



**ANNUAL FINANCIAL REPORT
McNAIRY COUNTY, TENNESSEE**



FOR THE YEAR ENDED JUNE 30, 2009



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ANNUAL FINANCIAL REPORT
McNAIRY COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2009

DEPARTMENT OF AUDIT
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Comptroller of the Treasury

DIVISION OF COUNTY AUDIT
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Director

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State Auditors

This financial report is available at 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, 2009

Scope

We have audited the basic financial statements of McNairy County as of and for the year ended June 30, 2009.

Results

Our report on the aggregate discretely presented components units is qualified because the financial statements do not include one component unit whose financial statements were not available from other auditors as of the date of this report. Our report on the governmental activities, each major fund, and the aggregate remaining fund information 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:

OFFICE OF COUNTY MAYOR

- ◆ The office had deficiencies in budget operations.
- ◆ Some county funds were not invested in accordance with state statute.
- ◆ The office had deficiencies in computer system backup procedures.

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The office had deficiencies in travel reimbursements.
 - ◆ The School Department did not report a fringe benefit for the director of schools (a monthly allowance of \$500 for health insurance) to the Internal Revenue Service.
 - ◆ The School Federal Projects Fund had a deficit in unreserved fund balance and a cash overdraft at June 30, 2009.
-

OFFICE OF TRUSTEE

- ◆ The office had deficiencies in computer system backup procedures.
-

OFFICE OF COUNTY CLERK

- ◆ The office had deficiencies in computer system backup procedures.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ Execution docket trial balances did not reconcile with cash journal accounts.
 - ◆ The office had deficiencies in computer system backup procedures.
-

OFFICE OF REGISTER

- ◆ The register allowed individuals unsupervised access to his office after business hours.
-

OTHER FINDINGS

- ◆ A central system of accounting, budgeting, and purchasing had not been adopted.
- ◆ Duties were not segregated adequately in the Offices of Trustee and Sheriff.

INTRODUCTORY SECTION

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McNairy County Officials

June 30, 2009

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, County Mayor, Chairman
Wilburn Gene Ashe
Kenneth Amerson
Larry Browning
Neal Burks
Brenda Cauley
Stevie Clark
Tammy Dillon
O.H. Freeland
Charles Garrison
Joe Henry

Ronald Henry
Keith Jernigan
Anthony Knight
Jeff Lipford
David McCullar
Troy Moore
Jim Rickman
Anthony Smith
James Weatherford
Stan Wheeler
Carol Ann Woods

Board of Education

Frank Lacey, Chairman
Lynn Baker
Johnny Blakely
Tony Chapman
Jean Jones
Larry Smith
Kevin Isbell

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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

December 17, 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, 2009, 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 two 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 unit's financial statements 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, 2009, 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, 2009, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 17, 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 adopted the provisions of Governmental Accounting Standards Board Statement No. 49, Accounting and Financial Reporting for Pollution and Remediation Obligations; and Statement No. 52, Land and Other Real Estate Held as Investments by Endowments.

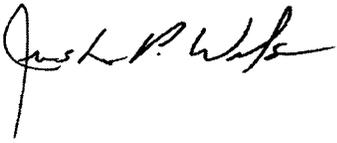
The management of McNairy County did not prepare a management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States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

The budgetary comparison, pension, and other postemployment benefits information on pages 73 through 81 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 long vertical stroke at the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

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BASIC FINANCIAL STATEMENTS

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Exhibit A

McNairy County, Tennessee
Statement of Net Assets
June 30, 2009

	Primary Government Governmental Activities	Component Units	
		McNairy County School Department	Emergency Communications District
<u>ASSETS</u>			
Cash	\$ 833	\$ 0	\$ 97,194
Equity in Pooled Cash and Investments	4,604,872	3,000,170	0
Accounts Receivable	1,173,564	3,199	50,500
Allowance for Uncollectibles	(336,025)	0	0
Investments	117,788	0	0
Due from Other Governments	413,512	986,391	27,750
Deferred Charges - Debt Issuance Costs	118,055	0	
Property Taxes Receivable	3,996,207	3,615,617	0
Allowance for Uncollectible Property Taxes	(177,325)	(160,436)	0
Prepaid Insurance	0	0	7,728
Capital Assets:			
Assets Not Depreciated:			
Land	493,501	375,479	0
Construction in Progress	0	172,903	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	2,846,136	9,253,476	0
Infrastructure	1,916,707	0	0
Other Capital Assets	1,731,182	1,753,495	202,095
Total Assets	\$ 16,899,007	\$ 19,000,294	\$ 385,267
<u>LIABILITIES</u>			
Accounts Payable	\$ 177,681	\$ 4,175	\$ 913
Accrued Vacation	0	0	9,910
Payroll Deductions Payable	16,300	10,185	0
Accrued Interest Payable	134,995	0	0
Cash Overdraft	0	235,537	0
Contracts Payable	0	59,369	0
Retainage Payable	0	9,405	0
Deferred Revenue - Current Property Taxes	3,588,144	3,246,417	0
Due to the State of Tennessee	3,205	0	0
Noncurrent Liabilities:			
Due Within One Year	2,567,341	54	0
Due in More Than One Year	12,777,125	329,667	0
Total Liabilities	\$ 19,264,791	\$ 3,894,809	\$ 10,823

(Continued)

Exhibit A

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

	Primary Government Governmental Activities	Component Units	
		McNairy County School Department	Emergency Communications District
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 2,514,714	\$ 0	\$ 0
Invested in Capital Assets	0	11,555,353	202,095
Restricted for:			
Capital Projects	154	0	0
Highway/Public Works	463,342	0	0
Debt Service	2,724,233	0	0
Drug Control	61,452	0	0
Solid Waste/Sanitation	1,331,606	0	0
Automation of Clerk Offices	78,055		
Other Purposes	35,398	37,912	0
School Federal Projects	0	40,418	0
Central Cafeteria	0	903,757	0
Unrestricted	<u>(9,574,738)</u>	<u>2,568,045</u>	<u>172,349</u>
Total Net Assets	<u>\$ (2,365,784)</u>	<u>\$ 15,105,485</u>	<u>\$ 374,444</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, 2009

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			
					McNairy County Department	School District	Emergency Communications District	
Primary Government:								
Governmental Activities:								
General Government	\$ 1,361,522	\$ 231,301	\$ 674,933	\$ 0	\$ (455,288)	\$ 0	\$ 0	\$ 0
Finance	533,837	471,846	10,983	0	(51,008)	0	0	0
Administration of Justice	575,322	483,885	9,000	0	(82,437)	0	0	0
Public Safety	2,276,973	311,934	9,386	51,568	(1,904,085)	0	0	0
Public Health and Welfare	1,331,935	655,468	75,616	0	(600,851)	0	0	0
Social, Cultural, and Recreational Services	164,289	25,254	0	0	(139,035)	0	0	0
Agriculture and Natural Resources	130,489	0	0	0	(130,489)	0	0	0
Other Operations	1,246,650	0	0	0	(1,246,650)	0	0	0
Highways/Public Works	1,548,714	3,024	1,783,613	164,849	402,772	0	0	0
Education	181,000	0	0	0	(181,000)	0	0	0
Interest on Long-term Debt	702,064	0	0	0	(702,064)	0	0	0
Other Debt Service	58,099	0	3,155	0	(54,944)	0	0	0
Total Primary Government	\$ 10,110,894	\$ 2,182,712	\$ 2,566,686	\$ 216,417	\$ (5,145,079)	\$ 0	\$ 0	\$ 0
Component Units:								
McNairy County School Department	\$ 33,352,710	\$ 1,053,828	\$ 4,902,570	\$ 181,000	\$ 0	\$ (27,215,312)	\$ 0	\$ 0
Emergency Communications District	537,043	485,000	15,718	0	0	0	0	(36,325)
Total Component Units	\$ 33,889,753	\$ 1,538,828	\$ 4,918,288	\$ 181,000	\$ 0	\$ (27,215,312)	\$ (36,325)	\$ (36,325)

(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	Component Units		
				Primary Government Total Governmental Activities	McNairy County School Department	Emergency Communications District
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes				\$ 3,087,743	\$ 3,739,772	\$ 0
Property Taxes Levied for Debt Service				1,013,778	0	0
Local Option Sales Taxes				184,706	1,839,579	0
Wheel Tax				466,554	0	0
Mineral Severance Tax				43,417	0	0
Litigation Tax				139,871	0	0
Other Local Taxes				62,891	46,246	0
Grants and Contributions Not Restricted to Specific Programs				1,408,754	21,553,522	0
Unrestricted Investment Earnings				(11,167)	29,400	288
Miscellaneous				64,291	73,510	4,748
Total General Revenues				\$ 6,460,838	\$ 27,282,029	\$ 5,036
Change in Net Assets				\$ 1,315,759	\$ 66,717	\$ (31,289)
Net Assets, July 1, 2008				(3,870,095)	15,038,768	405,733
Prior-period Adjustment				188,552	0	0
Net Assets, June 30, 2009				\$ (2,365,784)	\$ 15,105,485	\$ 374,444

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

McNairy County, Tennessee
 Balance Sheet
 Governmental Funds
 June 30, 2009

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds		
\$	0	0	0	0	0	833	\$ 833
Cash	1,029,587	551,793	141,862	2,748,821	80,603		\$ 4,552,666
Equity in Pooled Cash and Investments	117,788	0	0	0	0	117,788	
Investments	1,392	1,171,380	534	258	0	1,173,564	
Accounts Receivable	0	(336,025)	0	0	0	(336,025)	
Allowance for Uncollectibles	57,557	16,626	328,505	0	10,824	413,512	
Due from Other Governments	1,183	0	0	52,206	10,824	64,213	
Due from Other Funds	2,695,854	0	317,159	983,194	0	3,996,207	
Property Taxes Receivable	(119,623)	0	(14,074)	(43,628)	0	(177,325)	
Allowance for Uncollectible Property Taxes							
Total Assets	\$ 3,783,738	\$ 1,403,774	\$ 773,986	\$ 3,740,851	\$ 103,084	\$ 9,805,433	

ASSETS

Cash	0
Equity in Pooled Cash and Investments	0
Investments	141,862
Accounts Receivable	0
Allowance for Uncollectibles	534
Due from Other Governments	0
Due from Other Funds	328,505
Property Taxes Receivable	0
Allowance for Uncollectible Property Taxes	317,159
Total Assets	\$ 773,986

LIABILITIES AND FUND BALANCES

Liabilities	
Accounts Payable	79,543
Payroll Deductions Payable	13,398
Due to Other Funds	10,824
Due to State of Tennessee	0
Deferred Revenue - Current Property Taxes	2,420,574
Deferred Revenue - Delinquent Property Taxes	146,066
Other Deferred Revenues	25,597
Total Liabilities	\$ 2,696,002

Fund Balances	
Reserved for Alcohol and Drug Treatment	12,663
Reserved for Sexual Offender Registration	5,770
Reserved for Courtroom Security	3,718
Reserved for Computer System - Register	4,784
Reserved for Automation Purposes - General Sessions Court	51,399
Total Fund Balances	\$ 177,681

(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	
\$	21,872	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,872
987,530	0	0	0	0	0	987,530
0	491,184	308,934	0	0	74,699	874,817
0	0	0	2,804,783	0	0	2,804,783
0	0	0	0	0	154	154
\$ 1,087,736	\$ 491,184	\$ 308,934	\$ 2,804,783	\$ 74,853	\$ 0	\$ 4,767,490
\$ 3,783,738	\$ 1,403,774	\$ 773,986	\$ 3,740,851	\$ 103,084	\$ 0	\$ 9,805,433

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)
Reserved for Automation Purposes - Sheriff
Unreserved, Reported In:
General Fund
Special Revenue Funds
Debt Service Funds
Capital Projects Funds
Total Fund Balances

Total Liabilities and Fund Balances

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, 2009

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)		\$	4,767,490
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	493,501	
Add: buildings and improvements net of accumulated depreciation		2,846,136	
Add: infrastructure net of accumulated depreciation		1,916,707	
Add: other capital assets net of accumulated depreciation		<u>1,731,182</u>	6,987,526
(2) Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds.			
Less: notes payable	\$	(473,412)	
Less: bonds payable		(14,201,371)	
Add: deferred charges - debt issuance costs		118,055	
Less: compensated absences payable		(49,319)	
Less: landfill closure/postclosure care costs		(553,090)	
Less: other postemployment benefits liability		(15,219)	
Less: accrued interest on notes and bonds		(134,995)	
Less: other deferred revenue - premium on debt		<u>(52,055)</u>	(15,361,406)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>1,240,606</u>
Net assets (deficit) of governmental activities (Exhibit A)		\$	<u>(2,365,784)</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, 2009

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
Revenues							
Local Taxes	\$ 3,054,420	\$ 79,080	\$ 369,183	\$ 1,476,881	\$ 3,587	\$ 4,983,151	
Licenses and Permits	2,478	0	0	0	0	2,478	
Fines, Forfeitures, and Penalties	132,952	0	0	0	8,471	141,423	
Charges for Current Services	36,772	830,844	72	0	26,456	894,144	
Other Local Revenues	(61,264)	613	16,260	158,641	92,831	207,081	
Fees Received from County Officials	910,257	0	0	0	0	910,257	
State of Tennessee	1,106,732	214,830	1,928,065	0	0	3,249,627	
Federal Government	62,090	0	15,279	0	0	77,369	
Other Governments and Citizens Groups	0	0	33,225	1,016,796	50,193	1,100,214	
Total Revenues	\$ 5,244,437	\$ 1,125,367	\$ 2,362,084	\$ 2,652,318	\$ 181,538	\$ 11,565,744	
Expenditures							
Current:							
General Government	\$ 722,934	\$ 0	\$ 0	\$ 0	\$ 675,395	\$ 1,398,329	
Finance	441,034	0	0	0	0	441,034	
Administration of Justice	476,464	0	0	0	800	477,264	
Public Safety	1,475,941	0	0	0	32,003	1,507,944	
Public Health and Welfare	127,795	1,083,175	0	0	0	1,210,970	
Social, Cultural, and Recreational Services	0	0	0	0	111,311	111,311	
Agriculture and Natural Resources	117,942	0	0	0	12,547	130,489	
Other Operations	1,615,860	37,112	0	0	27,526	1,680,498	
Highways	38,312	0	1,880,119	0	0	1,918,431	
Debt Service:							
Principal on Debt	0	0	43,056	2,352,389	0	2,395,445	
Interest on Debt	0	0	3,476	655,348	0	658,824	
Other Debt Service	0	0	0	176,154	0	176,154	
Capital Projects - Donated	181,000	0	0	0	0	181,000	
Total Expenditures	\$ 5,197,282	\$ 1,120,287	\$ 1,926,651	\$ 3,183,891	\$ 859,582	\$ 12,287,693	
Excess (Deficiency) of Revenues Over Expenditures	\$ 47,155	\$ 5,080	\$ 435,433	\$ (531,573)	\$ (678,044)	\$ (721,949)	

(Continued)

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	Governmental Funds	
<u>Other Financing Sources (Uses)</u>							
Refunding Debt Issued	\$ 0	\$ 0	\$ 0	\$ 6,535,000	\$ 0	\$ 0	\$ 6,535,000
Premiums on Debt Issued	0	0	0	55,210	0	0	55,210
Insurance Recovery	10,582	1,813	3,530	0	0	0	15,925
Transfers In	0	0	0	535,206	164,996	0	700,202
Transfers Out	(164,996)	0	(535,206)	0	0	0	(700,202)
Payments to Refunded Debt Escrow Agent	0	0	0	(6,465,000)	0	0	(6,465,000)
<u>Total Other Financing Sources (Uses)</u>	<u>\$ (154,414)</u>	<u>\$ 1,813</u>	<u>\$ (531,676)</u>	<u>\$ 660,416</u>	<u>\$ 164,996</u>	<u>\$ 0</u>	<u>\$ 141,135</u>
Net Change in Fund Balances	\$ (107,259)	\$ 6,893	\$ (96,243)	\$ 128,843	\$ (513,048)	\$ 0	\$ (580,814)
Fund Balance, July 1, 2008	1,194,995	484,291	405,177	2,675,940	587,901	0	5,348,304
Fund Balance, June 30, 2009	\$ 1,087,736	\$ 491,184	\$ 308,934	\$ 2,804,783	\$ 74,853	\$ 0	\$ 4,767,490

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, 2009

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)		\$	(580,814)
(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	\$	772,992	
Less: current year depreciation expense		<u>(827,766)</u>	(54,774)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.			
Less: loss on disposal of capital assets	\$	(41,125)	
Less: proceeds received from disposal of capital assets		<u>(192,750)</u>	(233,875)
(3) 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, 2009	\$	1,240,606	
Less: deferred delinquent property taxes and other deferred June 30, 2008		<u>(1,387,257)</u>	(146,651)
(4) The issuance of long-term debt (e.g. bonds, notes) 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.			
Less: refunding bond proceeds	\$	(6,535,000)	
Add: principal payments on notes		130,791	
Add: principal payments on bonds		2,264,654	
Less: change in premium on debt issuances		(52,055)	
Add: change in deferred debt issuance costs		118,055	
Add: payment to refunding agent		<u>6,465,000</u>	2,391,445
(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 the governmental funds.			
Change in accrued interest payable	\$	(43,240)	
Change in compensated absences payable		(17,358)	
Change in landfill closure/postclosure care costs		2,303	
Change in other postemployment benefits liability		<u>(1,277)</u>	(59,572)
Change in net assets of governmental activities (Exhibit B)			<u>\$ 1,315,759</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, 2009

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 554,948
Accounts Receivable	2,320
Due from Other Governments	<u>265,431</u>
Total Assets	<u>\$ 822,699</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 265,431
Due to Litigants, Heirs, and Others	<u>557,268</u>
Total Liabilities	<u>\$ 822,699</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, 2009

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.

