



**ANNUAL FINANCIAL REPORT  
McNAIRY COUNTY, TENNESSEE**



**FOR THE YEAR ENDED JUNE 30, 2010**



**ANNUAL FINANCIAL REPORT**  
**McNAIRY COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2010**

*DEPARTMENT OF AUDIT*  
*JUSTIN P. WILSON*  
*Comptroller of the Treasury*

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

*JAMES R. ARNETTE*  
*Director*

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

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

*LEE ANN WEST, CPA, CGFM*  
*ELISHA CROWELL, CFE*  
*JUSTIN NEAL*  
*State Auditors*

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

---



---

## McNAIRY COUNTY, TENNESSEE

### TABLE OF CONTENTS

---



---

	Exhibit	Page(s)
Audit Highlights		6-7
<u>INTRODUCTORY SECTION</u>		8
McNairy County Officials		9
<u>FINANCIAL SECTION</u>		10
Independent Auditor's Report		11-13
BASIC FINANCIAL STATEMENTS:		14
Government-wide Financial Statements:		
Statement of Net Assets	A	15-16
Statement of Activities	B	17-18
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	19-20
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	21
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	22-23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	24
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	D	25
Notes to the Financial Statements		26-56
REQUIRED SUPPLEMENTARY INFORMATION:		57
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Fund	E-1	58-59
Solid Waste/Sanitation Fund	E-2	60
Highway/Public Works Fund	E-3	61
Schedule of Funding Progress – Pension Plan – Primary Government and Discretely Presented McNairy County School Department	E-4	62

	Exhibit	Page(s)
Schedule of Funding Progress – Other Postemployment Benefits Plans – Primary Government and Discretely Presented McNairy County School Department	E-5	63
Notes to the Required Supplementary Information		64
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		65
Nonmajor Governmental Funds:		66
Combining Balance Sheet	F-1	67
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	68
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
Law Library Fund	F-3	69
Public Library Fund	F-4	70
Special Purpose Fund	F-5	71
Drug Control Fund	F-6	72
Major Governmental Fund:		73
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	G	74
Fiduciary Funds:		75
Combining Statement of Fiduciary Assets and Liabilities	H-1	76
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	H-2	77
Component Unit:		
Discretely Presented McNairy County School Department:		78
Statement of Activities	I-1	79
Balance Sheet – Governmental Funds	I-2	80
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	I-3	81
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	I-4	82
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	I-5	83
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	I-6	84-86
School Federal Projects Fund	I-7	87
Central Cafeteria Fund	I-8	88

	Exhibit	Page(s)
Miscellaneous Schedules:		89
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds	J-1	90
Schedule of Long-term Debt Requirements by Year	J-2	91-92
Schedule of Investments	J-3	93
Schedule of Transfers – Primary Government and Discretely Presented McNairy County School Department	J-4	94
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented McNairy County School Department	J-5	95
Schedule of Detailed Revenues – All Governmental Fund Types	J-6	96-105
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented McNairy County School Department	J-7	106-107
Schedule of Detailed Expenditures – All Governmental Fund Types	J-8	108-125
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented McNairy County School Department	J-9	126-138
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balances – City Agency Funds	J-10	139
 <u>SINGLE AUDIT SECTION</u>		 140
Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		141-143
Auditor’s Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>		144-146
Schedule of Expenditures of Federal Awards and State Grants		147-148
Schedule of Audit Findings Not Corrected		149
Schedule of Findings and Questioned Costs		150-159
Auditee Reporting Responsibilities		160

# ***Audit Highlights***

Annual Financial Report  
McNairy County, Tennessee  
For the Year Ended June 30, 2010

## ***Scope***

We have audited the basic financial statements of McNairy County as of and for the year ended June 30, 2010.

## ***Results***

Our report on the aggregate discretely presented components units is qualified because the financial statements do not include two component units 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 14 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 and Best Practices***

The following are summaries of the audit findings and best practices:

### **OFFICE OF COUNTY MAYOR**

- ◆ The office had deficiencies in budget operations.
- ◆ Some county funds were not invested in accordance with state statute.
- ◆ A capital lease was not reported properly.

---

### **OFFICE OF HIGHWAY COMMISSIONER**

- ◆ Purchase orders were not issued in some instances.
- ◆ The office had deficiencies in computer system backup procedures.

---

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

- ◆ The School Department did not deposit amounts withheld from contractor payments into an escrow account.
- ◆ Expenditures and encumbrances exceeded appropriations approved by the County Commission in the Regular Capital Outlay major appropriation category (the legal level of control) of the General Purpose School Fund by \$96,886.

## **OFFICE OF TRUSTEE**

- ◆ The office had deficiencies in computer system backup procedures.
  - ◆ The office did not review its software audit logs.
- 

## **OFFICE OF COUNTY CLERK**

- ◆ The office did not review its software audit logs.
- 

## **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 the office after business hours.
- 

## **OFFICE OF SHERIFF**

- ◆ Fuel cards were not accounted for properly.
- 

## **BEST PRACTICES**

The Division of County Audit strongly believes that the items noted below are best practices that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of McNairy County.

- McNairy County should adopt a central system of accounting, budgeting, and purchasing.
- McNairy County should establish an Audit Committee.

---

---

# INTRODUCTORY SECTION

---

---

# McNairy County Officials

## June 30, 2010

---

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

### **Board of Education**

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

---

---

## FINANCIAL SECTION

---

---



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

**INDEPENDENT AUDITOR'S REPORT**

November 18, 2010

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, 2010, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements of the McNairy County Airport Authority and the McNairy County Emergency Communications District, component units requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component units financial statements

referred to above do not include amounts for the McNairy County Airport Authority and the McNairy County Emergency Communications District, 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, except for the effects of not including the financial statements of the McNairy County Airport Authority and the McNairy County Emergency Communications District 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, 2010, and the results of operations of the aggregate discretely presented component units, for the year 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, 2010, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2010, 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. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which became effective for the year ended June 30, 2010.

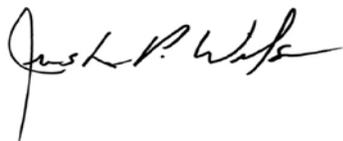
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison, pension, and other postemployment benefits information on pages 58 through 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the

Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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,



Justin P. Wilson  
Comptroller of the Treasury

JPW/yu

---

---

# BASIC FINANCIAL STATEMENTS

---

---

Exhibit A

McNairy County, Tennessee  
Statement of Net Assets  
June 30, 2010

	<u>Primary Government Governmental Activities</u>	<u>Component Unit McNairy County School Department</u>
<u>ASSETS</u>		
Cash	\$ 3,110	\$ 0
Equity in Pooled Cash and Investments	4,763,539	2,077,469
Accounts Receivable	1,550,215	1,823
Allowance for Uncollectibles	(412,764)	0
Investments	146,547	0
Due from Other Governments	1,002,885	942,381
Deferred Charges - Debt Issuance Costs	106,130	0
Property Taxes Receivable	4,167,539	3,735,026
Allowance for Uncollectible Property Taxes	(212,821)	(191,607)
Prepaid Items	1,197	0
Capital Assets:		
Assets Not Depreciated:		
Land	491,232	375,479
Construction in Progress	0	519,667
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	3,299,645	9,942,062
Infrastructure	2,609,559	0
Other Capital Assets	1,495,452	1,828,888
Total Assets	<u>\$ 19,011,465</u>	<u>\$ 19,231,188</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 235,288	\$ 0
Payroll Deductions Payable	11,452	10,937
Contracts Payable	832,657	0
Retainage Payable	0	27,351
Accrued Interest Payable	126,385	0
Deferred Revenue - Current Property Taxes	3,723,581	3,334,296
Noncurrent Liabilities:		
Due Within One Year	2,652,407	0
Due in More Than One Year	10,476,045	418,706
Total Liabilities	<u>\$ 18,057,815</u>	<u>\$ 3,791,290</u>

(Continued)

Exhibit A

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

	Primary Government <u>Governmental Activities</u>	Component Unit <u>McNairy County School Department</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 4,135,055	\$ 0
Invested in Capital Assets	0	12,666,096
Restricted for:		
Capital Projects	7,089	0
Highway/Public Works	544,497	0
Debt Service	2,383,592	0
Drug Control	36,729	0
Solid Waste/Sanitation	1,589,539	0
Automation of Clerk Offices	87,268	0
Other Purposes	38,429	27,568
School Federal Projects	0	80,832
Central Cafeteria	0	947,100
Unrestricted	<u>(7,868,548)</u>	<u>1,718,302</u>
Total Net Assets	<u>\$ 953,650</u>	<u>\$ 15,439,898</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, 2010

