officials	934,286	0	0	0	0	934,286	
State of Tennessee	575,302	204,933	2,131,804	0	0	2,912,039	
Federal Government	117,039	0	0	0	0	117,039	
Other Governments and Citizens Groups	0	0	19,737	1,000,806	523,465	1,544,008	
<u>Total Revenues</u>	<u>\$ 4,822,170</u>	<u>\$ 1,201,968</u>	<u>\$ 2,759,907</u>	<u>\$ 2,803,394</u>	<u>\$ 585,713</u>	<u>\$ 12,173,152</u>	

Expenditures

Current:

General Government	\$ 685,889	\$ 1,266	\$ 0	\$ 0	\$ 66,425	\$ 753,580
Finance	445,743	0	0	0	0	445,743
Administration of Justice	467,725	0	0	0	0	467,725
Public Safety	1,708,406	0	0	0	53,776	1,762,182
Public Health and Welfare	131,186	997,164	0	0	0	1,128,350
Social, Cultural, and Recreational Services	0	0	0	0	80,893	80,893
Agriculture and Natural Resources	107,654	0	0	0	2,330	109,984
Other Operations	1,186,985	33,431	0	0	26,842	1,247,258
Highways	35,298	0	2,546,611	0	0	2,581,909

(Continued)

Exhibit C-3

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 Governmental Funds		
<u>Expenditures (Cont.)</u>							
Debt Service:							
Principal on Debt	\$ 38,205	\$ 0	\$ 35,694	\$ 2,249,792	\$ 24,472	\$ 2,348,163	
Interest on Debt	1,978	0	4,501	717,974	579	725,032	
Other Debt Service	0	0	0	64,463	0	64,463	
Total Expenditures	\$ 4,809,069	\$ 1,031,861	\$ 2,586,806	\$ 3,032,229	\$ 255,317	\$ 11,715,282	
Excess (Deficiency) of Revenues Over Expenditures	\$ 13,101	\$ 170,107	\$ 173,101	\$ (228,835)	\$ 330,396	\$ 457,870	
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 40,300	\$ 0	\$ 590,000	\$ 0	\$ 0	\$ 630,300	
Insurance Recovery	34,186	20,858	1,466	0	0	56,510	
Transfers In	0	0	0	583,961	143,974	727,935	
Transfers Out	(143,974)	0	(583,961)	0	0	(727,935)	
Total Other Financing Sources (Uses)	\$ (69,488)	\$ 20,858	\$ 7,505	\$ 583,961	\$ 143,974	\$ 686,810	
Net Change in Fund Balances	\$ (56,387)	\$ 190,965	\$ 180,606	\$ 355,126	\$ 474,370	\$ 1,144,680	
Fund Balance, July 1, 2007	886,953	293,326	224,571	2,320,814	113,531	3,839,195	
Prior-period Adjustment	364,429	0	0	0	0	364,429	
Fund Balance, June 30, 2008	\$ 1,194,995	\$ 484,291	\$ 405,177	\$ 2,675,940	\$ 587,901	\$ 5,348,304	

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  
For the Year Ended June 30, 2008

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)		\$ 1,144,680
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these 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	\$ 1,202,957	
Less: current year depreciation expense	<u>(828,331)</u>	374,626
<p>(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is itemized as follows:</p>		
Add: gain on disposal of capital assets	\$ 56,766	
Less: proceeds received from disposal of capital assets	<u>(61,425)</u>	(4,659)
<p>(3) 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 taxes and other deferred June 30, 2008	\$ 1,387,257	
Less: deferred delinquent property taxes and other deferred June 30, 2007	<u>(298,105)</u>	1,089,152
<p>(4) The issuance of long-term debt (e.g. notes, capital 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. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Less: note proceeds	\$ (630,300)	
Add: principal payments on notes	135,621	
Add: principal payments on other loans	1,160,000	
Add: principal payments on bonds	<u>1,052,542</u>	1,717,863
<p>(5) 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	\$ 8,976	
Change in compensated absences payable	(1,481)	
Change in closure/postclosure care costs	6,888	
Change in other postemployment benefits	<u>(13,942)</u>	441
Change in net assets of governmental activities (Exhibit B)		<u>\$ 4,322,103</u>

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

Exhibit D

McNairy County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2008

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 493,086
Accounts Receivable	1,569
Due from Other Governments	<u>384,362</u>
Total Assets	<u>\$ 879,017</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 384,362
Due to Litigants, Heirs, and Others	<u>494,655</u>
Total Liabilities	<u>\$ 879,017</u>

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

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**McNAIRY COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2008**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

McNairy County'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 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) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

**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.

**Discretely Presented Component Units** – The following entities meet the criteria for discretely presented component units of the county. They are reported in 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 financial statements of the McNairy County Airport Authority were not available from other auditors in time for inclusion in this report.

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 does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Although required by GAAP, the financial statements of the McNairy County Airport Authority were not available in time for inclusion, as previously mentioned. 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. 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 primary government and its component units. 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 primary government of McNairy County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The McNairy County School Department component unit 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 discretely presented McNairy County School Department.

Separate financial statements are provided for governmental funds and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**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, as are the fiduciary fund financial statements, except for agency funds, which have no measurement focus. 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 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. An emphasis is placed on major funds within the governmental category. McNairy County has no proprietary funds to report.

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 (except for agency funds which have no measurement focus) and the accrual basis of accounting. 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 is used to account for transactions of the Cypress Creek Watershed.

**Agency Funds** – These funds account for amounts collected in an agency capacity by the constitutional officers, 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.

The discretely presented McNairy County School Department reports the following major governmental funds:

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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 government'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 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 all funds 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 General Debt Service Fund. In addition, investments are held separately by the General 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.

## **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 and solid waste receivables are shown with an allowance for uncollectibles. The solid waste receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 1.96 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, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), 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 more than \$5,000 and an estimated useful life of more than five years. 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, equipment, and infrastructure of the primary government and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	25-40
Other Capital Assets	5-20
Infrastructure:	
Roads	20-50
Bridges	30

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.

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.

5. **Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

In the fund financial statements, 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, while discounts on debt issuances are reported as other financing uses. 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.

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, landfill closure/post

closure care costs, and other postemployment benefits, are recognized to the extent that the liabilities have matured (come due for payment) each period.

**6. 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, 2008, McNairy County had \$8,420,500 in outstanding debt issued for capital purposes for the discretely presented McNairy County 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. Therefore, McNairy County has incurred a liability, significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

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.

**7. Prior-period Adjustment**

Investments in the General Fund were restated (\$364,429) because common stock received from the sale of the hospital had been omitted from the financial statements in prior years.

**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**

**Primary Government**

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.

**Discretely Presented McNairy County School Department**

Exhibit I-3 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**

**Primary Government**

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

**Discretely Presented McNairy County School Department**

Exhibit I-5 includes explanations of the nature of individual elements of items required to reconcile the net change 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 except the Constitutional Officers - Fees Fund (special revenue fund) which is not budgeted, and the Community Development/Industrial Parks Fund (capital projects fund), which adopts 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 the GAAP basis is presented on the face of each budgetary schedule.

**B. Cash Shortage**

The Office of Circuit Court Clerk had a cash shortage of \$13,528.19 as of January 15, 2008. This cash shortage was liquidated prior to June 30, 2008. Details of this cash shortage are discussed in the Schedule of Findings and Questioned Costs section of this report. As a result of the cash shortage, the county incurred audit expenses of \$4,405 related to the shortage. The individual responsible for creating the cash shortage was found guilty in Circuit Court and was ordered to pay restitution to the county totaling \$4,405 for the cost of the audit work. The restitution remains unpaid as of March 5, 2009.

**C. Expenditures Exceeded Appropriations**

Expenditures and encumbrances exceeded appropriations approved by the County Commission in the Regular Capital Outlay and the County Commission major appropriation categories (the legal level of control) of the General Purpose School and General funds by \$174,015 and \$2,368, respectively. In addition, expenditures exceeded total appropriations approved by the County Commission in the Solid Waste/Sanitation Fund by \$1,110. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balances.

**D. Unauthorized Investment**

At June 30, 2008, the General Fund was holding 6,252 shares of common stock that the county received from the sale of the hospital on August 27, 1998. Stocks are not an investment type permitted by Section 5-8-301, Tennessee Code Annotated.

#### IV. 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 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. Cash and investments reflected on the balance sheets or statements of net assets represent 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 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.

**Investment Balances.** As of June 30, 2008, McNairy County had the following investments carried at fair value. These investments were received by the county from the sale of the hospital on August 27, 1998.

<u>Investment</u>	<u>Fair Value</u>
General Fund:	
6,252 shares of Principal Financial Group Common Stock	\$ 262,396

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. McNairy County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. McNairy County has no investment policy that would further limit its investment choices.

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of the county's investment in a single issuer. McNairy County places no limit on the amount the county may invest in one issuer. The Principal Financial Group common stock represents all of the investments of McNairy County.

**B. Capital Assets**

Capital assets activity for the year ended June 30, 2008, was as follows:

**Primary Government**

**Governmental Activities:**

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Not Depreciated:				
Land	\$ 491,232	\$ 0	\$ 0	\$ 491,232
Total Capital Assets Not Depreciated	<u>\$ 491,232</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 491,232</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 7,785,629	\$ 0	\$ 0	\$ 7,785,629
Infrastructure	2,032,898	599,110	0	2,632,008
Other Capital Assets	4,392,426	603,847	(200,937)	4,795,336
Total Capital Assets Depreciated	<u>\$ 14,210,953</u>	<u>\$ 1,202,957</u>	<u>\$ (200,937)</u>	<u>\$ 15,212,973</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 4,376,482	\$ 281,505	\$ 0	\$ 4,657,987
Infrastructure	697,158	121,698	0	818,856
Other Capital Assets	2,722,337	425,128	(196,278)	2,951,187
Total Accumulated Depreciation	<u>\$ 7,795,977</u>	<u>\$ 828,331</u>	<u>\$ (196,278)</u>	<u>\$ 8,428,030</u>
Total Capital Assets Depreciated, Net	<u>\$ 6,414,976</u>	<u>\$ 374,626</u>	<u>\$ (4,659)</u>	<u>\$ 6,784,943</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,906,208</u>	<u>\$ 374,626</u>	<u>\$ (4,659)</u>	<u>\$ 7,276,175</u>

Depreciation expense was charged to functions of the primary government as follows:

**Governmental Activities:**

General Government	\$ 97,144
Finance	2,849
Administration of Justice	5,087
Public Safety	471,504
Public Health and Welfare	43,430
Social, Cultural, and Recreational Services	16,480
Other Operations	74,635
Highways	<u>117,202</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 828,331</u>

**Discretely Presented McNairy County School Department**

**Governmental Activities:**

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Not Depreciated:				
Land	\$ 375,479	\$ 0	\$ 0	\$ 375,479
Construction in Progress	0	138,598	0	138,598
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 375,479</b>	<b>\$ 138,598</b>	<b>\$ 0</b>	<b>\$ 514,077</b>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 22,942,696	\$ 0	\$ 0	\$ 22,942,696
Other Capital Assets	5,046,847	341,260	(330,872)	5,057,235
<b>Total Capital Assets Depreciated</b>	<b>\$ 27,989,543</b>	<b>\$ 341,260</b>	<b>\$ (330,872)</b>	<b>\$ 27,999,931</b>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 13,463,590	\$ 366,750	\$ 0	\$ 13,830,340
Other Capital Assets	3,429,295	366,630	(330,872)	3,465,053
<b>Total Accumulated Depreciation</b>	<b>\$ 16,892,885</b>	<b>\$ 733,380</b>	<b>\$ (330,872)</b>	<b>\$ 17,295,393</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 11,096,658</b>	<b>\$ (392,120)</b>	<b>\$ 0</b>	<b>\$ 10,704,538</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 11,472,137</b>	<b>\$ (253,522)</b>	<b>\$ 0</b>	<b>\$ 11,218,615</b>

Depreciation expense was charged to functions of the discretely presented McNairy County School Department as follows:

**Governmental Activities:**

Instruction	\$ 379,987
Support Services	326,356
Operation of Non-Instructional Services	27,037
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 733,380</b>

**C. Construction Commitments**

At June 30, 2008, the discretely presented School Department's General Purpose School Fund had uncompleted construction contracts of approximately \$264,511 for an addition at Michie Elementary School. Funding has been received for these future expenditures.

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

The composition of interfund balances as of June 30, 2008, is as follows:

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste/Sanitation	\$ 150
General	Nonmajor governmental	1,008
Nonmajor governmental	General	14,403

These balances resulted from the time lag between 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, 2008, consisted of the following amounts:

**Primary Government**

<u>Transfers Out</u>	<u>Transfers In</u>	
	<u>General Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>
General Fund	\$ 0	\$ 143,974
Highway/Public Works Fund	583,961	0
Total	<u>\$ 583,961</u>	<u>\$ 143,974</u>

**Discretely Presented McNairy County School Department**

Transfer Out	<u>Transfer In</u> General Purpose School Fund
Nonmajor governmental fund	\$ 36,357

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.

**E. Long-term Debt**

**Primary Government**

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

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, nine 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, 2008, will be retired from the General Debt Service, General, and Highway/Public Works funds.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2008, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-08
General Obligation Bonds	4.75 to 5.4%	\$ 1,183,250	\$ 741,025
General Obligation Bonds - Refunding	2 to 5	13,340,000	9,190,000
Capital Outlay Notes	4.43 to 4.5	737,300	604,203
Other Loans - Variable Rate	variable	8,325,000	6,075,000
Other Loans - Synthetic Fixed Rate by Swap	variable	6,000,000	390,000

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 \$2,115,000 was paid off during the 2007-2008 year. The variable interest rate of the remaining loan has also 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, 2008, the variable interest rate for this loan was 3.16 percent, which approximates the BMA rate, and other fees were 1.09 percent.

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 BMA. In addition, the county pays various other fees (liquidity, remarketing, administrative, issuer, and quarterly) in connection with this loan. At June 30, 2008, the variable interest rate was 3.16 percent, which approximates the BMA rate, and other fees amounted to .54 percent of the outstanding loan principal.

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 BMA. In addition, the county pays various other fees (broker, auction agent, issuer, administrative, and quarterly) in connection with this loan. At June 30, 2008, the variable interest rate was 2.87 percent, and other fees were .66 percent.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2008, including interest payments and other loan fees, are presented in the following table:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2014-2018	3,957,402	448,814	4,406,216
2019-2022	150,935	18,631	169,566
Total	<u>\$ 9,931,025</u>	<u>\$ 1,989,592</u>	<u>\$ 11,920,617</u>

Year Ending June 30	Notes		
	Principal	Interest	Total
2009	\$ 146,875	\$ 24,487	\$ 171,362
2010	146,009	17,996	164,005
2011	83,821	11,990	95,811
2012	75,834	8,538	84,372
2013	75,834	5,151	80,985
2014	75,830	1,726	77,556
Total	<u>\$ 604,203</u>	<u>\$ 69,888</u>	<u>\$ 674,091</u>

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2009	\$ 1,170,000	\$ 195,512	\$ 41,263	\$ 1,406,775
2010	1,220,000	159,078	34,524	1,413,602
2011	1,270,000	121,084	27,480	1,418,564
2012	50,000	81,533	20,159	151,692
2013	55,000	79,953	19,613	154,566
2014-2018	2,200,000	284,106	68,072	2,552,178
2019	500,000	14,350	3,322	517,672
Total	<u>\$ 6,465,000</u>	<u>\$ 935,616</u>	<u>\$ 214,433</u>	<u>\$ 7,615,049</u>

There is \$2,675,940 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$403, based on the 2000 federal census. Debt per capita, including bonds, notes, and other loans totaled \$685, based on the 2000 federal census.

**Swap Agreement**

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, 2008, 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	<u>-1.85%</u>
Net interest rate swap payments		0.50%
Variable-rate bond coupon payments		<u>2.73%</u>
Synthetic interest rate on bonds		<u><u>3.23%</u></u>

**Fair value.** As of June 30, 2008, the swap had a positive fair value of \$2,422. 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, 2008, 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 AA by Standard and Poor’s and Aa3 by Moody’s Investor Service as of June 30, 2008. 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 to be 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 3.23 percent at June 30, 2008. Also as of June 30, 2008, the BMA rate was 2.73 percent whereas 75 percent of LIBOR was 1.85 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, 2008, 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	Variable Rate Bonds		Net Interest		Total
	Principal	Interest	Rate Swap Payment		
June 30					
2009	\$ 125,000	\$ 10,647	\$ 1,940	\$	137,587
2010	130,000	7,235	1,318		138,553
2011	135,000	4,357	3,686		143,043
Total	\$ 390,000	\$ 22,239	\$ 6,944	\$	419,183

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

Governmental Activities:

	Bonds	Notes	Other Loans
Balance, July 1, 2007	\$ 10,983,567	\$ 109,524	\$ 7,625,000
Additions	0	630,300	0
Deductions	(1,052,542)	(135,621)	(1,160,000)
Balance, June 30, 2008	<u>\$ 9,931,025</u>	<u>\$ 604,203</u>	<u>\$ 6,465,000</u>
Balance Due Within One Year	<u>\$ 1,089,140</u>	<u>\$ 146,875</u>	<u>\$ 1,170,000</u>

	Compensated Absences	Landfill Closure/ Postclosure Care Costs	Other Postemployment Benefits
Balance, July 1, 2007	\$ 30,073	\$ 750,833	\$ 0
Additions	75,208	5,277	18,228
Deductions	(73,320)	(12,165)	(4,286)
Balance, June 30, 2008	<u>\$ 31,961</u>	<u>\$ 743,945</u>	<u>\$ 13,942</u>
Balance Due Within One Year	<u>\$ 1,598</u>	<u>\$ 12,000</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 17,790,076
Less: Balance Due Within One Year	<u>(2,419,778)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 15,370,298</u>

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

**Discretely Presented McNairy County School Department**

**General Obligation Notes**

McNairy 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, 2008, will be retired from the General Purpose School Fund.