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; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

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 2.28 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.

Retainage payable in the discretely presented McNairy County School Department's Central Cafeteria Fund represents amounts withheld from payments made on a construction contract pending completion of the project. These amounts are held by the county trustee as Equity in Pooled Cash and Investments.

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 (buildings \$50,000) and an estimated useful life of more than three 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/postclosure

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, 2009, McNairy County had \$7,226,640 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. Designations of fund balance represent tentative management plans that are subject to change. The following table reflects designations at June 30, 2009:

<u>Fund/Purpose</u>	<u>Amount</u>
General:	
Health Department Renovations	\$ 68,745
Records Commission	8,183

7. Prior-period Adjustment

The closure/postclosure care cost liability was restated \$188,552 from the prior-year due to a change in the procedure of obtaining cost estimates.

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. Fund Deficit

The discretely presented School Federal Projects Fund had a deficit in unreserved fund balance of \$4,813 at June 30, 2009. This deficit resulted because School Department personnel had not requested grant funds timely. This deficit was liquidated when revenues were received subsequent to June 30, 2009.

C. Cash Overdraft

The discretely presented School Federal Projects Fund had a cash overdraft of \$235,537 at June 30, 2009. This cash overdraft resulted from the issuance of warrants exceeding cash on deposit with the county trustee. This cash overdraft was liquidated subsequent to June 30, 2009.

D. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the Solid Waste/Sanitation Fund by \$10,135. Expenditures exceeded appropriations approved by the County Commission in the County Commission (\$286), County Buildings (\$2,986), and General Sessions Court (\$2,508) major appropriation categories (the legal level of control) of the General Fund. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balances.

E. Unauthorized Investment

At June 30, 2009, 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; deposits at state

and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; 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, 2009, 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	\$ 117,788

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, 2009, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-08	Increases	Decreases	Balance 6-30-09
Capital Assets Not Depreciated:				
Land	\$ 491,232	\$ 2,269	\$ 0	\$ 493,501
Total Capital Assets Not Depreciated	<u>\$ 491,232</u>	<u>\$ 2,269</u>	<u>\$ 0</u>	<u>\$ 493,501</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 7,785,629	\$ 0	\$ 0	\$ 7,785,629
Infrastructure	2,632,008	236,986	0	2,868,994
Other Capital Assets	4,795,336	533,737	669,898	4,659,175
Total Capital Assets Depreciated	<u>\$ 15,212,973</u>	<u>\$ 770,723</u>	<u>\$ 669,898</u>	<u>\$ 15,313,798</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 4,657,987	\$ 281,506	\$ 0	\$ 4,939,493
Infrastructure	818,856	133,431	0	952,287
Other Capital Assets	2,951,187	412,829	436,023	2,927,993
Total Accumulated Depreciation	<u>\$ 8,428,030</u>	<u>\$ 827,766</u>	<u>\$ 436,023</u>	<u>\$ 8,819,773</u>
Total Capital Assets Depreciated, Net	<u>\$ 6,784,943</u>	<u>\$ (57,043)</u>	<u>\$ 233,875</u>	<u>\$ 6,494,025</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,276,175</u>	<u>\$ (54,774)</u>	<u>\$ 233,875</u>	<u>\$ 6,987,526</u>

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

Governmental Activities:

General Government	\$ 97,662
Finance	2,849
Administration of Justice	5,087
Public Safety	427,867
Public Health and Welfare	43,430
Social, Cultural, and Recreational Services	16,481
Other Operations	74,635
Highways	<u>159,755</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 827,766</u>

Discretely Presented McNairy County School Department

Governmental Activities:

	Balance 7-1-08	Increases	Decreases	Balance 6-30-09
Capital Assets Not Depreciated:				
Land	\$ 375,479	\$ 0	\$ 0	\$ 375,479
Construction in Progress	138,598	172,903	138,598	172,903
Total Capital Assets Not Depreciated	\$ 514,077	\$ 172,903	\$ 138,598	\$ 548,382
Capital Assets Depreciated:				
Buildings and Improvements	\$ 22,942,696	\$ 520,109	\$ 0	\$ 23,462,805
Other Capital Assets	5,057,235	512,246	212,080	5,357,401
Total Capital Assets Depreciated	\$ 27,999,931	\$ 1,032,355	\$ 212,080	\$ 28,820,206
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 13,830,340	\$ 378,989	\$ 0	\$ 14,209,329
Other Capital Assets	3,465,053	350,933	212,080	3,603,906
Total Accumulated Depreciation	\$ 17,295,393	\$ 729,922	\$ 212,080	\$ 17,813,235
Total Capital Assets Depreciated, Net	\$ 10,704,538	\$ 302,433	\$ 0	\$ 11,006,971
Governmental Activities Capital Assets, Net	\$ 11,218,615	\$ 475,336	\$ 138,598	\$ 11,555,353

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

Governmental Activities:

Instruction	\$ 376,835
Support Services	331,760
Operation of Non-Instructional Services	21,327
Total Depreciation Expense - Governmental Activities	\$ 729,922

C. Construction Commitments

At June 30, 2009, the discretely presented School Department's Central Cafeteria Fund had uncompleted construction contracts of approximately

\$84,326 for a kitchen hood renovation project. Funding has been received for these future expenditures.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2009, is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste/Sanitation	\$ 311
General	Nonmajor governmental	872
General Debt Service	Highway/Public Works	52,206
Nonmajor governmental	General	10,824

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.

The receivable in the General Debt Service Fund (\$52,206) was in transit from the Highway/Public Works Fund at June 30, 2009.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2009, 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	\$ 164,996
Highway/Public Works Fund	535,206	0
Total	\$ 535,206	\$ 164,996

Discretely Presented McNairy County School Department

	<u>Transfer In</u>
	General Purpose School Fund
Transfer Out	
Nonmajor governmental fund	\$ 2,843

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 and Notes

The county issues general obligation bonds 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 and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 20 years for bonds and nine years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2009, will be retired from the General Debt Service, General, and Highway/Public Works funds.

General obligation bonds and capital outlay notes outstanding as of June 30, 2009, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-09
General Obligation Bonds	4.75 to 5.4%	\$ 1,183,250	\$ 671,371
General Obligation Bonds - Refunding	2 to 5	19,875,000	13,530,000
Capital Outlay Notes	4.43 to 4.5	737,300	473,412

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2009, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2010	\$ 146,169	\$ 18,692	\$ 164,861
2011	99,746	12,015	111,761
2012	75,834	8,538	84,372
2013	75,834	5,151	80,985
2014	75,829	1,726	77,555
Total	\$ 473,412	\$ 46,122	\$ 519,534

Year Ending June 30	Bonds		
	Principal	Interest	Total
2010	\$ 2,365,882	\$ 351,135	\$ 2,717,017
2011	2,458,433	309,909	2,768,342
2012	1,250,734	264,208	1,514,942
2013	1,313,144	212,298	1,525,442
2014	1,095,668	167,574	1,263,242
2015-2019	5,602,111	288,893	5,891,004
2020-2022	115,399	11,955	127,354
Total	\$ 14,201,371	\$ 1,605,972	\$ 15,807,343

There is \$2,804,783 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$576, based on the 2000 federal census. Debt per capita, including bonds and notes totaled \$595, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

Governmental Activities:

	Bonds	Notes	Other Loans
Balance, July 1, 2008	\$ 9,931,025	\$ 604,203	\$ 6,465,000
Additions	6,535,000	0	0
Deductions	(2,264,654)	(130,791)	(6,465,000)
Balance, June 30, 2009	<u>\$ 14,201,371</u>	<u>\$ 473,412</u>	<u>\$ 0</u>
Balance Due Within One Year	<u>\$ 2,365,882</u>	<u>\$ 146,169</u>	<u>\$ 0</u>

	Compensated Absences	Landfill Closure/ Postclosure Care Costs	Other Postemployment Benefits
Balance, July 1, 2008	\$ 31,961	\$ 743,945	\$ 13,942
Additions	90,926	27,638	6,586
Deductions	(73,568)	(29,941)	(5,309)
Prior-period Adjustment	0	(188,552)	0
Balance, June 30, 2009	<u>\$ 49,319</u>	<u>\$ 553,090</u>	<u>\$ 15,219</u>
Balance Due Within One Year	<u>\$ 37,228</u>	<u>\$ 18,062</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2009	\$ 15,292,411
Less: Balance Due Within One Year	(3,737,340)
Add: Unamortized Premium on Debt	<u>52,055</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 11,607,126</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.

Current Refunding

On December 10, 2008, McNairy County issued \$6,535,000 in general obligation bonds for a current refunding of \$2,450,000 Local Government Improvement Other Loans, \$500,000 Higher Education Building Construction Other Loans, \$3,125,000 Local Government Improvement Other Loans, and \$390,000 Local Government Improvement Loans. As a result, the refunded other loans payable are considered defeased, and the liability has been removed from the county's long-term debt. Because of the refunding, total debt service payments over the next ten years will be reduced by \$248,847. The economic gain or loss on this refunding was not available.

Discretely Presented McNairy County School Department

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Notes	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2008	\$ 70,626	\$ 58	\$ 132,588
Additions	0	65	355,398
Deductions	(70,626)	(69)	(158,319)
Balance, June 30, 2009	\$ 0	\$ 54	\$ 329,667
Balance Due Within One Year	\$ 0	\$ 54	0
Total Noncurrent Liabilities, June 30, 2009			\$ 329,721
Less: Balance Due Within One Year			(54)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A			\$ 329,667

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, 2009, were \$123,051 and \$26,775, 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, 2009, was as follows:

	Balance 7-1-08	Issued	Redeemed	Balance 6-30-09
Tax Anticipation Notes	\$ 0	\$ 200,000	\$ (200,000)	\$ 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 (LWCF), 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 LWCF for its workers' compensation insurance coverage. The LWCF is to be self-sustaining through member premiums. The LWCF 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.

Retirees are not allowed to continue coverage. 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

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations; and Statement No. 52, Land and Other Real Estate Held as Investments by Endowments became effective for the year ended June 30, 2009.

GASB Statement No. 49 requires county governments to measure and report their pollution remediation liabilities. A county has a pollution remediation

problem if one of five obligating events occurs. The statement requires governments to restate beginning net assets in government-wide and proprietary fund financial statements for pollution remediation liabilities that existed as of July 1, 2008. Previous to GASB Statement No. 49, counties were not required to measure and record pollution remediation liabilities. GASB Statement No. 49 had no effect on the financial statements of McNairy County for the year ended June 30, 2009, since the county had none of the obligating events. However, it is reasonably expected that McNairy County could have pollution remediation liabilities in subsequent years.

GASB Statement No. 52 requires endowments to report land and other real estate investments at fair value. Previous to Statement No. 52, land and other real estate held by endowments were reported at historical cost. Changes in fair value between years will be reported as investment income (loss). GASB Statement No. 52 had no effect on the financial statements of McNairy County for the year ended June 30, 2009, since the county had no endowment investments. However, it is reasonably expected that McNairy County could have endowment investments in subsequent 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

McNairy County has active permits on file with the state Department of Environment and Conservation for a sanitary landfill and a demolition landfill. The county has provided financial assurances for estimated postclosure liabilities as required by the State of Tennessee. These financial assurances are on file with the Department of Environment and Conservation.

State and federal laws and regulations require the county to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. McNairy County closed its sanitary landfill in 1998. The \$553,090 reported as postclosure care liability at June 30, 2009, represents amounts based on what it would cost to perform all postclosure care in 2009.

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 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 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, 2009, was 4.32 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, 2009, McNairy County's annual pension cost of \$276,667 to TCRS was equal to county's required and actual contributions. The required contribution was determined as part of the July 1, 2007, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent 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, 2007, was six 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
6-30-09	\$276,667	100%	\$0
6-30-08	235,008	100	0
6-30-07	223,468	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 \$6 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 SETHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.tn.gov/treasury/tcrs.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the McNairy County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2009, was 6.42 percent of annual covered payroll. The employer contribution requirement for the McNairy County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2009, 2008, and 2007, were \$1,023,485, \$951,996, and \$879,992, respectively, equal to the required contributions for each year.

G. Other Postemployment Benefits (OPEB)

Plan Description

The McNairy County Highway Department and the McNairy County School Department participate in the state-administered Local Government Group Insurance Plan and 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 local education employees 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://tn.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 a 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, 2009, McNairy County and the discretely presented School Department contributed \$4,698 and \$152,512, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 349,432	\$ 5,959
Interest on the NPO	5,966	627
Adjustment to the ARC	(5,807)	(611)
Annual OPEB cost	\$ 349,591	\$ 5,975
Less: Amount of contribution	(152,512)	(4,698)
Increase/decrease in NPO	\$ 197,079	\$ 1,277
Net OPEB obligation, 7-1-08	132,588	13,942
 Net OPEB obligation, 6-30-09	 \$ 329,667	 \$ 15,219

Fiscal 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
6-30-09	"	349,591	44	329,667
6-30-08	Local Government Group	18,228	24	13,942
6-30-09	"	5,975	79	15,219

*Data only available for two years

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-07	7-1-07
Actuarial accrued liability (AAL)	\$ 3,325,647	\$ 39,507
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 3,325,647	\$ 39,507
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 19,335,566	\$ 583,937
UAAL as a % of covered payroll	17%	7%

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 July 1, 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 Communications District provides 911 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 estimated useful lives. Any related interest cost is also added to the cost of the asset as appropriate. See Note H. for more detailed information concerning the district’s capital assets.

Vacation Leave

Employees of the district earn vacation leave time 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 resulting from these risks have not exceeded 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 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, 2009, was 3.02 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, 2009, the district's annual pension cost of \$4,375 to TCRS was equal to the district's required and actual contributions. The required contribution was determined as part of the July 1, 2007, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent 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, 2007, was 17 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
6-30-09	\$ 4,375	100 %	\$ 0
6-30-08	7,336	100	0
6-30-07	6,974	100	0

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 107.28 percent funded. The actuarial accrued liability for benefits was \$.2 million, and the actuarial value of assets was \$.22 million, resulting in an unfunded actuarial accrued liability (UAAL) of (\$.02) million. The covered payroll (annual payroll of active employees covered by the plan) was zero and the ratio of the UAAL to the covered payroll was 10.64 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.

H. Capital Assets

Capital assets activity for the year ended June 30, 2009, was as follows:

	Balance 7-1-08	Increases	Balance 6-30-09
Capital Assets Depreciated:			
Equipment	\$ 323,769	\$ 0	\$ 323,769
Improvements	108,903	0	108,903
Maps	124,590	0	124,590
Total Capital Assets Depreciated	<u>\$ 557,262</u>	<u>\$ 0</u>	<u>\$ 557,262</u>
Less Accumulated Depreciation For:			
Equipment	\$ (225,812)	\$ (19,351)	\$ (245,163)
Improvements	(2,723)	(2,723)	(5,446)
Maps	(99,544)	(5,014)	(104,558)
Total Accumulated Depreciation	<u>\$ (328,079)</u>	<u>\$ (27,088)</u>	<u>\$ (355,167)</u>
Total Capital Assets Depreciated, Net	<u>\$ 229,183</u>	<u>\$ (27,088)</u>	<u>\$ 202,095</u>
Total Capital Assets, Net	<u>\$ 229,183</u>	<u>\$ (27,088)</u>	<u>\$ 202,095</u>

Depreciation expense of \$27,088 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, 2009, 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 credit 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.

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.