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets					
	Program Revenues			Government		Component Unit McNairy County School Department
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	
<b>Primary Government:</b>						
<b>Governmental Activities:</b>						
General Government	\$ 45,924	\$ 223,501	\$ 66,034	\$ 0	\$ 243,611	\$ 0
Finance	557,442	477,640	20,698	0	(59,104)	0
Administration of Justice	568,467	466,349	11,370	2,750	(87,998)	0
Public Safety	2,674,161	295,499	0	355,932	(2,022,730)	0
Public Health and Welfare	1,330,710	1,048,548	204,065	0	(78,097)	0
Social, Cultural, and Recreational Services	149,547	25,849	0	0	(123,698)	0
Agriculture and Natural Resources	112,642	0	0	0	(112,642)	0
Other Operations	670,566	0	0	0	(670,566)	0
Highways/Public Works	1,956,581	2,710	1,784,633	599,896	430,658	0
Education	44,000	0	0	0	(44,000)	0
Interest on Long-term Debt	576,145	0	0	0	(576,145)	0
Other Debt Service	230,086	0	5,258	0	(224,828)	0
<b>Total Primary Government</b>	<b>\$ 8,916,271</b>	<b>\$ 2,540,096</b>	<b>\$ 2,092,058</b>	<b>\$ 958,578</b>	<b>\$ (3,325,539)</b>	<b>\$ 0</b>
<b>Component Unit:</b>						
McNairy County School Department	\$ 33,893,966	\$ 793,630	\$ 5,017,795	\$ 44,000	\$ 0	\$ (28,038,541)
<b>Total Component Unit</b>	<b>\$ 33,893,966</b>	<b>\$ 793,630</b>	<b>\$ 5,017,795</b>	<b>\$ 44,000</b>	<b>\$ 0</b>	<b>\$ (28,038,541)</b>

(Continued)

Exhibit B

McNairy County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component Unit
				Governmental Activities	McNairy County School Department
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				\$ 3,144,233	\$ 3,783,067
Property Taxes Levied for Debt Service				1,033,675	0
Local Option Sales Taxes				201,337	1,818,950
Wheel Tax				469,956	0
Mineral Severance Tax				50,341	0
Litigation Tax				123,981	0
Other Local Taxes				55,882	40,508
Grants and Contributions Not Restricted to Specific Programs				1,461,737	22,625,669
Unrestricted Investment Earnings				120,016	28,235
Miscellaneous				89,515	76,525
Total General Revenues				\$ 6,750,673	\$ 28,372,954
Change in Net Assets				\$ 3,425,134	\$ 334,413
Net Assets, July 1, 2009				(2,365,784)	15,105,485
Prior-period Adjustment				(105,700)	0
Net Assets, June 30, 2010				\$ 953,650	\$ 15,439,898

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

McNairy County, Tennessee  
 Balance Sheet  
 Governmental Funds  
 June 30, 2010

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
<b>ASSETS</b>							
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,110	\$ 3,110
Equity in Pooled Cash and Investments	1,170,011	652,608	430,833	2,452,003	58,084	4,763,539	4,763,539
Investments	146,547	0	0	0	0	146,547	146,547
Accounts Receivable	9,596	1,506,413	33,893	313	0	1,550,215	1,550,215
Allowance for Uncollectibles	0	(412,764)	0	0	0	(412,764)	(412,764)
Due from Other Governments	62,590	13,420	926,875	0	0	1,002,885	1,002,885
Due from Other Funds	3,671	0	0	7,671	0	11,342	11,342
Property Taxes Receivable	2,804,259	0	340,141	1,023,139	0	4,167,539	4,167,539
Allowance for Uncollectible Property Taxes	(143,379)	0	(17,140)	(52,302)	0	(212,821)	(212,821)
Prepaid Items	1,197	0	0	0	0	1,197	1,197
<b>Total Assets</b>	<b>\$ 4,054,492</b>	<b>\$ 1,759,677</b>	<b>\$ 1,714,602</b>	<b>\$ 3,430,824</b>	<b>\$ 61,194</b>	<b>\$ 11,020,789</b>	<b>\$ 11,020,789</b>

**LIABILITIES AND FUND BALANCES**

<b>Liabilities</b>							
Accounts Payable	\$ 56,066	\$ 169,414	\$ 0	\$ 7,300	\$ 2,508	\$ 235,288	\$ 235,288
Payroll Deductions Payable	10,794	163	456	0	39	11,452	11,452
Contracts Payable	0	0	832,657	0	0	832,657	832,657
Due to Other Funds	0	561	7,671	0	3,110	11,342	11,342
Deferred Revenue - Current Property Taxes	2,504,954	0	304,657	913,970	0	3,723,581	3,723,581
Deferred Revenue - Delinquent Property Taxes	143,982	0	16,939	52,511	0	213,432	213,432
Other Deferred Revenues	15,710	1,091,283	156,927	0	0	1,263,920	1,263,920
<b>Total Liabilities</b>	<b>\$ 2,731,506</b>	<b>\$ 1,261,421</b>	<b>\$ 1,319,307</b>	<b>\$ 973,781</b>	<b>\$ 5,657</b>	<b>\$ 6,291,672</b>	<b>\$ 6,291,672</b>
<b>Fund Balances</b>							
Reserved for Alcohol and Drug Treatment	\$ 15,682	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,682	\$ 15,682
Reserved for Sexual Offender Registration	6,370	0	0	0	0	6,370	6,370
Reserved for Courtroom Security	4,658	0	0	0	0	4,658	4,658
Reserved for Computer System - Register	4,652	0	0	0	0	4,652	4,652
Reserved for Automation Purposes - General Sessions Court	50,558	0	0	0	0	50,558	50,558

(Continued)

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
\$	7,398	0	0	0	0	0	7,398
	24,660	0	0	0	0	0	24,660
	1,209,008	0	0	0	0	0	1,209,008
	0	498,256	395,295	0	48,448	0	941,999
	0	0	0	2,457,043	0	0	2,457,043
	0	0	0	0	7,089	0	7,089
	<u>\$ 1,322,986</u>	<u>\$ 498,256</u>	<u>\$ 395,295</u>	<u>\$ 2,457,043</u>	<u>\$ 55,537</u>	<u>\$ 4,729,117</u>	
	\$ 4,054,492	\$ 1,759,677	\$ 1,714,602	\$ 3,430,824	\$ 61,194	\$ 11,020,789	

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)	
Reserved for Automation Purposes - Chancery Court	
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, 2010

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)		\$	4,729,117
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	491,232	
Add: infrastructure net of accumulated depreciation		2,609,559	
Add: buildings and improvements net of accumulated depreciation		3,299,645	
Add: other capital assets net of accumulated depreciation		<u>1,495,452</u>	7,895,888
(2) Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds.			
Less: notes payable	\$	(333,494)	
Less: capital leases payable		(93,833)	
Less: bonds payable		(12,018,372)	
Add: deferred charges - debt issuance costs		106,130	
Less: compensated absences payable		(64,971)	
Less: landfill closure/postclosure care costs		(545,340)	
Less: other postemployment benefits liability		(25,645)	
Less: accrued interest on bonds, notes, and capital leases		(126,385)	
Less: other deferred revenue - premium on debt		<u>(46,797)</u>	(13,148,707)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>1,477,352</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>953,650</u></u>

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

Exhibit C-3

McNairy County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2010

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other		
					Governmental Funds	Other	
<b>Revenues</b>							
Local Taxes	\$ 3,130,453	\$ 73,617	\$ 385,506	\$ 1,514,169	\$ 3,475	\$ 5,107,220	
Licenses and Permits	12,982	0	0	0	0	12,982	
Fines, Forfeitures, and Penalties	138,896	0	0	0	3,355	142,251	
Charges for Current Services	32,183	790,666	123	0	24,874	847,846	
Other Local Revenues	129,765	5,403	41,794	140,763	85,804	403,529	
Fees Received from County Officials	880,530	0	0	0	0	880,530	
State of Tennessee	576,218	311,280	2,385,667	0	0	3,273,165	
Federal Government	370,589	0	0	0	0	370,589	
Other Governments and Citizens Groups	0	0	16,514	1,030,775	14,000	1,061,289	
<b>Total Revenues</b>	<b>\$ 5,271,616</b>	<b>\$ 1,180,966</b>	<b>\$ 2,829,604</b>	<b>\$ 2,685,707</b>	<b>\$ 131,508</b>	<b>\$ 12,099,401</b>	
<b>Expenditures</b>							
Current:							
General Government	\$ 656,097	\$ 0	\$ 0	\$ 0	\$ 102,340	\$ 758,437	
Finance	467,293	0	0	0	0	467,293	
Administration of Justice	472,582	0	0	0	750	473,332	
Public Safety	1,928,424	0	0	0	33,564	1,961,988	
Public Health and Welfare	160,090	1,101,797	0	0	0	1,261,887	
Social, Cultural, and Recreational Services	0	0	0	0	118,078	118,078	
Agriculture and Natural Resources	108,077	0	0	0	4,565	112,642	
Other Operations	1,083,218	29,632	0	0	27,469	1,140,319	
Highways	0	42,465	2,654,606	0	0	2,697,071	
Debt Service:							
Principal on Debt	13,433	0	38,750	2,466,401	0	2,518,584	
Interest on Debt	1,084	0	1,986	581,685	0	584,755	
Other Debt Service	0	0	0	218,161	0	218,161	
Capital Projects - Donated	44,000	0	0	0	0	44,000	
<b>Total Expenditures</b>	<b>\$ 4,934,298</b>	<b>\$ 1,173,894</b>	<b>\$ 2,695,342</b>	<b>\$ 3,266,247</b>	<b>\$ 286,766</b>	<b>\$ 12,356,547</b>	