Capital outlay notes outstanding as of June 30, 2008, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-08
Capital Outlay Notes	3 to 4.33%	\$ 474,504	\$ 70,626

The annual requirements to amortize all notes outstanding as of June 30, 2008, including interest payments, are presented in the following table:

Year Ending June 30	Notes		
	Principal	Interest	Total
2009	\$ 70,626	\$ 2,604	\$ 73,230

**Changes in Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Notes	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2007	\$ 140,258	\$ 851	\$ 0
Additions	0	58	303,442
Deductions	(69,632)	(851)	(170,854)
Balance, June 30, 2008	\$ 70,626	\$ 58	\$ 132,588
Balance Due Within One Year	\$ 70,626	\$ 11	\$ 0

Total Noncurrent Liabilities, June 30, 2008	\$ 203,272
Less: Balance Due Within One Year	<u>(70,637)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u><u>\$ 132,635</u></u>

Compensated absences will be paid from the General Purpose School Fund. Other postemployment benefits will be paid from the General Purpose School, School Federal Projects, and Central Cafeteria funds.

**F. On-Behalf Payments – Discretely Presented McNairy County School Department**

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the McNairy County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state’s Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2008, were \$117,846 and \$26,338, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**G. Short-term Debt**

McNairy County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund. These 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, 2008, was as follows:

	Balance 7-1-07	Issued	Redeemed	Balance 6-30-08
Tax Anticipation Notes	\$ 0	\$ 250,000	\$ (250,000)	\$ 0

**V. 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 (TCA), 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 (excluding the Highway Department) 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.

McNairy County provides health insurance coverage to its Highway Department employees through the Local Government Group Insurance (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, TCA, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

### **Discretely Presented McNairy County School Department**

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

The School Department participates in the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The School Department pays an annual premium to the TN-RMT for its general liability, property, casualty and workers' compensation insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

#### **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 8-27-301, 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 Changes**

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

Provisions of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures became effective for the year ended June 30, 2008.

GASB Statement No. 45 establishes reporting requirements for Other Postemployment Benefits (OPEB). OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. This statement establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the county’s financial statements. In previous years, McNairy County and the McNairy County School Department had recognized only the current year cost (expense) of these benefits. GASB Statement No. 45 was implemented prospectively with a zero net OPEB obligation at transition.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions are sales or collateralized borrowings and provides guidance on how to account for sales or pledges of receivables or future revenues. This statement provides additional guidance for sales of receivables and future revenues within the same reporting entity. This statement also requires governments to disclose in the notes to the financial statements the nature of any receivables or future revenues that have been pledged or sold. Tennessee state statutes do not currently allow counties to sell or pledge receivables or sell future revenue streams. Therefore, those provisions of GASB Statement No. 48 that pertain to the sale or pledge of receivables or sale of future revenue will not apply to McNairy County. GASB Statement No. 48 had no effect on the financial statements of McNairy County for the year ended June 30, 2008, since the county has not pledged any of its future revenues. However, it is reasonably expected that McNairy County may pledge a future revenue stream toward the payment of debt in subsequent years.

GASB Statement No. 50 amends previous guidance concerning pension information. This statement closely aligns the financial reporting requirements for pensions with those for other postemployment benefits and enhances the information disclosed in the notes to the financial statements or presented as required supplementary information for pension plans. This statement requires McNairy County to provide additional and more detailed pension plan note disclosures than in previous years.

**C. 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.

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. 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 \$743,945 reported as landfill closure and postclosure care liability at June 30, 2008, represents the accrued postclosure care costs of \$543,228 associated with the old Class I and II landfill, and accrued closure and postclosure care costs of \$200,717 associated with the Class III and IV landfill. The accrued closure and postclosure costs of the Class III and IV landfill (\$200,717) are based on the use of 59 percent of the estimated capacity of the landfill. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**E. Joint Venture**

The Twenty-Fifth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twenty-Fifth Judicial District, Fayette, Hardeman, Lauderdale, McNairy, and Tipton counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines,

and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. McNairy County contributed \$2,154 to the DTF for the year ended June 30, 2008.

McNairy County does not have an equity interest in the above-noted joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

Office of District Attorney General  
Twenty-Fifth Judicial District Drug Task Force  
121 North Main Street  
Ripley, TN 38063

**F. 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.tn.gov/treasury/tcrs>.

**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, 2008, 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, 2008, McNairy County’s annual pension cost of \$235,008 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2005, 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, 2007, which established contribution rates effective July 1, 2008.

**Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-08	\$235,008	100%	\$0
6-30-07	223,468	100	0
6-30-06	155,874	100	0

**Funded Status and Funding Progress**

As of July 1, 2007, the most recent actuarial valuation date, the plan was 93.51 percent funded. The actuarial accrued liability for benefits was \$8.68 million, and the actuarial value of assets was \$8.12 million, resulting in

an unfunded actuarial accrued liability (UAAL) of \$.56 million. The covered payroll (annual payroll of active employees covered by the plan) was \$5.57 million, and the ratio of the UAAL to the covered payroll was 10.13 percent.

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

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

### **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.tn.gov/treasury/tcrs>.

### **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 School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2008, was 6.24 percent of annual covered payroll. The employer contribution requirement for the 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, 2008, 2007, and 2006, were \$951,996, \$879,992, and \$754,879, respectively, equal to the required contributions for each year.

### **G. Other Postemployment Benefits (OPEB)**

#### Plan Description

McNairy County and the McNairy County School Department participate in the state-administered Local Government Group Insurance Plan and the Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-302, Tennessee Code Annotated (TCA), for teachers and Section 8-27-207, TCA, for local governments. Prior to reaching age 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare supplement plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/act/cafr.html>.

#### Funding Policy

The premium requirements of the plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy

based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year ended June 30, 2008, McNairy County and the discretely presented School Department contributed \$4,286 and \$170,854, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 303,442	\$ 18,228
Interest on the NPO	0	0
Adjustment to the ARC	0	0
Annual OPEB cost	\$ 303,442	\$ 18,228
Less: Amount of contribution	(170,854)	(4,286)
Increase/decrease in NPO	\$ 132,588	\$ 13,942
Net OPEB obligation, 7-1-07	0	0
Net OPEB obligation, 6-30-08	\$ 132,588	\$ 13,942

Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-08	Local Education Group	\$ 303,442	48 %	\$ 132,588
6-30-08	Local Government Group	18,228	24	13,942

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2008, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	6-30-07	6-30-07
Actuarial accrued liability (AAL)	\$ 137,243	\$ 2,699,957
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 137,243	\$ 2,699,957
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 511,009	\$ 19,752,166
UAAL as a % of covered payroll	27%	14%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

#### Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the June 30, 2007, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of six percent after ten years. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

#### **H. 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 to 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 \$10,000 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.

### Office of Director of Schools

Purchasing procedures for the School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, TCA, 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.

## VI. OTHER NOTES – DISCRETELY PRESENTED McNAIRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT

### A. General

McNairy County Emergency Communication District provides emergency assistance to persons living in McNairy County.

### Component Unit

The district is a component unit of McNairy County since board members are appointed by the County Commission. Accordingly, this financial data is incorporated into the county's financial statements. In addition, the district must obtain approval by the County Commission before the issuance of long-term debt. Further, the County Commission is able to adjust the district's service charges. The County Commission also determines the amount of money to contribute each year to the district. McNairy County and the cities of Selmer, Adamsville, and Bethel Springs provide funding for the dispatchers salaries.

### GASB Conformity

The financial statements included herein are prepared in conformity with accounting principles generally accepted in the United States of America as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20 – "Election of a Reporting Method" – required the district to elect either (1) all provisions of the Financial Accounting Standards Board (FASB) issued prior to 1989 for proprietary type funds, or (2) all of the provisions of the FASB regardless of the issue date for proprietary type funds. The district elected to adopt only the provisions of FASB prior to 1989.

**B. Summary of Significant Accounting Policies**

**Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Revenues and expenses are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

**Capital Assets**

All capital assets of the district are recorded at original cost, except for donated equipment that is recorded at fair market value. Expenses that materially increase values or capacities or extend useful lives of these assets are capitalized while expenses for maintenance and repairs are charged to operations as incurred. Gains and losses from the sales of capital assets are reflected in the operations, and the asset accounts and related allowances for depreciation are reduced. Also, depreciation expense on all depreciable items is systematically charged against operations using the straight-line method over their useful lives. Any related interest cost is also added to the cost of the asset as appropriate.

**Vacation Leave**

Vacation leave time for employees of the district is earned at eight hours per month. Employees must take at least one week per year. The remaining vacation time can be carried over from one year to the next. Any outstanding balance is paid to the employees upon separation from service.

**C. Revenues**

Revenues are derived from telephone customers in the area served by the district. Telephone companies collect fees on the monthly telephone bills and remit them to the district.

**D. Risk Management**

It is the policy of the district to purchase commercial insurance for the risk of losses to which it is exposed. These risks include general liability, property damage, and theft. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**E. Cash and Cash Equivalents**

Cash and cash equivalents, as used in the Statement of Cash Flows, include demand deposit accounts and certificates of deposit with maturities of three months or less when purchased, in accordance with GASB Statement No. 9.

**F. Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues that are not generated from daily operations are defined as nonoperating.

**G. Pension Plan**

**Plan Description**

Employees of the district 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 the district 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.tn.gov/treasury/tcrs>.

## Funding Policy

The district requires employees to contribute five percent of earnable compensation. The district is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2008, was 4.92 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the district is established and may be amended by the TCRS Board of Trustees.

## Annual Pension Cost

For the year ended June 30, 2008, the district's annual pension cost of \$7,336 to TCRS was equal to the district's required and actual contributions. The required contribution was determined as part of the July 1, 2005, 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), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected postretirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The district'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 19 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

### Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-08	\$ 7,336	100 %	\$ 0
6-30-07	6,974	100	0
6-30-06	10,083	100	0

## Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 106.88 percent funded. The actuarial accrued liability for benefits was \$.21 million, and the actuarial value of assets was \$.22 million, resulting in an unfunded actuarial accrued liability (UAAL) of (\$.01) million. The covered payroll (annual payroll of active employees covered by the plan) was \$.14 million, and the ratio of the UAAL to the covered payroll was (10.09) percent.

The schedule of funding progress, presented as required supplementary information following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

#### H. Capital Assets

Capital assets activity for the year ended June 30, 2008, was as follows:

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Not Depreciated:				
Construction in Progress	\$ 108,903	\$ 0	\$ 108,903	\$ 0
Capital Assets Depreciated:				
Equipment	\$ 322,887	\$ 8,482	\$ 7,600	\$ 323,769
Improvements	0	108,903	0	108,903
Maps	124,590	0	0	124,590
Total Capital Assets Depreciated	\$ 447,477	\$ 117,385	\$ 7,600	\$ 557,262
Less Accumulated Depreciation For:				
Equipment	\$ (210,456)	\$ (20,038)	\$ (4,682)	\$ (225,812)
Improvements	0	(2,723)	0	(2,723)
Maps	(94,531)	(5,013)	0	(99,544)
Total Accumulated Depreciation	\$ (304,987)	\$ (27,774)	\$ (4,682)	\$ (328,079)
Total Capital Assets Depreciated, Net	\$ 142,490	\$ 89,611	\$ 2,918	\$ 229,183
Total Capital Assets, Net	\$ 251,393	\$ 89,611	\$ 111,821	\$ 229,183

Depreciation expense of \$27,774 was recorded by the district.

## **I. Stewardship, Compliance, and Accountability**

By its nature as a local governmental unit, the district is subject to various federal, state, and local laws and contractual regulations. An analysis of the district's compliance with significant laws and regulations, and demonstration of its stewardship over the district resources follows.

### **Deposits and Investments**

The district's investment policies are governed by state statute. Permissible investments include direct obligations of the U.S. government and agency securities, certificates of deposit, and savings accounts. The district has no policy that further limits allowable investments. At June 30, 2008, investments consisted entirely of a certificate of deposit with a local bank. Investments are carried at cost, which approximates fair value.

For deposits and investments, custodial credit risk is the risk that, in the event of a bank failure, district deposits may not be returned to it. The district does not have a policy regarding custodial risk for deposits. Collateral is required for demand deposits and certificates of deposit at 105 percent of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of Tennessee and its subdivisions. The district's deposits at year-end were not exposed to custodial risk due to being entirely covered by depository insurance and pledged collateral held by the pledging financial institution's agent in the entity's name.

### **Budget Appropriations**

In accordance with state law, the board of the district must adopt and operate under an annual budget. Criteria for the information required in the annual adopted budget are detailed in Section 7-86-120, Tennessee Code Annotated. However, for financial reporting purposes, it is only necessary to present budgetary revenues and expenses compared to actual. All purchases must be made within the limits of the approved budget. Expenses must be presented at the legal level of control, which is defined to be at the line-item level.

The district's expenses exceeded appropriations at the line-item level.

### **Travel Policy**

In accordance with state law, the board of the district must adopt comprehensive travel regulations applicable to all officers and employees of the district. The minimum regulations shall be the same as those of the appropriate county or municipality that created the district. However, the district is not prohibited from adopting a more stringent policy. The district may establish a mileage allowance for travel up to, but not in excess of, the business standard mileage rate established by the Internal Revenue Service.

If the appropriate county or municipality does not have comprehensive travel regulations as described above, the board is to adopt travel regulations. Such regulations are to determine what expenses are reimbursable and how expenses will be reimbursed.

The district has adopted a travel policy that is the same as the policy of McNairy County, the county that created the district. The district operated by this policy during the current year.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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## Exhibit E-1

McNairy County, Tennessee  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance - Actual and Budget  
 General Fund  
 For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,020,183	\$ 2,864,597	\$ 2,865,197	\$ 154,986
Licenses and Permits	855	1,750	1,750	(895)
Fines, Forfeitures, and Penalties	161,414	165,850	165,850	(4,436)
Charges for Current Services	51,051	38,500	38,500	12,551
Other Local Revenues	(37,960)	75,100	106,100	(144,060)
Fees Received from County Officials	934,286	901,000	901,000	33,286
State of Tennessee	575,302	552,250	650,750	(75,448)
Federal Government	117,039	20,982	180,596	(63,557)
Total Revenues	\$ 4,822,170	\$ 4,620,029	\$ 4,909,743	\$ (87,573)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 50,338	\$ 42,740	\$ 47,970	\$ (2,368)
Board of Equalization	2,200	2,220	2,220	20
Beer Board	0	725	0	0
Budget and Finance Committee	0	1,750	0	0
Other Boards and Committees	0	4,000	1,245	1,245
County Mayor/Executive	132,183	135,777	135,777	3,594
County Attorney	2,400	2,400	2,400	0
Election Commission	103,060	100,968	104,743	1,683
Register of Deeds	118,119	120,379	120,379	2,260
County Buildings	277,589	229,858	286,158	8,569
<u>Finance</u>				
Property Assessor's Office	134,247	136,714	136,714	2,467
Reappraisal Program	32,477	47,309	47,309	14,832
County Trustee's Office	115,359	117,476	117,476	2,117
County Clerk's Office	163,660	172,372	172,372	8,712
<u>Administration of Justice</u>				
Circuit Court	138,736	129,451	140,947	2,211
General Sessions Court	167,721	164,721	171,217	3,496
Chancery Court	104,192	106,955	106,955	2,763
Juvenile Court	57,076	65,681	65,681	8,605
<u>Public Safety</u>				
Sheriff's Department	1,126,813	1,121,041	1,142,531	15,718
Jail	283,050	305,352	305,352	22,302
Fire Prevention and Control	146,950	85,213	167,382	20,432
Rural Fire Protection	45,558	55,509	55,509	9,951
Civil Defense	95,979	40,234	138,822	42,843
Inspection and Regulation	10,056	10,056	10,056	0
<u>Public Health and Welfare</u>				
Local Health Center	131,186	112,893	133,663	2,477
<u>Social, Cultural, and Recreational Services</u>				
Libraries	0	3,340	4,840	4,840

(Continued)

Exhibit E-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 and Natural Resources</u>				
Agriculture Extension Service	\$ 67,972	\$ 61,287	\$ 69,287	\$ 1,315
Soil Conservation	39,682	44,180	44,180	4,498
<u>Other Operations</u>				
Other Economic and Community Development	112,308	21,647	112,647	339
Airport	60,300	42,000	72,000	11,700
Veterans' Services	9,905	10,607	10,607	702
Other Charges	126,262	146,850	146,850	20,588
Contributions to Other Agencies	387,988	193,970	443,970	55,982
Employee Benefits	490,222	605,081	605,081	114,859
Miscellaneous	0	1,000	1,000	1,000
<u>Highways</u>				
Litter and Trash Collection	35,298	36,000	36,000	702
<u>Principal on Debt</u>				
General Government	38,205	0	38,205	0
<u>Interest on Debt</u>				
General Government	1,978	0	1,978	0
Total Expenditures	\$ 4,809,069	\$ 4,477,756	\$ 5,199,523	\$ 390,454
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 13,101	\$ 142,273	\$ (289,780)	\$ 302,881
<u>Other Financing Sources (Uses)</u>				
Note Proceeds	\$ 40,300	\$ 0	\$ 40,500	\$ (200)
Insurance Recovery	34,186	0	33,500	686
Transfers Out	(143,974)	(129,571)	(133,121)	3,550
Total Other Financing Sources (Uses)	\$ (69,488)	\$ (129,571)	\$ (59,121)	\$ 4,036
Net Change in Fund Balance	\$ (56,387)	\$ 12,702	\$ (348,901)	\$ 408,950
Fund Balance, July 1, 2007	886,953	1,042,815	1,042,815	(155,862)
Prior Period Adjustment	364,429	0	0	364,429
Fund Balance, June 30, 2008	\$ 1,194,995	\$ 1,055,517	\$ 679,511	\$ 515,484