**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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	3,054,420	\$ 3,005,250	\$ 3,074,748	\$ (20,328)
Licenses and Permits	2,478	1,250	1,250	1,228
Fines, Forfeitures, and Penalties	132,952	204,625	204,625	(71,673)
Charges for Current Services	36,772	29,750	29,750	7,022
Other Local Revenues	(61,264)	75,050	86,234	(147,498)
Fees Received from County Officials	910,257	889,750	889,750	20,507
State of Tennessee	1,106,732	416,458	1,140,908	(34,176)
Federal Government	62,090	25,000	38,844	23,246
Total Revenues	5,244,437	\$ 4,647,133	\$ 5,466,109	\$ (221,672)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	50,905	\$ 43,240	\$ 50,619	\$ (286)
Board of Equalization	2,200	2,200	2,200	0
Beer Board	90	725	725	635
Budget and Finance Committee	0	1,750	1,750	1,750
Other Boards and Committees	0	3,500	3,500	3,500
County Mayor/Executive	131,322	132,917	134,917	3,595
County Attorney	2,400	2,400	2,400	0
Election Commission	111,999	123,303	123,303	11,304
Register of Deeds	120,673	121,759	121,759	1,086
County Buildings	300,298	252,218	297,312	(2,986)
Preservation of Records	3,047	0	3,647	600
<u>Finance</u>				
Property Assessor's Office	134,605	140,643	140,643	6,038
Reappraisal Program	31,430	38,559	38,559	7,129
County Trustee's Office	119,919	120,564	123,064	3,145
County Clerk's Office	155,080	163,979	163,979	8,899
<u>Administration of Justice</u>				
Circuit Court	142,367	158,789	153,789	11,422
General Sessions Court	180,131	169,632	177,623	(2,508)
Chancery Court	109,161	111,110	111,110	1,949
Juvenile Court	44,805	38,444	45,964	1,159
<u>Public Safety</u>				
Sheriff's Department	977,485	1,149,847	1,149,847	172,362
Drug Enforcement	750	0	2,250	1,500
Jail	292,030	317,626	324,682	32,652
Fire Prevention and Control	88,643	86,438	90,093	1,450
Rural Fire Protection	50,339	49,950	51,450	1,111
Civil Defense	61,894	40,884	62,535	641
Inspection and Regulation	4,800	4,800	4,800	0
<u>Public Health and Welfare</u>				
Local Health Center	127,795	112,693	137,693	9,898

(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>Social, Cultural, and Recreational Services</u>				
Libraries	0 \$	2,190 \$	0 \$	0
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	76,105	62,887	76,987	882
Soil Conservation	41,837	41,587	41,887	50
<u>Other Operations</u>				
Other Economic and Community Development	697,308	15,000	763,799	66,491
Airport	65,000	65,000	65,000	0
Veterans' Services	11,751	11,650	12,550	799
Other Charges	135,453	132,250	136,400	947
Contributions to Other Agencies	137,305	189,061	139,061	1,756
Employee Benefits	537,869	623,711	581,311	43,442
Miscellaneous	31,174	1,000	33,190	2,016
<u>Highways</u>				
Litter and Trash Collection	38,312	38,458	38,458	146
<u>Capital Projects - Donated</u>				
Capital Projects Donated to School Department	181,000	0	181,000	0
Total Expenditures	<u>5,197,282 \$</u>	<u>4,570,764 \$</u>	<u>5,589,856 \$</u>	<u>392,574</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>47,155 \$</u>	<u>76,369 \$</u>	<u>(123,747) \$</u>	<u>170,902</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	10,582 \$	0 \$	0 \$	10,582
Transfers In	0	0	217,316	(217,316)
Transfers Out	(164,996)	(335,760)	(354,760)	189,764
Total Other Financing Sources (Uses)	<u>(154,414) \$</u>	<u>(335,760) \$</u>	<u>(137,444) \$</u>	<u>(16,970)</u>
Net Change in Fund Balance				
Fund Balance, July 1, 2008	<u>1,194,995</u>	<u>792,082</u>	<u>792,082</u>	<u>402,913</u>
Fund Balance, June 30, 2009	<u>1,087,736 \$</u>	<u>532,691 \$</u>	<u>530,891 \$</u>	<u>556,845</u>

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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 79,080	\$ 70,000	\$ 70,000	\$ 9,080
Charges for Current Services	830,844	835,000	835,000	(4,156)
Other Local Revenues	613	0	0	613
State of Tennessee	214,830	172,000	172,000	42,830
Total Revenues	<u>\$ 1,125,367</u>	<u>\$ 1,077,000</u>	<u>\$ 1,077,000</u>	<u>\$ 48,367</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 872,793	\$ 835,450	\$ 835,450	\$ (37,343)
Landfill Operation and Maintenance	210,382	199,660	236,160	25,778
<u>Other Operations</u>				
Employee Benefits	37,112	38,542	38,542	1,430
Total Expenditures	<u>\$ 1,120,287</u>	<u>\$ 1,073,652</u>	<u>\$ 1,110,152</u>	<u>\$ (10,135)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 5,080</u>	<u>\$ 3,348</u>	<u>\$ (33,152)</u>	<u>\$ 38,232</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 1,813	\$ 0	\$ 2,000	\$ (187)
Total Other Financing Sources (Uses)	<u>\$ 1,813</u>	<u>\$ 0</u>	<u>\$ 2,000</u>	<u>\$ (187)</u>
Net Change in Fund Balance	\$ 6,893	\$ 3,348	\$ (31,152)	\$ 38,045
Fund Balance, July 1, 2008	484,291	462,641	462,641	21,650
Fund Balance, June 30, 2009	<u>\$ 491,184</u>	<u>\$ 465,989</u>	<u>\$ 431,489</u>	<u>\$ 59,695</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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 369,183	\$ 392,400	\$ 392,400	\$ (23,217)
Charges for Current Services	72	150	150	(78)
Other Local Revenues	16,260	32,250	32,250	(15,990)
State of Tennessee	1,928,065	2,215,642	2,215,642	(287,577)
Federal Government	15,279	0	0	15,279
Other Governments and Citizens Groups	33,225	5,000	5,000	28,225
Total Revenues	<u>\$ 2,362,084</u>	<u>\$ 2,645,442</u>	<u>\$ 2,645,442</u>	<u>\$ (283,358)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 128,176	\$ 130,557	\$ 130,448	\$ 2,272
Highway and Bridge Maintenance	614,993	649,225	638,007	23,014
Operation and Maintenance of Equipment	303,242	351,500	337,849	34,607
Other Charges	53,118	58,150	58,961	5,843
Employee Benefits	299,384	284,000	307,169	7,785
Capital Outlay	481,206	805,000	805,000	323,794
<u>Principal on Debt</u>				
Highways and Streets	43,056	45,000	45,000	1,944
<u>Interest on Debt</u>				
Highways and Streets	3,476	3,000	4,000	524
Total Expenditures	<u>\$ 1,926,651</u>	<u>\$ 2,326,432</u>	<u>\$ 2,326,434</u>	<u>\$ 399,783</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 435,433</u>	<u>\$ 319,010</u>	<u>\$ 319,008</u>	<u>\$ 116,425</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 3,530	\$ 0	\$ 0	\$ 3,530
Transfers Out	(535,206)	(535,206)	(535,206)	0
Total Other Financing Sources (Uses)	<u>\$ (531,676)</u>	<u>\$ (535,206)</u>	<u>\$ (535,206)</u>	<u>\$ 3,530</u>
Net Change in Fund Balance	<u>\$ (96,243)</u>	<u>\$ (216,196)</u>	<u>\$ (216,198)</u>	<u>\$ 119,955</u>
Fund Balance, July 1, 2008	<u>405,177</u>	<u>270,139</u>	<u>270,139</u>	<u>135,038</u>
Fund Balance, June 30, 2009	<u>\$ 308,934</u>	<u>\$ 53,943</u>	<u>\$ 53,941</u>	<u>\$ 254,993</u>

Exhibit E-4

McNairy County, Tennessee

Schedule of Funding Progress – Pension Plan

Primary Government and Discretely Presented McNairy County School Department

June 30, 2009

(Dollar amounts in thousands)

Fiscal Year Ended	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)
6-30-09	7-1-07	\$ 8,121	\$ 8,685	\$ 564	93.51 %	\$ 5,570	10.13%
6-30-08	7-1-07	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 2007-08 year; therefore, only two years of data are presented.

Exhibit E-5

McNairy County, Tennessee
Schedule of Funding Progress – Pension Plan
Discretely Presented McNairy County Emergency Communications District
June 30, 2009

(Dollar amounts in thousands)

Fiscal Year Ended	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)
6-30-09	7-1-07	\$ 221	\$ 206	\$ (15)	107.28 %	\$ 141	(10.64) %
6-30-08	7-1-07	221	206	(15)	107.28	141	(10.64)

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 2007-08 year; therefore, only two years of data are 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, 2009

(Dollar amounts in thousands)

Fiscal Year Ended*	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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)
<u>PRIMARY GOVERNMENT</u>							
Local Government Group Plan	6-30-08	\$ 0	\$ 137	\$ 137	0 %	\$ 511	27%
"	6-30-09	0	137	137	0	511	27
<u>DISCRETELY PRESENTED McNAIRY COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group Plan	6-30-08	0	2,700	2,700	0	19,752	14
"	6-30-09	0	2,700	2,700	0	19,752	14

*Data only available for two years.

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McNAIRY COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2009

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 Solid Waste/Sanitation Fund by \$10,135. Expenditures exceeded appropriations approved by the County Commission in the County Commission (\$286), County Buildings (\$2,986), and General Sessions Court (\$2,508) major appropriation categories (the legal level of control) of the General Fund. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balances.

C. UNAUTHORIZED INVESTMENT

At June 30, 2009, 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.

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

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Nonmajor Governmental Funds

Special Revenue Funds

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.

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

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

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

Exhibit F-1

McNairy County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2009

	Special Revenue Funds						Total	Capital Projects Fund		
	Law Library	Public Library	Special Purpose	Drug Control	Constitutional Officers - Fees	Community Development/Industrial Park		Total	Fund	
									Community Development/Industrial Park	Total Nonmajor Governmental Funds
\$	0	0	0	0	833	833	0	0	833	
	1,209	4,803	12,985	61,452	0	80,449	154	0	80,603	
	0	0	10,824	0	0	10,824	0	0	10,824	
	0	0	10,824	0	0	10,824	0	0	10,824	
Total Assets	1,209	4,803	34,633	61,452	833	102,930	154	0	103,084	

ASSETS
 Cash
 Equity in Pooled Cash and Investments
 Due from Other Governments
 Due from Other Funds
 Total Assets

LIABILITIES AND FUND BALANCES

	Special Revenue Funds						Total	Capital Projects Fund		
	Law Library	Public Library	Special Purpose	Drug Control	Constitutional Officers - Fees	Community Development/Industrial Park		Total	Fund	
									Community Development/Industrial Park	Total Nonmajor Governmental Funds
\$	0	1,391	25,511	0	0	26,902	0	0	26,902	
	0	418	39	0	0	457	0	0	457	
	0	0	39	0	833	872	0	0	872	
	0	1,809	25,589	0	833	28,231	0	0	28,231	
Fund Balances	1,209	2,994	9,044	61,452	0	74,699	154	0	74,853	
Unreserved	1,209	2,994	9,044	61,452	0	74,699	154	0	74,853	
Total Liabilities and Fund Balances	1,209	4,803	34,633	61,452	833	102,930	154	0	103,084	

Liabilities
 Accounts Payable
 Payroll Deductions Payable
 Due to Other Funds
 Total Liabilities
Fund Balances
 Unreserved
 Total Fund Balances
 Total Liabilities and Fund Balances

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, 2009

	Special Revenue Funds					Total	Capital Projects Fund		Total Nonmajor Governmental Funds
	Law Library	Public Library	Special Purpose	Drug Control	Constitutional Officers - Fees		Community Development/Industrial Park		
Revenues									
Local Taxes	\$ 3,587	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,587	\$ 0	\$ 3,587	
Fines, Forfeitures, and Penalties	0	0	0	8,471	0	8,471	0	8,471	
Charges for Current Services	0	25,254	402	0	800	26,456	0	26,456	
Other Local Revenues	0	0	89,737	3,094	0	92,831	0	92,831	
Other Governments and Citizens Groups	0	0	50,193	0	0	50,193	0	50,193	
Total Revenues	\$ 3,587	\$ 25,254	\$ 140,332	\$ 11,565	\$ 800	\$ 181,538	\$ 0	\$ 181,538	
Expenditures									
Current:									
General Government	\$ 0	\$ 0	\$ 675,395	\$ 0	\$ 0	\$ 675,395	\$ 0	\$ 675,395	
Administration of Justice	0	0	0	0	800	800	0	800	
Public Safety	0	0	0	32,003	0	32,003	0	32,003	
Social, Cultural, and Recreational Services	2,910	108,401	0	0	0	111,311	0	111,311	
Agriculture and Natural Resources	0	0	0	0	0	0	12,547	12,547	
Other Operations	0	21,440	6,086	0	0	27,526	0	27,526	
Total Expenditures	\$ 2,910	\$ 129,841	\$ 681,481	\$ 32,003	\$ 800	\$ 847,035	\$ 12,547	\$ 859,582	
Excess (Deficiency) of Revenues Over Expenditures	\$ 677	\$ (104,587)	\$ (541,149)	\$ (20,438)	\$ 0	\$ (665,497)	\$ (12,547)	\$ (678,044)	
Other Financing Sources (Uses)									
Transfers In	\$ 0	\$ 106,303	\$ 50,193	\$ 0	\$ 0	\$ 156,496	\$ 8,500	\$ 164,996	
Total Other Financing Sources (Uses)	\$ 0	\$ 106,303	\$ 50,193	\$ 0	\$ 0	\$ 156,496	\$ 8,500	\$ 164,996	
Net Change in Fund Balances	\$ 677	\$ 1,716	\$ (490,956)	\$ (20,438)	\$ 0	\$ (509,001)	\$ (4,047)	\$ (513,048)	
Fund Balance, July 1, 2008	532	1,278	500,000	81,890	0	583,700	4,201	587,901	
Fund Balance, June 30, 2009	\$ 1,209	\$ 2,994	\$ 9,044	\$ 61,452	\$ 0	\$ 74,699	\$ 154	\$ 74,853	

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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,587	\$ 4,000	\$ 4,000	\$ (413)
Total Revenues	\$ 3,587	\$ 4,000	\$ 4,000	\$ (413)
<u>Expenditures</u>				
<u>Social, Cultural, and Recreational Services</u>				
Libraries	\$ 2,910	\$ 3,990	\$ 3,990	\$ 1,080
Total Expenditures	\$ 2,910	\$ 3,990	\$ 3,990	\$ 1,080
Excess (Deficiency) of Revenues Over Expenditures	\$ 677	\$ 10	\$ 10	\$ 667
Net Change in Fund Balance	\$ 677	\$ 10	\$ 10	\$ 667
Fund Balance, July 1, 2008	532	1,246	1,246	(714)
Fund Balance, June 30, 2009	\$ 1,209	\$ 1,256	\$ 1,256	\$ (47)

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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 25,254	\$ 13,480	\$ 19,680	\$ 5,574
Other Governments and Citizens Groups	0	10,800	10,800	(10,800)
Total Revenues	\$ 25,254	\$ 24,280	\$ 30,480	\$ (5,226)
<u>Expenditures</u>				
<u>Social, Cultural, and Recreational Services</u>				
Libraries	\$ 108,401	\$ 106,971	\$ 113,171	\$ 4,770
<u>Other Operations</u>				
Employee Benefits	21,440	21,570	21,570	130
Total Expenditures	\$ 129,841	\$ 128,541	\$ 134,741	\$ 4,900
Excess (Deficiency) of Revenues Over Expenditures	\$ (104,587)	\$ (104,261)	\$ (104,261)	\$ (326)
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 106,303	\$ 105,760	\$ 105,760	\$ 543
Total Other Financing Sources (Uses)	\$ 106,303	\$ 105,760	\$ 105,760	\$ 543
Net Change in Fund Balance	\$ 1,716	\$ 1,499	\$ 1,499	\$ 217
Fund Balance, July 1, 2008	1,278	1,278	1,278	0
Fund Balance, June 30, 2009	\$ 2,994	\$ 2,777	\$ 2,777	\$ 217

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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 402	\$ 2,550	\$ 2,550	\$ (2,148)
Other Local Revenues	89,737	101,250	101,250	(11,513)
Other Governments and Citizens Groups	50,193	0	58,602	(8,409)
Total Revenues	<u>\$ 140,332</u>	<u>\$ 103,800</u>	<u>\$ 162,402</u>	<u>\$ (22,070)</u>
<u>Expenditures</u>				
<u>General Government</u>				
Other Facilities	\$ 675,395	\$ 598,389	\$ 715,593	\$ 40,198
<u>Other Operations</u>				
Employee Benefits	6,086	6,601	6,601	515
Total Expenditures	<u>\$ 681,481</u>	<u>\$ 604,990</u>	<u>\$ 722,194</u>	<u>\$ 40,713</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (541,149)</u>	<u>\$ (501,190)</u>	<u>\$ (559,792)</u>	<u>\$ 18,643</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 50,193	0	\$ 58,602	\$ (8,409)
Total Other Financing Sources (Uses)	<u>\$ 50,193</u>	<u>\$ 0</u>	<u>\$ 58,602</u>	<u>\$ (8,409)</u>
Net Change in Fund Balance	\$ (490,956)	\$ (501,190)	\$ (501,190)	\$ 10,234
Fund Balance, July 1, 2008	<u>500,000</u>	<u>494,788</u>	<u>494,788</u>	<u>5,212</u>
Fund Balance, June 30, 2009	<u>\$ 9,044</u>	<u>\$ (6,402)</u>	<u>\$ (6,402)</u>	<u>\$ 15,446</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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive - (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 8,471	\$ 30,000	\$ 30,000	\$ (21,529)
Other Local Revenues	3,094	0	0	3,094
Total Revenues	<u>\$ 11,565</u>	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ (18,435)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 32,003	\$ 39,000	\$ 39,000	\$ 6,997
Total Expenditures	<u>\$ 32,003</u>	<u>\$ 39,000</u>	<u>\$ 39,000</u>	<u>\$ 6,997</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (20,438)</u>	<u>\$ (9,000)</u>	<u>\$ (9,000)</u>	<u>\$ (11,438)</u>
Net Change in Fund Balance	\$ (20,438)	\$ (9,000)	\$ (9,000)	\$ (11,438)
Fund Balance, July 1, 2008	81,890	81,889	81,889	1
Fund Balance, June 30, 2009	<u>\$ 61,452</u>	<u>\$ 72,889</u>	<u>\$ 72,889</u>	<u>\$ (11,437)</u>