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other	Governmental Funds	
Excess (Deficiency) of Revenues Over Expenditures	\$ 337,318	\$ 7,072	\$ 134,262	\$ (580,540)	\$ (155,258)	\$ (257,146)	
<u>Other Financing Sources (Uses)</u>							
Bonds Issued	\$ 0	\$ 0	\$ 0	\$ 183,800	\$ 0	\$ 183,800	
Insurance Recovery	33,874	0	1,099	0	0	34,973	
Transfers In	10,558	0	0	49,000	146,500	206,058	
Transfers Out	(146,500)	0	(49,000)	0	(10,558)	(206,058)	
Total Other Financing Sources (Uses)	\$ (102,068)	\$ 0	\$ (47,901)	\$ 232,800	\$ 135,942	\$ 218,773	
Net Change in Fund Balances	\$ 235,250	\$ 7,072	\$ 86,361	\$ (347,740)	\$ (19,316)	\$ (38,373)	
Fund Balance, July 1, 2009	1,087,736	491,184	308,934	2,804,783	74,853	4,767,490	
Fund Balance, June 30, 2010	\$ 1,322,986	\$ 498,256	\$ 395,295	\$ 2,457,043	\$ 55,537	\$ 4,729,117	

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, 2010

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)		\$ (38,373)
(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	\$ 1,721,889	
Less: current year depreciation expense	<u>(811,258)</u>	910,631
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Add: gain on disposal of capital assets	\$ 25,549	
Less: proceeds from sale of capital assets	<u>(27,818)</u>	(2,269)
(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, 2010	\$ 1,477,352	
Less: deferred delinquent property taxes and other deferred June 30, 2009	<u>(1,240,606)</u>	236,746
(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: bond proceeds	\$ (183,800)	
Add: change in premium on debt issuances	5,258	
Less: change in deferred debt issuance costs	(11,925)	
Add: principal payments on bonds	2,366,799	
Add: principal payments on notes	139,918	
Add: principal payments on capital leases	<u>11,867</u>	2,328,117
(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	\$ 8,610	
Change in compensated absences payable	(15,652)	
Change in other postemployment benefits liability	(10,426)	
Change in landfill closure/postclosure care costs	<u>7,750</u>	<u>(9,718)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 3,425,134</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, 2010

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 695,889
Accounts Receivable	1,773
Due from Other Governments	<u>307,686</u>
Total Assets	<u>\$ 1,005,348</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 307,686
Due to Litigants, Heirs, and Others	<u>697,662</u>
Total Liabilities	<u>\$ 1,005,348</u>

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

**McNAIRY COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2010**

**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 financial statements of the McNairy County

Emergency Communications District were not available from other auditors in time for inclusion in this report.

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 and the McNairy County Emergency Communications District 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.

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

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

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 2.66 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 General Purpose School 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. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

### **4. 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 \$10,000 (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

**5. 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 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 School Department has a formal leave policy; however, the policy does not provide for employees to receive compensation for unused accumulated vacation or sick leave days.

**6. 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.

## **7. 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, 2010, McNairy County had \$6,389,880 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, 2010:

<u>Fund/Purpose</u>	<u>Amount</u>
General:	
Health Department Renovations	\$ 21,165
Records Commission	2,835

**8. Prior-period Adjustment**

The capital lease liability was restated \$105,700 from the prior-year due to a capital lease obligation being omitted in the prior year.

**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 County 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. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the Jail major appropriation category (the legal level of control) of the General Fund by \$11,281 and in the Regular Capital Outlay major appropriation category of the discretely presented McNairy County School Department's General Purpose School Fund by \$96,886. Such over expenditures are a violation of state statutes. These overexpenditures were funded by available fund balances.

#### C. Appropriations Exceeded Estimated Available Funds

The budget and subsequent amendments submitted to and approved by the County Commission for the Public Library Fund resulted in appropriations exceeding estimated available funding by \$3,170.

**D. Unauthorized Investment**

At June 30, 2010, 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.

**E. Cash Shortage – Prior Year**

The audit of McNairy County for the 2007-08 year reported a cash shortage of \$13,528.19 from eight bank deposits in the Office of Circuit Court Clerk. A former office employee, Dana Siegler, admitted taking the funds and has restored the \$13,528.19 in missing funds to the office. On June 20, 2008, Ms. Seigler pled guilty in Circuit Court to official misconduct. She was sentenced to two years in state prison and immediately granted probation. In addition, she was ordered to pay \$4,405 for restitution to the county for audit expenses. As of June 30, 2010, Ms. Seigler had not made any payments on the restitution for audit costs.

**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 Comptroller’s Office 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 fair value of the securities on the day of purchase.

**Investment Balances.** As of June 30, 2010, 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	\$ 146,547

**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, 2010, was as follows:

**Primary Government**

**Governmental Activities:**

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Capital Assets Not Depreciated:				
Land	\$ 493,501	\$ 0	\$ 2,269	\$ 491,232
Total Capital Assets Not Depreciated	\$ 493,501	\$ 0	\$ 2,269	\$ 491,232
Capital Assets Depreciated:				
Buildings and Improvements	\$ 7,785,629	\$ 741,608	\$ 0	\$ 8,527,237
Infrastructure	2,868,994	832,656	0	3,701,650
Other Capital Assets	4,659,175	147,625	110,807	4,695,993
Total Capital Assets Depreciated	\$ 15,313,798	\$ 1,721,889	\$ 110,807	\$ 16,924,880
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 4,939,493	\$ 288,099	\$ 0	\$ 5,227,592
Infrastructure	952,287	139,804	0	1,092,091
Other Capital Assets	2,927,993	383,355	110,807	3,200,541
Total Accumulated Depreciation	\$ 8,819,773	\$ 811,258	\$ 110,807	\$ 9,520,224
Total Capital Assets Depreciated, Net	\$ 6,494,025	\$ 910,631	\$ 0	\$ 7,404,656
Governmental Activities Capital Assets, Net	\$ 6,987,526	\$ 910,631	\$ 2,269	\$ 7,895,888

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

**Governmental Activities:**

General Government	\$ 121,254
Finance	2,849
Administration of Justice	5,087
Public Safety	415,657
Public Health and Welfare	31,913
Other Operations	74,635
Highways	<u>159,863</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 811,258</u>

**Discretely Presented McNairy County School Department**

**Governmental Activities:**

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Capital Assets Not Depreciated:				
Land	\$ 375,479	\$ 0	\$ 0	\$ 375,479
Construction in Progress	172,903	519,667	172,903	519,667
Total Capital Assets Not Depreciated	<u>\$ 548,382</u>	<u>\$ 519,667</u>	<u>\$ 172,903</u>	<u>\$ 895,146</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 23,462,805	\$ 1,082,829	\$ 0	\$ 24,545,634
Other Capital Assets	5,357,401	436,859	6,580	5,787,680
Total Capital Assets Depreciated	<u>\$ 28,820,206</u>	<u>\$ 1,519,688</u>	<u>\$ 6,580</u>	<u>\$ 30,333,314</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 14,209,329	\$ 394,243	\$ 0	\$ 14,603,572
Other Capital Assets	3,603,906	361,466	6,580	3,958,792
Total Accumulated Depreciation	<u>\$ 17,813,235</u>	<u>\$ 755,709</u>	<u>\$ 6,580</u>	<u>\$ 18,562,364</u>
Total Capital Assets Depreciated, Net	<u>\$ 11,006,971</u>	<u>\$ 763,979</u>	<u>\$ 0</u>	<u>\$ 11,770,950</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,555,353</u>	<u>\$ 1,283,646</u>	<u>\$ 172,903</u>	<u>\$ 12,666,096</u>

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

**Governmental Activities:**

Instruction	\$ 401,070
Support Services	324,072
Operation of Non-Instructional Services	<u>30,567</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 755,709</u></u>

**C. Construction Commitments**

At June 30, 2010, the discretely presented School Department's General Purpose School Fund had uncompleted construction contracts of approximately \$69,535 for a classroom addition project. Funding has been received for these future expenditures.

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

The composition of interfund balances as of June 30, 2010, is as follows:

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste/Sanitation	\$ 561
General	Nonmajor governmental	3,110
General Debt Service	Highway/Public Works	7,671

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

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2010, consisted of the following amounts:

**Primary Government**

<u>Transfers Out</u>	<u>Transfers In</u>		
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>
General Fund	\$ 0	\$ 0	\$ 146,500
Highway/Public Works Fund	0	49,000	0
Nonmajor governmental funds	<u>10,558</u>	<u>0</u>	<u>0</u>
Total	<u><u>\$ 10,558</u></u>	<u><u>\$ 49,000</u></u>	<u><u>\$ 146,500</u></u>

**Discretely Presented McNairy County School Department**

Transfers Out	Transfers In	
	General Purpose School Fund	School Federal Projects Fund
General Purpose School Fund	\$ 0	\$ 35,000
School Federal Projects Fund	55,968	0
Total	<u>\$ 55,968</u>	<u>\$ 35,000</u>

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

**E. Capital Leases**

On November 18, 2008, McNairy County entered into a five-year lease-purchase agreement for two trucks for the Highway Department. The terms of the agreement require total lease payments of \$105,700 plus interest of 3.59 percent. Title to the trucks transfers to McNairy County at the end of the lease period. The lease payments are made from the General Debt Service Fund.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2010, were as follows:

Year Ending June 30	Governmental Funds
2011	\$ 15,724
2012	15,724
2013	15,724
2014	57,725
Total Minimum Lease Payments	<u>\$ 104,897</u>
Less: Amount Representing Interest	<u>(11,064)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 93,833</u></u>

**F. 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 six 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, 2010, will be retired from the General Debt Service, General, and Highway/Public Works funds.