Exhibit E-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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 139,377	\$ 130,000	\$ 130,000	\$ 9,377
Charges for Current Services	842,520	730,000	730,000	112,520
Other Local Revenues	15,138	10,000	10,000	5,138
State of Tennessee	204,933	167,000	167,000	37,933
Total Revenues	<u>\$ 1,201,968</u>	<u>\$ 1,037,000</u>	<u>\$ 1,037,000</u>	<u>\$ 164,968</u>
<u>Expenditures</u>				
<u>General Government</u>				
Other General Administration	\$ 1,266	\$ 0	\$ 1,400	\$ 134
<u>Public Health and Welfare</u>				
Sanitation Management	766,822	763,950	767,825	1,003
Landfill Operation and Maintenance	230,342	208,860	226,960	(3,382)
<u>Other Operations</u>				
Employee Benefits	33,431	37,066	34,566	1,135
Total Expenditures	<u>\$ 1,031,861</u>	<u>\$ 1,009,876</u>	<u>\$ 1,030,751</u>	<u>\$ (1,110)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 170,107</u>	<u>\$ 27,124</u>	<u>\$ 6,249</u>	<u>\$ 163,858</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 20,858	\$ 0	\$ 20,875	\$ (17)
Total Other Financing Sources (Uses)	<u>\$ 20,858</u>	<u>\$ 0</u>	<u>\$ 20,875</u>	<u>\$ (17)</u>
Net Change in Fund Balance	\$ 190,965	\$ 27,124	\$ 27,124	\$ 163,841
Fund Balance, July 1, 2007	<u>293,326</u>	<u>109,727</u>	<u>109,727</u>	<u>183,599</u>
Fund Balance, June 30, 2008	<u><u>\$ 484,291</u></u>	<u><u>\$ 136,851</u></u>	<u><u>\$ 136,851</u></u>	<u><u>\$ 347,440</u></u>

Exhibit E-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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 542,633	\$ 320,772	\$ 537,838	\$ 4,795
Charges for Current Services	117	150	150	(33)
Other Local Revenues	65,616	67,250	82,471	(16,855)
State of Tennessee	2,131,804	2,137,142	2,316,142	(184,338)
Other Governments and Citizens Groups	19,737	5,000	18,855	882
Total Revenues	<u>\$ 2,759,907</u>	<u>\$ 2,530,314</u>	<u>\$ 2,955,456</u>	<u>\$ (195,549)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 118,866	\$ 119,390	\$ 121,840	\$ 2,974
Highway and Bridge Maintenance	582,620	621,359	627,083	44,463
Operation and Maintenance of Equipment	318,905	270,140	334,226	15,321
Other Charges	53,772	51,000	55,254	1,482
Employee Benefits	252,576	276,000	270,651	18,075
Capital Outlay	1,219,872	769,000	1,616,223	396,351
<u>Principal on Debt</u>				
Highways and Streets	35,694	0	43,499	7,805
<u>Interest on Debt</u>				
Highways and Streets	4,501	0	4,501	0
Total Expenditures	<u>\$ 2,586,806</u>	<u>\$ 2,106,889</u>	<u>\$ 3,073,277</u>	<u>\$ 486,471</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 173,101</u>	<u>\$ 423,425</u>	<u>\$ (117,821)</u>	<u>\$ 290,922</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 590,000	\$ 0	\$ 590,000	\$ 0
Insurance Recovery	1,466	0	0	1,466
Transfers Out	(583,961)	(535,206)	(583,961)	0
Total Other Financing Sources (Uses)	<u>\$ 7,505</u>	<u>\$ (535,206)</u>	<u>\$ 6,039</u>	<u>\$ 1,466</u>
Net Change in Fund Balance	\$ 180,606	\$ (111,781)	\$ (111,782)	\$ 292,388
Fund Balance, July 1, 2007	<u>224,571</u>	<u>174,522</u>	<u>174,522</u>	<u>50,049</u>
Fund Balance, June 30, 2008	<u>\$ 405,177</u>	<u>\$ 62,741</u>	<u>\$ 62,740</u>	<u>\$ 342,437</u>

Exhibit E-4

McNairy County, Tennessee  
Schedule of Funding Progress – Pension Plan  
June 30, 2008

(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)
6-30-07	\$ 8,121	\$ 8,685	\$ 564	93.51 %	\$ 5,570	10.13%

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

Exhibit E-5

McNairy County, Tennessee  
Schedule of Funding Progress – Pension Plan  
Discretely Presented McNairy County Emergency Communications District  
June 30, 2008

(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)
6-30-07	\$ 221	\$ 207	\$ (14)	106.88 %	\$ 141	(10.09) %

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

Exhibit E-6

McNairy County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plans  
Primary Government and Discretely Presented McNairy County School Department  
June 30, 2008

(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)
Local Government Group Plan 6-30-07	\$ 0	\$ 137	\$ 137	0 %	\$ 511	27 %
Local Education Group Plan 6-30-07	0	2,700	2,700	0	19,752	14

\*Data not available for two preceding years.

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**McNAIRY COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2008**

**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 exceeded appropriations approved by the County Commission in the County Commission major appropriations category (the legal level of control) of the General Fund by \$2,368. Also, expenditures exceeded total appropriations approved by the County Commission in the Solid Waste/Sanitation Fund by \$1,110. Such overexpenditures are a violation of state statutes. These overexpenditures were funded from other available funds.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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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 Funds

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

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

Exhibit F-1

McNairy County, Tennessee  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2008

	Special Revenue Funds						Total	Capital Projects Fund	Total Nonmajor Governmental Funds
	Law Library	Public Library	Special Purpose	Drug Control	Constituti- tional Officers - Fees	Community Development/ Industrial Park			
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,008	\$ 1,008	\$ 0	\$ 1,008	
Equity in Pooled Cash and Investments	532	1,867	480,386	81,890	0	564,675	4,201	568,876	
Due from Other Governments	0	0	5,320	0	0	5,320	0	5,320	
Due from Other Funds	0	0	14,403	0	0	14,403	0	14,403	
Total Assets	\$ 532	\$ 1,867	\$ 500,109	\$ 81,890	\$ 1,008	\$ 585,406	\$ 4,201	\$ 589,607	
<u>LIABILITIES AND FUND BALANCES</u>									
<u>Liabilities</u>									
Payroll Deductions Payable	\$ 0	\$ 589	\$ 109	\$ 0	\$ 0	\$ 698	\$ 0	\$ 698	
Due to Other Funds	0	0	0	0	1,008	1,008	0	1,008	
Total Liabilities	\$ 0	\$ 589	\$ 109	\$ 0	\$ 1,008	\$ 1,706	\$ 0	\$ 1,706	
<u>Fund Balances</u>									
Reserved for Capital Outlay	\$ 0	\$ 0	\$ 500,000	\$ 0	\$ 0	\$ 500,000	\$ 0	\$ 500,000	
Unreserved	532	1,278	0	81,890	0	83,700	4,201	87,901	
Total Fund Balances	\$ 532	\$ 1,278	\$ 500,000	\$ 81,890	\$ 0	\$ 583,700	\$ 4,201	\$ 587,901	
Total Liabilities and Fund Balances	\$ 532	\$ 1,867	\$ 500,109	\$ 81,890	\$ 1,008	\$ 585,406	\$ 4,201	\$ 589,607	

Exhibit F-2

McNairy County, Tennessee  
 Combining Statement of Revenues, Expenditures,  
 and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2008

	Special Revenue Funds					Total	Capital Projects Fund		Total Nonmajor Governmental Funds
	Law Library	Public Library	Special Purpose	Drug Control			Community Development/Industrial Park		
<u>Revenues</u>									
Local Taxes	\$ 3,883	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,883	\$ 0	\$ 0	\$ 3,883
Fines, Forfeitures, and Penalties	0	0	0	21,466	0	21,466	0	0	21,466
Charges for Current Services	0	0	1,321	0	0	1,321	0	0	1,321
Other Local Revenues	0	0	20,450	15,128	0	35,578	0	0	35,578
Other Governments and Citizens Groups	0	0	523,465	0	0	523,465	0	0	523,465
Total Revenues	\$ 3,883	\$ 0	\$ 545,236	\$ 36,594	\$ 0	\$ 585,713	\$ 0	\$ 0	\$ 585,713
<u>Expenditures</u>									
Current:									
General Government	\$ 0	\$ 0	\$ 66,425	\$ 0	\$ 0	\$ 66,425	\$ 0	\$ 0	\$ 66,425
Public Safety	0	0	0	53,776	0	53,776	0	0	53,776
Social, Cultural, and Recreational Services	4,537	76,356	0	0	0	80,893	0	0	80,893
Agriculture and Natural Resources	0	0	0	0	0	0	2,330	0	2,330
Other Operations	0	20,599	6,243	0	0	26,842	0	0	26,842
Debt Service:									
Principal on Debt	0	0	24,472	0	0	24,472	0	0	24,472
Interest on Debt	0	0	579	0	0	579	0	0	579
Total Expenditures	\$ 4,537	\$ 96,955	\$ 97,719	\$ 53,776	\$ 0	\$ 252,987	\$ 2,330	\$ 0	\$ 255,317
Excess (Deficiency) of Revenues Over Expenditures	\$ (654)	\$ (96,955)	\$ 447,517	\$ (17,182)	\$ 0	\$ 332,726	\$ (2,330)	\$ 0	\$ 330,396
<u>Other Financing Sources (Uses)</u>									
Transfers In	\$ 0	\$ 94,571	\$ 44,403	\$ 0	\$ 0	\$ 138,974	\$ 5,000	\$ 0	\$ 143,974
Total Other Financing Sources (Uses)	\$ 0	\$ 94,571	\$ 44,403	\$ 0	\$ 0	\$ 138,974	\$ 5,000	\$ 0	\$ 143,974
Net Change in Fund Balances Fund Balance, July 1, 2007	\$ (654)	\$ (2,384)	\$ 491,920	\$ (17,182)	\$ 0	\$ 471,700	\$ 2,670	\$ 0	\$ 474,370
	1,186	3,662	8,080	99,072	112,000	113,531	1,531	0	113,531
Fund Balance, June 30, 2008	\$ 532	\$ 1,278	\$ 500,000	\$ 81,890	\$ 0	\$ 583,700	\$ 4,201	\$ 0	\$ 587,901

Exhibit F-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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,883	\$ 3,400	\$ 4,000	\$ (117)
Total Revenues	\$ 3,883	\$ 3,400	\$ 4,000	\$ (117)
<u>Expenditures</u>				
<u>Social, Cultural, and Recreational Services</u>				
Libraries	\$ 4,537	\$ 3,340	\$ 4,840	\$ 303
Total Expenditures	\$ 4,537	\$ 3,340	\$ 4,840	\$ 303
Excess (Deficiency) of Revenues Over Expenditures	\$ (654)	\$ 60	\$ (840)	\$ 186
Net Change in Fund Balance	\$ (654)	\$ 60	\$ (840)	\$ 186
Fund Balance, July 1, 2007	1,186	3,827	3,827	(2,641)
Fund Balance, June 30, 2008	\$ 532	\$ 3,887	\$ 2,987	\$ (2,455)

Exhibit F-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, 2008

	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	\$ 76,356	\$ 72,295	\$ 76,474	\$ 118
<u>Other Operations</u>				
Employee Benefits	20,599	22,276	21,526	927
Total Expenditures	\$ 96,955	\$ 94,571	\$ 98,000	\$ 1,045
Excess (Deficiency) of Revenues Over Expenditures	\$ (96,955)	\$ (94,571)	\$ (98,000)	\$ 1,045
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 94,571	\$ 94,571	\$ 98,000	\$ (3,429)
Total Other Financing Sources (Uses)	\$ 94,571	\$ 94,571	\$ 98,000	\$ (3,429)
Net Change in Fund Balance	\$ (2,384)	\$ 0	\$ 0	\$ (2,384)
Fund Balance, July 1, 2007	3,662	7,568	7,568	(3,906)
Fund Balance, June 30, 2008	\$ 1,278	\$ 7,568	\$ 7,568	\$ (6,290)

Exhibit F-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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 1,321	\$ 1,800	\$ 1,800	\$ (479)
Other Local Revenues	20,450	41,000	41,000	(20,550)
Other Governments and Citizens Groups	523,465	30,000	30,000	493,465
Total Revenues	<u>\$ 545,236</u>	<u>\$ 72,800</u>	<u>\$ 72,800</u>	<u>\$ 472,436</u>
<u>Expenditures</u>				
<u>General Government</u>				
Other Facilities	\$ 66,425	\$ 93,544	\$ 68,044	\$ 1,619
<u>Other Operations</u>				
Employee Benefits	6,243	6,600	6,600	357
<u>Principal on Debt</u>				
General Government	24,472	0	24,500	28
<u>Interest on Debt</u>				
General Government	579	0	1,000	421
Total Expenditures	<u>\$ 97,719</u>	<u>\$ 100,144</u>	<u>\$ 100,144</u>	<u>\$ 2,425</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 447,517</u>	<u>\$ (27,344)</u>	<u>\$ (27,344)</u>	<u>\$ 474,861</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 44,403	\$ 30,000	\$ 30,000	\$ 14,403
Total Other Financing Sources (Uses)	<u>\$ 44,403</u>	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 14,403</u>
Net Change in Fund Balance	\$ 491,920	\$ 2,656	\$ 2,656	\$ 489,264
Fund Balance, July 1, 2007	<u>8,080</u>	<u>750</u>	<u>750</u>	<u>7,330</u>
Fund Balance, June 30, 2008	<u>\$ 500,000</u>	<u>\$ 3,406</u>	<u>\$ 3,406</u>	<u>\$ 496,594</u>

Exhibit F-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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 21,466	\$ 40,000	\$ 40,000	\$ (18,534)
Other Local Revenues	15,128	0	0	15,128
Total Revenues	<u>\$ 36,594</u>	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ (3,406)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 53,776	\$ 55,500	\$ 55,500	\$ 1,724
Total Expenditures	<u>\$ 53,776</u>	<u>\$ 55,500</u>	<u>\$ 55,500</u>	<u>\$ 1,724</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (17,182)</u>	<u>\$ (15,500)</u>	<u>\$ (15,500)</u>	<u>\$ (1,682)</u>
Net Change in Fund Balance	\$ (17,182)	\$ (15,500)	\$ (15,500)	\$ (1,682)
Fund Balance, July 1, 2007	99,072	108,233	108,233	(9,161)
Fund Balance, June 30, 2008	<u>\$ 81,890</u>	<u>\$ 92,733</u>	<u>\$ 92,733</u>	<u>\$ (10,843)</u>

# **Major Governmental Fund**

## **General Debt Service Fund**

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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.

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## Exhibit G

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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,542,260	\$ 1,429,465	\$ 1,429,465	\$ 112,795
Other Local Revenues	260,328	200,000	200,000	60,328
Other Governments and Citizens Groups	1,000,806	0	1,000,806	0
Total Revenues	<u>\$ 2,803,394</u>	<u>\$ 1,629,465</u>	<u>\$ 2,630,271</u>	<u>\$ 173,123</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 419,581	\$ 458,000	\$ 419,581	\$ 0
Highways and Streets	1,109,561	1,103,000	1,109,561	0
Education	720,650	700,000	721,000	350
<u>Interest on Debt</u>				
General Government	214,067	124,000	214,067	0
Highways and Streets	175,562	337,000	190,272	14,710
Education	328,345	300,500	328,345	0
<u>Other Debt Service</u>				
General Government	40,385	0	40,385	0
Highways and Streets	21,749	0	21,749	0
Education	2,329	0	2,329	0
Total Expenditures	<u>\$ 3,032,229</u>	<u>\$ 3,022,500</u>	<u>\$ 3,047,289</u>	<u>\$ 15,060</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (228,835)</u>	<u>\$ (1,393,035)</u>	<u>\$ (417,018)</u>	<u>\$ 188,183</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 583,961	\$ 1,485,500	\$ 484,694	\$ 99,267
Total Other Financing Sources (Uses)	<u>\$ 583,961</u>	<u>\$ 1,485,500</u>	<u>\$ 484,694</u>	<u>\$ 99,267</u>
Net Change in Fund Balance	\$ 355,126	\$ 92,465	\$ 67,676	\$ 287,450
Fund Balance, July 1, 2007	2,320,814	2,576,014	2,576,014	(255,200)
Fund Balance, June 30, 2008	<u>\$ 2,675,940</u>	<u>\$ 2,668,479</u>	<u>\$ 2,643,690</u>	<u>\$ 32,250</u>

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# Fiduciary Funds

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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.

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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.

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Exhibit H-1

McNairy County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2008

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 493,086	\$ 493,086
Accounts Receivable	0	1,569	1,569
Due from Other Governments	384,362	0	384,362
Total Assets	<u>\$ 384,362</u>	<u>494,655</u>	<u>\$ 879,017</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 384,362	\$ 0	\$ 384,362
Due to Litigants, Heirs, and Others	0	494,655	494,655
Total Liabilities	<u>\$ 384,362</u>	<u>\$ 494,655</u>	<u>\$ 879,017</u>

Exhibit H-2

McNairy County, Tennessee

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

For the Year Ended June 30, 2008

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,830,120	\$ 1,830,120	\$ 0
Due from Other Governments	314,079	384,362	314,079	384,362
Total Assets	\$ 314,079	\$ 2,214,482	\$ 2,144,199	\$ 384,362
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 314,079	\$ 2,214,482	\$ 2,144,199	\$ 384,362
Total Liabilities	\$ 314,079	\$ 2,214,482	\$ 2,144,199	\$ 384,362
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 623,357	\$ 2,407,667	\$ 2,537,938	\$ 493,086
Accounts Receivable	1,611	1,569	1,611	1,569
Cash Shortage	1,035	0	1,035	0
Total Assets	\$ 626,003	\$ 2,409,236	\$ 2,540,584	\$ 494,655
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 626,003	\$ 2,409,236	\$ 2,540,584	\$ 494,655
Total Liabilities	\$ 626,003	\$ 2,409,236	\$ 2,540,584	\$ 494,655
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,830,120	\$ 1,830,120	\$ 0
Cash	623,357	2,407,667	2,537,938	493,086
Accounts Receivable	1,611	1,569	1,611	1,569
Cash Shortage	1,035	0	1,035	0
Due from Other Governments	314,079	384,362	314,079	384,362
Total Assets	\$ 940,082	\$ 4,623,718	\$ 4,684,783	\$ 879,017
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 314,079	\$ 2,214,482	\$ 2,144,199	\$ 384,362
Due to Litigants, Heirs, and Others	626,003	2,409,236	2,540,584	494,655
Total Liabilities	\$ 940,082	\$ 4,623,718	\$ 4,684,783	\$ 879,017

# McNairy County School Department

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This section presents fund financial statements for the McNairy County School Department, a discretely presented component unit. The School Department uses a General Fund and two Special Revenue Funds.