Major Governmental Fund

General Debt Service Fund

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

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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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,476,881	\$ 1,458,820	\$ 1,458,820	\$ 18,061
Other Local Revenues	158,641	162,500	162,500	(3,859)
Other Governments and Citizens Groups	1,016,796	0	1,016,796	0
Total Revenues	\$ 2,652,318	\$ 1,621,320	\$ 2,638,116	\$ 14,202
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 833,930	\$ 446,910	\$ 833,930	\$ 0
Highways and Streets	711,509	1,225,834	711,509	0
Education	806,950	720,000	806,950	0
<u>Interest on Debt</u>				
General Government	192,887	198,250	192,887	0
Highways and Streets	146,099	189,100	195,731	49,632
Education	316,362	339,500	339,500	23,138
<u>Other Debt Service</u>				
General Government	157,274	7,800	158,010	736
Highways and Streets	14,087	0	14,087	0
Education	4,793	5,000	5,000	207
Total Expenditures	\$ 3,183,891	\$ 3,132,394	\$ 3,257,604	\$ 73,713
Excess (Deficiency) of Revenues Over Expenditures	\$ (531,573)	\$ (1,511,074)	\$ (619,488)	\$ 87,915
<u>Other Financing Sources (Uses)</u>				
Refunding Debt Issued	\$ 6,535,000	\$ 0	\$ 6,535,000	\$ 0
Premiums on Debt Issued	55,210	0	55,210	0
Transfers In	535,206	1,594,500	777,704	(242,498)
Transfers Out	0	0	(200,000)	200,000
Payments to Refunded Debt Escrow Agent	(6,465,000)	0	(6,465,000)	0
Total Other Financing Sources (Uses)	\$ 660,416	\$ 1,594,500	\$ 702,914	\$ (42,498)
Net Change in Fund Balance	\$ 128,843	\$ 83,426	\$ 83,426	\$ 45,417
Fund Balance, July 1, 2008	2,675,940	2,675,830	2,675,830	110
Fund Balance, June 30, 2009	\$ 2,804,783	\$ 2,759,256	\$ 2,759,256	\$ 45,527

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Fiduciary Funds

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

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

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

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Exhibit H-1

McNairy County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2009

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 554,948	\$ 554,948
Accounts Receivable	0	2,320	2,320
Due from Other Governments	265,431	0	265,431
Total Assets	<u>\$ 265,431</u>	<u>557,268</u>	<u>\$ 822,699</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 265,431	\$ 0	\$ 265,431
Due to Litigants, Heirs, and Others	0	557,268	557,268
Total Liabilities	<u>\$ 265,431</u>	<u>\$ 557,268</u>	<u>\$ 822,699</u>

Exhibit H-2

McNairy County, Tennessee

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

For the Year Ended June 30, 2009

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,786,046	\$ 1,786,046	\$ 0
Due from Other Governments	384,362	265,431	384,362	265,431
Total Assets	\$ 384,362	\$ 2,051,477	\$ 2,170,408	\$ 265,431
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 384,362	\$ 2,051,477	\$ 2,170,408	\$ 265,431
Total Liabilities	\$ 384,362	\$ 2,051,477	\$ 2,170,408	\$ 265,431
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 493,086	\$ 3,960,497	\$ 3,898,635	\$ 554,948
Accounts Receivable	1,569	2,320	1,569	2,320
Total Assets	\$ 494,655	\$ 3,962,817	\$ 3,900,204	\$ 557,268
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 494,655	\$ 3,962,817	\$ 3,900,204	\$ 557,268
Total Liabilities	\$ 494,655	\$ 3,962,817	\$ 3,900,204	\$ 557,268
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 493,086	\$ 3,960,497	\$ 3,898,635	\$ 554,948
Equity in Pooled Cash and Investments	0	1,786,046	1,786,046	0
Accounts Receivable	1,569	2,320	1,569	2,320
Due from Other Governments	384,362	265,431	384,362	265,431
Total Assets	\$ 879,017	\$ 6,014,294	\$ 6,070,612	\$ 822,699
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 384,362	\$ 2,051,477	\$ 2,170,408	\$ 265,431
Due to Litigants, Heirs, and Others	494,655	3,962,817	3,900,204	557,268
Total Liabilities	\$ 879,017	\$ 6,014,294	\$ 6,070,612	\$ 822,699

McNairy County School Department

This section presents combining and individual 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.

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, 2009

Functions/Programs	Program Revenues			Expenses	Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Total	Governmental Activities
Governmental Activities:						
Instruction	\$ 21,147,037	\$ 3,089,494	\$ 181,000	\$ 880,016	\$	\$ (16,996,527)
Support Services	7,603,077	327,917	0	78,942	0	(7,196,218)
Operation of Non-Instructional Services	3,585,947	1,485,159	0	94,870	0	(2,005,918)
Other Debt Service	1,016,649	0	0	0	0	(1,016,649)
Total Governmental Activities	\$ 33,352,710	\$ 4,902,570	\$ 181,000	\$ 1,053,828	\$	\$ (27,215,312)
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes					\$	\$ 3,739,772
Local Option Sales Taxes						1,839,579
Other Local Taxes						46,246
Grants and Contributions Not Restricted to Specific Programs						21,553,522
Unrestricted Investment Earnings						29,400
Miscellaneous						73,510
Total General Revenues					\$	\$ 27,282,029
Change in Net Assets					\$	\$ 66,717
Net Assets, July 1, 2008						15,038,768
Net Assets, June 30, 2009					\$	\$ 15,105,485

Exhibit I-2

McNairy County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented McNairy County School Department
June 30, 2009

	<u>Major Funds</u>		<u>Nonmajor Fund</u>	<u>Total Governmental Funds</u>
	<u>General Purpose School</u>	<u>Central Cafeteria</u>	<u>School Federal Projects Fund</u>	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 2,017,454	\$ 982,716	\$ 0	\$ 3,000,170
Accounts Receivable	3,199	0	0	3,199
Due from Other Governments	710,436	0	275,955	986,391
Property Taxes Receivable	3,615,617	0	0	3,615,617
Allowance for Uncollectible Property Taxes	(160,436)	0	0	(160,436)
Total Assets	\$ 6,186,270	\$ 982,716	\$ 275,955	\$ 7,444,941
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 4,175	\$ 0	\$ 0	\$ 4,175
Payroll Deductions Payable	0	10,185	0	10,185
Cash Overdraft	0	0	235,537	235,537
Contracts Payable	0	59,369	0	59,369
Retainage Payable	0	9,405	0	9,405
Deferred Revenue - Current Property Taxes	3,246,417	0	0	3,246,417
Deferred Revenue - Delinquent Property Taxes	195,901	0	0	195,901
Other Deferred Revenues	152,325	0	0	152,325
Total Liabilities	\$ 3,598,818	\$ 78,959	\$ 235,537	\$ 3,913,314
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 0	\$ 84,326	\$ 0	\$ 84,326
Reserved for Career Ladder - Extended Contract	35,161	0	0	35,161
Reserved for Career Ladder Program	2,751	0	0	2,751
Reserved for Special Education - Grants to States	0	0	30,822	30,822
Other Federal Reserves	0	0	14,409	14,409
Unreserved, Reported In:				
General Fund	2,549,540	0	0	2,549,540
Special Revenue Funds (Deficit)	0	819,431	(4,813)	814,618
Total Fund Balances	\$ 2,587,452	\$ 903,757	\$ 40,418	\$ 3,531,627
Total Liabilities and Fund Balances	\$ 6,186,270	\$ 982,716	\$ 275,955	\$ 7,444,941

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, 2009

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$	3,531,627
(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		172,903	
Add: buildings and improvements net of accumulated depreciation		9,253,476	
Add: other capital assets net of accumulated depreciation		<u>1,753,495</u>	11,555,353
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: compensated absences payable	\$	(54)	
Less: other postemployment benefits liability		<u>(329,667)</u>	(329,721)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>348,226</u>
Net assets of governmental activities (Exhibit A)		\$	<u>15,105,485</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, 2009

	Major Funds		Nonmajor Fund	Total Governmental Funds
	General Purpose School	Central Cafeteria	School Federal Projects Fund	
Revenues				
Local Taxes	\$ 5,685,454	\$ 0	\$ 0	\$ 5,685,454
Licenses and Permits	4,930	0	0	4,930
Charges for Current Services	143,747	869,897	0	1,013,644
Other Local Revenues	89,238	70,612	0	159,850
State of Tennessee	21,628,790	0	0	21,628,790
Federal Government	230,964	1,287,206	3,143,805	4,661,975
Other Governments and Citizens Groups	181,000	0	0	181,000
Total Revenues	\$ 27,964,123	\$ 2,227,715	\$ 3,143,805	\$ 33,335,643
Expenditures				
Current:				
Instruction	\$ 18,208,975	\$ 0	\$ 2,306,537	\$ 20,515,512
Support Services	7,397,669	0	478,573	7,876,242
Operation of Non-Instructional Services	817,780	2,267,044	522,028	3,606,852
Capital Outlay	344,211	0	0	344,211
Debt Service:				
Principal on Debt	70,626	0	0	70,626
Interest on Debt	2,457	0	0	2,457
Other Debt Service	1,016,796	0	0	1,016,796
Total Expenditures	\$ 27,858,514	\$ 2,267,044	\$ 3,307,138	\$ 33,432,696
Excess (Deficiency) of Revenues Over Expenditures	\$ 105,609	\$ (39,329)	\$ (163,333)	\$ (97,053)
Other Financing Sources (Uses)				
Insurance Recovery	\$ 41,196	\$ 0	\$ 0	\$ 41,196
Transfers In	2,843	0	0	2,843
Transfers Out	0	0	(2,843)	(2,843)
Total Other Financing Sources (Uses)	\$ 44,039	\$ 0	\$ (2,843)	\$ 41,196
Net Change in Fund Balances	\$ 149,648	\$ (39,329)	\$ (166,176)	\$ (55,857)
Fund Balance, July 1, 2008	2,437,804	943,086	206,594	3,587,484
Fund Balance, June 30, 2009	\$ 2,587,452	\$ 903,757	\$ 40,418	\$ 3,531,627

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, 2009

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

Net change in fund balances - total governmental funds (Exhibit I-4)		\$	(55,857)
(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	\$	1,066,660	
Less: current year depreciation expense		<u>(729,922)</u>	336,738
(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, 2009	\$	348,226	
Less: deferred delinquent property taxes and other deferred June 30, 2008		<u>(438,545)</u>	(90,319)
(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			70,626
(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 the governmental funds.			
Change in accrued interest payable	\$	2,604	
Change in compensated absences payable		4	
Change in other postemployment benefits liability		<u>(197,079)</u>	<u>(194,471)</u>
Change in net assets of governmental activities (Exhibit B)			<u>\$ 66,717</u>

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, 2009

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Revenues						
Local Taxes	\$ 5,685,454	\$ 0	\$ 5,685,454	\$ 5,653,280	\$ 5,653,280	\$ 32,174
Licenses and Permits	4,930	0	4,930	5,000	5,000	(70)
Charges for Current Services	143,747	0	143,747	127,100	137,100	6,647
Other Local Revenues	89,238	0	89,238	26,500	64,768	24,470
State of Tennessee	21,628,790	0	21,628,790	20,947,641	21,468,185	160,605
Federal Government	230,964	0	230,964	183,109	206,375	24,589
Other Governments and Citizens Groups	181,000	0	181,000	0	181,000	0
Total Revenues	\$ 27,964,123	\$ 0	\$ 27,964,123	\$ 26,942,630	\$ 27,715,708	\$ 248,415
Expenditures						
Instruction						
Regular Instruction Program	\$ 15,056,939	\$ 0	\$ 15,056,939	\$ 14,685,493	\$ 15,119,112	\$ 62,173
Special Education Program	1,865,720	0	1,865,720	1,743,099	1,882,157	16,437
Vocational Education Program	1,041,693	0	1,041,693	1,029,854	1,041,897	204
Adult Education Program	244,623	0	244,623	335,659	335,659	91,036
Support Services						
Attendance	53,655	0	53,655	55,905	53,655	0
Health Services	224,262	0	224,262	244,643	224,276	14
Other Student Support	387,851	0	387,851	394,332	390,881	3,030
Regular Instruction Program	747,236	0	747,236	780,275	750,213	2,977
Special Education Program	230,413	0	230,413	227,810	230,464	51
Vocational Education Program	77,232	0	77,232	76,832	77,232	0
Adult Programs	77,968	0	77,968	77,968	77,968	0
Other Programs	149,826	0	149,826	0	149,826	0

(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)	Less: Encumbrances 7/1/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Board of Education	\$ 379,560	\$ 0	\$ 379,560	\$ 394,659	\$ 388,487	\$ 8,927
Director of Schools	152,013	0	152,013	154,785	153,235	1,222
Office of the Principal	1,026,290	0	1,026,290	1,045,722	1,027,291	1,001
Fiscal Services	108,989	0	108,989	108,555	109,072	83
Operation of Plant	1,920,114	0	1,920,114	1,726,713	1,922,454	2,340
Maintenance of Plant	407,497	0	407,497	316,011	417,904	10,407
Transportation	1,418,579	0	1,418,579	1,533,151	1,422,599	4,020
Central and Other	36,184	0	36,184	36,188	36,188	4
<u>Operation of Non-Instructional Services</u>						
Food Service	51,487	0	51,487	51,601	51,501	14
Community Services	110,678	0	110,678	0	112,000	1,322
Early Childhood Education	655,615	0	655,615	642,674	669,064	13,449
<u>Capital Outlay</u>						
Regular Capital Outlay	344,211	(264,511)	79,700	7,500	344,211	264,511
<u>Principal on Debt</u>						
Education	70,626	0	70,626	70,626	70,792	166
Interest on Debt						
Education	2,457	0	2,457	26,355	2,457	0
<u>Other Debt Service</u>						
Education						
Total Expenditures	1,016,796	0	1,016,796	1,196,270	1,016,796	0
	\$ 27,858,514	\$ (264,511)	\$ 27,594,003	\$ 26,962,630	\$ 28,077,391	\$ 483,388
Excess (Deficiency) of Revenues Over Expenditures	\$ 105,609	\$ 264,511	\$ 370,120	\$ (20,000)	\$ (361,683)	\$ 731,803

(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)	Less: Encumbrances 7/1/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 41,196	\$ 0	\$ 41,196	\$ 0	\$ 41,197	\$ (1)
Transfers In	2,843	0	2,843	20,000	1,200	1,643
Total Other Financing Sources (Uses)	\$ 44,039	\$ 0	\$ 44,039	\$ 20,000	\$ 42,397	\$ 1,642
Net Change in Fund Balance	\$ 149,648	\$ 264,511	\$ 414,159	\$ 0	\$ (319,286)	\$ 733,445
Fund Balance, July 1, 2008	2,437,804	(264,511)	2,173,293	2,241,341	2,241,341	(68,048)
Fund Balance, June 30, 2009	\$ 2,587,452	\$ 0	\$ 2,587,452	\$ 2,241,341	\$ 1,922,055	\$ 665,397

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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
State of Tennessee	\$ 0	\$ 0	\$ 26,000	\$ (26,000)
Federal Government	3,143,805	2,512,769	3,434,863	(291,058)
Total Revenues	\$ 3,143,805	\$ 2,512,769	\$ 3,460,863	\$ (317,058)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,196,367	\$ 1,175,432	\$ 1,284,811	\$ 88,444
Special Education Program	943,092	825,778	1,012,733	69,641
Vocational Education Program	167,078	55,996	167,078	0
<u>Support Services</u>				
Other Student Support	106,005	109,652	110,205	4,200
Regular Instruction Program	260,705	465,013	366,260	105,555
Special Education Program	24,135	45,807	55,427	31,292
Vocational Education Program	3,125	3,700	3,125	0
Transportation	84,603	24,603	135,057	50,454
<u>Operation of Non-Instructional Services</u>				
Community Services	522,028	0	524,843	2,815
Total Expenditures	\$ 3,307,138	\$ 2,705,981	\$ 3,659,539	\$ 352,401
Excess (Deficiency) of Revenues Over Expenditures	\$ (163,333)	\$ (193,212)	\$ (198,676)	\$ 35,343
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (2,843)	\$ (5,089)	\$ (1,409)	\$ (1,434)
Total Other Financing Sources (Uses)	\$ (2,843)	\$ (5,089)	\$ (1,409)	\$ (1,434)
Net Change in Fund Balance	\$ (166,176)	\$ (198,301)	\$ (200,085)	\$ 33,909
Fund Balance, July 1, 2008	206,594	206,594	206,594	0
Fund Balance, June 30, 2009	\$ 40,418	\$ 8,293	\$ 6,509	\$ 33,909

Exhibit I-8

McNairy County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented McNairy County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2009

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 869,897	0	\$ 869,897	\$ 848,000	\$ 848,000	\$ 21,897
Other Local Revenues	70,612	0	70,612	70,000	70,000	612
Federal Government	1,287,206	0	1,287,206	1,172,000	1,172,000	115,206
Total Revenues	\$ 2,227,715	0	\$ 2,227,715	\$ 2,090,000	\$ 2,090,000	\$ 137,715
<u>Expenditures</u>						
<u>Operation of Non-Instructional Services</u>						
Food Service	\$ 2,267,044	84,326	\$ 2,351,370	\$ 2,090,000	\$ 2,351,760	\$ 390
Total Expenditures	\$ 2,267,044	84,326	\$ 2,351,370	\$ 2,090,000	\$ 2,351,760	\$ 390
Excess (Deficiency) of Revenues Over Expenditures	\$ (39,329)	(84,326)	(123,655)	0	(261,760)	138,105
Net Change in Fund Balance Fund Balance, July 1, 2008	\$ 943,086	0	(123,655)	0	(261,760)	138,105
Fund Balance, June 30, 2009	\$ 903,757	(84,326)	819,431	\$ 939,960	\$ 678,200	\$ 141,231

MISCELLANEOUS SCHEDULES

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McNairy County, Tennessee
 Schedule of Changes in Long-term Notes, Other Loans, and Bonds
 Primary Government and Discretely Presented McNairy County School Department
 For the Year Ended June 30, 2009