General obligation bonds, capital outlay notes, and capital leases outstanding as of June 30, 2010, for governmental activities are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-10</u>
General Obligation Bonds	4.5 to 5.4%	\$ 1,367,050	\$ 783,372
General Obligation Bonds - Refunding	2 to 5	19,875,000	11,235,000
Capital Outlay Notes	4.43 to 4.5	630,300	333,494
Capital Leases	3.59	105,700	93,833

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2010, including interest payments, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2011	\$ 105,996	\$ 12,604	\$ 118,600
2012	75,834	8,539	84,373
2013	75,834	5,151	80,985
2014	75,830	1,726	77,556
Total	<u>\$ 333,494</u>	<u>\$ 28,020</u>	<u>\$ 361,514</u>

Year Ending June 30	Bonds		
	Principal	Interest	Total
2011	\$ 2,463,270	\$ 480,317	\$ 2,943,587
2012	1,255,570	389,424	1,644,994
2013	1,317,980	334,897	1,652,877
2014	1,100,505	287,155	1,387,660
2015	1,453,149	242,693	1,695,842
2016-2020	4,214,976	412,139	4,627,115
2021-2025	101,673	34,716	136,389
2026-2030	24,185	22,853	47,038
2031-2035	24,185	17,413	41,598
2036-2040	24,185	11,970	36,155
2041-2045	24,185	6,530	30,715
2046-2048	14,509	1,306	15,815
Total	<u>\$ 12,018,372</u>	<u>\$ 2,241,413</u>	<u>\$ 14,259,785</u>

There is \$2,457,043 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$488, based on the 2000 federal census. Debt per capita, including bonds, notes, and capital leases totaled \$505, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2009	\$ 14,201,371	\$ 473,412	\$ 0
Additions	183,800	0	0
Deductions	(2,366,799)	(139,918)	(11,867)
Prior-period Adjustment	0	0	105,700
Balance, June 30, 2010	<u>\$ 12,018,372</u>	<u>\$ 333,494</u>	<u>\$ 93,833</u>
Balance Due Within One Year	<u>\$ 2,463,270</u>	<u>\$ 105,996</u>	<u>\$ 12,300</u>

	Compensated Absences	Landfill Closure/ Postclosure Care Costs	Other Postemployment Benefits
Balance, July 1, 2009	\$ 49,319	\$ 553,090	\$ 15,219
Additions	93,565	6,466	14,036
Deductions	(77,913)	(14,216)	(3,610)
Balance, June 30, 2010	<u>\$ 64,971</u>	<u>\$ 545,340</u>	<u>\$ 25,645</u>
Balance Due Within One Year	<u>\$ 56,625</u>	<u>\$ 14,216</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 13,081,655
Less: Balance Due Within One Year	(2,652,407)
Add: Unamortized Premium on Debt	<u>46,797</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 10,476,045</u>

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

**Discretely Presented McNairy County School Department**

**Changes in Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2009	\$ 54	\$ 329,667
Additions	0	346,783
Deductions	(54)	(257,744)
Balance, June 30, 2010	<u>\$ 0</u>	<u>\$ 418,706</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 0</u>

Other postemployment benefits will be paid from the General Purpose School Fund.

**G. 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, 2010, were \$131,458 and \$28,148, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**V. OTHER INFORMATION**

**A. Risk Management**

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

member premiums. The LGPCF reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

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

The employees of McNairy County (excluding the Highway Department) are provided health insurance through the purchase of commercial insurance. 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 Fund (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 Financial 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. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments became effective for the year ended June 30, 2010.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets. Intangible assets have three characteristics: lack of physical substance; nonfinancial in nature; and a useful life that extends beyond a single reporting period. Assets that have these characteristics and are identifiable to the government should be recorded as capital assets and amortized over their useful lives. Easements, water rights, patents, and computer software are examples of intangible assets that should be recognized under GASB Statement No. 51. McNairy County had no assets that met the definition of intangible assets as of June 30, 2010. However, it is reasonably expected that McNairy County may acquire intangible assets in subsequent years.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by county governments. Derivative instruments are financial arrangements used by governments as investments; hedges against identified financial risks; or to lower the costs of borrowings. Interest rate swaps and locks, options, swaptions, forward contracts, and futures contracts are among the commonly used types of derivatives mentioned in GASB Statement No. 53. Derivative instruments associated with fluctuating financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management and investment tools. For the same reasons, derivative instruments can expose governments to significant risks and liabilities. The requirements of GASB Statement No. 53 are intended to help users of financial information evaluate the effectiveness and associated risks involved with McNairy County's derivative transactions. GASB Statement No. 53 requires most derivatives to be reported at fair value in the Statement of Net Assets. Changes in fair value for derivative instruments that are intended for investment purposes or that are reported like investment derivative instruments because of ineffectiveness are reported as investment revenues in the Statement of Activities. Alternatively, the changes in fair value of derivative instruments that are classified as hedging (i.e. effective) derivative instruments are reported in the Statement of Net Assets as deferrals. McNairy County had not participated in derivative transactions as of June 30, 2010. However, it is reasonably expected that McNairy County may enter into derivative transactions in subsequent years.

**C. Subsequent Events**

On August 24, 2010, the McNairy County Highway Department entered into a lease-purchase agreement for a mini-excavator totaling \$31,111.

On August 31, 2010, Ricky Roten left the Office of Sheriff and was succeeded by Guy Buck.

**D. 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.

**E. 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 \$545,340 reported as postclosure care liability at June 30, 2010, represents amounts based on what it would cost to perform all postclosure care in 2010. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**F. 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

**G. Retirement Commitments**

**Plan Description**

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

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

## Funding Policy

McNairy County requires employees to contribute five percent of their earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2010, 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, 2010, the county's annual pension cost of \$287,331 to TCRS was equal to the 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. The 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, 2009, which established contribution rates effective July 1, 2010.

## Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-10	\$287,331	100%	\$0
6-30-09	276,667	100	0
6-30-08	235,008	100	0

## Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 86.1 percent funded. The actuarial accrued liability for benefits was \$10.36 million, and the actuarial value of assets was \$8.92 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.44 million. The covered payroll (annual payroll of active employees covered by the plan) was \$6.32 million, and the ratio of the UAAL to the covered payroll was 22.76 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

## **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. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

## **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2010, was 6.42 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2010, 2009, and 2008, were \$1,038,934, \$1,023,485, and \$951,996, respectively, equal to the required contributions for each year.

### **H. 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, 2010, McNairy County and the discretely presented School Department contributed \$3,610 and \$257,744, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 346,000	\$ 14,000
Interest on the NPO	14,835	685
Adjustment to the ARC	(14,052)	(649)
Annual OPEB cost	\$ 346,783	\$ 14,036
Less: Amount of contribution	(257,744)	(3,610)
Increase/decrease in NPO	\$ 89,039	\$ 10,426
Net OPEB obligation, 7-1-09	329,667	15,219
Net OPEB obligation, 6-30-10	\$ 418,706	\$ 25,645

Fiscal Year Ended	Plans	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
6-30-10	"	346,783	74	418,706
6-30-08	Local Government Group	18,228	24	13,942
6-30-09	"	5,975	79	15,219
6-30-10	"	14,036	26	25,645

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-09	7-1-09
Actuarial accrued liability (AAL)	\$ 3,410,000	\$ 66,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 3,410,000	\$ 66,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 19,989,567	\$ 587,162
UAAL as a % of covered payroll	17%	11%

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, 2009, actuarial valuation for the Local Education Group Plan, the projected unit credit actuarial cost method was used and the actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of four for fiscal year 2010. The trend will rise to ten percent in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The annual healthcare cost trend rate for the Local Government Group Plan was three percent for fiscal year 2010. The trend will rise to ten percent in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level of percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

### **I. 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 provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires that competitive bids be solicited through newspaper advertisement on all purchases estimated to exceed \$10,000.