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General Purpose School Fund – The General Purpose School Fund is used to account for general operations of the School Department.

School Federal Projects Fund – The School Federal Projects Fund is used to account for restricted federal revenues, which must be expended on specific education programs.

Central Cafeteria Fund – The Central Cafeteria Fund is used to account for the cafeteria operations in each of the schools.

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Exhibit I-1

McNairy County, Tennessee  
Statement of Activities  
Discretely Presented McNairy County School Department  
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 20,177,910	\$ 857,348	\$ 2,233,996	\$ 583,551	\$ (16,503,015)
Support Services	7,391,672	67,846	181,691	0	(7,142,135)
Operation of Non-Instructional Services	3,408,068	94,329	1,362,155	0	(1,951,584)
Interest on Long-term Debt	3,925	0	0	0	(3,925)
Other Debt Service	1,000,806	0	0	0	(1,000,806)
Total Governmental Activities	\$ 31,982,381	\$ 1,019,523	\$ 3,777,842	\$ 583,551	\$ (26,601,465)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 3,774,415
Local Option Sales Taxes					2,073,435
Other Local Taxes					45,129
Grants and Contributions Not Restricted to Specific Programs					21,350,213
Unrestricted Investment Earnings					33,116
Miscellaneous					71,064
Total General Revenues					\$ 27,347,372
Change in Net Assets					\$ 745,907
Net Assets, July 1, 2007					14,292,861
Net Assets, June 30, 2008					\$ 15,038,768

Exhibit I-2

McNairy County, Tennessee  
 Balance Sheet - Governmental Funds  
 Discretely Presented McNairy County School Department  
 June 30, 2008

	Major Funds		Nonmajor Fund	Total Governmental Funds
	General Purpose School	Central Cafeteria	School Federal Projects Fund	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 1,825,372	\$ 953,147	\$ 46,089	\$ 2,824,608
Accounts Receivable	100	0	0	100
Due from Other Governments	874,784	0	160,505	1,035,289
Property Taxes Receivable	3,523,774	0	0	3,523,774
Allowance for Uncollectible Property Taxes	(136,743)	0	0	(136,743)
Total Assets	<u>\$ 6,087,287</u>	<u>\$ 953,147</u>	<u>\$ 206,594</u>	<u>\$ 7,247,028</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Payroll Deductions Payable	\$ 0	\$ 10,061	\$ 0	\$ 10,061
Deferred Revenue - Current Property Taxes	3,210,938	0	0	3,210,938
Deferred Revenue - Delinquent Property Taxes	162,493	0	0	162,493
Other Deferred Revenues	276,052	0	0	276,052
Total Liabilities	<u>\$ 3,649,483</u>	<u>\$ 10,061</u>	<u>\$ 0</u>	<u>\$ 3,659,544</u>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 264,511	\$ 0	\$ 0	\$ 264,511
Reserved for Career Ladder - Extended Contract	39,373	0	0	39,373
Reserved for Title I Grants to Local Education Agencies	0	0	88,648	88,648
Reserved for Innovative Education Program Strategies	0	0	35,496	35,496
Reserved for Special Education - Grants to States	0	0	30,548	30,548
Other Federal Reserves	0	0	51,902	51,902
Unreserved, Reported In:				
General Fund	2,133,920	0	0	2,133,920
Special Revenue Funds	0	943,086	0	943,086
Total Fund Balances	<u>\$ 2,437,804</u>	<u>\$ 943,086</u>	<u>\$ 206,594</u>	<u>\$ 3,587,484</u>
Total Liabilities and Fund Balances	<u>\$ 6,087,287</u>	<u>\$ 953,147</u>	<u>\$ 206,594</u>	<u>\$ 7,247,028</u>

Exhibit I-3

McNairy County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets  
Discretely Presented McNairy County School Department  
June 30, 2008

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

Total fund balances - balance sheet - governmental funds (Exhibit J-2)		\$	3,587,484
(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: construction in progress		138,598	
Add: buildings and improvements net of accumulated depreciation		9,112,356	
Add: other capital assets net of accumulated depreciation		<u>1,592,182</u>	11,218,615
(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	\$	(70,626)	
Less: accrued interest on notes payable		(2,604)	
Less: compensated absences payable		(58)	
Less: other postemployment benefits		<u>(132,588)</u>	(205,876)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>438,545</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>15,038,768</u></u>

Exhibit I-4

McNairy County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented McNairy County School Department  
For the Year Ended June 30, 2008

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Central</u>	<u>Fund</u>	
			<u>School</u>	
<u>Purpose</u>	<u>Cafeteria</u>	<u>Federal</u>	<u>Governmental</u>	
	<u>School</u>		<u>Projects</u>	<u>Funds</u>
			<u>Fund</u>	
<u>Revenues</u>				
Local Taxes	\$ 5,815,053	\$ 0	\$ 0	\$ 5,815,053
Licenses and Permits	4,703	0	0	4,703
Charges for Current Services	141,193	849,781	0	990,974
Other Local Revenues	313,144	73,056	0	386,200
State of Tennessee	20,781,343	0	25,697	20,807,040
Federal Government	195,379	1,155,947	3,103,215	4,454,541
Total Revenues	<u>\$ 27,250,815</u>	<u>\$ 2,078,784</u>	<u>\$ 3,128,912</u>	<u>\$ 32,458,511</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 17,458,378	\$ 0	\$ 2,082,325	\$ 19,540,703
Support Services	7,206,210	0	377,828	7,584,038
Operation of Non-Instructional Services	729,951	1,986,848	492,829	3,209,628
Capital Outlay	159,504	0	0	159,504
Debt Service:				
Principal on Debt	69,632	0	0	69,632
Interest on Debt	4,942	0	0	4,942
Other Debt Service	1,000,806	0	0	1,000,806
Total Expenditures	<u>\$ 26,629,423</u>	<u>\$ 1,986,848</u>	<u>\$ 2,952,982</u>	<u>\$ 31,569,253</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 621,392</u>	<u>\$ 91,936</u>	<u>\$ 175,930</u>	<u>\$ 889,258</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 68,849	\$ 0	\$ 0	\$ 68,849
Transfers In	36,357	0	0	36,357
Transfers Out	0	0	(36,357)	(36,357)
Total Other Financing Sources (Uses)	<u>\$ 105,206</u>	<u>\$ 0</u>	<u>\$ (36,357)</u>	<u>\$ 68,849</u>
Net Change in Fund Balances	\$ 726,598	\$ 91,936	\$ 139,573	\$ 958,107
Fund Balance, July 1, 2007	<u>1,711,206</u>	<u>851,150</u>	<u>67,021</u>	<u>2,629,377</u>
Fund Balance, June 30, 2008	<u>\$ 2,437,804</u>	<u>\$ 943,086</u>	<u>\$ 206,594</u>	<u>\$ 3,587,484</u>

Exhibit I-5

McNairy County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Discretely Presented McNairy County School Department  
For the Year Ended June 30, 2008

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

Net change in fund balances - total governmental funds (Exhibit J-4)		\$ 958,107
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 479,858	
Less: current year depreciation expense	<u>(733,380)</u>	(253,522)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2008	\$ 438,545	
Less: deferred delinquent property taxes and other deferred June 30, 2007	<u>(336,077)</u>	102,468
(3) The issuance of long-term debt (e.g., notes, other loans) 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.		
Add: principal payments on notes		69,632
(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.		
Change in accrued interest payable	\$ 1,017	
Change in compensated absences payable	793	
Change in other postemployment benefits	<u>(132,588)</u>	<u>(130,778)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 745,907</u>

Exhibit I-6

McNairy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented McNairy County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 5,815,053	\$ 0	\$ 5,815,053	\$ 5,494,739	\$ 5,494,739	\$ 320,314
Licenses and Permits	4,703	0	4,703	5,000	5,000	(297)
Charges for Current Services	141,193	0	141,193	46,100	141,100	93
Other Local Revenues	313,144	0	313,144	45,000	294,461	18,683
State of Tennessee	20,781,343	0	20,781,343	20,303,822	21,049,933	(268,590)
Federal Government	195,379	0	195,379	198,103	198,103	(2,724)
<u>Total Revenues</u>	<u>\$ 27,250,815</u>	<u>\$ 0</u>	<u>\$ 27,250,815</u>	<u>\$ 26,092,764</u>	<u>\$ 27,183,336</u>	<u>\$ 67,479</u>
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 14,471,482	\$ 0	\$ 14,471,482	\$ 14,251,065	\$ 14,644,381	\$ 172,899
Special Education Program	1,718,000	0	1,718,000	1,709,820	1,743,396	25,396
Vocational Education Program	1,027,982	0	1,027,982	1,019,777	1,034,964	6,982
Adult Education Program	240,914	0	240,914	335,659	335,659	94,745
<u>Support Services</u>						
Attendance	55,963	0	55,963	54,616	56,196	233
Health Services	250,283	0	250,283	157,627	253,300	3,017
Other Student Support	397,051	0	397,051	364,592	405,904	8,853
Regular Instruction Program	759,569	0	759,569	793,203	777,036	17,467
Special Education Program	236,895	0	236,895	240,052	240,052	3,157
Vocational Education Program	76,566	0	76,566	76,428	76,568	2
Adult Programs	77,701	0	77,701	77,563	77,703	2
Other Programs	144,184	0	144,184	0	144,184	0
Board of Education	352,756	0	352,756	399,659	359,619	6,863

(Continued)

Exhibit I-6

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Director of Schools	\$ 159,451	\$ 0	\$ 159,451	\$ 153,045	\$ 162,195	\$ 2,744
Office of the Principal	1,013,646	0	1,013,646	1,012,226	1,019,546	5,900
Fiscal Services	89,618	0	89,618	87,405	90,155	537
Operation of Plant	1,674,014	0	1,674,014	1,686,139	1,699,049	25,035
Maintenance of Plant	400,782	0	400,782	353,698	427,370	26,588
Transportation	1,482,738	0	1,482,738	1,431,824	1,509,720	26,982
Central and Other	34,993	0	34,993	6,777	34,997	4
<u>Operation of Non-Instructional Services</u>						
Food Service	50,923	0	50,923	50,549	50,954	31
Community Services	99,887	0	99,887	0	133,500	33,613
Early Childhood Education	579,141	0	579,141	597,924	641,775	62,634
<u>Capital Outlay</u>						
Regular Capital Outlay	159,504	264,511	424,015	60,000	250,000	(174,015)
<u>Principal on Debt</u>						
Education	69,632	0	69,632	69,632	69,632	0
<u>Interest on Debt</u>						
Education	4,942	0	4,942	5,181	5,181	239
<u>Other Debt Service</u>						
Education	1,000,806	0	1,000,806	994,625	1,000,806	0
Total Expenditures	\$ 26,629,423	\$ 264,511	\$ 26,893,934	\$ 25,989,086	\$ 27,243,842	\$ 349,908
Excess (Deficiency) of Revenues Over Expenditures	\$ 621,392	\$ (264,511)	\$ 356,881	\$ 103,678	\$ (60,506)	\$ 417,387

(Continued)

Exhibit I-6

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 68,849	0	\$ 68,849	\$ 20,000	\$ 65,288	\$ 3,561
Transfers In	36,357	0	36,357	7,000	38,000	(1,643)
Total Other Financing Sources (Uses)	\$ 105,206	0	\$ 105,206	\$ 27,000	\$ 103,288	\$ 1,918
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ 726,598	(264,511)	\$ 462,087	\$ 130,678	\$ 42,782	\$ 419,305
Fund Balance, June 30, 2008	1,711,206	0	1,711,206	1,140,852	1,140,852	570,354
	\$ 2,437,804	(264,511)	\$ 2,173,293	\$ 1,271,530	\$ 1,183,634	\$ 989,659

Exhibit I-7

McNairy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented McNairy County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
State of Tennessee	\$ 25,697	\$ 16,000	\$ 33,578	\$ (7,881)
Federal Government	3,103,215	3,214,062	2,674,050	429,165
<b>Total Revenues</b>	<b>\$ 3,128,912</b>	<b>\$ 3,230,062</b>	<b>\$ 2,707,628</b>	<b>\$ 421,284</b>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,113,987	\$ 1,137,832	\$ 1,232,302	\$ 118,315
Special Education Program	889,552	894,528	906,163	16,611
Vocational Education Program	78,786	75,885	78,786	0
<u>Support Services</u>				
Other Student Support	105,846	110,719	130,180	24,334
Regular Instruction Program	210,699	416,020	303,795	93,096
Special Education Program	33,869	57,703	44,968	11,099
Vocational Education Program	3,036	4,000	3,036	0
Transportation	24,378	25,073	24,378	0
<u>Operation of Non-Instructional Services</u>				
Community Services	492,829	517,700	517,700	24,871
<b>Total Expenditures</b>	<b>\$ 2,952,982</b>	<b>\$ 3,239,460</b>	<b>\$ 3,241,308</b>	<b>\$ 288,326</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 175,930	\$ (9,398)	\$ (533,680)	\$ 709,610
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (36,357)	\$ (42,759)	\$ (40,372)	\$ 4,015
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (36,357)</b>	<b>\$ (42,759)</b>	<b>\$ (40,372)</b>	<b>\$ 4,015</b>
Net Change in Fund Balance	\$ 139,573	\$ (52,157)	\$ (574,052)	\$ 713,625
Fund Balance, July 1, 2007	67,021	52,157	574,052	(507,031)
<b>Fund Balance, June 30, 2008</b>	<b>\$ 206,594</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 206,594</b>

Exhibit I-8

McNairy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented McNairy County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 849,781	\$ 865,000	\$ 865,000	\$ (15,219)
Other Local Revenues	73,056	55,000	55,000	18,056
Federal Government	1,155,947	1,105,000	1,105,000	50,947
Total Revenues	<u>\$ 2,078,784</u>	<u>\$ 2,025,000</u>	<u>\$ 2,025,000</u>	<u>\$ 53,784</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,986,848	\$ 2,025,000	\$ 2,025,000	\$ 38,152
Total Expenditures	<u>\$ 1,986,848</u>	<u>\$ 2,025,000</u>	<u>\$ 2,025,000</u>	<u>\$ 38,152</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 91,936</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 91,936</u>
Net Change in Fund Balance	\$ 91,936	\$ 0	\$ 0	\$ 91,936
Fund Balance, July 1, 2007	<u>851,150</u>	<u>846,031</u>	<u>846,031</u>	<u>5,119</u>
Fund Balance, June 30, 2008	<u>\$ 943,086</u>	<u>\$ 846,031</u>	<u>\$ 846,031</u>	<u>\$ 97,055</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit J-1

McNairy County, Tennessee  
 Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds  
 Primary Government and Discretely Presented McNairy County School Department  
 For the Year Ended June 30, 2008

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-08
<u>PRIMARY GOVERNMENT</u>								
<u>NOTES PAYABLE</u>								
<u>Payable through General Fund</u>								
Patrol Cars	\$ 72,000	3.89 %	4-15-05	4-15-08	\$ 24,000	\$ 0	\$ 24,000	\$ 0
Hardin County Bank - Patrol Cars	40,300	4.45	9-10-07	9-10-09	0	40,300	14,205	26,095
Total Payable through General Fund					\$ 24,000	\$ 40,300	\$ 38,205	\$ 26,095
<u>Payable through Special Purpose Fund</u>								
Rural Economic Development Loan	196,666	0	8-27-1998	5-12-08	\$ 19,964	\$ 0	\$ 19,964	\$ 0
Rural Utilities Service, Series 1999	51,987	5.41	4-6-00	5-20-08	4,508	0	4,508	0
Total Payable through Special Purpose Fund					\$ 24,472	\$ 0	\$ 24,472	\$ 0
<u>Payable through Highway/Public Works Fund</u>								
Rural Economic Development Loan	135,000	4.5	8-31-07	8-31-10	\$ 0	\$ 135,000	\$ 35,694	\$ 99,306
Total Payable through Highway/Public Works Fund					\$ 0	\$ 135,000	\$ 35,694	\$ 99,306
<u>Payable through General Debt Service Fund</u>								
Bridge Construction	250,000	5.35	10-9-1997	10-9-07	\$ 25,361	\$ 0	\$ 25,361	\$ 0
Agriculture Extension Building Construction	107,000	4.5	5-15-01	5-15-10	35,691	0	11,889	23,802
Highway Equipment	455,000	4.43	11-07-07	11-07-13	0	455,000	0	455,000
Total Payable through General Debt Service Fund					\$ 61,052	\$ 455,000	\$ 37,250	\$ 478,802
Total Notes Payable					\$ 109,524	\$ 630,300	\$ 135,621	\$ 604,203

(Continued)

Exhibit J-1

McNairy County, Tennessee  
 Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds  
 Primary Government and Discretely Presented McNairy County School Department (Cont.)