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-08	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-09
PRIMARY GOVERNMENT									
NOTES PAYABLE									
Payable through General Fund									
Patrol Cars	\$ 40,300	4.45 %	9-10-07	9-10-09	\$ 26,095	0 \$	0 \$	0 \$	26,095
Total Payable through General Fund					\$ 26,095	0 \$	0 \$	0 \$	26,095
Payable through Highway/Public Works Fund									
Rural Economic Development Loan	135,000	4.5	8-31-07	8-31-10	\$ 99,306	0 \$	43,056 \$	0 \$	56,250
Total Payable through Highway/Public Works Fund					\$ 99,306	0 \$	43,056 \$	0 \$	56,250
Payable through General Debt Service Fund									
Agriculture Extension Building Construction Highway Equipment	107,000	4.5	5-15-01	5-15-10	\$ 23,802	0 \$	11,901 \$	0 \$	11,901
	455,000	4.43	11-7-07	11-7-13	455,000	0	75,834	0	379,166
Total Payable through General Debt Service Fund					\$ 478,802	0 \$	87,735 \$	0 \$	391,067
Total Notes Payable					\$ 604,203	0 \$	130,791 \$	0 \$	473,412
OTHER LOANS PAYABLE									
Payable through General Debt Service Fund									
Local Government Public Improvement Loan	2,450,000	Variable	10-15-03	12-10-08	\$ 2,450,000	0 \$	0 \$	2,450,000 \$	0
Higher Education Building Construction Loan	875,000	Variable	4-24-1997	12-10-08	500,000	0	0	500,000	0
Local Government Public Improvement Loan	5,000,000	Variable	5-27-1999	12-10-08	3,125,000	0	0	3,125,000	0
Local Government Public Improvement Loan	6,000,000	Variable	1-27-00	12-10-08	390,000	0	0	390,000	0
Total Other Loans Payable					\$ 6,465,000	0 \$	0 \$	6,465,000 \$	0

(Continued)

Exhibit J-1

McNairy County, Tennessee
 Schedule of Changes in Long-term Notes, Other Loans, 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 7-1-08	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-09
PRIMARY GOVERNMENT (Cont.)									
BONDS PAYABLE									
Payable through General Debt Service Fund									
Airport Bonds, Series 1995	\$ 290,000	5 to 5.4%	12-1-1995	2-1-11	\$ 75,000	0 \$	25,000 \$	0 \$	50,000
USDA Rural Development Bonds	350,500	4.75	11-13-01	11-13-16	238,215	0	22,538	0	215,677
USDA Rural Development Bonds	217,750	4.75	5-1-02	5-1-22	171,508	0	8,358	0	163,150
USDA Rural Development Bonds	325,000	4.75	6-21-02	6-21-22	256,302	0	13,758	0	242,544
Refunding Bonds, Series 2003	3,035,000	3 to 5	3-11-03	9-1-12	1,640,000	0	300,000	0	1,340,000
School Refunding Bonds, Series 2003	10,305,000	2 to 4	4-22-03	3-1-17	7,550,000	0	720,000	0	6,830,000
Refunding Bonds, Series 2008	6,535,000	3.5 to 4.5	12-10-08	6-1-19	0	6,535,000	1,175,000	0	5,360,000
Total Bonds Payable					\$ 9,931,025	\$ 6,535,000	\$ 2,264,654	\$ 0	\$ 14,201,371
DISCRETELY PRESENTED McNAIRY COUNTY SCHOOL DEPARTMENT									
NOTES PAYABLE									
Payable through General Purpose School Fund									
Energy Efficiency Loan	218,874	3	7-27-01	9-1-08	\$ 34,107	0 \$	34,107 \$	0 \$	0
Energy Efficiency Capital Outlay Note	255,630	4.33	11-12-01	10-1-08	36,519	0	36,519	0	0
Total Notes Payable					\$ 70,626	0 \$	70,626 \$	0 \$	0

Exhibit J-2

McNairy County, Tennessee
Schedule of Long-term Debt Requirements by Year

Year Ending June 30	Note Principal	Note Interest	Total Note Requirements
2010	\$ 146,169	\$ 18,692	\$ 164,861
2011	99,746	12,015	111,761
2012	75,834	8,538	84,372
2013	75,834	5,151	80,985
2014	75,829	1,726	77,555
Total	\$ 473,412	\$ 46,122	\$ 519,534

Year Ending June 30	Bond Principal	Bond Interest	Total Bond Requirements
2010	\$ 2,365,882	\$ 351,135	\$ 2,717,017
2011	2,458,433	309,909	2,768,342
2012	1,250,734	264,208	1,514,942
2013	1,313,144	212,298	1,525,442
2014	1,095,668	167,574	1,263,242
2015	1,448,312	130,130	1,578,442
2016	1,521,082	91,360	1,612,442
2017	1,578,478	51,364	1,629,842
2018	528,816	8,823	537,639
2019	525,423	7,216	532,639
2020	37,105	5,534	42,639
2021	38,868	3,771	42,639
2022	39,426	2,650	42,076
Total	\$ 14,201,371	\$ 1,605,972	\$ 15,807,343

Exhibit J-3

McNairy County, Tennessee
Schedule of Investments
June 30, 2009

<u>Fund and Type</u>	<u>Fair Value 6-30-09</u>
<u>General Fund</u>	
Principal Financial Group (6,252 shares of common stock)	<u>\$ 117,788</u>
Total Investments	<u>\$ 117,788</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, 2009

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	Public Library	Operations	\$ 106,303
General	Special Purpose	Operations	50,193
General	Community Development/Industrial Park	Operations	8,500
Highway/Public Works	General Debt Service	Debt payments	<u>535,206</u>
Total Transfers Primary Government			<u>\$ 700,202</u>
<u>DISCRETELY PRESENTED McNAIRY COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose	Indirect costs	\$ 2,843
Total Transfers Discretely Presented McNairy County School Department			<u>\$ 2,843</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, 2009

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 71,322	\$ 50,000	The Ohio Casualty Insurance Company
Highway Commissioner	Section 8-24-102, <u>TCA</u>	67,927	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>	61,751	800,000	The Ohio Casualty Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	61,751	10,000	West American Insurance Company
County Clerk	Section 8-24-102, <u>TCA</u>	61,751	50,000	The Ohio Casualty Insurance Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	61,751	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	61,751 (2)	65,000	"
Register	Section 8-24-102, <u>TCA</u>	61,751	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	67,927 (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 \$800.

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

McNairy County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2009

	Special Revenue Funds					
	General	Law Library	Public Library	Waste / Sanitation	Solid Waste / Sanitation	Special Purpose
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 2,549,728	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Trustee's Collections - Prior Year	120,435	0	0	0	0	0
Circuit/Clerk & Master Collections - Prior Years	46,073	0	0	0	0	0
Interest and Penalty	20,796	0	0	0	0	0
Payments in-Lieu-of Taxes - T.V.A.	2,506	0	0	0	0	0
<u>County Local Option Taxes</u>						
Local Option Sales Tax	95,401	0	0	77,345	0	0
Wheel Tax	0	0	0	0	0	0
Litigation Tax - General	136,284	0	0	0	0	0
Litigation Tax - Special Purpose	0	3,587	0	0	0	0
Business Tax	23,152	0	0	0	0	0
Mineral Severance Tax	0	0	0	0	0	0
<u>Statutory Local Taxes</u>						
Bank Excise Tax	21,971	0	0	0	0	0
Wholesale Beer Tax	38,074	0	0	0	0	0
Interstate Telecommunications Tax	0	0	0	1,735	0	0
Total Local Taxes	\$ 3,054,420	\$ 3,587	\$ 0	\$ 79,080	\$ 0	\$ 0
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 910	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Permits</u>						
Beer Permits	1,568	0	0	0	0	0
Total Licenses and Permits	\$ 2,478	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 796	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	9,237	0	0	0	0	0
Game and Fish Fines	68	0	0	0	0	0

(Continued)

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

	Special Revenue Funds				
	General	Law Library	Public Library	Waste / Sanitation	Special Purpose
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Circuit Court (Cont.)</u>					
Drug Control Fines	\$ 56	\$ 0	\$ 0	\$ 0	\$ 0
Drug Court Fees	3,448	0	0	0	0
Jail Fees	656	0	0	0	0
DUI Treatment Fines	2,935	0	0	0	0
Data Entry Fee - Circuit Court	2,176	0	0	0	0
Victims Assistance Assessments	122	0	0	0	0
<u>Criminal Court</u>					
Drug Control Fines	760	0	0	0	0
<u>General Sessions Court</u>					
Fines	8,173	0	0	0	0
Officers Costs	43,255	0	0	0	0
Game and Fish Fines	797	0	0	0	0
Drug Control Fines	2,674	0	0	0	0
Drug Court Fees	6,211	0	0	0	0
Jail Fees	27,026	0	0	0	0
DUI Treatment Fines	2,962	0	0	0	0
Data Entry Fee - General Sessions Court	15,540	0	0	0	0
Courtroom Security Fee	1,195	0	0	0	0
Victims Assistance Assessments	2,822	0	0	0	0
<u>Juvenile Court</u>					
Fines	539	0	0	0	0
<u>Chancery Court</u>					
Data Entry Fee - Chancery Court	1,504	0	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 132,962	\$ 0	\$ 0	\$ 0	\$ 0
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Residential Waste Collection Charge	\$ 0	\$ 0	\$ 0	\$ 682,502	\$ 0
Tipping Fees	0	0	0	148,342	0

(Continued)

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

	Special Revenue Funds					Special Purpose
	General	Law Library	Public Library	Waste / Sanitation	Solid	
<u>Charges for Current Services (Cont.)</u>						
<u>Fees</u>						
Copy Fees	\$ 1,483	\$ 0	\$ 0	\$ 0	\$ 0	0
Library Fees	0	0	25,254	0	0	0
Telephone Commissions	9,884	0	0	0	0	0
Vending Machine Collections	0	0	0	0	0	402
Constitutional Officers' Fees and Commissions	0	0	0	0	0	0
Data Processing Fee - Register	9,494	0	0	0	0	0
Probation Fees	10,400	0	0	0	0	0
Data Processing Fee - Sheriff	3,561	0	0	0	0	0
Sexual Offender Registration Fees - Sheriff	1,950	0	0	0	0	0
Total Charges for Current Services	\$ 36,772	\$ 0	\$ 25,254	\$ 830,844	\$ 402	
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Lease/Rentals	500	0	0	0	0	86,363
Sale of Materials and Supplies	13,744	0	0	233	0	0
Net Increase/(Decrease) in Fair Value of Investments	(144,608)	0	0	0	0	0
Sale of Gasoline	0	0	0	0	0	0
Miscellaneous Refunds	61,346	0	0	380	0	0
<u>Nonrecurring Items</u>						
Sale of Equipment	451	0	0	0	0	0
Sale of Property	4,063	0	0	0	0	0
<u>Other Local Revenues</u>						
Other Local Revenues	3,250	0	0	0	3,374	
Total Other Local Revenues	\$ (61,264)	\$ 0	\$ 0	\$ 613	\$ 89,737	
<u>Fees Received from County Officials</u>						
Fees in-Lieu-of Salary	\$ 196,750	\$ 0	\$ 0	\$ 0	\$ 0	0
County Clerk	37,877	0	0	0	0	0
Circuit Court Clerk						

(Continued)

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

	Special Revenue Funds				
	General	Law Library	Public Library	Waste / Sanitation	Special Purpose
<u>Fees Received from County Officials (Cont.)</u>					
<u>Fees in-Lieu-of Salary (Cont.)</u>					
General Sessions Court Clerk	\$ 215,511	\$ 0	\$ 0	\$ 0	\$ 0
Clerk and Master	76,570	0	0	0	0
Register	93,522	0	0	0	0
Sheriff	14,935	0	0	0	0
Trustee	275,092	0	0	0	0
Total Fees Received from County Officials	\$ 910,257	\$ 0	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0
State Reappraisal Grant	10,963	0	0	0	0
Solid Waste Grants	0	0	0	9,077	0
Other General Government Grants	655,821	0	0	0	0
<u>Health and Welfare Grants</u>					
Health Department Programs	49,523	0	0	0	0
<u>Public Works Grants</u>					
State Aid Program	0	0	0	0	0
Litter Program	13,506	0	0	0	0
<u>Other State Revenues</u>					
Income Tax	19,168	0	0	0	0
Beer Tax	8,721	0	0	0	0
Alcoholic Beverage Tax	48,897	0	0	0	0
Mixed Drink Tax	11,200	0	0	0	0
State Revenue Sharing - T.V.A.	0	0	0	206,753	0
Contracted Prisoner Boarding	247,905	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0
Petroleum Special Tax	0	0	0	0	0
Registrar's Salary Supplement	19,112	0	0	0	0
Other State Grants	12,896	0	0	0	0
Total State of Tennessee	\$ 1,106,732	\$ 0	\$ 0	\$ 214,830	\$ 0

(Continued)

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

	Special Revenue Funds				
	General	Law Library	Public Library	Waste / Sanitation	Special Purpose
<u>Federal Government</u>					
<u>Federal Through State</u>					
Disaster Relief	\$ 0 \$	0 \$	0 \$	0 \$	0
Homeland Security Grants	62,090	0	0	0	0
Total Federal Government	\$ 62,090 \$	0 \$	0 \$	0 \$	0
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Paving and Maintenance	\$ 0 \$	0 \$	0 \$	0 \$	0
Contributions	0	0	0	0	50,193
Total Other Governments and Citizens Groups	\$ 0 \$	0 \$	0 \$	0 \$	50,193
Total	\$ 5,244,437 \$	3,587 \$	25,254 \$	1,125,367 \$	140,332

(Continued)

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

	Special Revenue Funds				Debt Service Fund	Total
	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 0	\$ 0	\$ 299,977	\$ 929,844	\$ 3,779,549	
Trustee's Collections - Prior Year	0	0	14,246	44,814	179,495	
Circuit/Clerk & Master Collections - Prior Years	0	0	5,476	23,086	74,585	
Interest and Penalty	0	0	2,460	7,714	30,970	
Payments in-Lieu-of Taxes - T.V.A.	0	0	0	0	2,506	
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	0	172,746	
Wheel Tax	0	0	0	466,554	466,554	
Litigation Tax - General	0	0	0	0	136,284	
Litigation Tax - Special Purpose	0	0	0	0	3,587	
Business Tax	0	0	0	0	23,152	
Mineral Severance Tax	0	0	43,417	0	43,417	
<u>Statutory Local Taxes</u>						
Bank Excise Tax	0	0	3,607	4,919	30,497	
Wholesale Beer Tax	0	0	0	0	38,074	
Interstate Telecommunications Tax	0	0	0	0	1,735	
Total Local Taxes	\$ 0	\$ 0	\$ 369,183	\$ 1,476,881	\$ 4,983,151	
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$ 0	\$ 910	
<u>Permits</u>						
Beer Permits	0	0	0	0	1,568	
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,478	
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 796	
Officers Costs	0	0	0	0	9,237	
Game and Fish Fines	0	0	0	0	68	

(Continued)

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

	Special Revenue Funds				Debt Service Fund	Total
	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
\$	418	0	0	0	0	474
Drug Control Fines	0	0	0	0	0	3,448
Jail Fees	0	0	0	0	0	656
DUI Treatment Fines	0	0	0	0	0	2,935
Data Entry Fee - Circuit Court	0	0	0	0	0	2,176
Victims Assistance Assessments	0	0	0	0	0	122
<u>Criminal Court</u>	0	0	0	0	0	760
Drug Control Fines	0	0	0	0	0	16,226
General Sessions Court	8,053	0	0	0	0	43,255
Fines	0	0	0	0	0	797
Officers Costs	0	0	0	0	0	2,674
Game and Fish Fines	0	0	0	0	0	6,211
Drug Control Fines	0	0	0	0	0	27,026
Jail Fees	0	0	0	0	0	2,962
DUI Treatment Fines	0	0	0	0	0	15,540
Data Entry Fee - General Sessions Court	0	0	0	0	0	1,195
Courtroom Security Fee	0	0	0	0	0	2,822
Victims Assistance Assessments	0	0	0	0	0	539
<u>Juvenile Court</u>	0	0	0	0	0	1,504
Fines	0	0	0	0	0	141,423
<u>Chancery Court</u>	0	0	0	0	0	0
Data Entry Fee - Chancery Court	0	0	0	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 8,471	\$ 0	\$ 0	\$ 0	\$ 0	\$ 141,423
<u>Charges for Current Services</u>	0	0	0	0	0	682,502
General Service Charges	0	0	0	0	0	148,342
Residential Waste Collection Charge	0	0	0	0	0	0
Tipping Fees	0	0	0	0	0	0

(Continued)

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

	Special Revenue Funds				Total
	Drug Control	Constitutional Officers Fees	Highway / Public Works	Debt Service Fund	
<u>Charges for Current Services (Cont.)</u>					
<u>Fees</u>					
Copy Fees	0 \$	0 \$	0 \$	0 \$	1,483
Library Fees	0	0	0	0	25,254
Telephone Commissions	0	0	0	0	9,884
Vending Machine Collections	0	0	72	0	474
Constitutional Officers' Fees and Commissions	0	800	0	0	800
Data Processing Fee - Register	0	0	0	0	9,494
Probation Fees	0	0	0	0	10,400
Data Processing Fee - Sheriff	0	0	0	0	3,561
Sexual Offender Registration Fees - Sheriff	0	0	0	0	1,950
Total Charges for Current Services	0 \$	800 \$	72 \$	0 \$	894,144
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	0 \$	0 \$	0 \$	133,441 \$	133,441
Lease/Rentals	0	0	0	25,200	112,063
Sale of Materials and Supplies	0	0	3,024	0	17,001
Net Increase/(Decrease) in Fair Value of Investments	0	0	0	0	(144,608)
Sale of Gasoline	0	0	10,295	0	10,295
Miscellaneous Refunds	0	0	2,565	0	64,291
<u>Nonrecurring Items</u>					
Sale of Equipment	0	0	0	0	451
Sale of Property	0	0	0	0	4,063
<u>Other Local Revenues</u>					
Other Local Revenues	3,094	0	376	0	10,094
Total Other Local Revenues	3,094 \$	0 \$	16,260 \$	158,641 \$	207,081
<u>Fees Received from County Officials</u>					
<u>Fees in-Lieu-of Salary</u>					
County Clerk	0 \$	0 \$	0 \$	0 \$	196,750
Circuit Court Clerk	0	0	0	0	37,877