---

---

**REQUIRED SUPPLEMENTARY  
INFORMATION**

---

---

Exhibit 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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,130,453	\$ 3,051,807	\$ 3,051,807	\$ 78,646
Licenses and Permits	12,982	6,500	6,500	6,482
Fines, Forfeitures, and Penalties	138,896	137,650	137,650	1,246
Charges for Current Services	32,183	41,000	41,000	(8,817)
Other Local Revenues	129,765	41,000	63,427	66,338
Fees Received from County Officials	880,530	877,500	877,500	3,030
State of Tennessee	576,218	807,250	846,750	(270,532)
Federal Government	370,589	59,000	425,181	(54,592)
<b>Total Revenues</b>	<b>\$ 5,271,616</b>	<b>\$ 5,021,707</b>	<b>\$ 5,449,815</b>	<b>\$ (178,199)</b>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 65,282	\$ 50,240	\$ 67,440	\$ 2,158
Board of Equalization	2,200	2,200	2,200	0
Beer Board	0	725	0	0
Budget and Finance Committee	0	1,750	0	0
Other Boards and Committees	0	3,500	0	0
County Mayor/Executive	134,864	132,400	135,235	371
County Attorney	1,800	2,400	2,400	600
Election Commission	86,658	91,143	91,143	4,485
Register of Deeds	116,393	121,684	121,684	5,291
County Buildings	242,197	277,110	264,105	21,908
Preservation of Records	6,703	9,300	9,300	2,597
<u>Finance</u>				
Property Assessor's Office	151,414	171,993	161,993	10,579
Reappraisal Program	36,605	37,159	37,159	554
County Trustee's Office	125,570	121,664	127,169	1,599
County Clerk's Office	153,704	165,529	165,529	11,825
<u>Administration of Justice</u>				
Circuit Court	138,922	162,735	172,235	33,313
General Sessions Court	180,034	182,691	182,691	2,657
Chancery Court	107,580	111,160	111,160	3,580
Juvenile Court	46,046	45,431	47,858	1,812
<u>Public Safety</u>				
Sheriff's Department	1,074,407	1,155,683	1,140,964	66,557
Jail	346,453	310,172	335,172	(11,281)
Fire Prevention and Control	111,368	90,438	122,538	11,170
Rural Fire Protection	40,648	41,632	41,632	984
Civil Defense	350,748	42,184	352,184	1,436
Inspection and Regulation	4,800	4,800	4,800	0
<u>Public Health and Welfare</u>				
Local Health Center	160,090	543,893	480,818	320,728

(Continued)

Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	\$ 65,690	\$ 65,225	\$ 66,225	\$ 535
Soil Conservation	42,387	42,387	42,387	0
<u>Other Operations</u>				
Other Economic and Community Development	75,000	10,000	80,000	5,000
Airport	65,453	64,000	65,500	47
Veterans' Services	11,565	11,950	11,950	385
Other Charges	140,932	135,000	147,000	6,068
Contributions to Other Agencies	172,996	153,000	186,500	13,504
Employee Benefits	536,324	628,250	563,250	26,926
ARRA Grant No. 1	21,331	0	21,331	0
ARRA Grant No. 2	3,239	0	3,250	11
Miscellaneous	56,378	1,500	58,000	1,622
<u>Principal on Debt</u>				
General Government	13,433	0	13,434	1
<u>Interest on Debt</u>				
General Government	1,084	0	1,300	216
<u>Capital Projects - Donated</u>				
Capital Projects Donated to School Department	44,000	0	44,000	0
Total Expenditures	<u>\$ 4,934,298</u>	<u>\$ 4,990,928</u>	<u>\$ 5,481,536</u>	<u>\$ 547,238</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 337,318	\$ 30,779	\$ (31,721)	\$ 369,039
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 33,874	\$ 10,000	\$ 10,000	\$ 23,874
Transfers In	10,558	7,500	7,500	3,058
Transfers Out	(146,500)	(132,500)	(146,500)	0
Total Other Financing Sources (Uses)	<u>\$ (102,068)</u>	<u>\$ (115,000)</u>	<u>\$ (129,000)</u>	<u>\$ 26,932</u>
Net Change in Fund Balance	\$ 235,250	\$ (84,221)	\$ (160,721)	\$ 395,971
Fund Balance, July 1, 2009	<u>1,087,736</u>	<u>1,318,144</u>	<u>1,318,144</u>	<u>(230,408)</u>
Fund Balance, June 30, 2010	<u>\$ 1,322,986</u>	<u>\$ 1,233,923</u>	<u>\$ 1,157,423</u>	<u>\$ 165,563</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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 73,617	\$ 61,500	\$ 61,500	\$ 12,117
Charges for Current Services	790,666	825,000	825,000	(34,334)
Other Local Revenues	5,403	0	1,000	4,403
State of Tennessee	311,280	222,458	236,284	74,996
Total Revenues	<u>\$ 1,180,966</u>	<u>\$ 1,108,958</u>	<u>\$ 1,123,784</u>	<u>\$ 57,182</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 932,265	\$ 855,700	\$ 935,700	\$ 3,435
Recycling Center	3,682	0	4,000	318
Landfill Operation and Maintenance	165,850	196,650	199,155	33,305
<u>Other Operations</u>				
Employee Benefits	29,632	41,428	41,428	11,796
<u>Highways</u>				
Litter and Trash Collection	42,465	38,458	46,779	4,314
Total Expenditures	<u>\$ 1,173,894</u>	<u>\$ 1,132,236</u>	<u>\$ 1,227,062</u>	<u>\$ 53,168</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 7,072</u>	<u>\$ (23,278)</u>	<u>\$ (103,278)</u>	<u>\$ 110,350</u>
Net Change in Fund Balance	\$ 7,072	\$ (23,278)	\$ (103,278)	\$ 110,350
Fund Balance, July 1, 2009	491,184	487,639	487,639	3,545
Fund Balance, June 30, 2010	<u>\$ 498,256</u>	<u>\$ 464,361</u>	<u>\$ 384,361</u>	<u>\$ 113,895</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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 385,506	\$ 368,340	\$ 368,340	\$ 17,166
Charges for Current Services	123	100	100	23
Other Local Revenues	41,794	17,000	17,000	24,794
State of Tennessee	2,385,667	2,166,925	2,371,885	13,782
Other Governments and Citizens Groups	16,514	20,000	20,000	(3,486)
Total Revenues	<u>\$ 2,829,604</u>	<u>\$ 2,572,365</u>	<u>\$ 2,777,325</u>	<u>\$ 52,279</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 126,855	\$ 129,657	\$ 132,690	\$ 5,835
Highway and Bridge Maintenance	758,777	625,062	776,444	17,667
Operation and Maintenance of Equipment	288,298	342,950	314,543	26,245
Other Charges	54,952	56,500	56,700	1,748
Employee Benefits	308,091	319,000	320,181	12,090
Capital Outlay	1,117,633	722,500	1,236,071	118,438
<u>Principal on Debt</u>				
Highways and Streets	38,750	45,000	45,000	6,250
<u>Interest on Debt</u>				
Highways and Streets	1,986	4,000	4,000	2,014
Total Expenditures	<u>\$ 2,695,342</u>	<u>\$ 2,244,669</u>	<u>\$ 2,885,629</u>	<u>\$ 190,287</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 134,262</u>	<u>\$ 327,696</u>	<u>\$ (108,304)</u>	<u>\$ 242,566</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 1,099	\$ 0	\$ 0	\$ 1,099
Transfers In	0	0	326,000	(326,000)
Transfers Out	(49,000)	(485,000)	(375,000)	326,000
Total Other Financing Sources (Uses)	<u>\$ (47,901)</u>	<u>\$ (485,000)</u>	<u>\$ (49,000)</u>	<u>\$ 1,099</u>
Net Change in Fund Balance	\$ 86,361	\$ (157,304)	\$ (157,304)	\$ 243,665
Fund Balance, July 1, 2009	308,934	308,934	308,934	0
Fund Balance, June 30, 2010	<u>\$ 395,295</u>	<u>\$ 151,630</u>	<u>\$ 151,630</u>	<u>\$ 243,665</u>

Exhibit E-4

McNairy County, Tennessee  
Schedule of Funding Progress – Pension Plan  
Primary Government and Discretely Presented McNairy County School Department  
June 30, 2010

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-07	\$ 8,121	\$ 8,685	\$ 564	93.51 %	\$ 5,570	10.13%
7-1-09	8,920	10,359	1,439	86.10	6,324	22.76

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 went into effect during the 2007 year; therefore, only the two most recent valuations are presented.

Exhibit E-5

McNairy County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plans  
Primary Government and Discretely Presented McNairy County School Department  
June 30, 2010

(Dollar amounts in thousands)

Plans	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	7-1-07	\$ 0	\$ 137	\$ 137	0%	\$ 511	27%
"	7-1-09	0	66	66	0	587	11
<u>DISCRETELY PRESENTED McNAIRY COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-07	0	2,700	2,700	0	19,752	14
"	7-1-09	0	3,410	3,410	0	19,990	17

\* Data only available for two valuations.

**McNAIRY COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2010**

**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 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 County 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 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 Jail major appropriation category (the legal level of control) of the General Fund by \$11,281. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

**C. UNAUTHORIZED INVESTMENT**

At June 30, 2010, 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.