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-08
<b>PRIMARY GOVERNMENT (Cont.)</b>								
<b>OTHER LOANS PAYABLE</b>								
Payable through General Debt Service Fund								
Local Government Public Improvement Loan	\$ 2,450,000	Variable	10-15-03	6-1-19	\$ 2,450,000	0 \$	0 \$	2,450,000
Refinancing Loan	2,115,000	Variable	4-24-1997	6-1-08	35,000	0	35,000	0
Higher Education Building Construction Loan	875,000	Variable	4-24-1997	6-1-17	545,000	0	45,000	500,000
Local Government Public Improvement Loan	5,000,000	Variable	5-27-1999	6-1-11	4,080,000	0	955,000	3,125,000
Local Government Public Improvement Loan	6,000,000	Variable	1-27-00	6-1-11	515,000	0	125,000	390,000
Total Other Loans Payable					\$ 7,625,000	0 \$	1,160,000 \$	6,465,000
<b>BONDS PAYABLE</b>								
Payable through General Debt Service Fund								
Airport Bonds, Series 1995	290,000	5 to 5.4%	12-1-1995	2-1-11	\$ 95,000	0 \$	20,000 \$	75,000
USDA Rural Development Bonds	350,500	4.75	11-13-01	11-13-16	259,046	0	20,831	238,215
USDA Rural Development Bonds	217,750	4.75	5-1-02	5-1-22	180,600	0	9,092	171,508
USDA Rural Development Bonds	325,000	4.75	6-21-02	6-21-22	268,921	0	12,619	256,302
Refunding Bonds, Series 2003	3,035,000	3 to 5	3-11-03	9-1-12	1,930,000	0	290,000	1,640,000
School Refunding Bonds, Series 2003	10,305,000	2 to 4	4-22-03	3-1-17	8,250,000	0	700,000	7,550,000
Total Bonds Payable					\$ 10,983,567	0 \$	1,052,542 \$	9,931,025
<b>DISCRETELY PRESENTED McNAIRY COUNTY SCHOOL DEPARTMENT</b>								
<b>NOTES PAYABLE</b>								
Payable through General Purpose School Fund								
Energy Efficiency Loan	218,874	3	7-27-01	9-1-08	\$ 67,222	0 \$	33,115 \$	34,107
Energy Efficiency Capital Outlay Note	255,630	4.33	11-12-01	10-1-08	73,036	0	36,517	36,519
Total Notes Payable					\$ 140,258	0 \$	69,632 \$	70,626

Exhibit J-2

McNairy County, Tennessee  
Schedule of Long-term Debt Requirements by Year  
Primary Government and Discretely Presented McNairy County School Department

PRIMARY GOVERNMENT

Year Ending June 30	Note Principal	Note Interest	Total Note Requirements
2009	\$ 146,875	\$ 24,487	\$ 171,362
2010	146,009	17,996	164,005
2011	83,821	11,990	95,811
2012	75,834	8,538	84,372
2013	75,834	5,151	80,985
2014	75,830	1,726	77,556
Total	<u>\$ 604,203</u>	<u>\$ 69,888</u>	<u>\$ 674,091</u>

Year Ending June 30	Other Loan Principal	Other Loan Interest	Other Loan Fees	Total Other Loan Requirements
2009	\$ 1,170,000	\$ 195,512	\$ 41,263	\$ 1,406,775
2010	1,220,000	159,078	34,524	1,413,602
2011	1,270,000	121,084	27,480	1,418,564
2012	50,000	81,533	20,159	151,692
2013	55,000	79,953	19,613	154,566
2014	160,000	78,215	19,012	257,227
2015	485,000	73,449	17,692	576,141
2016	515,000	59,356	14,212	588,568
2017	540,000	44,386	10,511	594,897
2018	500,000	28,700	6,645	535,345
2019	500,000	14,350	3,322	517,672
Total	<u>\$ 6,465,000</u>	<u>\$ 935,616</u>	<u>\$ 214,433</u>	<u>\$ 7,615,049</u>

(Continued)

Exhibit J-2

McNairy County, Tennessee  
Schedule of Long-term Debt Requirements by Year  
Primary Government and Discretely Presented McNairy County School Department (Cont.)

PRIMARY GOVERNMENT (Cont.)

Year Ending June 30	Bond Principal	Bond Interest	Total Bond Requirements
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	1,038,524	50,927	1,089,451
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	39,540	2,110	41,650
Total	<u>\$ 9,931,025</u>	<u>\$ 1,989,592</u>	<u>\$ 11,920,617</u>

DISCRETELY PRESENTED McNAIRY  
COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Note Principal	Note Interest	Total Note Requirements
2009	\$ 70,626	\$ 2,604	\$ 73,230
Total	<u>\$ 70,626</u>	<u>\$ 2,604</u>	<u>\$ 73,230</u>

Exhibit J-3

McNairy County, Tennessee  
Schedule of Investments  
June 30, 2008

<u>Fund and Type</u>	<u>Amount</u>
<u>Special Purpose Fund</u>	
Principal Financial Group (6,252 shares of common stock)	<u>\$ 262,396</u>
Total Investments	<u><u>\$ 262,396</u></u>

Exhibit J-4

McNairy County, Tennessee  
Schedule of Transfers  
Primary Government and Discretely Presented McNairy County School Department  
For the Year Ended June 30, 2008

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	Public Library	Operations	\$ 94,571
General	Special Purpose	Operations	44,403
General	Community Development/Industrial Park	Operations	5,000
Highway/Public Works	General Debt Service	Debt payments	583,961
Total Transfers Primary Government			<u>\$ 727,935</u>
<u>DISCRETELY PRESENTED McNAIRY COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose	Indirect costs	\$ 36,357
Total Transfers Discretely Presented McNairy County School Department			<u>\$ 36,357</u>

Exhibit J-5

McNairy County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented McNairy County School Department  
For the Year Ended June 30, 2008

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 67,997	\$ 50,000	The Ohio Casualty Insurance Company
Highway Commissioner	Section 8-24-102, <u>TCA</u>	64,760	100,000	"
Director of Schools	State Board of Education and County Board of Education	86,008 (1)	150,000	Tennessee Risk Management Trust
Trustee	Section 8-24-102, <u>TCA</u>	58,872	800,000	The Ohio Casualty Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	58,872	10,000	West American Insurance Company
County Clerk	Section 8-24-102, <u>TCA</u>	58,872	50,000	The Ohio Casualty Insurance Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	58,872	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	58,872 (2)	65,000	"
Register	Section 8-24-102, <u>TCA</u>	58,872	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	64,760 (3)	25,000	"
Employee Dishonesty Coverage:				
County Employees			100,000	"
Office of Director of Schools' Employees			150,000	Tennessee Risk Management Trust

(1) Includes chief executive officer training supplement of \$1,000.

(2) Does not include special commissioner fees of \$1,050.

(3) Does not include law enforcement training supplement of \$600.

Exhibit J-6

McNairy County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2008

	Special Revenue Funds										Total	
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control	Highway / Public Works	Debt		Service			
							General Debt	Service	General Debt	Service		
<b>Local Taxes</b>												
<u>County Property Taxes</u>												
Current Property Tax	\$ 2,563,602	\$ 0	\$ 0	\$ 0	\$ 0	\$ 303,394	\$ 955,618	\$ 3,822,614				
Trustee's Collections - Prior Year	102,410	0	0	0	0	13,465	51,234	167,109				
Circuit/Clerk & Master Collections - Prior Years	51,781	0	0	0	0	5,986	24,610	82,377				
Interest and Penalty	19,990	0	0	0	0	2,574	9,424	31,988				
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	35,552	0	138,001	0	0	0	0	173,553				
Wheel Tax	0	0	0	0	0	0	496,150	496,150				
Litigation Tax - General	152,204	0	0	0	0	0	0	152,204				
Litigation Tax - Special Purpose	0	3,883	0	0	0	0	0	3,883				
Business Tax	35,242	0	0	0	0	0	0	35,242				
Mineral Severance Tax	0	0	0	0	0	213,466	0	213,466				
<u>Statutory Local Taxes</u>												
Bank Excise Tax	21,544	0	0	0	0	3,537	4,823	29,904				
Wholesale Beer Tax	37,056	0	0	0	0	0	0	37,056				
Coal Severance Tax	0	0	0	0	0	111	0	111				
Interstate Telecommunications Tax	0	0	1,376	0	0	0	0	1,376				
<b>Total Local Taxes</b>	<b>\$ 3,020,183</b>	<b>\$ 3,883</b>	<b>\$ 139,377</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 542,633</b>	<b>\$ 1,542,260</b>	<b>\$ 5,248,336</b>				

<u>Licenses and Permits</u>												
<u>Permits</u>												
Beer Permits	\$ 855	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 855				
<b>Total Licenses and Permits</b>	<b>\$ 855</b>	<b>\$ 0</b>	<b>\$ 855</b>									
<u>Fines, Forfeitures, and Penalties</u>												
<u>Circuit Court</u>												
Fines	\$ 1,605	\$ 0	\$ 0	\$ 0	\$ 1,900	\$ 0	\$ 0	\$ 3,505				
Officers Costs	2,323	0	0	0	0	0	0	2,323				
Drug Control Fines	332	0	0	0	0	0	0	332				
Drug Court Fees	3,487	0	0	0	0	0	0	3,487				

(Continued)

Exhibit J-6

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

	Special Revenue Funds										Total
	General	Law Library	Solid			Drug Control	Highway/ Public Works	Debt Service		Fund	
			Waste/ Sanitation	Special Purpose	0 \$			0 \$	General Debt		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>											
<u>Circuit Court (Cont.)</u>											
Jail Fees	\$ 455	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	455
Judicial Commissioner Fees	12,288	0	0	0	0	0	0	0	0	0	12,288
DUI Treatment Fines	2,280	0	0	0	0	0	0	0	0	0	2,280
Data Entry Fee - Circuit Court	626	0	0	0	0	0	0	0	0	0	626
<u>Criminal Court</u>											
Drug Control Fines	95	0	0	0	0	0	0	0	0	0	95
<u>General Sessions Court</u>											
Fines	18,902	0	0	0	19,566	0	0	0	0	0	38,468
Officers Costs	52,805	0	0	0	0	0	0	0	0	0	52,805
Game and Fish Fines	232	0	0	0	0	0	0	0	0	0	232
Drug Control Fines	6,450	0	0	0	0	0	0	0	0	0	6,450
Drug Court Fees	10,331	0	0	0	0	0	0	0	0	0	10,331
Jail Fees	30,272	0	0	0	0	0	0	0	0	0	30,272
DUI Treatment Fines	1,132	0	0	0	0	0	0	0	0	0	1,132
Data Entry Fee - General Sessions Court	14,011	0	0	0	0	0	0	0	0	0	14,011
Courtroom Security Fee	1,402	0	0	0	0	0	0	0	0	0	1,402
<u>Juvenile Court</u>											
Fines	786	0	0	0	0	0	0	0	0	0	786
<u>Chancery Court</u>											
Data Entry Fee - Chancery Court	1,600	0	0	0	0	0	0	0	0	0	1,600
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 161,414</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 21,466</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 182,880</b>
<u>Charges for Current Services</u>											
<u>General Service Charges</u>											
Residential Waste Collection Charge	\$ 0	\$ 0	\$ 698,304	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 698,304
Tipping Fees	0	0	144,216	0	0	0	0	0	0	0	144,216
<u>Fees</u>											
Copy Fees	141	0	0	0	0	0	0	0	0	0	141
Telephone Commissions	15,793	0	0	0	0	0	0	0	0	0	15,793
Vending Machine Collections	17	0	0	1,321	0	0	117	0	0	0	1,455

(Continued)

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

	Special Revenue Funds										Total
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control	Highway / Public Works	Debt Service		Fund	General	
							Debt	Service			
<u>Charges for Current Services (Cont.)</u>											
<u>Fees (Cont.)</u>											
Data Processing Fee - Register	\$ 11,426	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,426
Probation Fees	17,773	0	0	0	0	0	0	0	0	0	17,773
Data Processing Fee - Sheriff	4,601	0	0	0	0	0	0	0	0	0	4,601
Sexual Offender Registration Fees - Sheriff	1,300	0	0	0	0	0	0	0	0	0	1,300
Total Charges for Current Services	\$ 51,051	\$ 0	\$ 842,520	\$ 1,321	\$ 0	\$ 117	\$ 0	\$ 0	\$ 0	\$ 0	\$ 895,009
<u>Other Local Revenues</u>											
<u>Recurring Items</u>											
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 235,028
Net Increase/Decrease in Fair Value of Investments	(102,033)	0	0	0	0	0	0	0	0	0	(102,033)
Lease/Rentals	1	0	0	20,450	0	0	0	0	0	0	25,300
Sale of Materials and Supplies	7,812	0	0	0	0	0	0	0	1,279	0	9,091
Sale of Gasoline	0	0	0	0	0	0	0	0	14,167	0	14,167
Miscellaneous Refunds	13,640	0	684	0	0	0	0	0	1,415	0	15,739
<u>Nonrecurring Items</u>											
Sale of Equipment	2,036	0	14,454	0	0	0	0	0	48,755	0	65,245
Sale of Property	30,027	0	0	0	0	0	0	0	0	0	30,027
Contributions and Gifts	0	0	0	0	700	0	0	0	0	0	700
<u>Other Local Revenues</u>											
Other Local Revenues	10,557	0	0	0	14,428	0	0	0	0	0	24,985
Total Other Local Revenues	\$ (37,960)	\$ 0	\$ 15,138	\$ 20,450	\$ 15,128	\$ 65,616	\$ 260,328	\$ 0	\$ 0	\$ 0	\$ 338,700
<u>Fees Received from County Officials</u>											
<u>Fees in-Lieu-of Salary</u>											
County Clerk	\$ 173,326	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 173,326
Circuit Court Clerk	45,519	0	0	0	0	0	0	0	0	0	45,519
General Sessions Court Clerk	234,780	0	0	0	0	0	0	0	0	0	234,780
Clerk and Master	78,305	0	0	0	0	0	0	0	0	0	78,305
Register	119,781	0	0	0	0	0	0	0	0	0	119,781
Sheriff	1,690	0	0	0	0	0	0	0	0	0	1,690

(Continued)

Exhibit J-6

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

	Special Revenue Funds										Total
	General	Law Library	Solid Waste / Sanitation			Drug Control	Highway / Public Works	Debt Service Fund			
			Special Purpose	Waste / Sanitation	Sanitation			General Debt Service			
<u>Fees Received from County Officials (Cont.)</u>											
<u>Fees in-Lieu-of Salary (Cont.)</u>											
Trustee	\$ 280,885	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 280,885
Total Fees Received from County Officials	\$ 934,286	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 934,286
<u>State of Tennessee</u>											
<u>General Government Grants</u>											
Juvenile Services Program	\$ 6,900	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,900
State Reappraisal Grant	10,880	0	0	0	0	0	0	0	0	0	10,880
Solid Waste Grants	0	0	8,779	0	0	0	0	0	0	0	8,779
<u>Health and Welfare Grants</u>											
Health Department Programs	56,270	0	0	0	0	0	0	0	0	0	56,270
<u>Public Works Grants</u>											
State Aid Program	0	0	0	0	0	0	244,892	0	0	0	244,892
Litter Program	28,870	0	0	0	0	0	0	0	0	0	28,870
Other Public Works Grants	0	0	0	0	0	0	12,500	0	0	0	12,500
<u>Other State Revenues</u>											
Income Tax	17,168	0	0	0	0	0	0	0	0	0	17,168
Beer Tax	19,312	0	0	0	0	0	0	0	0	0	19,312
Alcoholic Beverage Tax	47,183	0	0	0	0	0	0	0	0	0	47,183
Mixed Drink Tax	1,020	0	0	0	0	0	0	0	0	0	1,020
State Revenue Sharing - T.V.A.	0	0	196,154	0	0	0	0	0	0	0	196,154
Contracted Prisoner Boarding	218,750	0	0	0	0	0	0	0	0	0	218,750
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	1,806,508	0	0	0	1,806,508
Petroleum Special Tax	0	0	0	0	0	0	16,499	0	0	0	16,499
Registrar's Salary Supplement	30,780	0	0	0	0	0	0	0	0	0	30,780
Other State Grants	137,769	0	0	0	0	0	0	0	0	0	137,769
Other State Revenues	400	0	0	0	0	0	51,405	0	0	0	51,805
Total State of Tennessee	\$ 575,302	\$ 0	\$ 204,933	\$ 0	\$ 0	\$ 0	\$ 2,131,804	\$ 0	\$ 0	\$ 0	\$ 2,912,039

Exhibit J-6

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		
Federal Government									
Federal Through State									
Homeland Security Grants									
Total Federal Government	\$ 117,039	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 117,039	
	\$ 117,039	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 117,039	
Other Governments and Citizens Groups									
Other Governments									
Paving and Maintenance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 19,737	\$ 0	\$ 19,737	
Contributions	0	0	0	523,465	0	0	1,000,806	1,524,271	
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 523,465	\$ 0	\$ 19,737	\$ 1,000,806	\$ 1,544,008	
Total	\$ 4,822,170	\$ 3,883	\$ 1,201,968	\$ 545,236	\$ 36,594	\$ 2,759,907	\$ 2,803,394	\$ 12,173,152	

Exhibit J-7

McNairy County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented McNairy County School Department  
For the Year Ended June 30, 2008

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 3,458,633	\$ 0	\$ 0	\$ 3,458,633
Trustee's Collections - Prior Year	172,919	0	0	172,919
Circuit/Clerk & Master Collections - Prior Years	87,545	0	0	87,545
Interest and Penalty	30,961	0	0	30,961
Payments in-Lieu-of Taxes - T.V.A.	1,203	0	0	1,203
<u>County Local Option Taxes</u>				
Local Option Sales Tax	2,019,779	0	0	2,019,779
<u>Statutory Local Taxes</u>				
Bank Excise Tax	40,837	0	0	40,837
Interstate Telecommunications Tax	3,176	0	0	3,176
Total Local Taxes	\$ 5,815,053	\$ 0	\$ 0	\$ 5,815,053
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 4,703	\$ 0	\$ 0	\$ 4,703
Total Licenses and Permits	\$ 4,703	\$ 0	\$ 0	\$ 4,703
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Other	\$ 25,965	\$ 0	\$ 0	\$ 25,965
Lunch Payments - Children	0	0	348,467	348,467
Lunch Payments - Adults	0	0	73,965	73,965
Income from Breakfast	0	0	44,708	44,708
A la carte Sales	0	0	364,243	364,243
School Based Health Services - FFS	94,329	0	0	94,329
Receipts from Individual Schools	20,899	0	0	20,899
<u>Other Charges for Services</u>				
Other Charges for Services	0	0	18,398	18,398
Total Charges for Current Services	\$ 141,193	\$ 0	\$ 849,781	\$ 990,974
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 33,116	\$ 33,116
Lease/Rentals	28,549	0	0	28,549
Miscellaneous Refunds	19,461	0	39,940	59,401
<u>Nonrecurring Items</u>				
Contributions and Gifts	253,471	0	0	253,471
<u>Other Local Revenues</u>				
Other Local Revenues	11,663	0	0	11,663
Total Other Local Revenues	\$ 313,144	\$ 0	\$ 73,056	\$ 386,200
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 144,184	\$ 0	\$ 0	\$ 144,184
<u>State Education Funds</u>				
Basic Education Program	18,936,292	0	0	18,936,292
Early Childhood Education	579,138	0	0	579,138
School Food Service	24,594	0	0	24,594