(Continued)

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

	Special Revenue Funds				Debt Service Fund	Total
	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Fees Received from County Officials (Cont.)</u>						
<u>Fees in-Lieu-of Salary (Cont.)</u>						
General Sessions Court Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 215,511
Clerk and Master	0	0	0	0	0	76,570
Register	0	0	0	0	0	93,522
Sheriff	0	0	0	0	0	14,935
Trustee	0	0	0	0	0	275,092
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 910,257
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
State Reappraisal Grant	0	0	0	0	0	10,983
Solid Waste Grants	0	0	0	0	0	9,077
Other General Government Grants	0	0	0	0	0	655,821
<u>Health and Welfare Grants</u>						
Health Department Programs	0	0	0	0	0	49,523
<u>Public Works Grants</u>						
State Aid Program	0	0	164,849	0	0	164,849
Litter Program	0	0	0	0	0	13,506
<u>Other State Revenues</u>						
Income Tax	0	0	0	0	0	19,168
Beer Tax	0	0	0	0	0	8,721
Alcoholic Beverage Tax	0	0	0	0	0	48,897
Mixed Drink Tax	0	0	0	0	0	11,200
State Revenue Sharing - T.V.A.	0	0	0	0	0	205,753
Contracted Prisoner Boarding	0	0	0	0	0	247,905
Gasoline and Motor Fuel Tax	0	0	1,743,417	0	0	1,743,417
Petroleum Special Tax	0	0	19,799	0	0	19,799
Registrar's Salary Supplement	0	0	0	0	0	19,112
Other State Grants	0	0	0	0	0	12,895
Total State of Tennessee	\$ 0	\$ 0	\$ 1,928,065	\$ 0	\$ 0	\$ 3,249,627

(Continued)

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

	Special Revenue Funds				Debt Service Fund	Total
	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Federal Government</u>						
<u>Federal Through State</u>						
Disaster Relief	\$ 0 \$	0 \$	15,279 \$	0 \$	0 \$	15,279
Homeland Security Grants	0	0	0	0	0	62,090
Total Federal Government	\$ 0 \$	0 \$	15,279 \$	0 \$	0 \$	77,369
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Paving and Maintenance	\$ 0 \$	0 \$	33,225 \$	0 \$	0 \$	33,225
Contributions	0	0	0	1,016,796	1,066,989	
Total Other Governments and Citizens Groups	\$ 0 \$	0 \$	33,225 \$	1,016,796 \$	1,100,214	
Total	\$ 11,565 \$	800 \$	2,362,084 \$	2,652,318 \$	11,565,744	

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, 2009

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 3,419,669	\$ 0	\$ 0	\$ 3,419,669
Trustee's Collections - Prior Year	176,007	0	0	176,007
Circuit/Clerk & Master Collections - Prior Years	81,666	0	0	81,666
Interest and Penalty	29,022	0	0	29,022
<u>County Local Option Taxes</u>				
Local Option Sales Tax	1,934,145	0	0	1,934,145
<u>Statutory Local Taxes</u>				
Bank Excise Tax	41,647	0	0	41,647
Interstate Telecommunications Tax	3,298	0	0	3,298
Total Local Taxes	\$ 5,685,454	\$ 0	\$ 0	\$ 5,685,454
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 4,930	\$ 0	\$ 0	\$ 4,930
Total Licenses and Permits	\$ 4,930	\$ 0	\$ 0	\$ 4,930
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Other	\$ 22,888	\$ 0	\$ 0	\$ 22,888
Lunch Payments - Children	0	0	348,318	348,318
Lunch Payments - Adults	0	0	76,574	76,574
Income from Breakfast	0	0	42,386	42,386
A la carte Sales	0	0	389,850	389,850
School Based Health Services - FFS	94,870	0	0	94,870
Receipts from Individual Schools	25,779	0	0	25,779
<u>Other Charges for Services</u>				
Other Charges for Services	210	0	12,769	12,979
Total Charges for Current Services	\$ 143,747	\$ 0	\$ 869,897	\$ 1,013,644
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 29,400	\$ 29,400
Lease/Rentals	40,184	0	0	40,184
Miscellaneous Refunds	11,616	0	41,212	52,828
<u>Nonrecurring Items</u>				
Contributions and Gifts	16,756	0	0	16,756
<u>Other Local Revenues</u>				
Other Local Revenues	20,682	0	0	20,682
Total Other Local Revenues	\$ 89,238	\$ 0	\$ 70,612	\$ 159,850
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 149,826	\$ 0	\$ 0	\$ 149,826
<u>State Education Funds</u>				
Basic Education Program	19,472,309	0	0	19,472,309
Early Childhood Education	664,934	0	0	664,934
School Food Service	23,850	0	0	23,850
Driver Education	13,301	0	0	13,301

(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>				
Other State Education Funds	\$ 319,872	\$ 0	\$ 0	\$ 319,872
Career Ladder Program	267,708	0	0	267,708
Career Ladder - Extended Contract	172,400	0	0	172,400
<u>Other State Revenues</u>				
Mixed Drink Tax	1,301	0	0	1,301
State Revenue Sharing - T.V.A.	382,113	0	0	382,113
Other State Grants	76,643	0	0	76,643
Other State Revenues	84,533	0	0	84,533
Total State of Tennessee	\$ 21,628,790	\$ 0	\$ 0	\$ 21,628,790
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 925,457	\$ 925,457
Breakfast	0	0	290,628	290,628
USDA - Other	0	0	71,121	71,121
Adult Education State Grant Program	145,200	0	0	145,200
Vocational Education - Basic Grants to States	0	83,696	0	83,696
Other Vocational	0	105,942	0	105,942
Title I Grants to Local Education Agencies	0	1,012,492	0	1,012,492
Special Education - Grants to States	23,266	1,024,423	0	1,047,689
Special Education Preschool Grants	0	27,938	0	27,938
English Language Acquisition Grants	0	1,942	0	1,942
Safe and Drug-Free Schools - State Grants	0	13,698	0	13,698
Rural Education	0	82,531	0	82,531
Eisenhower Professional Development State Grants	0	230,772	0	230,772
Other Federal through State	62,498	535,371	0	597,869
<u>Direct Federal Revenue</u>				
Other Direct Federal Revenue	0	25,000	0	25,000
Total Federal Government	\$ 230,964	\$ 3,143,805	\$ 1,287,206	\$ 4,661,975
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 181,000	\$ 0	\$ 0	\$ 181,000
Total Other Governments and Citizens Groups	\$ 181,000	\$ 0	\$ 0	\$ 181,000
Total	\$ 27,964,123	\$ 3,143,805	\$ 2,227,715	\$ 33,335,643

Exhibit J-8

McNairy County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2009

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	15,275	
Audit Services		21,512	
Dues and Memberships		3,090	
Legal Services		7,741	
Periodicals		1,018	
Land		2,269	
Total County Commission			\$ 50,905

Board of Equalization

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

Beer Board

Periodicals	\$	90	
Total Beer Board			90

County Mayor/Executive

County Official/Administrative Officer	\$	71,322	
Accountants/Bookkeepers		19,988	
Secretary(ies)		19,678	
Communication		2,571	
Dues and Memberships		1,450	
Maintenance Agreements		1,416	
Maintenance and Repair Services - Office Equipment		436	
Printing, Stationery, and Forms		1,165	
Travel		468	
Other Contracted Services		9,126	
Office Supplies		1,775	
Other Charges		1,549	
Data Processing Equipment		141	
Office Equipment		237	
Total County Mayor/Executive			131,322

County Attorney

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

Election Commission

County Official/Administrative Officer	\$	23,157	
Temporary Personnel		20,646	

(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.)

Other Salaries and Wages	\$	9,809	
Election Commission		4,686	
Election Workers		22,937	
In-Service Training		241	
Communication		2,683	
Legal Notices, Recording, and Court Costs		10,853	
Maintenance and Repair Services - Equipment		4,310	
Printing, Stationery, and Forms		6,037	
Rentals		1,020	
Travel		1,070	
Other Contracted Services		116	
Office Supplies		2,055	
Periodicals		64	
Office Equipment		2,315	
Total Election Commission			\$ 111,999

Register of Deeds

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		24,465	
Secretary(ies)		16,593	
Communication		2,860	
Data Processing Services		11,210	
Dues and Memberships		426	
Maintenance Agreements		912	
Maintenance and Repair Services - Office Equipment		25	
Postal Charges		200	
Printing, Stationery, and Forms		1,853	
Travel		85	
Office Supplies		293	
Total Register of Deeds			120,673

County Buildings

Custodial Personnel	\$	15,196
Maintenance and Repair Services - Buildings		40,492
Maintenance and Repair Services - Office Equipment		377
Maintenance and Repair Services - Vehicles		439
Pest Control		275
Postal Charges		25,741
Custodial Supplies		4,749
Electricity		104,212

(Continued)

Exhibit J-8

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Gasoline	\$	2,398	
Natural Gas		24,002	
Periodicals		412	
Water and Sewer		12,778	
Other Supplies and Materials		13,826	
Building and Contents Insurance		18,996	
Premiums on Corporate Surety Bonds		560	
Vehicle and Equipment Insurance		1,453	
Other Charges		11,847	
Building Improvements		22,545	
Total County Buildings			\$ 300,298

Preservation of Records

Part-time Personnel	\$	2,800	
Other Supplies and Materials		247	
Total Preservation of Records			3,047

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	61,751	
Assistant(s)		21,767	
Deputy(ies)		30,162	
Communication		2,332	
Contracts with Private Agencies		13,910	
Dues and Memberships		1,141	
Maintenance Agreements		1,102	
Printing, Stationery, and Forms		1,014	
Travel		392	
Other Supplies and Materials		596	
Office Equipment		438	
Total Property Assessor's Office			134,605

Reappraisal Program

Part-time Personnel	\$	17,725	
Communication		304	
Data Processing Services		12,653	
Gasoline		655	
Other Charges		93	
Total Reappraisal Program			31,430

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		22,277	
Clerical Personnel		16,592	
Part-time Personnel		7,188	
Communication		2,053	
Data Processing Services		5,520	
Dues and Memberships		426	
Maintenance Agreements		508	
Maintenance and Repair Services - Office Equipment		102	
Printing, Stationery, and Forms		1,694	
Travel		551	
Office Supplies		743	
Periodicals		514	
Total County Trustee's Office			\$ 119,919

County Clerk's Office

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		21,635	
Secretary(ies)		33,728	
Clerical Personnel		21,225	
Communication		2,014	
Dues and Memberships		426	
Printing, Stationery, and Forms		1,775	
Travel		440	
Data Processing Equipment		12,086	
Total County Clerk's Office			155,080

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	61,751
Deputy(ies)		33,128
Part-time Personnel		6,247
Jury and Witness Fees		11,739
Other Per Diem and Fees		6,935
Communication		3,035
Contracts with Government Agencies		4,849
Dues and Memberships		426
Maintenance Agreements		4,780
Printing, Stationery, and Forms		3,539
Duplicating Supplies		235

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Office Supplies	\$	2,359	
Periodicals		254	
Data Processing Equipment		3,090	
Total Circuit Court			\$ 142,367

General Sessions Court

Judge(s)	\$	96,948	
Deputy(ies)		27,465	
Accountants/Bookkeepers		18,287	
Secretary(ies)		14,850	
Other Per Diem and Fees		16,543	
Communication		1,678	
Contracts with Government Agencies		2,988	
Printing, Stationery, and Forms		1,046	
Office Supplies		326	
Total General Sessions Court			180,131

Chancery Court

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		33,345	
Communication		1,977	
Data Processing Services		5,088	
Dues and Memberships		426	
Maintenance Agreements		1,045	
Printing, Stationery, and Forms		2,257	
Travel		212	
Office Supplies		1,492	
Periodicals		1,118	
Premiums on Corporate Surety Bonds		450	
Total Chancery Court			109,161

Juvenile Court

Youth Service Officer(s)	\$	26,931	
Clerical Personnel		14,500	
Communication		420	
Travel		428	
Office Supplies		746	
Data Processing Equipment		1,500	
Office Equipment		280	
Total Juvenile Court			44,805

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	67,927	
Deputy(ies)		312,410	
Accountants/Bookkeepers		18,495	
Salary Supplements		18,060	
Guards		309,926	
Secretary(ies)		17,704	
Part-time Personnel		17,126	
Overtime Pay		4,278	
In-Service Training		11,882	
Communication		20,501	
Dues and Memberships		1,450	
Maintenance Agreements		1,543	
Maintenance and Repair Services - Equipment		6,788	
Maintenance and Repair Services - Vehicles		16,608	
Printing, Stationery, and Forms		1,752	
Tow-in Services		1,760	
Travel		428	
Gasoline		55,681	
Office Supplies		4,622	
Periodicals		1,916	
Tires and Tubes		2,564	
Uniforms		4,261	
Other Supplies and Materials		2,608	
Vehicle and Equipment Insurance		37,612	
Workers' Compensation Insurance		35,725	
Law Enforcement Equipment		868	
Other Equipment		2,990	
Total Sheriff's Department			\$ 977,485

Drug Enforcement

Motor Vehicles	\$	750	
Total Drug Enforcement			750

Jail

Medical Personnel	\$	14,624	
Salary Supplements		784	
Custodial Personnel		78,290	
In-Service Training		660	
Dues and Memberships		180	
Maintenance Agreements		871	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Maintenance and Repair Services - Buildings	\$	6,383	
Maintenance and Repair Services - Equipment		2,427	
Maintenance and Repair Services - Office Equipment		82	
Maintenance and Repair Services - Vehicles		200	
Medical and Dental Services		72,562	
Pest Control		400	
Travel		2,338	
Custodial Supplies		10,699	
Drugs and Medical Supplies		15,043	
Food Preparation Supplies		10,633	
Food Supplies		67,058	
Office Supplies		4,829	
Prisoners Clothing		381	
Other Supplies and Materials		1,265	
Law Enforcement Equipment		2,321	
Total Jail			\$ 292,030

Fire Prevention and Control

Supervisor/Director	\$	19,912	
Communication		166	
Contracts with Government Agencies		2,200	
Maintenance and Repair Services - Buildings		849	
Maintenance and Repair Services - Vehicles		8,981	
Tow-in Services		200	
Gasoline		6,556	
Office Supplies		105	
Tires and Tubes		8	
Liability Insurance		22,500	
Refunds		3,849	
Workers' Compensation Insurance		17,546	
Other Equipment		5,771	
Total Fire Prevention and Control			88,643

Rural Fire Protection

Contracts with Government Agencies	\$	50,339	
Total Rural Fire Protection			50,339

Civil Defense

Supervisor/Director	\$	37,284	
Communication		2,057	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

Dues and Memberships	\$	30	
Maintenance and Repair Services - Equipment		2,146	
Maintenance and Repair Services - Vehicles		287	
Travel		419	
Office Supplies		520	
Other Supplies and Materials		19,151	
Total Civil Defense			\$ 61,894

Inspection and Regulation

Supervisor/Director	\$	4,800	
Total Inspection and Regulation			4,800

Public Health and Welfare

Local Health Center

Social Workers	\$	36,651	
Custodial Personnel		5,300	
Communication		4,365	
Contracts with Government Agencies		41,300	
Maintenance and Repair Services - Buildings		5,650	
Maintenance and Repair Services - Equipment		855	
Pest Control		385	
Postal Charges		620	
Travel		3,892	
Other Contracted Services		1,220	
Custodial Supplies		566	
Drugs and Medical Supplies		1,556	
Electricity		8,402	
Natural Gas		3,876	
Office Supplies		2,543	
Periodicals		189	
Water and Sewer		1,870	
Building Improvements		8,555	
Total Local Health Center			127,795

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	65,380	
Communication		1,244	
Maintenance Agreements		1,944	
Travel		593	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

Other Supplies and Materials	\$ 3,896	
Office Equipment	3,048	
Total Agriculture Extension Service		\$ 76,105

Soil Conservation

County Official/Administrative Officer	\$ 21,000	
Secretary(ies)	20,037	
Contributions	800	
Total Soil Conservation		41,837

Other Operations

Other Economic and Community Development

Other Charges	\$ 697,308	
Total Other Economic and Community Development		697,308

Airport

Other Charges	\$ 65,000	
Total Airport		65,000

Veterans' Services

Supervisor/Director	\$ 9,750	
Communication	1,026	
Travel	565	
Office Supplies	224	
Periodicals	186	
Total Veterans' Services		11,751

Other Charges

Liability Insurance	\$ 73,861	
Trustee's Commission	61,592	
Total Other Charges		135,453

Contributions to Other Agencies

Contributions	\$ 137,305	
Total Contributions to Other Agencies		137,305

Employee Benefits

Longevity Pay	\$ 4,300	
Social Security	129,513	
State Retirement	79,031	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits (Cont.)