---

---

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

---

---

# 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. This fund was closed during the year.

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

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

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

## Capital Projects Fund

---

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

---

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

Exhibit F-1

McNairy County, Tennessee  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2010

	Special Revenue Funds					Total	Capital Projects Fund		Total Nonmajor Governmental Funds
	Law Library	Special Purpose	Drug Control	Constitutional Officers - Fees	Community Development/ Industrial Park		Community Development/ Industrial Park	Nonmajor Governmental Funds	
Cash	\$ 0	\$ 0	\$ 0	\$ 3,110	\$ 0	\$ 3,110	\$ 0	\$ 3,110	
Equity in Pooled Cash and Investments	2,487	9,969	36,729	0	8,899	49,185	8,899	58,084	
Total Assets	\$ 2,487	\$ 9,969	\$ 36,729	\$ 3,110	\$ 8,899	\$ 52,295	\$ 8,899	\$ 61,194	
<u>LIABILITIES AND FUND BALANCES</u>									
<u>Liabilities</u>									
Accounts Payable	\$ 185	\$ 513	\$ 0	\$ 0	\$ 698	\$ 1,810	\$ 2,508		
Payroll Deductions Payable	0	39	0	0	39	0	39		
Due to Other Funds	0	0	0	3,110	3,110	0	3,110		
Total Liabilities	\$ 185	\$ 552	\$ 0	\$ 3,110	\$ 3,847	\$ 1,810	\$ 5,657		
<u>Fund Balances</u>									
Unreserved	\$ 2,302	\$ 9,417	\$ 36,729	\$ 0	\$ 48,448	\$ 7,089	\$ 55,537		
Total Fund Balances	\$ 2,302	\$ 9,417	\$ 36,729	\$ 0	\$ 48,448	\$ 7,089	\$ 55,537		
Total Liabilities and Fund Balances	\$ 2,487	\$ 9,969	\$ 36,729	\$ 3,110	\$ 52,295	\$ 8,899	\$ 61,194		

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, 2010

	Special Revenue Funds						Constituti- onal Officers - Fees	Total	Capital Projects Fund		Total Nonmajor Governmental Funds
	Law Library	Public Library	Special Purpose	Drug Control	Development/ Industrial Park	Community Development/ Industrial Park					
<u>Revenues</u>											
Local Taxes	\$ 3,475	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,475	\$ 0	\$ 0	\$ 3,475	
Fines, Forfeitures, and Penalties	0	0	0	3,355	0	0	3,355	0	0	3,355	
Charges for Current Services	0	24,124	0	0	750	0	24,874	0	0	24,874	
Other Local Revenues	0	0	80,318	5,486	0	0	85,804	0	0	85,804	
Other Governments and Citizens Groups	0	0	14,000	0	0	0	14,000	0	0	14,000	
Total Revenues	\$ 3,475	\$ 24,124	\$ 94,318	\$ 8,841	\$ 750	\$ 0	\$ 131,508	\$ 0	\$ 0	\$ 131,508	
<u>Expenditures</u>											
Current:											
General Government	\$ 0	\$ 0	\$ 102,340	\$ 0	\$ 0	\$ 0	\$ 102,340	\$ 0	\$ 0	\$ 102,340	
Administration of Justice	0	0	0	0	750	0	750	0	0	750	
Public Safety	0	0	0	33,564	0	0	33,564	0	0	33,564	
Social, Cultural, and Recreational Services	2,382	115,696	0	0	0	0	118,078	0	0	118,078	
Agriculture and Natural Resources	0	0	0	0	0	0	0	4,565	0	4,565	
Other Operations	0	21,864	5,605	0	0	0	27,469	0	0	27,469	
Total Expenditures	\$ 2,382	\$ 137,560	\$ 107,945	\$ 33,564	\$ 750	\$ 0	\$ 282,201	\$ 4,565	\$ 0	\$ 286,766	
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,093	\$ (113,436)	\$ (13,627)	\$ (24,723)	\$ 0	\$ 0	\$ (150,693)	\$ (4,565)	\$ 0	\$ (155,258)	
<u>Other Financing Sources (Uses)</u>											
Transfers In	\$ 0	\$ 121,000	\$ 14,000	\$ 0	\$ 0	\$ 0	\$ 135,000	\$ 11,500	\$ 0	\$ 146,500	
Transfers Out	0	(10,558)	0	0	0	0	(10,558)	0	0	(10,558)	
Total Other Financing Sources (Uses)	\$ 0	\$ 110,442	\$ 14,000	\$ 0	\$ 0	\$ 0	\$ 124,442	\$ 11,500	\$ 0	\$ 135,942	
Net Change in Fund Balances	\$ 1,093	\$ (2,994)	\$ 373	\$ (24,723)	\$ 0	\$ 0	\$ (26,251)	\$ 6,935	\$ 0	\$ (19,316)	
Fund Balance, July 1, 2009	1,209	2,994	9,044	61,452	0	0	74,699	154	0	74,853	
Fund Balance, June 30, 2010	\$ 2,302	\$ 0	\$ 9,417	\$ 36,729	\$ 0	\$ 0	\$ 48,448	\$ 7,089	\$ 0	\$ 55,537	

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,475	\$ 3,500	\$ 3,500	\$ (25)
Total Revenues	\$ 3,475	\$ 3,500	\$ 3,500	\$ (25)
<u>Expenditures</u>				
<u>Social, Cultural, and Recreational Services</u>				
Libraries	\$ 2,382	\$ 3,339	\$ 3,339	\$ 957
Total Expenditures	\$ 2,382	\$ 3,339	\$ 3,339	\$ 957
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,093	\$ 161	\$ 161	\$ 932
Net Change in Fund Balance	\$ 1,093	\$ 161	\$ 161	\$ 932
Fund Balance, July 1, 2009	1,209	542	542	667
Fund Balance, June 30, 2010	\$ 2,302	\$ 703	\$ 703	\$ 1,599

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 24,124	\$ 10,000	\$ 10,000	\$ 14,124
Other Governments and Citizens Groups	0	13,500	13,500	(13,500)
Total Revenues	<u>\$ 24,124</u>	<u>\$ 23,500</u>	<u>\$ 23,500</u>	<u>\$ 624</u>
<u>Expenditures</u>				
<u>Social, Cultural, and Recreational Services</u>				
Libraries	\$ 115,696	\$ 122,436	\$ 122,436	\$ 6,740
<u>Other Operations</u>				
Employee Benefits	21,864	24,167	24,167	2,303
Total Expenditures	<u>\$ 137,560</u>	<u>\$ 146,603</u>	<u>\$ 146,603</u>	<u>\$ 9,043</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (113,436)</u>	<u>\$ (123,103)</u>	<u>\$ (123,103)</u>	<u>\$ 9,667</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 121,000	\$ 121,000	\$ 121,000	\$ 0
Transfers Out	(10,558)	0	(10,558)	0
Total Other Financing Sources (Uses)	<u>\$ 110,442</u>	<u>\$ 121,000</u>	<u>\$ 110,442</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (2,994)	\$ (2,103)	\$ (12,661)	\$ 9,667
Fund Balance, July 1, 2009	<u>2,994</u>	<u>9,491</u>	<u>9,491</u>	<u>(6,497)</u>
Fund Balance, June 30, 2010	<u>\$ 0</u>	<u>\$ 7,388</u>	<u>\$ (3,170)</u>	<u>\$ 3,170</u>

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 0	\$ 850	\$ 850	\$ (850)
Other Local Revenues	80,318	89,800	89,800	(9,482)
Other Governments and Citizens Groups	14,000	0	14,000	0
Total Revenues	<u>\$ 94,318</u>	<u>\$ 90,650</u>	<u>\$ 104,650</u>	<u>\$ (10,332)</u>
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 0	\$ 400	\$ 400	\$ 400
Other Facilities	102,340	68,840	103,855	1,515
<u>Other Operations</u>				
Employee Benefits	5,605	5,530	6,015	410
Total Expenditures	<u>\$ 107,945</u>	<u>\$ 74,770</u>	<u>\$ 110,270</u>	<u>\$ 2,325</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (13,627)</u>	<u>\$ 15,880</u>	<u>\$ (5,620)</u>	<u>\$ (8,007)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 14,000	\$ 0	\$ 14,000	\$ 0
Transfers Out	0	(15,000)	(7,500)	7,500
Total Other Financing Sources (Uses)	<u>\$ 14,000</u>	<u>\$ (15,000)</u>	<u>\$ 6,500</u>	<u>\$ 7,500</u>
Net Change in Fund Balance	\$ 373	\$ 880	\$ 880	\$ (507)
Fund Balance, July 1, 2009	9,044	26,938	26,938	(17,894)
Fund Balance, June 30, 2010	<u>\$ 9,417</u>	<u>\$ 27,818</u>	<u>\$ 27,818</u>	<u>\$ (18,401)</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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 3,355	\$ 30,000	\$ 30,000	\$ (26,645)
Other Local Revenues	5,486	1,500	1,500	3,986
Total Revenues	<u>\$ 8,841</u>	<u>\$ 31,500</u>	<u>\$ 31,500</u>	<u>\$ (22,659)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 33,564	\$ 40,000	\$ 40,000	\$ 6,436
Total Expenditures	<u>\$ 33,564</u>	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ 6,436</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (24,723)</u>	<u>\$ (8,500)</u>	<u>\$ (8,500)</u>	<u>\$ (16,223)</u>
Net Change in Fund Balance	\$ (24,723)	\$ (8,500)	\$ (8,500)	\$ (16,223)
Fund Balance, July 1, 2009	<u>61,452</u>	<u>58,305</u>	<u>58,305</u>	<u>3,147</u>
Fund Balance, June 30, 2010	<u><u>\$ 36,729</u></u>	<u><u>\$ 49,805</u></u>	<u><u>\$ 49,805</u></u>	<u><u>\$ (13,076)</u></u>