(Continued)

Exhibit J-7

McNairy County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented 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>				
Driver Education	\$ 15,405	\$ 0	\$ 0	\$ 15,405
Other State Education Funds	160,904	0	0	160,904
Career Ladder Program	269,451	0	0	269,451
Career Ladder - Extended Contract	198,106	0	0	198,106
Other Vocational	0	9,346	0	9,346
<u>Other State Revenues</u>				
Mixed Drink Tax	1,116	0	0	1,116
State Revenue Sharing - T.V.A.	364,287	0	0	364,287
Other State Grants	73,561	16,351	0	89,912
Other State Revenues	14,305	0	0	14,305
Total State of Tennessee	\$ 20,781,343	\$ 25,697	\$ 0	\$ 20,807,040
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 841,725	\$ 841,725
Breakfast	0	0	258,140	258,140
USDA - Other	0	0	56,082	56,082
Adult Education State Grant Program	136,501	0	0	136,501
Vocational Education - Basic Grants to States	0	88,129	0	88,129
Title I Grants to Local Education Agencies	0	1,057,021	0	1,057,021
Innovative Education Program Strategies	0	155,292	0	155,292
Special Education - Grants to States	0	914,776	0	914,776
Special Education Preschool Grants	0	39,032	0	39,032
Eisenhower Professional Development State Grants	0	324,292	0	324,292
Other Federal through State	58,878	524,673	0	583,551
Total Federal Government	\$ 195,379	\$ 3,103,215	\$ 1,155,947	\$ 4,454,541
Total	\$ 27,250,815	\$ 3,128,912	\$ 2,078,784	\$ 32,458,511

Exhibit J-8

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2008

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	17,225	
Audit Services		18,559	
Dues and Memberships		3,090	
Legal Services		10,840	
Travel		266	
Periodicals		358	
Total County Commission			\$ 50,338

Board of Equalization

Board and Committee Members Fees	\$	2,200	
Total Board of Equalization			2,200

County Mayor/Executive

County Official/Administrative Officer	\$	67,997	
Accountants/Bookkeepers		21,877	
Secretary(ies)		19,278	
Part-time Personnel		7,000	
Communication		1,986	
Dues and Memberships		1,450	
Maintenance Agreements		1,269	
Maintenance and Repair Services - Office Equipment		273	
Printing, Stationery, and Forms		1,233	
Travel		926	
Other Contracted Services		6,290	
Office Supplies		1,610	
Other Charges		994	
Total County Mayor/Executive			132,183

County Attorney

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

Election Commission

County Official/Administrative Officer	\$	52,985	
Other Salaries and Wages		7,556	
Election Commission		4,686	
Election Workers		10,800	
In-Service Training		125	
Communication		2,140	
Maintenance and Repair Services - Equipment		13,833	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Postal Charges	\$	112	
Printing, Stationery, and Forms		5,639	
Rentals		420	
Travel		717	
Office Supplies		990	
Periodicals		1,284	
Other Equipment		<u>1,773</u>	
Total Election Commission	\$		103,060

Register of Deeds

County Official/Administrative Officer	\$	58,872	
Deputy(ies)		21,881	
Secretary(ies)		16,193	
Communication		1,765	
Data Processing Services		13,927	
Dues and Memberships		662	
Maintenance Agreements		912	
Postal Charges		190	
Printing, Stationery, and Forms		2,376	
Travel		768	
Office Supplies		<u>573</u>	
Total Register of Deeds			118,119

County Buildings

Custodial Personnel	\$	14,409	
Maintenance and Repair Services - Buildings		38,718	
Maintenance and Repair Services - Office Equipment		490	
Maintenance and Repair Services - Vehicles		39	
Pest Control		323	
Postal Charges		32,156	
Custodial Supplies		6,698	
Electricity		94,919	
Gasoline		2,621	
Natural Gas		26,025	
Periodicals		1,616	
Water and Sewer		13,704	
Other Supplies and Materials		14,748	
Building and Contents Insurance		17,974	
Premiums on Corporate Surety Bonds		560	
Other Charges		<u>12,589</u>	
Total County Buildings			277,589

(Continued)

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

General Fund (Cont.)

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	58,872	
Assistant(s)		21,367	
Deputy(ies)		29,361	
Communication		834	
Contracts with Private Agencies		19,904	
Dues and Memberships		1,141	
Maintenance Agreements		1,144	
Printing, Stationery, and Forms		656	
Travel		205	
Periodicals		82	
Other Supplies and Materials		99	
Office Equipment		582	
Total Property Assessor's Office			\$ 134,247

Reappraisal Program

Part-time Personnel	\$	18,276	
Communication		237	
Data Processing Services		9,515	
Gasoline		932	
Motor Vehicles		3,517	
Total Reappraisal Program			32,477

County Trustee's Office

County Official/Administrative Officer	\$	58,872	
Deputy(ies)		21,877	
Clerical Personnel		16,192	
Part-time Personnel		7,188	
Communication		2,117	
Data Processing Services		5,720	
Dues and Memberships		397	
Maintenance Agreements		567	
Printing, Stationery, and Forms		846	
Travel		532	
Periodicals		479	
Office Equipment		572	
Total County Trustee's Office			115,359

County Clerk's Office

County Official/Administrative Officer	\$	58,872	
Deputy(ies)		21,235	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Secretary(ies)	\$	32,928	
Clerical Personnel		21,940	
Communication		1,476	
Dues and Memberships		397	
Printing, Stationery, and Forms		2,531	
Travel		222	
Periodicals		173	
Data Processing Equipment		23,886	
Total County Clerk's Office			\$ 163,660

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	58,872	
Clerical Personnel		34,417	
Part-time Personnel		7,200	
Jury and Witness Fees		7,667	
Other Per Diem and Fees		1,249	
Audit Services		4,405	
Communication		1,709	
Contracts with Government Agencies		4,630	
Maintenance Agreements		4,832	
Printing, Stationery, and Forms		3,004	
Duplicating Supplies		658	
Office Supplies		2,868	
Data Processing Equipment		6,496	
Other Equipment		729	
Total Circuit Court			138,736

General Sessions Court

Judge(s)	\$	94,313
Secretary(ies)		14,500
Clerical Personnel		21,277
Part-time Personnel		12,292
Other Per Diem and Fees		11,654
Communication		1,537
Contracts with Government Agencies		3,436
Dues and Memberships		95
Printing, Stationery, and Forms		200
Travel		1,453
Office Supplies		468

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Data Processing Equipment	\$ 6,496	
Total General Sessions Court		\$ 167,721

Chancery Court

County Official/Administrative Officer	\$ 58,872	
Deputy(ies)	32,595	
Communication	1,159	
Data Processing Services	4,688	
Dues and Memberships	657	
Maintenance Agreements	190	
Printing, Stationery, and Forms	3,419	
Travel	752	
Office Supplies	1,410	
Premiums on Corporate Surety Bonds	450	
Total Chancery Court		104,192

Juvenile Court

County Official/Administrative Officer	\$ 6,633	
Deputy(ies)	7,742	
Youth Service Officer(s)	12,544	
Salary Supplements	21,225	
Clerical Personnel	6,439	
Communication	508	
Travel	435	
Data Processing Supplies	1,200	
Office Supplies	350	
Total Juvenile Court		57,076

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 64,760
Deputy(ies)	342,377
Accountants/Bookkeepers	18,095
Salary Supplements	37,780
Guards	279,010
Secretary(ies)	17,304
Part-time Personnel	20,313
Overtime Pay	8,255
In-Service Training	20,785
Communication	18,609

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Maintenance Agreements	\$	3,569	
Maintenance and Repair Services - Equipment		14,493	
Maintenance and Repair Services - Vehicles		14,764	
Printing, Stationery, and Forms		1,173	
Tow-in Services		3,595	
Travel		1,405	
Gasoline		84,601	
Office Supplies		3,788	
Periodicals		1,991	
Tires and Tubes		3,985	
Uniforms		3,985	
Other Supplies and Materials		12,467	
Vehicle and Equipment Insurance		40,612	
Workers' Compensation Insurance		32,000	
Data Processing Equipment		6,738	
Law Enforcement Equipment		2,766	
Motor Vehicles		65,697	
Other Equipment		1,896	
Total Sheriff's Department			\$ 1,126,813

Jail

Medical Personnel	\$	17,257	
Salary Supplements		1,679	
Custodial Personnel		48,047	
Maintenance and Repair Services - Buildings		4,828	
Maintenance and Repair Services - Equipment		9,471	
Maintenance and Repair Services - Office Equipment		2,547	
Maintenance and Repair Services - Vehicles		3,127	
Medical and Dental Services		81,625	
Pest Control		700	
Custodial Supplies		5,040	
Drugs and Medical Supplies		19,935	
Food Preparation Supplies		10,236	
Food Supplies		69,465	
Office Supplies		1,689	
Prisoners Clothing		3,795	
Other Supplies and Materials		961	
Law Enforcement Equipment		2,648	
Total Jail			283,050

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control

Supervisor/Director	\$	19,712	
Communication		1,607	
Contracts with Government Agencies		2,200	
Maintenance and Repair Services - Vehicles		4,905	
Gasoline		10,873	
Office Supplies		80	
Tires and Tubes		202	
Other Supplies and Materials		13,658	
Liability Insurance		19,707	
Workers' Compensation Insurance		15,556	
Other Equipment		58,450	
Total Fire Prevention and Control			\$ 146,950

Rural Fire Protection

Contracts with Government Agencies	\$	45,558	
Total Rural Fire Protection			45,558

Civil Defense

Supervisor/Director	\$	36,884	
Part-time Personnel		858	
Communication		1,307	
Maintenance and Repair Services - Equipment		66	
Maintenance and Repair Services - Vehicles		670	
Travel		561	
Office Supplies		407	
Other Supplies and Materials		55,226	
Total Civil Defense			95,979

Inspection and Regulation

Supervisor/Director	\$	10,056	
Total Inspection and Regulation			10,056

Public Health and Welfare

Local Health Center

Social Workers	\$	33,002	
Custodial Personnel		7,800	
Communication		4,195	
Contracts with Government Agencies		41,300	
Maintenance and Repair Services - Buildings		5,118	
Maintenance and Repair Services - Equipment		497	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Pest Control	\$	290	
Postal Charges		2,978	
Travel		3,754	
Other Contracted Services		335	
Custodial Supplies		147	
Drugs and Medical Supplies		1,352	
Electricity		6,579	
Instructional Supplies and Materials		15,770	
Natural Gas		2,366	
Office Supplies		3,578	
Periodicals		114	
Water and Sewer		1,971	
Fines, Assessments, and Penalties		40	
Total Local Health Center			\$ 131,186

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	56,903	
Communication		2,030	
Maintenance Agreements		2,560	
Travel		792	
Other Supplies and Materials		3,156	
Office Equipment		2,531	
Total Agriculture Extension Service			67,972

Soil Conservation

County Official/Administrative Officer	\$	19,495	
Secretary(ies)		19,387	
Contributions		800	
Total Soil Conservation			39,682

Other Operations

Other Economic and Community Development

Contracts for Development Costs	\$	90,661	
Other Charges		21,647	
Total Other Economic and Community Development			112,308

Airport

Other Charges	\$	60,300	
Total Airport			60,300

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services

Supervisor/Director	\$	8,507	
Communication		545	
Travel		438	
Office Supplies		237	
Periodicals		178	
Total Veterans' Services			\$ 9,905

Other Charges

Liability Insurance	\$	65,587	
Trustee's Commission		60,675	
Total Other Charges			126,262

Contributions to Other Agencies

Contributions	\$	387,988	
Total Contributions to Other Agencies			387,988

Employee Benefits

Social Security	\$	129,724	
State Retirement		60,812	
Medical Insurance		234,998	
Unemployment Compensation		14,128	
Employer Medicare		29,985	
Workers' Compensation Insurance		20,575	
Total Employee Benefits			490,222

Highways

Litter and Trash Collection

Part-time Personnel	\$	18,069	
Maintenance and Repair Services - Vehicles		390	
Travel		272	
Gasoline		1,990	
Instructional Supplies and Materials		4,689	
Periodicals		2,110	
Other Supplies and Materials		7,778	
Total Litter and Trash Collection			35,298

Principal on Debt

General Government

Principal on Notes	\$	38,205	
Total General Government			38,205

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Interest on Debt

General Government

Interest on Notes	\$ 1,978	
Total General Government		\$ 1,978

Total General Fund		\$ 4,809,069
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Law Library Fund

Social, Cultural, and Recreational Services

Libraries

Clerical Personnel	\$ 1,800	
Library Books/Media	2,698	
Trustee's Commission	39	
Total Libraries		\$ 4,537

Total Law Library Fund		4,537
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Public Library Fund

Social, Cultural, and Recreational Services

Libraries

County Official/Administrative Officer	\$ 39,597	
Part-time Personnel	34,774	
Other Supplies and Materials	1,985	
Total Libraries		\$ 76,356

Other Operations

Employee Benefits

Social Security	\$ 4,512	
State Retirement	2,027	
Medical Insurance	13,005	
Employer Medicare	1,055	
Total Employee Benefits		20,599

Total Public Library Fund		96,955
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Solid Waste/Sanitation Fund

General Government

Other General Administration

Other Charges	\$ 1,266	
Total Other General Administration		\$ 1,266

(Continued)

Exhibit J-8

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare

Sanitation Management

Contracts with Private Agencies	\$	713,772	
Legal Services		22,853	
Other Contracted Services		17,929	
Building and Contents Insurance		5,088	
Trustee's Commission		3,423	
Vehicle and Equipment Insurance		3,757	
Total Sanitation Management			\$ 766,822

Landfill Operation and Maintenance

Supervisor/Director	\$	24,000	
Data Processing Personnel		14,901	
Foremen		30,088	
Equipment Operators		20,500	
Overtime Pay		87	
Communication		2,220	
Contracts with Government Agencies		3,940	
Dues and Memberships		185	
Evaluation and Testing		7,939	
Maintenance and Repair Services - Buildings		1,893	
Maintenance and Repair Services - Equipment		44,272	
Postal Charges		5,230	
Travel		1,701	
Diesel Fuel		36,681	
Electricity		893	
Lubricants		692	
Office Supplies		3,349	
Periodicals		1,079	
Tires and Tubes		984	
Water and Sewer		906	
Gravel and Chert		738	
Refunds		345	
Data Processing Equipment		5,429	
Other Equipment		22,290	
Total Landfill Operation and Maintenance			230,342

Other Operations

Employee Benefits

Social Security	\$	5,496	
State Retirement		3,808	
Medical Insurance		16,842	

(Continued)

Exhibit J-8

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

Solid Waste/Sanitation Fund (Cont.)

Other Operations (Cont.)

Employee Benefits (Cont.)

Employer Medicare	\$ 1,285	
Workers' Compensation Insurance	6,000	
Total Employee Benefits		\$ 33,431

Total Solid Waste/Sanitation Fund \$ 1,031,861

Special Purpose Fund

General Government

Other Facilities

Custodial Personnel	\$ 16,844	
Communication	10,255	
Maintenance Agreements	900	
Maintenance and Repair Services - Buildings	5,705	
Pest Control	150	
Travel	68	
Other Contracted Services	941	
Custodial Supplies	2,987	
Electricity	21,200	
Gasoline	54	
Natural Gas	852	
Periodicals	489	
Water and Sewer	2,266	
Building and Contents Insurance	3,714	
Total Other Facilities		\$ 66,425

Other Operations

Employee Benefits

Social Security	\$ 1,044	
State Retirement	598	
Medical Insurance	4,357	
Employer Medicare	244	
Total Employee Benefits		6,243

Principal on Debt

General Government

Principal on Notes	\$ 24,472	
Total General Government		24,472

(Continued)

Exhibit J-8

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

Special Purpose Fund (Cont.)

Interest on Debt

General Government

Interest on Notes	\$ 579	
Total General Government		\$ 579

Total Special Purpose Fund \$ 97,719

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$ 3,000	
Travel	219	
Motor Vehicles	42,925	
Other Equipment	7,632	
Total Drug Enforcement		\$ 53,776

Total Drug Control Fund 53,776

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 64,760	
Accountants/Bookkeepers	26,103	
Clerical Personnel	2,177	
Board and Committee Members Fees	733	
Communication	4,878	
Dues and Memberships	2,874	
Postal Charges	288	
Printing, Stationery, and Forms	1,639	
Travel	177	
Electricity	8,460	
Office Supplies	1,076	
Water and Sewer	327	
Office Equipment	5,374	
Total Administration		\$ 118,866

Highway and Bridge Maintenance

Foremen	\$ 27,710
Equipment Operators	99,143
Truck Drivers	79,986
Laborers	151,738
Other Contracted Services	7,310

(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Concrete	\$	2,197	
Crushed Stone		132,554	
General Construction Materials		876	
Pipe - Metal		48,477	
Road Signs		14,469	
Chemicals		18,160	
Total Highway and Bridge Maintenance			\$ 582,620

Operation and Maintenance of Equipment

Mechanic(s)	\$	66,326	
Licenses		112	
Maintenance and Repair Services - Equipment		7,704	
Diesel Fuel		94,609	
Equipment and Machinery Parts		58,004	
Garage Supplies		16,378	
Gasoline		55,831	
Lubricants		4,296	
Propane Gas		404	
Tires and Tubes		15,241	
Total Operation and Maintenance of Equipment			318,905

Other Charges

Other Contracted Services	\$	145	
Trustee's Commission		27,373	
Vehicle and Equipment Insurance		26,254	
Total Other Charges			53,772

Employee Benefits

Social Security	\$	32,681	
State Retirement		24,364	
Employee and Dependent Insurance		143,519	
Unemployment Compensation		5,819	
Workers' Compensation Insurance		46,193	
Total Employee Benefits			252,576

Capital Outlay

Bridge Construction	\$	17,451	
Highway Construction		269,065	
Highway Equipment		697,197	
Land		690	

(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay (Cont.)