Medical Insurance	\$ 257,782	
Unemployment Compensation	13,859	
Employer Medicare	30,289	
Workers' Compensation Insurance	23,095	
Total Employee Benefits		\$ 537,869

Miscellaneous

Other Supplies and Materials	\$ 31,174	
Total Miscellaneous		31,174

Highways

Litter and Trash Collection

Part-time Personnel	\$ 19,506	
Maintenance and Repair Services - Vehicles	97	
Travel	521	
Gasoline	2,777	
Instructional Supplies and Materials	3,645	
Periodicals	2,462	
Other Supplies and Materials	9,304	
Total Litter and Trash Collection		38,312

Capital Projects - Donated

Capital Projects Donated to School Department

Contributions	\$ 181,000	
Total Capital Projects Donated to School Department		181,000

Total General Fund \$ 5,197,282

Law Library Fund

Social, Cultural, and Recreational Services

Libraries

Clerical Personnel	\$ 1,800	
Library Books/Media	1,074	
Trustee's Commission	36	
Total Libraries		\$ 2,910

Total Law Library Fund 2,910

(Continued)

Exhibit J-8

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

Public Library Fund

Social, Cultural, and Recreational Services

Libraries

County Official/Administrative Officer	\$	40,785	
Custodial Personnel		581	
Part-time Personnel		36,555	
Communication		5,598	
Maintenance and Repair Services - Buildings		1,960	
Postal Charges		280	
Travel		318	
Custodial Supplies		42	
Electricity		11,802	
Natural Gas		1,016	
Office Supplies		2,294	
Water and Sewer		1,451	
Other Supplies and Materials		5,269	
Data Processing Equipment		450	
Total Libraries			\$ 108,401

Other Operations

Employee Benefits

Social Security	\$	4,665	
State Retirement		2,504	
Medical Insurance		13,180	
Employer Medicare		1,091	
Total Employee Benefits			21,440

Total Public Library Fund \$ 129,841

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Contracts with Private Agencies	\$	830,747	
Legal Services		12,128	
Other Contracted Services		18,291	
Building and Contents Insurance		5,060	
Trustee's Commission		2,810	
Vehicle and Equipment Insurance		3,757	
Total Sanitation Management			\$ 872,793

Landfill Operation and Maintenance

Supervisor/Director	\$	24,750	
Data Processing Personnel		15,335	

(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 (Cont.)

Landfill Operation and Maintenance (Cont.)

Foremen	\$	30,023	
Equipment Operators		20,613	
Overtime Pay		634	
Communication		1,527	
Contracts with Government Agencies		11,132	
Dues and Memberships		100	
Evaluation and Testing		6,930	
Maintenance Agreements		50	
Maintenance and Repair Services - Buildings		361	
Maintenance and Repair Services - Equipment		56,016	
Postal Charges		5,129	
Travel		67	
Diesel Fuel		24,551	
Electricity		953	
Fertilizer, Lime, and Seed		50	
Lubricants		588	
Office Supplies		5,287	
Periodicals		733	
Small Tools		720	
Tires and Tubes		747	
Water and Sewer		916	
Gravel and Chert		348	
Refunds		303	
Data Processing Equipment		186	
Other Equipment		2,333	
Total Landfill Operation and Maintenance			\$ 210,382

Other Operations

Employee Benefits

Social Security	\$	5,611	
State Retirement		3,888	
Medical Insurance		17,444	
Employer Medicare		1,312	
Workers' Compensation Insurance		8,857	
Total Employee Benefits			<u>37,112</u>

Total Solid Waste/Sanitation Fund \$ 1,120,287

(Continued)

Exhibit J-8

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

Special Purpose Fund

General Government

Other Facilities

Custodial Personnel	\$	17,189	
Advertising		175	
Communication		1,971	
Maintenance Agreements		1,738	
Maintenance and Repair Services - Buildings		8,602	
Pest Control		90	
Other Contracted Services		475	
Custodial Supplies		3,052	
Electricity		30,741	
Natural Gas		1,515	
Periodicals		632	
Water and Sewer		2,204	
Building and Contents Insurance		4,605	
Building Construction		602,406	
Total Other Facilities			\$ 675,395

Other Operations

Employee Benefits

Social Security	\$	1,066	
State Retirement		735	
Medical Insurance		4,036	
Employer Medicare		249	
Total Employee Benefits			6,086

Total Special Purpose Fund \$ 681,481

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	1,000	
Other Supplies and Materials		871	
Motor Vehicles		21,641	
Other Equipment		8,491	
Total Drug Enforcement			\$ 32,003

Total Drug Control Fund 32,003

(Continued)

Exhibit J-8

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

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$	800	
Total Chancery Court			\$ 800

Total Constitutional Officers - Fees Fund \$ 800

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	67,927	
Accountants/Bookkeepers		26,630	
Clerical Personnel		1,458	
Board and Committee Members Fees		1,175	
Communication		4,194	
Dues and Memberships		3,164	
Legal Services		2,500	
Postal Charges		299	
Printing, Stationery, and Forms		838	
Travel		45	
Electricity		10,244	
Office Supplies		948	
Water and Sewer		593	
Office Equipment		8,161	
Total Administration			\$ 128,176

Highway and Bridge Maintenance

Foremen	\$	28,812	
Equipment Operators		116,525	
Truck Drivers		99,069	
Laborers		176,378	
Other Contracted Services		2,245	
Concrete		2,366	
Crushed Stone		106,811	
General Construction Materials		1,777	
Pipe - Metal		27,637	
Road Signs		14,237	
Chemicals		39,136	
Total Highway and Bridge Maintenance			614,993

Operation and Maintenance of Equipment

Mechanic(s)	\$	68,596	
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(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Licenses	\$	70	
Maintenance and Repair Services - Equipment		13,940	
Diesel Fuel		94,701	
Equipment and Machinery Parts		63,290	
Garage Supplies		9,900	
Gasoline		30,557	
Lubricants		6,794	
Propane Gas		684	
Tires and Tubes		14,710	
Total Operation and Maintenance of Equipment	\$		303,242

Other Charges

Other Contracted Services	\$	325	
Building and Contents Insurance		1,311	
Trustee's Commission		24,468	
Vehicle and Equipment Insurance		27,014	
Total Other Charges			53,118

Employee Benefits

Social Security	\$	44,314	
State Retirement		25,175	
Employee and Dependent Insurance		168,979	
Unemployment Compensation		7,747	
Workers' Compensation Insurance		53,169	
Total Employee Benefits			299,384

Capital Outlay

Bridge Construction	\$	104,610	
Highway Construction		133,461	
Highway Equipment		78,286	
State Aid Projects		164,849	
Total Capital Outlay			481,206

Principal on Debt

Highways and Streets

Principal on Notes	\$	43,056	
Total Highways and Streets			43,056

(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)

Interest on Debt

Highways and Streets

Interest on Notes	\$ 3,476	
Total Highways and Streets		\$ 3,476

Total Highway/Public Works Fund \$ 1,926,651

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 822,029	
Principal on Notes	11,901	
Total General Government		\$ 833,930

Highways and Streets

Principal on Bonds	\$ 635,675	
Principal on Notes	75,834	
Total Highways and Streets		711,509

Education

Principal on Bonds	\$ 806,950	
Total Education		806,950

Interest on Debt

General Government

Interest on Bonds	\$ 144,529	
Interest on Notes	1,074	
Interest on Other Loans	47,284	
Total General Government		192,887

Highways and Streets

Interest on Bonds	\$ 66,489	
Interest on Notes	18,775	
Interest on Other Loans	60,835	
Total Highways and Streets		146,099

Education

Interest on Bonds	\$ 296,320	
Interest on Other Loans	20,042	
Total Education		316,362

(Continued)

Exhibit J-8

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

General Debt Service Fund (Cont.)

Other Debt Service

General Government

Trustee's Commission	\$ 26,152	
Underwriter's Discount	65,350	
Other Debt Issuance Charges	59,860	
Other Debt Service	5,912	
Total General Government	<u>157,274</u>	\$ 157,274

Highways and Streets

Other Debt Service	\$ 14,087	
Total Highways and Streets		14,087

Education

Other Debt Service	\$ 4,793	
Total Education		<u>4,793</u>

Total General Debt Service Fund \$ 3,183,891

Community Development/Industrial Park Fund

Agriculture and Natural Resources

Other Agriculture and Natural Resources

Other Charges	\$ 12,547	
Total Other Agriculture and Natural Resources		<u>\$ 12,547</u>

Total Community Development/Industrial Park Fund 12,547

Total Governmental Funds - Primary Government \$ 12,287,693

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, 2009

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 10,610,216	
Career Ladder Program	174,686	
Career Ladder Extended Contracts	154,827	
Educational Assistants	337,211	
Certified Substitute Teachers	36,889	
Non-certified Substitute Teachers	116,762	
Social Security	622,992	
State Retirement	708,800	
Medical Insurance	1,407,795	
Dental Insurance	97,796	
Unemployment Compensation	9,671	
Employer Medicare	145,541	
Travel	11,128	
Instructional Supplies and Materials	152,818	
Textbooks	223,950	
Regular Instruction Equipment	97,925	
Other Equipment	147,932	
Total Regular Instruction Program		\$ 15,056,939

Special Education Program

Supervisor/Director	\$ 15,514	
Teachers	1,089,410	
Career Ladder Program	20,000	
Clerical Personnel	19,421	
Educational Assistants	156,577	
Certified Substitute Teachers	3,960	
Non-certified Substitute Teachers	9,891	
Social Security	82,211	
State Retirement	80,122	
Medical Insurance	261,000	
Dental Insurance	5,500	
Unemployment Compensation	900	
Employer Medicare	19,332	
Contracts with Other Public Agencies	19,227	
Contracts with Private Agencies	28,833	
Other Contracted Services	15,819	
Instructional Supplies and Materials	7,358	
Other Charges	7,508	
Special Education Equipment	23,137	
Total Special Education Program		1,865,720

(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.)

Vocational Education Program

Teachers	\$	781,631	
Career Ladder Program		6,990	
Certified Substitute Teachers		330	
Non-certified Substitute Teachers		1,134	
Social Security		49,153	
State Retirement		50,671	
Medical Insurance		106,400	
Unemployment Compensation		500	
Employer Medicare		12,291	
Travel		297	
Instructional Supplies and Materials		32,296	
Total Vocational Education Program			\$ 1,041,693

Adult Education Program

Teachers	\$	173,250	
Social Security		10,742	
State Retirement		8,335	
Medical Insurance		13,561	
Unemployment Compensation		122	
Employer Medicare		2,512	
Travel		5,338	
Instructional Supplies and Materials		16,556	
Other Charges		14,207	
Total Adult Education Program			244,623

Support Services

Attendance

Supervisor/Director	\$	40,815	
Social Security		2,530	
State Retirement		2,620	
Medical Insurance		4,630	
Unemployment Compensation		22	
Employer Medicare		592	
Travel		2,446	
Total Attendance			53,655

Health Services

Medical Personnel	\$	55,221	
Other Salaries and Wages		83,645	

(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.)

Health Services (Cont.)

Social Security	\$	10,631	
State Retirement		9,506	
Medical Insurance		28,288	
Dental Insurance		287	
Unemployment Compensation		135	
Employer Medicare		2,486	
Communication		820	
Postal Charges		50	
Travel		10,222	
Instructional Supplies and Materials		2,000	
Other Supplies and Materials		20,971	
Total Health Services			\$ 224,262

Other Student Support

Career Ladder Program	\$	4,000	
Guidance Personnel		284,794	
Social Security		17,905	
State Retirement		18,541	
Medical Insurance		35,231	
Unemployment Compensation		165	
Employer Medicare		4,188	
Evaluation and Testing		23,027	
Total Other Student Support			387,851

Regular Instruction Program

Supervisor/Director	\$	72,765	
Career Ladder Program		7,000	
Librarians		316,229	
Materials Supervisor		9,222	
Instructional Computer Personnel		89,334	
Secretary(ies)		20,960	
Social Security		31,977	
State Retirement		31,487	
Medical Insurance		71,359	
Unemployment Compensation		360	
Employer Medicare		7,479	
Communication		3,943	
Travel		26,245	
Other Contracted Services		9,592	

(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.)

Library Books/Media	\$	15,096	
Other Supplies and Materials		1,079	
In Service/Staff Development		23,528	
Other Charges		9,041	
Other Equipment		540	
Total Regular Instruction Program			\$ 747,236

Special Education Program

Supervisor/Director	\$	67,539	
Career Ladder Program		2,000	
Psychological Personnel		17,760	
Assessment Personnel		47,744	
Secretary(ies)		20,830	
Social Security		8,567	
State Retirement		8,478	
Medical Insurance		12,200	
Unemployment Compensation		100	
Employer Medicare		2,003	
Travel		12,704	
Other Charges		30,488	
Total Special Education Program			230,413

Vocational Education Program

Supervisor/Director	\$	62,334	
Career Ladder Program		2,000	
Social Security		3,965	
State Retirement		4,106	
Medical Insurance		3,900	
Employer Medicare		927	
Total Vocational Education Program			77,232

Adult Programs

Supervisor/Director	\$	61,934	
Career Ladder Program		3,000	
Social Security		4,025	
State Retirement		4,169	
Medical Insurance		3,900	
Employer Medicare		940	
Total Adult Programs			77,968

(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.)

Other Programs

On-Behalf Payments to OPEB	\$	149,826	
Total Other Programs			\$ 149,826

Board of Education

Board and Committee Members Fees	\$	5,000	
Social Security		310	
Employer Medicare		72	
Audit Services		19,000	
Dues and Memberships		14,960	
Legal Services		6,083	
Travel		12,893	
Other Contracted Services		5,080	
Liability Insurance		122	
Premiums on Corporate Surety Bonds		1,630	
Trustee's Commission		142,174	
Workers' Compensation Insurance		169,881	
Other Charges		2,355	
Total Board of Education			379,560

Director of Schools

County Official/Administrative Officer	\$	85,008	
Career Ladder Program		600	
Secretary(ies)		28,196	
Social Security		7,056	
State Retirement		6,714	
Medical Insurance		6,000	
Unemployment Compensation		43	
Employer Medicare		1,650	
Communication		6,607	
Office Supplies		7,867	
Other Charges		2,272	
Total Director of Schools			152,013

Office of the Principal

Principals	\$	499,753	
Career Ladder Program		12,000	
Secretary(ies)		314,057	
Social Security		51,200	
State Retirement		46,415	

(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 (Cont.)

Medical Insurance	\$	85,800	
Unemployment Compensation		800	
Employer Medicare		11,974	
Communication		4,291	
Total Office of the Principal			\$ 1,026,290

Fiscal Services

Accountants/Bookkeepers	\$	67,778	
Secretary(ies)		21,083	
Social Security		5,510	
State Retirement		3,791	
Unemployment Compensation		53	
Employer Medicare		1,289	
Other Contracted Services		4,392	
Office Supplies		5,093	
Total Fiscal Services			108,989

Operation of Plant

Custodial Personnel	\$	458,235	
Other Salaries and Wages		1,675	
Social Security		28,514	
State Retirement		19,883	
Medical Insurance		67,183	
Unemployment Compensation		350	
Employer Medicare		6,669	
Custodial Supplies		74,702	
Electricity		667,000	
Natural Gas		261,538	
Water and Sewer		105,739	
Building and Contents Insurance		213,527	
Plant Operation Equipment		15,099	
Total Operation of Plant			1,920,114

Maintenance of Plant

Maintenance Personnel	\$	147,633	
Other Salaries and Wages		6,728	
Social Security		9,193	
State Retirement		6,405	
Medical Insurance		19,810	

(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 (Cont.)

Unemployment Compensation	\$	98	
Employer Medicare		2,150	
Communication		4,034	
Maintenance and Repair Services - Buildings		58,365	
Maintenance and Repair Services - Equipment		21,691	
Maintenance and Repair Services - Vehicles		384	
Other Contracted Services		33,958	
Other Supplies and Materials		44,710	
Other Charges		758	
Administration Equipment		36,081	
Maintenance Equipment		15,499	
Total Maintenance of Plant			\$ 407,497

Transportation

Supervisor/Director	\$	39,349	
Mechanic(s)		63,718	
Bus Drivers		465,017	
Clerical Personnel		21,083	
Other Salaries and Wages		42,817	
Social Security		39,183	
State Retirement		27,953	
Medical Insurance		20,460	
Unemployment Compensation		222	
Employer Medicare		9,164	
Communication		2,278	
Maintenance and Repair Services - Vehicles		63,048	
Medical and Dental Services		4,930	
Diesel Fuel		199,163	
Gasoline		18,809	
Lubricants		9,672	
Tires and Tubes		33,935	
Other Supplies and Materials		6,200	
Other Charges		431	
Transportation Equipment		351,147	
Total Transportation			1,418,579

Central and Other

Data Processing Personnel	\$	32,294	
Social Security		2,003	

(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 (Cont.)

State Retirement	\$	1,396	
Unemployment Compensation		22	
Employer Medicare		469	
Total Central and Other			\$ 36,184

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	35,667	
Social Security		2,278	
State Retirement		1,587	
Medical Insurance		9,035	
Employer Medicare		533	
Other Charges		2,387	
Total Food Service			51,487

Community Services

Teachers	\$	38,700	
Part-time Personnel		15,367	
Social Security		3,333	
State Retirement		2,864	
Employer Medicare		780	
Travel		330	
Other Contracted Services		1,704	
Other Supplies and Materials		47,558	
Other Charges		42	
Total Community Services			110,678

Early Childhood Education

Teachers	\$	266,589	
Educational Assistants		90,785	
Other Salaries and Wages		112,144	
Certified Substitute Teachers		2,309	
Non-certified Substitute Teachers		2,289	
Social Security		31,019	
State Retirement		23,036	
Medical Insurance		73,587	
Dental Insurance		1,800	
Unemployment Compensation		16	
Employer Medicare		6,995	

(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.)