# **Major Governmental Fund**

## **General Debt Service Fund**

---

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

---

Exhibit 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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,514,169	\$ 1,485,374	\$ 1,485,374	\$ 28,795
Other Local Revenues	140,763	162,500	162,500	(21,737)
Other Governments and Citizens Groups	1,030,775	0	1,030,775	0
Total Revenues	<u>\$ 2,685,707</u>	<u>\$ 1,647,874</u>	<u>\$ 2,678,649</u>	<u>\$ 7,058</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 871,100	\$ 510,060	\$ 871,100	\$ 0
Highways and Streets	758,541	1,255,834	759,824	1,283
Education	836,760	745,000	836,760	0
<u>Interest on Debt</u>				
General Government	166,661	179,023	169,000	2,339
Highways and Streets	133,730	106,900	136,214	2,484
Education	281,294	285,775	281,294	0
<u>Other Debt Service</u>				
General Government	216,876	7,800	218,000	1,124
Highways and Streets	803	10,000	12,000	11,197
Education	482	2,500	2,500	2,018
Total Expenditures	<u>\$ 3,266,247</u>	<u>\$ 3,102,892</u>	<u>\$ 3,286,692</u>	<u>\$ 20,445</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (580,540)</u>	<u>\$ (1,455,018)</u>	<u>\$ (608,043)</u>	<u>\$ 27,503</u>
<u>Other Financing Sources (Uses)</u>				
Bonds Issued	\$ 183,800	\$ 0	\$ 183,800	\$ 0
Transfers In	49,000	1,515,981	485,206	(436,206)
Transfers Out	0	0	(326,000)	326,000
Total Other Financing Sources (Uses)	<u>\$ 232,800</u>	<u>\$ 1,515,981</u>	<u>\$ 343,006</u>	<u>\$ (110,206)</u>
Net Change in Fund Balance	<u>\$ (347,740)</u>	<u>\$ 60,963</u>	<u>\$ (265,037)</u>	<u>\$ (82,703)</u>
Fund Balance, July 1, 2009	<u>2,804,783</u>	<u>1,499,623</u>	<u>1,499,623</u>	<u>1,305,160</u>
Fund Balance, June 30, 2010	<u>\$ 2,457,043</u>	<u>\$ 1,560,586</u>	<u>\$ 1,234,586</u>	<u>\$ 1,222,457</u>

# 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.

Exhibit H-1

McNairy County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2010

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 695,889	\$ 695,889
Accounts Receivable	0	1,773	1,773
Due from Other Governments	307,686	0	307,686
Total Assets	<u>\$ 307,686</u>	<u>\$ 697,662</u>	<u>\$ 1,005,348</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 307,686	\$ 0	\$ 307,686
Due to Litigants, Heirs, and Others	0	697,662	697,662
Total Liabilities	<u>\$ 307,686</u>	<u>\$ 697,662</u>	<u>\$ 1,005,348</u>

Exhibit H-2

McNairy County, Tennessee

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

For the Year Ended June 30, 2010

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,575,935	\$ 1,575,935	\$ 0
Due from Other Governments	265,431	307,686	265,431	307,686
Total Assets	\$ 265,431	\$ 1,883,621	\$ 1,841,366	\$ 307,686
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 265,431	\$ 1,883,621	\$ 1,841,366	\$ 307,686
Total Liabilities	\$ 265,431	\$ 1,883,621	\$ 1,841,366	\$ 307,686
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 554,948	\$ 4,542,340	\$ 4,401,399	\$ 695,889
Accounts Receivable	2,320	1,773	2,320	1,773
Total Assets	\$ 557,268	\$ 4,544,113	\$ 4,403,719	\$ 697,662
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 557,268	\$ 4,544,113	\$ 4,403,719	\$ 697,662
Total Liabilities	\$ 557,268	\$ 4,544,113	\$ 4,403,719	\$ 697,662
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 554,948	\$ 4,542,340	\$ 4,401,399	\$ 695,889
Equity in Pooled Cash and Investments	0	1,575,935	1,575,935	0
Accounts Receivable	2,320	1,773	2,320	1,773
Due from Other Governments	265,431	307,686	265,431	307,686
Total Assets	\$ 822,699	\$ 6,427,734	\$ 6,245,085	\$ 1,005,348
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 265,431	\$ 1,883,621	\$ 1,841,366	\$ 307,686
Due to Litigants, Heirs, and Others	557,268	4,544,113	4,403,719	697,662
Total Liabilities	\$ 822,699	\$ 6,427,734	\$ 6,245,085	\$ 1,005,348

# 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.

Exhibit I-1

McNairy County, Tennessee  
Statement of Activities  
Discretely Presented McNairy County School Department  
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 21,738,247	\$ 725,421	\$ 2,746,157	\$ 44,000	\$ (18,222,669)
Support Services	7,853,499	68,209	803,885	0	(6,981,405)
Operation of Non-Instructional Services	3,271,445	0	1,467,753	0	(1,803,692)
Other Debt Service	1,030,775	0	0	0	(1,030,775)
<b>Total Governmental Activities</b>	<b>\$ 33,893,966</b>	<b>\$ 793,630</b>	<b>\$ 5,017,795</b>	<b>\$ 44,000</b>	<b>\$ (28,038,541)</b>
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 3,783,067
Local Option Sales Taxes					1,818,950
Other Local Taxes					40,508
Grants and Contributions Not Restricted to Specific Programs					22,625,669
Unrestricted Investment Earnings					28,235
Miscellaneous					76,525
<b>Total General Revenues</b>					<b>\$ 28,372,954</b>
Change in Net Assets					\$ 334,413
Net Assets, July 1, 2009					15,105,485
<b>Net Assets, June 30, 2010</b>					<b>\$ 15,439,898</b>

Exhibit I-2

McNairy County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented McNairy County School Department  
June 30, 2010

	Major Funds			Total Govern- mental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 1,117,863	\$ 1,569	\$ 958,037	\$ 2,077,469
Accounts Receivable	1,823	0	0	1,823
Due from Other Governments	863,118	79,263	0	942,381
Property Taxes Receivable	3,735,026	0	0	3,735,026
Allowance for Uncollectible Property Taxes	(191,607)	0	0	(191,607)
Total Assets	<u>\$ 5,526,223</u>	<u>\$ 80,832</u>	<u>\$ 958,037</u>	<u>\$ 6,565,092</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Payroll Deductions Payable	\$ 0	\$ 0	\$ 10,937	\$ 10,937
Retainage Payable	27,351	0	0	27,351
Deferred Revenue - Current Property Taxes	3,334,296	0	0	3,334,296
Deferred Revenue - Delinquent Property Taxes	193,104	0	0	193,104
Other Deferred Revenues	202,573	0	0	202,573
Total Liabilities	<u>\$ 3,757,324</u>	<u>\$ 0</u>	<u>\$ 10,937</u>	<u>\$ 3,768,261</u>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 69,535	\$ 0	\$ 0	\$ 69,535
Reserved for Career Ladder - Extended Contract	27,176	0	0	27,176
Reserved for Career Ladder Program	392	0	0	392
Reserved for Title I Grants to Local Education Agencies	0	17,531	0	17,531
Reserved for Innovative Education Program Strategies	0	864	0	864
Reserved for Special Education - Grants to States	0	9,194	0	9,194
Other Federal Reserves	0	18,243	0	18,243
Unreserved, Reported In:				
General Fund	1,671,796	0	0	1,671,796
Special Revenue Funds	0	35,000	947,100	982,100
Total Fund Balances	<u>\$ 1,768,899</u>	<u>\$ 80,832</u>	<u>\$ 947,100</u>	<u>\$ 2,796,831</u>
Total Liabilities and Fund Balances	<u>\$ 5,526,223</u>	<u>\$ 80,832</u>	<u>\$ 958,037</u>	<u>\$ 6,565,092</u>

Exhibit I-3

McNairy County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
Discretely Presented McNairy County School Department  
June 30, 2010

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)	\$ 2,796,831
(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	519,667
Add: buildings and improvements net of accumulated depreciation	9,942,062
Add: other capital assets net of accumulated depreciation	<u>1,828,888</u> 12,666,096
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Less: other postemployment benefits liability	(418,706)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.	<u>395,677</u>
Net assets of governmental activities (Exhibit A)	<u><u>\$ 15,439,898</u></u>

Exhibit I-4

McNairy County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented McNairy County School Department  
For the Year Ended June 30, 2010

	Major Funds			Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>Revenues</u>				
Local Taxes	\$ 5,608,011	\$ 0	\$ 0	\$ 5,608,011
Licenses and Permits	4,407	0	0	4,407
Charges for Current Services	46,041	0	716,278	762,319
Other Local Revenues	73,586	0	68,760	142,346
State of Tennessee	22,177,196	0	0	22,177,196
Federal Government	214,158	3,785,042	1,443,449	5,442,649
Other Governments and Citizens Groups	44,000	0	0	44,000
Total Revenues	<u>\$ 28,167,399</u>	<u>\$ 3,785,042</u>	<u>\$ 2,228,487</u>	<u>\$ 34,180,928</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 18,480,799	\$ 2,748,426	\$ 0	\$ 21,229,225
Support Services	7,236,697	595,812	0	7,832,509
Operation of Non-Instructional Services	822,295	379,422	2,185,144	3,386,861
Capital Outlay	1,465,534	0	0	1,465,534
Debt Service:				
Other Debt Service	1,030,775	0	0	1,030,775
Total Expenditures	<u>\$ 29,036,100</u>	<u>\$ 3,723,660</u>	<u>\$ 2,185,144</u>	<u>\$ 34,944,904</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (868,701)</u>	<u>\$ 61,382</u>	<u>\$ 43,343</u>	<u>\$ (763,976)</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 29,180	\$ 0	\$ 0	\$ 29,180
Transfers In	55,968	35,000	0	90,968
Transfers Out	(35,000)	(55,968)	0	(90,968)
Total Other Financing Sources (Uses)	<u>\$ 50,148</u>	<u>\$ (20,968)</u>	<u>\$ 0</u>	<u>\$ 29,180</u>
Net Change in Fund Balances	\$ (818,553)	\$ 40,414	\$ 43,343	\$ (734,796)
Fund Balance, July 1, 2009	<u>2,587,452</u>	<u>40,418</u>	<u>903,757</u>	<u>3,531,627</u>
Fund Balance, June 30, 2010	<u>\$ 1,768,899</u>	<u>\$ 80,832</u>	<u>\$ 947,100</u>	<u>\$ 2,796,831</u>