State Aid Projects	\$ 235,469	
Total Capital Outlay		\$ 1,219,872

Principal on Debt

Highways and Streets

Principal on Notes	\$ 35,694	
Total Highways and Streets		35,694

Interest on Debt

Highways and Streets

Interest on Notes	\$ 4,501	
Total Highways and Streets		<u>4,501</u>

Total Highway/Public Works Fund		\$ 2,586,806
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General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 352,542	
Principal on Notes	11,889	
Principal on Other Loans	55,150	
Total General Government		\$ 419,581

Highways and Streets

Principal on Notes	\$ 25,361	
Principal on Other Loans	1,084,200	
Total Highways and Streets		1,109,561

Education

Principal on Bonds	\$ 700,000	
Principal on Other Loans	20,650	
Total Education		720,650

Interest on Debt

General Government

Interest on Bonds	\$ 108,490	
Interest on Notes	1,682	
Interest on Other Loans	103,895	
Total General Government		214,067

(Continued)

Exhibit J-8

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	\$ 11,980	
Interest on Other Loans	<u>163,582</u>	
Total Highways and Streets		\$ 175,562

Education

Interest on Bonds	\$ 308,225	
Interest on Other Loans	<u>20,120</u>	
Total Education		328,345

Other Debt Service

General Government

Trustee's Commission	\$ 28,327	
Other Debt Service	<u>12,058</u>	
Total General Government		40,385

Highways and Streets

Other Debt Service	<u>\$ 21,749</u>	
Total Highways and Streets		21,749

Education

Other Debt Service	<u>\$ 2,329</u>	
Total Education		<u>2,329</u>

Total General Debt Service Fund \$ 3,032,229

Community Development/Industrial Park Fund

Agriculture and Natural Resources

Other Agriculture and Natural Resources

Other Charges	<u>\$ 2,330</u>	
Total Other Agriculture and Natural Resources		<u>\$ 2,330</u>

Total Community Development/Industrial Park Fund 2,330

Total Governmental Funds - Primary Government \$ 11,715,282

Exhibit J-9

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented McNairy County School Department  
For the Year Ended June 30, 2008

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 10,178,705	
Career Ladder Program	181,353	
Career Ladder Extended Contracts	155,000	
Educational Assistants	291,482	
Certified Substitute Teachers	15,435	
Non-certified Substitute Teachers	112,970	
Social Security	609,220	
State Retirement	656,334	
Medical Insurance	1,231,085	
Dental Insurance	66,268	
Unemployment Compensation	9,050	
Employer Medicare	143,040	
Travel	9,757	
Instructional Supplies and Materials	144,748	
Kindergarten Textbooks	56,994	
Textbooks	225,113	
Other Supplies and Materials	219	
Regular Instruction Equipment	147,047	
Other Equipment	237,662	
Total Regular Instruction Program		\$ 14,471,482

Special Education Program

Supervisor/Director	\$ 11,977
Teachers	1,043,531
Career Ladder Program	19,997
Clerical Personnel	20,031
Educational Assistants	69,997
Certified Substitute Teachers	660
Non-certified Substitute Teachers	20,496
Social Security	73,623
State Retirement	70,580
Medical Insurance	294,549
Dental Insurance	6,000
Unemployment Compensation	827
Employer Medicare	17,218
Contracts with Other Public Agencies	15,383
Contracts with Private Agencies	22,434
Other Contracted Services	20,005
Instructional Supplies and Materials	3,181

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Other Charges	\$	6,511	
Other Equipment		1,000	
Total Special Education Program			\$ 1,718,000

Vocational Education Program

Teachers	\$	769,009	
Career Ladder Program		9,000	
Non-certified Substitute Teachers		3,087	
Social Security		48,428	
State Retirement		48,548	
Medical Insurance		90,550	
Unemployment Compensation		469	
Employer Medicare		11,326	
Travel		435	
Instructional Supplies and Materials		27,341	
Vocational Instruction Equipment		19,789	
Total Vocational Education Program			1,027,982

Adult Education Program

Teachers	\$	174,794	
Social Security		10,258	
State Retirement		6,258	
Medical Insurance		21,170	
Unemployment Compensation		184	
Employer Medicare		2,440	
Travel		4,739	
Instructional Supplies and Materials		10,445	
Other Charges		10,505	
Other Equipment		121	
Total Adult Education Program			240,914

Support Services

Attendance

Supervisor/Director	\$	39,398	
Career Ladder Program		1,000	
Social Security		2,505	
State Retirement		2,521	
Medical Insurance		7,947	
Unemployment Compensation		23	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

Employer Medicare	\$	590	
Travel		1,979	
Total Attendance			\$ 55,963

Health Services

Medical Personnel	\$	54,695	
Other Salaries and Wages		111,392	
Social Security		10,303	
State Retirement		8,283	
Medical Insurance		23,219	
Dental Insurance		287	
Unemployment Compensation		115	
Employer Medicare		2,410	
Communication		813	
Postal Charges		82	
Travel		9,135	
Instructional Supplies and Materials		3,548	
Other Supplies and Materials		26,001	
Total Health Services			250,283

Other Student Support

Career Ladder Program	\$	5,000	
Guidance Personnel		290,433	
Social Security		18,317	
State Retirement		18,435	
Medical Insurance		36,290	
Unemployment Compensation		162	
Employer Medicare		4,284	
Evaluation and Testing		24,130	
Total Other Student Support			397,051

Regular Instruction Program

Supervisor/Director	\$	72,365	
Career Ladder Program		7,000	
Librarians		323,414	
Materials Supervisor		8,954	
Instructional Computer Personnel		109,553	
Secretary(ies)		20,350	
Social Security		33,187	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

State Retirement	\$	31,710	
Medical Insurance		65,982	
Unemployment Compensation		321	
Employer Medicare		7,795	
Communication		9,770	
Travel		24,398	
Other Contracted Services		7,000	
Library Books/Media		12,242	
Other Supplies and Materials		2,000	
In Service/Staff Development		14,808	
Other Charges		8,720	
Total Regular Instruction Program			\$ 759,569

Special Education Program

Supervisor/Director	\$	67,139	
Career Ladder Program		2,000	
Psychological Personnel		34,916	
Assessment Personnel		47,344	
Secretary(ies)		20,223	
Social Security		8,476	
State Retirement		8,053	
Medical Insurance		11,688	
Unemployment Compensation		92	
Employer Medicare		1,982	
Travel		12,778	
Other Charges		22,204	
Total Special Education Program			236,895

Vocational Education Program

Supervisor/Director	\$	61,934	
Career Ladder Program		2,000	
Social Security		3,965	
State Retirement		3,990	
Medical Insurance		3,750	
Employer Medicare		927	
Total Vocational Education Program			76,566

Adult Programs

Supervisor/Director	\$	61,934	
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(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs (Cont.)

Career Ladder Program	\$	3,000	
Social Security		4,025	
State Retirement		4,052	
Medical Insurance		3,750	
Employer Medicare		940	
Total Adult Programs			\$ 77,701

Other Programs

On-Behalf Payments to OPEB	\$	144,184	
Total Other Programs			144,184

Board of Education

Board and Committee Members Fees	\$	5,275	
Social Security		327	
Employer Medicare		76	
Audit Services		10,000	
Dues and Memberships		14,823	
Legal Services		5,490	
Travel		8,019	
Other Contracted Services		23,174	
Premiums on Corporate Surety Bonds		930	
Trustee's Commission		142,828	
Workers' Compensation Insurance		136,481	
Other Charges		5,333	
Total Board of Education			352,756

Director of Schools

County Official/Administrative Officer	\$	85,008	
Career Ladder Program		1,000	
Secretary(ies)		27,375	
Social Security		6,830	
State Retirement		6,330	
Medical Insurance		6,000	
Unemployment Compensation		46	
Employer Medicare		1,594	
Communication		12,325	
Office Supplies		5,484	
Other Charges		7,459	
Total Director of Schools			159,451

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal

Principals	\$	497,414	
Career Ladder Program		13,020	
Secretary(ies)		305,410	
Social Security		49,571	
State Retirement		43,970	
Medical Insurance		87,000	
Unemployment Compensation		601	
Employer Medicare		11,593	
Communication		5,067	
Total Office of the Principal			\$ 1,013,646

Fiscal Services

Accountants/Bookkeepers	\$	50,065	
Secretary(ies)		18,396	
Social Security		4,245	
State Retirement		2,362	
Unemployment Compensation		60	
Employer Medicare		993	
Travel		63	
Other Contracted Services		8,886	
Office Supplies		4,548	
Total Fiscal Services			89,618

Operation of Plant

Custodial Personnel	\$	445,231	
Other Salaries and Wages		1,375	
Social Security		27,255	
State Retirement		17,056	
Medical Insurance		65,806	
Unemployment Compensation		659	
Employer Medicare		6,374	
Custodial Supplies		40,470	
Electricity		589,955	
Natural Gas		191,669	
Water and Sewer		99,000	
Building and Contents Insurance		188,675	
Other Charges		200	
Plant Operation Equipment		289	
Total Operation of Plant			1,674,014

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant

Maintenance Personnel	\$	133,730	
Other Salaries and Wages		2,175	
Social Security		8,395	
State Retirement		5,199	
Medical Insurance		16,519	
Unemployment Compensation		130	
Employer Medicare		1,801	
Communication		1,982	
Maintenance and Repair Services - Buildings		67,889	
Maintenance and Repair Services - Equipment		43,816	
Maintenance and Repair Services - Vehicles		2,025	
Other Contracted Services		25,406	
Other Supplies and Materials		55,068	
Other Charges		2,217	
Maintenance Equipment		34,430	
Total Maintenance of Plant			\$ 400,782

Transportation

Supervisor/Director	\$	39,348	
Mechanic(s)		56,597	
Bus Drivers		463,066	
Clerical Personnel		20,469	
Other Salaries and Wages		37,157	
Social Security		38,161	
State Retirement		23,739	
Medical Insurance		19,643	
Unemployment Compensation		869	
Employer Medicare		8,941	
Communication		3,200	
Maintenance and Repair Services - Vehicles		118,395	
Medical and Dental Services		5,785	
Diesel Fuel		241,661	
Gasoline		18,999	
Lubricants		7,808	
Tires and Tubes		32,253	
Other Supplies and Materials		4,755	
Other Charges		632	
Transportation Equipment		341,260	
Total Transportation			1,482,738

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Central and Other

Data Processing Personnel	\$	31,354	
Social Security		1,944	
State Retirement		1,217	
Unemployment Compensation		23	
Employer Medicare		455	
Total Central and Other			\$ 34,993

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	35,667	
Social Security		2,211	
State Retirement		1,384	
Medical Insurance		8,671	
Employer Medicare		517	
Other Charges		2,473	
Total Food Service			50,923

Community Services

Teachers	\$	31,681	
Part-time Personnel		11,529	
Social Security		2,647	
State Retirement		2,171	
Employer Medicare		615	
Travel		644	
Other Contracted Services		1,380	
Other Supplies and Materials		49,156	
Other Charges		64	
Total Community Services			99,887

Early Childhood Education

Teachers	\$	258,757	
Educational Assistants		68,144	
Other Salaries and Wages		60,782	
Certified Substitute Teachers		193	
Non-certified Substitute Teachers		5,880	
Social Security		24,690	
State Retirement		20,373	
Medical Insurance		64,253	
Dental Insurance		1,800	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

Unemployment Compensation	\$	23	
Employer Medicare		5,802	
Communication		989	
Travel		6,159	
Other Contracted Services		1,554	
Instructional Supplies and Materials		53,828	
In Service/Staff Development		460	
Other Charges		5,454	
Total Early Childhood Education			\$ 579,141

Capital Outlay

Regular Capital Outlay

Architects	\$	34,876	
Other Contracted Services		124,628	
Total Regular Capital Outlay			159,504

Principal on Debt

Education

Principal on Notes	\$	69,632	
Total Education			69,632

Interest on Debt

Education

Interest on Notes	\$	4,942	
Total Education			4,942

Other Debt Service

Education

Contributions	\$	1,000,806	
Total Education			1,000,806

Total General Purpose School Fund \$ 26,629,423

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	780,434	
Educational Assistants		20,532	
Other Salaries and Wages		2,919	

(Continued)

Exhibit J-9

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Certified Substitute Teachers	\$	1,975	
Non-certified Substitute Teachers		7,321	
Social Security		48,124	
State Retirement		48,105	
Medical Insurance		76,924	
Dental Insurance		5,162	
Unemployment Compensation		394	
Employer Medicare		11,258	
Contracts with Other School Systems		6,415	
Maintenance and Repair Services - Equipment		249	
Travel		1,132	
Instructional Supplies and Materials		93,035	
Other Charges		10,008	
Total Regular Instruction Program			\$ 1,113,987

Special Education Program

Educational Assistants	\$	519,842	
Other Salaries and Wages		25,750	
Social Security		33,827	
State Retirement		20,985	
Unemployment Compensation		288	
Employer Medicare		7,899	
Contracts with Other Public Agencies		74	
Contracts with Private Agencies		237,356	
Instructional Supplies and Materials		33,156	
Other Supplies and Materials		10,375	
Total Special Education Program			889,552

Vocational Education Program

Instructional Supplies and Materials	\$	39,387	
Other Supplies and Materials		110	
In Service/Staff Development		16,000	
Other Charges		5,044	
Vocational Instruction Equipment		18,245	
Total Vocational Education Program			78,786

Support Services

Other Student Support

Social Workers	\$	70,602	
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(Continued)

Exhibit J-9

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Social Security	\$	4,378	
State Retirement		2,739	
Medical Insurance		3,443	
Unemployment Compensation		39	
Employer Medicare		1,024	
Travel		17,922	
In Service/Staff Development		5,699	
Total Other Student Support			\$ 105,846

Regular Instruction Program

Supervisor/Director	\$	63,530	
Secretary(ies)		13,832	
Other Salaries and Wages		13,935	
Social Security		5,660	
State Retirement		4,478	
Medical Insurance		6,744	
Dental Insurance		287	
Unemployment Compensation		31	
Employer Medicare		1,324	
Travel		17,673	
Other Contracted Services		440	
Library Books/Media		26,146	
Other Supplies and Materials		2,339	
In Service/Staff Development		50,563	
Other Charges		2,376	
Other Equipment		1,341	
Total Regular Instruction Program			210,699

Special Education Program

Communication	\$	2,000	
Travel		14,769	
Other Charges		17,100	
Total Special Education Program			33,869

Vocational Education Program

Travel	\$	3,036	
Total Vocational Education Program			3,036

(Continued)

Exhibit J-9

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Transportation

Bus Drivers	\$	21,847	
Social Security		1,354	
State Retirement		848	
Unemployment Compensation		12	
Employer Medicare		317	
Total Transportation			\$ 24,378

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	15,226	
Teachers		174,260	
Clerical Personnel		20,052	
Part-time Personnel		175,867	
Social Security		22,048	
State Retirement		13,231	
Unemployment Compensation		461	
Employer Medicare		5,186	
Other Contracted Services		15,057	
Other Supplies and Materials		48,971	
In Service/Staff Development		752	
Other Charges		1,718	
Total Community Services			<u>492,829</u>

Total School Federal Projects Fund \$ 2,952,982

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Accountants/Bookkeepers	\$	22,905	
Clerical Personnel		14,956	
Cafeteria Personnel		630,103	
Other Salaries and Wages		28,612	
Social Security		40,018	
State Retirement		22,288	
Medical Insurance		130,640	
Unemployment Compensation		1,518	
Employer Medicare		9,359	
Communication		7,075	
Maintenance and Repair Services - Equipment		6,785	

(Continued)

Exhibit J-9

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Transportation - Other than Students	\$	18,534	
Travel		1,337	
Other Contracted Services		26,319	
Food Supplies		949,446	
Office Supplies		1,996	
Uniforms		9,016	
Other Supplies and Materials		62,069	
Food Service Equipment		3,872	
Total Food Service			<u>\$ 1,986,848</u>

Total Central Cafeteria Fund \$ 1,986,848

Total Governmental Funds - McNairy County School Department \$ 31,569,253

Exhibit J-10

McNairy County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2008

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	<u>\$ 1,830,120</u>
Total Cash Receipts	<u>\$ 1,830,120</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,811,819
Trustee's Commission	<u>18,301</u>
Total Cash Disbursements	<u>\$ 1,830,120</u>
 Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2007	<u>0</u>
 Cash Balance, June 30, 2008	<u><u>\$ 0</u></u>

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**SINGLE AUDIT SECTION**

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-1402

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

March 5, 2009

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McNairy County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise McNairy County's basic financial statements and have issued our report thereon dated March 5, 2009. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the McNairy County Airport Authority, which was not available from other auditors as of the date of this report. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the discretely presented McNairy County Emergency Communications District as described in our report on McNairy County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered McNairy County'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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of McNairy County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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: 08.01, 08.02, 08.06, 08.11, and 08.12.

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 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 material weaknesses. However, of the significant deficiencies described above, we consider items 08.01, 08.02, and 08.06 to be material weaknesses.

### Compliance and Other Matters

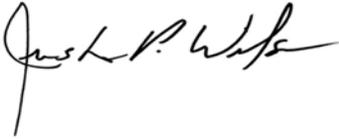
As part of obtaining reasonable assurance about whether McNairy County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 08.03, 08.04, 08.05, 08.07, 08.08, 08.09, and 08.13.

We consider item 08.10 described in the accompanying 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 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, road supervisor, 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, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent vertical stroke at the end.

Justin P. Wilson  
Comptroller of the Treasury

JPW/sb

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-1402  
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

March 5, 2009

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of McNairy County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. McNairy County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of McNairy County's management. Our responsibility is to express an opinion on McNairy County's compliance based on our audit.

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

performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on McNairy County's compliance with those requirements.