Communication	\$	2,559	
Travel		6,781	
Other Contracted Services		2,394	
Instructional Supplies and Materials		31,983	
Other Charges		1,329	
Total Early Childhood Education			\$ 655,615

Capital Outlay

Regular Capital Outlay

Other Contracted Services	\$	329,211	
Site Development		15,000	
Total Regular Capital Outlay			344,211

Principal on Debt

Education

Principal on Notes	\$	70,626	
Total Education			70,626

Interest on Debt

Education

Interest on Notes	\$	2,457	
Total Education			2,457

Other Debt Service

Education

Contributions	\$	1,016,796	
Total Education			1,016,796

Total General Purpose School Fund \$ 27,858,514

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	793,072	
Educational Assistants		21,135	
Other Salaries and Wages		3,960	
Certified Substitute Teachers		825	
Non-certified Substitute Teachers		4,134	
Social Security		49,479	

(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.)

State Retirement	\$	50,548	
Medical Insurance		100,680	
Dental Insurance		5,394	
Unemployment Compensation		396	
Employer Medicare		11,591	
Contracts with Other School Systems		1,942	
Maintenance and Repair Services - Equipment		1,126	
Instructional Supplies and Materials		131,867	
Other Charges		20,218	
Total Regular Instruction Program			\$ 1,196,367

Special Education Program

Educational Assistants	\$	561,682	
Speech Pathologist		24,890	
Social Security		35,756	
State Retirement		21,235	
Unemployment Compensation		260	
Employer Medicare		8,363	
Contracts with Other Public Agencies		500	
Contracts with Private Agencies		179,140	
Instructional Supplies and Materials		104,281	
Other Supplies and Materials		3,463	
Other Charges		3,522	
Total Special Education Program			943,092

Vocational Education Program

Instructional Supplies and Materials	\$	39,436	
Other Supplies and Materials		16,000	
Other Charges		4,788	
Vocational Instruction Equipment		106,854	
Total Vocational Education Program			167,078

Support Services

Other Student Support

Social Workers	\$	72,212	
Social Security		4,465	
State Retirement		4,636	
Medical Insurance		3,900	
Unemployment Compensation		37	

(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.)

Employer Medicare	\$	1,044	
Travel		13,851	
In Service/Staff Development		5,860	
Total Other Student Support			\$ 106,005

Regular Instruction Program

Supervisor/Director	\$	65,300	
Secretary(ies)		14,246	
Other Salaries and Wages		6,322	
In-Service Training		3,661	
Social Security		5,699	
State Retirement		4,808	
Medical Insurance		8,285	
Dental Insurance		287	
Unemployment Compensation		29	
Employer Medicare		1,333	
Travel		10,424	
Other Contracted Services		1,418	
Library Books/Media		28,291	
Other Supplies and Materials		5,507	
In Service/Staff Development		101,611	
Other Charges		3,484	
Total Regular Instruction Program			260,705

Special Education Program

Travel	\$	18,256	
Other Supplies and Materials		790	
In Service/Staff Development		3,692	
Other Charges		1,397	
Total Special Education Program			24,135

Vocational Education Program

Travel	\$	3,125	
Total Vocational Education Program			3,125

Transportation

Bus Drivers	\$	21,991	
Social Security		1,363	
State Retirement		918	

(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 (Cont.)

Unemployment Compensation	\$	12	
Employer Medicare		319	
Transportation Equipment		60,000	
Total Transportation			\$ 84,603

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	16,516	
Teachers		209,803	
Clerical Personnel		20,654	
Part-time Personnel		167,306	
Social Security		23,731	
State Retirement		15,128	
Employer Medicare		5,689	
Travel		1,748	
Other Contracted Services		10,116	
Other Supplies and Materials		48,112	
Other Charges		3,225	
Total Community Services			522,028

Total School Federal Projects Fund \$ 3,307,138

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Accountants/Bookkeepers	\$	23,592
Clerical Personnel		15,405
Cafeteria Personnel		671,093
Other Salaries and Wages		15,432
Social Security		41,380
State Retirement		26,588
Medical Insurance		133,515
Unemployment Compensation		1,355
Employer Medicare		9,678
Communication		5,232
Maintenance and Repair Services - Equipment		9,272
Transportation - Other than Students		18,540
Travel		1,540
Other Contracted Services		48,019

(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.)

Food Supplies	\$	923,652	
Office Supplies		1,996	
Uniforms		9,341	
Other Supplies and Materials		67,083	
Food Service Equipment		<u>244,331</u>	
Total Food Service			<u>\$ 2,267,044</u>

Total Central Cafeteria Fund \$ 2,267,044

Total Governmental Funds - McNairy County School Department \$ 33,432,696

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, 2009

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 1,786,046
Total Cash Receipts	<u>\$ 1,786,046</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,768,186
Trustee's Commission	17,860
Total Cash Disbursements	<u>\$ 1,786,046</u>
 Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2008	<u>0</u>
 Cash Balance, June 30, 2009	<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

December 17, 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, 2009, which collectively comprise McNairy County's basic financial statements and have issued our report thereon dated December 17, 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 were 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: 09.03, 09.04, 09.06, 09.07, 09.08, 09.10, 09.11, and 09.13.

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, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

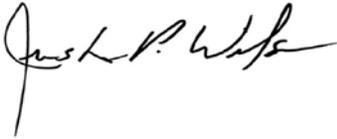
As part of obtaining reasonable assurance about whether McNairy County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 09.01, 09.02, 09.05, and 09.09.

We consider item 09.12 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, highway commissioner, County Commission, Board of Education, others within McNairy County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, 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/yu

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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

December 17, 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, 2009. 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, 2009.

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

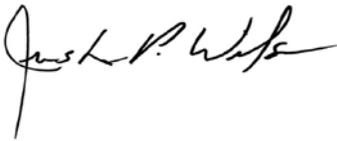
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McNairy County, Tennessee, as of and for the year ended June 30, 2009, and have issued our report thereon dated December 17, 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 were 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, highway commissioner, 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 fluid and cursive, with a long vertical stroke at the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

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McNairy County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2009

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 - (Commodities - Noncash Assistance)	10.555	N/A	\$ 174,103 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	290,628
National School Lunch Program	10.555	N/A	925,457 (3)
Summer Food Service Program for Children	10.559	N/A	71,121
Total U.S. Department of Agriculture			\$ 1,461,309
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Z0902288400	\$ 9,000
Total U.S. Department of Justice			\$ 9,000
U.S. Department of Education:			
Passed-through State Department of Education:			
Adult Education - Basic Grants to States	84.002	(2)	\$ 145,200
Title I Grants to Local Educational Agencies	84.010	N/A	1,105,954
Special Education - Grants to States	84.027	N/A	886,194
Career and Technical Education - Basic Grants to States	84.048	N/A	173,638
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	17,215
Even Start - State Educational Agencies	84.213	(2)	62,498
Tech-Prep Education	84.243	N/A	16,000
Twenty-first Century Community Learning Centers	84.287	N/A	524,188
State Grants for Innovative Programs	84.298	N/A	43
Education Technology State Grants	84.318	(2)	8,915
Rural Education	84.358	N/A	117,984
English Language Acquisition Grants	84.365	N/A	1,967
Improving Teacher Quality State Grants	84.367	N/A	255,809
Special Education Grants to State, Recovery Act	84.391	N/A	189,158
Project Help WIA	84.XXX	N/A	25,000
Total U.S. Department of Education			\$ 3,529,763
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	(2)	\$ 11,183
Total U.S. Corporation for National and Community Service			\$ 11,183
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(2)	\$ 15,279
Homeland Security Cluster:			
Emergency Management Performance Grants	97.042	(2)	6,339
Assistance to Firefighters Grant	97.044	(2)	6,489
Homeland Security Grant Program	97.067	GG0720952	49,262
Total U.S. Department of Homeland Security			\$ 77,369
Total Expenditures of Federal Awards			\$ 5,088,624

(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)	\$ 10,983
FastTrack Infrastructure Development Program - State Department of Economic and Community Development	N/A	(2)	655,821
Litter Program - State Department of Transportation	N/A	(2)	13,506
Delta Grant - State Department of Education	N/A	(2)	3,510
Safety Grant - Highway 64 - State Department of Transportation	N/A	(2)	9,386
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	9,077
Family Preservation and Support Services (Family Resource Center) - State Department of Education	N/A	(2)	33,290
School to Work - State Department of Education	N/A	(2)	23,413
Out of School Youth - State Department of Education	N/A	(2)	47,152
Learn and Serve Grant - State Department of Education	N/A	(2)	6,078
Early Childhood - Lottery Grant - State Department of Education	N/A	(2)	285,648
Early Childhood - Expansion Grant - State Department of Education	N/A	(2)	379,286
Coordinated School Health - State Department of Health	N/A	(2)	94,870
Safe Schools Act of 2003 - State Department of Education	N/A	(2)	31,981
L.E.A.P.S. Grant - State Department of Education	N/A	(2)	110,679
Total State Grants			<u>\$ 1,714,680</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 \$1,099,560.

McNairy County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2009

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, 2008, which have not been corrected.

OFFICE OF COUNTY MAYOR

Finding Number	Page Number	Subject
08.04	180	Some county funds were not invested in accordance with state statutes

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

Finding Number	Page Number	Subject
08.07	183	Execution docket trial balances did not reconcile with cash journal accounts

OTHER FINDINGS

Finding Number	Page Number	Subject
08.10	185	A central system of accounting, budgeting, and purchasing had not been adopted
08.11	185	The register allowed individuals unsupervised access to their offices after business hours
08.12	186	Duties were not segregated adequately in the Offices of Trustee and Sheriff

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McNAIRY COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2009

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. None of these deficiencies was considered to be a material weakness.
3. The audit disclosed no 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 Summer Food Service Program for Children (CFDA Nos. 10.553, 10.555, and 10.559); Title I Grants to Local Educational Agencies (CFDA No. 84.010); and Special Education – Grants to States (CFDA No. 84.027) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. McNairy County 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.

OFFICE OF COUNTY MAYOR

FINDING 09.01 **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS (Noncompliance Under Government Auditing Standards)**

Our examination of the County Mayor's Office revealed the following deficiencies in budget operations:

- A. Total expenditures of the Solid Waste/Sanitation Fund exceeded total appropriations approved by the County Commission by \$10,135.
- B. Expenditures exceeded appropriations approved by the County Commission in three major appropriation categories (the legal level of control) in the General Fund.
- C. In numerous instances, salaries exceeded line-item appropriations in the General Fund by amounts ranging from \$150 to \$9,858.

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."

The budget resolution approved by the County Commission states that the salary, wages, or enumeration of each official, employee, or agent of the county will not exceed expenditures that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the County Commission.

These deficiencies exist because management failed to hold spending to the limits authorized by the County Commission, which resulted in unauthorized expenditures.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY MAYOR

In response to items A. and B., these over-expenditures occurred because the budget was not amended for accounts payable. In response to item C., McNairy County will properly ensure that salary line-items be amended in the future.

**FINDING 09.02 SOME COUNTY FUNDS WERE NOT INVESTED IN ACCORDANCE WITH STATE STATUTE
(Noncompliance Under Government Auditing Standards)**

As noted in the prior-year audit report, the county received stock in connection with the sale of the hospital, and the county held that stock as an investment. 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. This deficiency exists because management failed to correct the finding noted in the prior-year audit report. As of June 30, 2008, the value of the stocks was \$262,396, and as of June 30, 2009, the value of the stocks had decreased to \$117,788.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY MAYOR

The McNairy County Commission's Budget Committee has dismissed alternatives for the investment of these funds.

AUDITOR'S REBUTTAL

The county is violating state statute by investing in stocks; therefore, the stocks should be sold and invested in instruments authorized by state law.

**FINDING 09.03 THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES
(Internal Control – Significant Deficiency Under Government Auditing Standards)**

System backups were not stored off-site on a regular basis. Sound business practices dictate that system backups be stored off-site. This deficiency is the result of management's failure to implement adequate disaster recovery planning procedures. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process.

RECOMMENDATION

Backups should be rotated off-site on a weekly basis. Some possibilities for an off-site storage location would be another county office building with a fireproof vault or a safe-deposit box at a local bank.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

We will regularly store system backups off-site.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 09.04 **THE OFFICE HAD DEFICIENCIES IN TRAVEL REIMBURSEMENTS** (Internal Control – Significant Deficiency Under Government Auditing Standards)

Our examination of travel reimbursements revealed the following deficiencies:

- A. The Board of Education had not adopted formal policies and procedures governing travel reimbursements for employees. Employees had been generally using the county's policy or the state's travel policy. Without a formal travel policy, employees have no limitations placed on their mileage, lodging, and meal expenses.

- B. The School Department paid for a meal for board members and their spouses totaling \$348. The portion of these expenditures for spouses are not appropriate department expenses.

RECOMMENDATION

The Board of Education should adopt formal policies and procedures for the payment of travel expenses. Travel expenses for spouses of board members should not be paid by the School Department.

FINDING 09.05 **THE SCHOOL DEPARTMENT DID NOT REPORT A FRINGE BENEFIT FOR THE DIRECTOR OF SCHOOLS TO THE INTERNAL REVENUE SERVICE** (Noncompliance Under Government Auditing Standards)

The School Department did not report a fringe benefit (a monthly allowance of \$500 for health insurance) provided the director of schools to the Internal Revenue Service (IRS). IRS regulations require an employer to report fringe benefits provided to an employee as income on the employee's Form W-2. The director of schools advised that he was unaware that these amounts should be included on his federal Form W-2.

RECOMMENDATION

Fringe benefits provided to the director of schools should be reported on the employee's Form W-2 in compliance with IRS regulations.

FINDING 09.06 THE SCHOOL FEDERAL PROJECTS FUND HAD A FUND DEFICIT AND A CASH OVERDRAFT
(Internal Control – Significant Deficiency Under Government Auditing Standards)

At June 30, 2009, the School Federal Projects Fund had a deficit in unreserved fund balance of \$4,813 and a cash overdraft of \$235,537. Sound business practices dictate that expenditures be held within available funds. The fund deficit occurred because School Department personnel had not requested grant funds timely, and the cash overdraft resulted from the issuance of warrants exceeding cash on deposit with the county trustee.

RECOMMENDATION

County officials should take immediate steps to liquidate the fund deficit and provide sufficient operating funds. Also, warrants should not be issued in excess of cash on deposit with the county trustee. Steps should be taken during the budgetary process to ensure that adequate funding is provided to prevent the recurrence of deficits and overdrafts.

OFFICE OF TRUSTEE

FINDING 09.07 THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The following weaknesses regarding computer system backup procedures were identified during the audit period:

- A. System backups were not stored off-site on a regular basis. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process.
- B. A backup log was not maintained. If system backups are not labeled and inventoried systematically, discrepancies may occur and affect the integrity of system backups in the event of a hardware or software failure.
- C. Backups were not tested to ensure reliability. If backup integrity is not periodically tested, accurate backup data may not be available in the event of a disaster.

Sound business practices dictate that proper backup procedures be implemented. This deficiency is the result of management's failure to implement adequate disaster recovery planning procedures.

RECOMMENDATION

Backups should be rotated off-site on a weekly basis. Some possibilities for an off-site storage location would be another county office building with a fireproof vault or a safe deposit box at a local bank. Furthermore, these backups should be tested on a periodic basis to ensure reliability. A current log of all backups that includes label descriptions, date of creation, contents, and storage location should be maintained.

OFFICE OF COUNTY CLERK

FINDING 09.08 **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

System backups were not stored off-site until several months into the fiscal year. Sound business practices dictate that system backups be stored off-site. This deficiency is the result of management's failure to implement adequate disaster recovery planning procedures. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process. When the importance of storing backups off-site was brought to management's attention, they began rotating backups to another location. However, this location exposed the backups to environmental conditions that could damage the storage media.

RECOMMENDATION

Backups should be stored in a secure fireproof location. Some possibilities for an off-site storage location would be another county office building with a fireproof vault or a safe-deposit box at a local bank.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 09.09 **EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH CASH JOURNAL ACCOUNTS**
(Noncompliance Under Government Auditing Standards)

At June 30, 2009, 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 \$6,414 in Circuit Court and \$37,271 in General Sessions Court, some of 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. This deficiency exists because management failed to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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.

FINDING 09.10 **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES** (Internal Control – Significant Deficiency Under Government Auditing Standards)

The following weaknesses regarding computer system backup procedures were identified during the audit period:

- A. Although system backups were performed on a daily basis, only two tapes were used. The reliability of magnetic media declines as backup tapes are continually reused. Magnetic media failure can lead to the inability to retrieve data if system backups are not reliable. The cost of re-creating data can be substantial.

- B. System backups were not stored off-site. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process.

Sound business practices dictate that proper backup procedures be implemented. This deficiency is the result of management's failure to implement adequate disaster recovery planning procedures.

RECOMMENDATION

The office should not rely on the use of only two tapes for their backups. A system backup tape labeled for each day of the week should be maintained. In addition to daily system backups, a weekly system backup should be performed, and two copies of this backup should be maintained. Management should store these backups in a secure fireproof location. These backups should be rotated off-site on a weekly basis. Some possibilities for an off-site storage location would be another county office building with a fireproof vault or a safe-deposit box at a local bank.

OFFICE OF REGISTER

FINDING 09.11 **THE REGISTER ALLOWED INDIVIDUALS UNSUPERVISED ACCESS TO HIS OFFICE AFTER BUSINESS HOURS**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Our examination disclosed that the register did not adequately control access to his office. Individuals who were not office employees had unsupervised access to the office after business hours. Sound business practices dictate that unsupervised access to the office after business hours weakens internal controls over assets. This deficiency is the result of management's decision to allow lawyers and title researchers to have keys to the office to research documents. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 09.12 **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 practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. 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

The McNairy County Commission's Budget Committee has begun consideration of a central system of accounting, budgeting, and purchasing.

FINDING 09.13

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 risks of unauthorized transactions. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

**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, 2009

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