In our opinion, McNairy County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

#### Internal Control Over Compliance

The management of McNairy County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered McNairy County'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 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 the county's 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

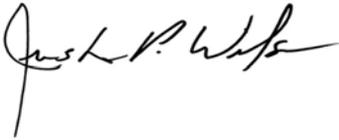
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McNairy County, Tennessee, as of and for the year ended June 30, 2008, and have issued our report thereon dated March 5, 2009. Our report on the aggregate discretely presented components units was qualified due to not including the financial statements of

the McNairy County Airport Authority, which was not available from other auditors as of the date of this report. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise McNairy County'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, road supervisor, County Commissioners, 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, appearing to read "Justin P. Wilson". The signature is written in a cursive style with a long, vertical tail on the letter "l".

Justin P. Wilson  
Comptroller of the Treasury

JPW/sb

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McNairy County, Tennessee  
 Schedule of Expenditures of Federal Awards and State Grants (1)  
 For the Year Ended June 30, 2008

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:			
National School Lunch Program - Food Donation (Noncash Assistance)	10.555	N/A	\$ 167,309 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	258,140
National School Lunch Program	10.555	N/A	841,725 (3)
Summer Food Service Program for Children	10.559	N/A	56,082
Total U.S. Department of Agriculture			<u>\$ 1,323,256</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Z-08022789	\$ 6,900
Passed-through State Office of Criminal Justice Programs:			
Edward Byrne Memorial Formula Grant	16.579	Z-060760500	16,047
Total U.S. Department of Justice			<u>\$ 22,947</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Adult Education - State Grant Program	84.002	(2)	\$ 136,501
Title I Grants to Local Educational Agencies	84.010	N/A	968,373
Special Education - Grants to States	84.027	N/A	852,671
Vocational Education - Basic Grants to States	84.048	N/A	88,129
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	31,201
Even Start - State Educational Agencies	84.213	(2)	58,878
Tech Prep Education	84.243	N/A	16,000
Twenty-First Century Community Learning Centers	84.287	N/A	606,728
State Grants for Innovative Programs	84.298	N/A	7,117
Education Technology State Grants	84.318	(2)	12,124
Rural Education Achievement Program	84.358	N/A	112,680
English Language Acquisition Grants	84.365	N/A	11,016
Improving Teacher Quality State Grants	84.367	N/A	258,300
Project Help WIA	84.XXX	N/A	25,000
Total U.S. Department of Education			<u>\$ 3,184,718</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	\$ 14,341
Total U.S. Corporation For National and Community Service			<u>\$ 14,341</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Cluster:			
Emergency Management Performance Grants	97.042	Z-072060600	\$ 5,245
Assistance to Firefighters Grant	97.044	(2)	60,114
Homeland Security Grant Program	97.067	Z-0502518902	51,680
Total U.S. Department of Homeland Security			<u>\$ 117,039</u>
Total Expenditures of Federal Awards			<u>\$ 4,662,301</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 10,880
Litter Program - State Department of Transportation	N/A	(2)	28,870
Tobacco Cessation Grant - State Department of Health	N/A	GG-082335000	15,789
Delta Grant - State Department of Education	N/A	(2)	6,689
Safety Grant - Hwy. 64 - State Department of Transportation	N/A	(2)	47,434
Computer Grant - Tennessee Secretary of State	N/A	(2)	1,773
Community Enhancement Grants - Tennessee Secretary of State	N/A	(2)	12,500
Computer Grant - Administrative Office of the Courts	N/A	(2)	6,975
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	8,779
Family Preservation and Support Services (Family Resource Center) - State Department of Education	N/A	(2)	33,199
School to Work - State Department of Education	N/A	(2)	21,061
Out of School Youth - State Department of Education	N/A	(2)	32,159
Dropout Prevention - State Department of Education	N/A	(2)	6,000
Early Childhood - Lottery Grant - State Department of Education	N/A	(2)	251,199
Early Childhood - Expansion Grant - State Department of Education	N/A	(2)	327,939
Coordinated School Health - State Department of Health	N/A	(2)	94,329
Safe Schools Act of 2003 - State Department of Education	N/A	(2)	30,304
L.E.A.P.S. Grant - State Department of Education	N/A	(2)	<u>72,050</u>
Total State Grants			<u>\$ 1,007,929</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) Total CFDA No. 10.555 is \$1,009,034.

McNairy County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2008

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, for the year ended June 30, 2007, which have not been corrected.

**OFFICE OF COUNTY MAYOR**

Finding Number	Page Number	Subject
07.03	15	The office had deficiencies in budget operations
07.04	16	All financial activity of the libraries was not audited, and the libraries were not subject to budgetary control of the County Commission

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

Finding Number	Page Number	Subject
07.07	18	Execution docket trial balances did not reconcile with cash journal accounts

**OTHER FINDINGS**

Finding Number	Page Number	Subject
07.09	19	A central system of accounting, budgeting, and purchasing had not been adopted
07.10	20	The trustee and register allowed individuals unsupervised access to their offices after business hours
07.11	20	Duties were not segregated adequately in the Offices of Trustee and Sheriff
07.12	20	The county used a questionable method of funding rural fire protection

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**McNAIRY COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2008**

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

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of McNairy County disclosed significant deficiencies in internal control. Three of these deficiencies were considered to be material weaknesses.
3. The audit disclosed five instances of noncompliance that are material to the financial statements of McNairy County.
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 Twenty-First Century Community Learning Centers (CFDA No. 84.287) 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 did not qualify as a low-risk auditee.

## **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 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 AND McNAIRY COUNTY SCHOOL DEPARTMENT**

**FINDING 08.01**      **McNAIRY COUNTY AND THE McNAIRY COUNTY SCHOOL DEPARTMENT DO NOT HAVE THE RESOURCES TO PRODUCE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS**  
(Internal Control – Material Weakness Under Government Auditing Standards)

Generally accepted auditing standards require that McNairy County's and the McNairy County School Department's financial statements be the product of financial reporting systems that offer reasonable assurance that management is able to produce financial statements and notes to the financial statements that comply with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires that the county and the School Department have internal controls over reporting government-wide and fund financial information and preparing the related notes. It is permissible for us, as the external auditors, to assist the county and the School Department in preparing their financial statements and notes as a matter of convenience as long as the county and the School Department have the skills needed to prepare the financial statements and notes. However, management, including the accounting staff, does not have the technical skills to prepare GAAP financial statements and disclosures. The inability to prepare financial statements and notes is an indication of a lack of controls, or ineffective controls, because material misstatements may not be detected.

### **RECOMMENDATION**

McNairy County and the McNairy County School Department should develop the ability to produce financial statements and notes to the financial statements that comply with GAAP. This could include having at least one staff member trained in financial statement preparation. This staff member should have sufficient skills necessary to prepare a complete set of year-end financial statements even though the external auditors prepare the county's and the School Department's financial statements as a matter of convenience. If we, as the external auditors, continue to prepare the county's and the School Department's financial statements, this individual must have sufficient knowledge to determine the completeness of financial statement information and disclosures.

### **MANAGEMENT'S RESPONSE – COUNTY MAYOR**

McNairy County has in place an agreement with a local accounting firm for fiscal year 2008-2009 that will satisfy this finding.

## AUDITOR'S COMMENT TO MANAGEMENT'S RESPONSE

We have not recommended hiring an accounting firm. We are recommending that the county have a least one staff member trained to have sufficient skills to prepare a complete set of year-end financial statements and disclosures.

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**FINDING 08.02      THE SOLID WASTE/SANITATION AND GENERAL PURPOSE SCHOOL FUNDS REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION**  
(Internal Control – Material Weakness Under Government Auditing Standards)

At June 30, 2008, certain general ledger account balances in the Solid Waste/Sanitation and General Purpose School funds were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year end. Generally accepted accounting principles require McNairy County and the School Department to have adequate internal controls over the maintenance of their accounting records. Material audit adjustments were required because the county's and the School Department's financial reporting systems did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the county and the School Department have ineffective controls over the maintenance of their accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

### RECOMMENDATION

McNairy County and the School Department should have appropriate processes in place to ensure that their general ledgers are materially correct.

### MANAGEMENT'S RESPONSE – COUNTY MAYOR

McNairy County will properly book uncollected revenues for fiscal year 2008-2009.

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### OFFICE OF COUNTY MAYOR

**FINDING 08.03      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."

The Irving Meek and Jack McConnico libraries and the McNairy County Library Board have remitted all collections to the county's Public Library Fund subsequent to June 30, 2008. All revenues and expenditures related to the library's operation are now subject to budgetary control of the County Commission as required by state statutes.

#### MANAGEMENT'S RESPONSE – COUNTY MAYOR

Public library financial activity is under the County Commission's budgetary control for fiscal year 2008-2009.

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**FINDING 08.04      SOME COUNTY FUNDS WERE NOT INVESTED IN ACCORDANCE WITH STATE STATUTE**  
(Material Noncompliance Under Government Auditing Standards)

In December 2007, it was brought to the county officials' attention that in prior years they had received stocks in connection with the sale of the hospital. Stocks are not an investment type permitted by Section 5-8-301, Tennessee Code Annotated (TCA). This statute provides that county funds be invested in: (a) bonds, notes, or treasury bills of the United States or other obligations guaranteed as to principal and interest by the United States or any of its agencies; (b) certificates of deposit and other evidence of deposits at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations; (c) certain repurchase agreements; (d) the state investment pool; (e) certain bonds issued by states and political subdivisions; (f) nonconvertible debt securities of certain federal government sponsored enterprises; and (g) the county's own debt issued in accordance with Title 9, Chapter 21, TCA. As of June 30, 2008, the value of the stocks was \$262,396. It should also be noted that as of January 27, 2009, the value of the stock was \$103,095.

#### RECOMMENDATION

The county should ensure all funds are invested in accordance with state statute.

MANAGEMENT’S RESPONSE – COUNTY MAYOR

McNairy County did not receive confirmation of ownership of improperly invested funds until fiscal year 2007-2008. The County Commission has discussed alternatives for the investment of these funds.

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**OFFICE OF DIRECTOR OF SCHOOLS**

**FINDING 08.05**      **EXPENDITURES EXCEEDED APPROPRIATIONS**  
(Noncompliance Under Government Auditing Standards)

Expenditures exceeded appropriations approved by the County Commission in the Capital Outlay major appropriation category (the legal level of control) in the General Purpose School Fund by \$174,015. 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.” This deficiency exists because management failed to hold spending to the limit authorized by the County Commission, which resulted in unauthorized expenditures.

**RECOMMENDATION**

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

---

**OFFICE OF CIRCUIT COURT CLERK**

**FINDING 08.06**      **A CASH SHORTAGE OF \$13,528.19 EXISTED IN THE OFFICE OF CIRCUIT COURT CLERK AS OF JANUARY 15, 2008**  
(Internal Control – Material Weakness Under Government Auditing Standards)

On January 7, 2008, representatives from the Office of Circuit Court Clerk informed auditors that they were unable to reconcile receipts with bank deposits, and that it appeared that eight bank deposits were missing. We then performed an examination of the financial records of the office for the period July 1, 2007, through January 15, 2008. This examination disclosed a cash shortage of \$13,528.19. We noted the following discrepancies:

- A. Eight bank deposits totaling \$9,612.63 had been posted to the accounting records but had not been deposited to the official bank account. These bank deposits consisted of collections for the period November 13, 2007, through December 11, 2007. These undeposited collections (\$9,612.63) have been included in the cash shortage.

- B. The allocation between cash, checks, and money orders listed on several deposit tickets did not agree with the allocation listed on the receipt reports. On those deposits, less cash was deposited than was receipted, and more checks and money orders were deposited than were receipted. Due to these allocation discrepancies, we requested the clerk obtain copies of deposit items from the bank. As a result, we determined that six checks from customers and one check from the State of Tennessee totaling \$3,915.56 had been deposited to the bank account that had not been receipted. Therefore, these checks and money orders had been substituted for cash that had been receipted by the office. These unreceipted checks and money orders (\$3,915.56) have been included in the cash shortage.
- C. Collections were not deposited to the bank account on a current basis, allowing cash, checks, and money orders to accumulate. Several deposits were taken to the bank over a week after the funds were collected. Bank records reflected only one deposit in August 2007, and two deposits in September 2007. Section 5-8-207, Tennessee Code Annotated, requires county officials to deposit funds within three days of collection.
- D. Reconciliations of the bank balances with the cash control records were not performed on a current basis. We noted that the reconciliation for November 2007 was not performed until January 7, 2008.
- E. The office did not maintain any records indicating the breakdown of cash, checks, and money orders received by mail.
- F. The clerk informed us that the former bookkeeper, Dana Siegler, had been terminated from her job on December 13, 2007, for matters unrelated to this cash shortage. However, it should be noted that the clerk permitted Ms. Siegler to return to the office after her termination to work on the financial records of the office.

During our examination, we met with Ms. Siegler twice to discuss the missing funds. During our first meeting, Ms. Siegler admitted taking the missing deposits but denied taking any other funds from the office. During our second meeting, Ms. Siegler admitted taking the other missing funds. Ms. Siegler has restored the \$13,528.19 in missing funds to the office. She returned \$3,977.40 in missing money orders and checks, and she paid the office \$7,486.23 and \$2,064.56 from personal funds on January 25, 2008, and February 29, 2008, respectively.

On June 20, 2008, Ms. Seigler pled guilty in Circuit Court to official misconduct. She was sentenced to two years in state prison and immediately granted probation. In addition, she was ordered to pay \$4,405 for restitution to the county for audit expenses. As of February 12, 2009, Ms. Seigler had not made any payments on the restitution and is currently in jail for violation of probation.

## RECOMMENDATION

Receipts should be reconciled with deposits on a current basis and any discrepancies should be investigated promptly. Receipt allocations for cash, checks, and money orders received through the mail should be reconciled with deposit tickets currently. Funds should be deposited to the official bank account with three days of collection. Bank reconciliations with cash controls records should be completed on a current basis. A log should be maintained recording the allocation of receipts received by mail. Employees who have been terminated should not have access to office records. The county should follow-up on the collection of the restitution ordered for audit expenses.

---

## OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

### FINDING 08.07      **EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH CASH JOURNAL ACCOUNTS** (Material Noncompliance Under Government Auditing Standards)

At June 30, 2008, 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 substantial amounts. The clerk held unidentified funds of \$35,879 in Circuit Court and \$26,053 in General Sessions Court, which were carried forward from the former clerk who left office August 31, 2002. Therefore, 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

The execution docket trial balances should be reconciled with cash journal accounts. Any funds held by the court for one year and unclaimed by the owner are considered abandoned and should be reported and paid to the state Treasurer's Office in compliance with state statute.

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## OFFICE OF GENERAL SESSIONS COURT CLERK

### FINDING 08.08      **THE OFFICE DID NOT PROPERLY ACCOUNT FOR RENTAL FEES** (Material Noncompliance Under Government Auditing Standards)

The county mayor contracted with Weststate Education and Probation Service (Weststate) for use of county office facilities at the criminal justice complex. This agreement provided for McNairy County to receive 15 percent of the probation fees as rent for the facilities. Weststate agreed to make these payments every six months and to provide a report of

monthly collection totals to the clerk. During the two-year period from July 2006 to June 2008, the McNairy General Sessions Court Clerk's office received \$41,520 in probation fees from Weststate for payment of rent. These monies were accounted for as court funds in the financial records of the office.

The following deficiencies were noted in the accounting for rental fees:

- A. The contract with Weststate Education and Probation Service was not approved by the County Commission as required by Section 7-51-904, Tennessee Code Annotated (TCA).
- B. From July 2006 through June 2008, the office used proceeds from Weststate Education and Probation to purchase items totaling \$16,591.78 for the clerk's office. These disbursements were for office supplies and equipment, accounting services, legal notices, telephone service calls, part-time help, office polo shirts, computer training services, and other office related purchases. These funds were not appropriated by the County Commission. Section 5-9-401, TCA, requires all county funds from whatever source to be appropriated by the county legislative body.
- C. IRS Forms 1099 were not issued for part-time help (\$2,134.60) paid from these rental funds. IRS regulations provide that if a person is paid over \$600 in a calendar year, a Form 1099 should be issued.

#### RECOMMENDATION

Contracts should be approved by the County Commission as required by state statute. All payments for rent should be remitted directly to the County Mayor's Office or to the county trustee by the renter. All disbursements should be subject to the budgetary control of the County Commission as required by state statute. An IRS Form 1099 should be issued to each part-time employee paid in excess of \$600 who does not receive a Form W-2.

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FINDING 08.09      **A DEPUTY CLERK WAS INDICTED ON OFFICIAL MISCONDUCT, SOLICITING UNLAWFUL COMPENSATION, AND MISUSE OF OFFICIAL INFORMATION**  
(Material Noncompliance Under Government Auditing Standards)

On October 13, 2008, Theresa Robinson, a deputy clerk, was indicted by the McNairy County Grand Jury on one count of official misconduct, one count of soliciting unlawful compensation, and one count of misuse of official information. The charges allege Ms. Robinson received compensation from a bonding company for supplying information gained through her position as a deputy clerk. Ms. Robinson was suspended without pay on October 13, 2008, and her employment with the office was terminated on February 13, 2009. This case is scheduled for trial in June 2009.

## **OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 08.10    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. Sound business practice dictates that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort.

### **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 is exploring the possibility of a central system of accounting, budgeting, and purchasing.

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**FINDING 08.11    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 the offices after business hours. Sound business practice dictates that unsupervised access to the offices after business hours weakens internal controls over assets. This deficiency is the result of management's decisions to allow lawyers and title researchers to have keys to the office to research documents, and the officials' failure to correct the finding noted in prior audit reports.

### **RECOMMENDATION**

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

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**FINDING 08.12 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 were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management’s decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions.

**RECOMMENDATION**

Officials should segregate duties to the extent possible using available resources.

---

**FINDING 08.13 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.

The County Commission has taken steps to fund rural fire protection through situs based taxes for the 2008-2009 fiscal year.

#### MANAGEMENT'S RESPONSE – COUNTY MAYOR

McNairy County has appropriated sufficient situs-based taxes to fund the county fire department for fiscal year 2008-2009.

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

There were no findings and questioned costs for federal awards.

**McNAIRY COUNTY, TENNESSEE  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2008**

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