Exhibit I-5

McNairy County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Discretely Presented McNairy County School Department  
For the Year Ended June 30, 2010

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)		\$ (734,796)
(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	\$ 1,866,452	
Less: current year depreciation expense	<u>(755,709)</u>	1,110,743
(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, 2010	\$ 395,677	
Less: deferred delinquent property taxes and other deferred June 30, 2009	<u>(348,226)</u>	47,451
(3) 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 other postemployment benefits liability	\$ (89,039)	
Change in compensated absences payable	<u>54</u>	<u>(88,985)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 334,413</u>

Exhibit I-6

McNairy County, Tennessee  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance - Actual (Budgetary Basis) and Budget  
 Discretely Presented McNairy County School Department  
 General Purpose School Fund  
 For the Year Ended June 30, 2010

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<b>Revenues</b>						
Local Taxes	\$ 5,608,011	\$ 0	\$ 5,608,011	\$ 5,764,112	\$ 5,764,112	\$ (156,101)
Licenses and Permits	4,407	0	4,407	5,000	5,000	(593)
Charges for Current Services	46,041	0	46,041	142,200	47,200	(1,159)
Other Local Revenues	73,586	0	73,586	55,000	63,500	10,086
State of Tennessee	22,177,196	0	22,177,196	21,546,980	22,183,010	(5,814)
Federal Government	214,158	0	214,158	160,500	204,116	10,042
Other Governments and Citizens Groups	44,000	0	44,000	0	44,000	0
<b>Total Revenues</b>	<b>\$ 28,167,399</b>	<b>\$ 0</b>	<b>\$ 28,167,399</b>	<b>\$ 27,673,792</b>	<b>\$ 28,310,938</b>	<b>\$ (143,539)</b>
<b>Expenditures</b>						
<u>Instruction</u>						
Regular Instruction Program	\$ 15,377,985	\$ 0	\$ 15,377,985	\$ 15,359,980	\$ 15,488,836	\$ 110,851
Special Education Program	1,819,888	0	1,819,888	1,874,987	1,869,800	49,912
Vocational Education Program	1,014,746	0	1,014,746	1,043,423	1,021,689	6,943
Adult Education Program	268,180	0	268,180	335,659	335,659	67,479
<u>Support Services</u>						
Attendance	56,345	0	56,345	53,849	56,905	560
Health Services	278,034	0	278,034	262,814	280,793	2,759
Other Student Support	428,510	0	428,510	384,410	428,516	6
Regular Instruction Program	732,549	0	732,549	738,759	754,767	22,218
Special Education Program	197,963	0	197,963	234,764	198,935	972
Vocational Education Program	76,909	0	76,909	76,916	76,909	0
Adult Programs	67,462	0	67,462	78,051	67,462	0
Other Programs	159,606	0	159,606	0	159,606	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)	Add: Encumbrances 6/30/2010	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	\$ 372,022	\$ 0	\$ 372,022	\$ 400,185	\$ 385,987	\$ 13,965
Director of Schools	157,162	0	157,162	156,077	159,143	1,981
Office of the Principal	1,050,877	0	1,050,877	1,047,108	1,052,887	2,010
Fiscal Services	111,046	0	111,046	111,073	116,053	5,007
Operation of Plant	1,859,349	0	1,859,349	1,872,525	1,881,026	21,677
Maintenance of Plant	350,895	0	350,895	346,740	397,130	46,235
Transportation	1,297,067	0	1,297,067	1,395,823	1,320,770	23,703
Central and Other	40,901	0	40,901	37,155	40,921	20
<u>Operation of Non-Instructional Services</u>						
Food Service	52,744	0	52,744	53,656	52,744	0
Community Services	111,230	0	111,230	112,000	112,500	1,270
Early Childhood Education	658,321	0	658,321	669,063	672,738	14,417
<u>Capital Outlay</u>						
Regular Capital Outlay	1,465,534	69,535	1,535,069	766,000	1,438,183	(96,886)
<u>Other Debt Service</u>						
Education	1,030,775	0	1,030,775	1,030,775	1,030,775	0
Total Expenditures	\$ 29,036,100	\$ 69,535	\$ 29,105,635	\$ 28,441,792	\$ 29,400,734	\$ 295,099
Excess (Deficiency) of Revenues Over Expenditures	\$ (868,701)	\$ (69,535)	\$ (938,236)	\$ (768,000)	\$ (1,089,796)	\$ 151,560

(Continued)

Exhibit I-6

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 29,180	\$ 0	\$ 29,180	\$ 0	\$ 28,413	\$ 767
Transfers In	55,968	0	55,968	2,000	50,000	5,968
Transfers Out	(35,000)	0	(35,000)	0	(35,000)	0
Total Other Financing Sources (Uses)	\$ 50,148	\$ 0	\$ 50,148	\$ 2,000	\$ 43,413	\$ 6,735
Net Change in Fund Balance	\$ (818,553)	\$ (69,535)	\$ (888,088)	\$ (766,000)	\$ (1,046,383)	\$ 158,295
Fund Balance, July 1, 2009	2,587,452	0	2,587,452	2,355,463	2,355,463	231,989
Fund Balance, June 30, 2010	\$ 1,768,899	\$ (69,535)	\$ 1,699,364	\$ 1,589,463	\$ 1,309,080	\$ 390,284

## 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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 3,785,042	\$ 2,122,570	\$ 4,338,350	\$ (553,308)
Total Revenues	\$ 3,785,042	\$ 2,122,570	\$ 4,338,350	\$ (553,308)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,606,264	\$ 1,507,508	\$ 1,678,721	\$ 72,457
Special Education Program	1,069,516	69,641	1,434,082	364,566
Vocational Education Program	72,646	0	72,646	0
<u>Support Services</u>				
Other Student Support	108,606	65,262	109,339	733
Regular Instruction Program	280,113	429,789	312,959	32,846
Special Education Program	59,229	31,746	140,972	81,743
Vocational Education Program	3,283	0	3,283	0
Transportation	144,581	50,000	156,742	12,161
<u>Operation of Non-Instructional Services</u>				
Community Services	379,422	0	398,923	19,501
Total Expenditures	\$ 3,723,660	\$ 2,153,946	\$ 4,307,667	\$ 584,007
Excess (Deficiency) of Revenues Over Expenditures	\$ 61,382	\$ (31,376)	\$ 30,683	\$ 30,699
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 35,000	\$ 0	\$ 0	\$ 35,000
Transfers Out	(55,968)	(727)	(56,632)	664
Total Other Financing Sources (Uses)	\$ (20,968)	\$ (727)	\$ (56,632)	\$ 35,664
Net Change in Fund Balance	\$ 40,414	\$ (32,103)	\$ (25,949)	\$ 66,363
Fund Balance, July 1, 2009	40,418	40,418	40,418	0
Fund Balance, June 30, 2010	\$ 80,832	\$ 8,315	\$ 14,469	\$ 66,363

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, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Final	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>						
Charges for Current Services	\$ 716,278	0	\$ 716,278	\$ 853,000	\$ 853,000	\$ (136,722)
Other Local Revenues	68,760	0	68,760	62,000	62,000	6,760
Federal Government	1,443,449	0	1,443,449	1,240,000	1,245,347	198,102
<b>Total Revenues</b>	<b>\$ 2,228,487</b>	<b>0</b>	<b>\$ 2,228,487</b>	<b>\$ 2,155,000</b>	<b>\$ 2,160,347</b>	<b>\$ 68,140</b>
<b>Expenditures</b>						
<u>Operation of Non-Instructional Services</u>						
Food Service	\$ 2,185,144	(84,326)	\$ 2,100,818	\$ 2,155,000	\$ 2,160,347	\$ 59,529
<b>Total Expenditures</b>	<b>\$ 2,185,144</b>	<b>(84,326)</b>	<b>\$ 2,100,818</b>	<b>\$ 2,155,000</b>	<b>\$ 2,160,347</b>	<b>\$ 59,529</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 43,343</b>	<b>84,326</b>	<b>\$ 127,669</b>	<b>0</b>	<b>0</b>	<b>\$ 127,669</b>
<b>Net Change in Fund Balance Fund Balance, July 1, 2009</b>	<b>\$ 43,343</b>	<b>84,326</b>	<b>\$ 127,669</b>	<b>0</b>	<b>0</b>	<b>\$ 127,669</b>
	903,757	(84,326)	819,431	0	833,237	(13,806)
<b>Fund Balance, June 30, 2010</b>	<b>\$ 947,100</b>	<b>0</b>	<b>\$ 947,100</b>	<b>0</b>	<b>\$ 833,237</b>	<b>\$ 113,863</b>

---

---

## MISCELLANEOUS SCHEDULES

---

---

Exhibit J-1

McNairy County, Tennessee  
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds  
For the Year Ended June 30, 2010

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-09	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-10
<u>PRIMARY GOVERNMENT</u>								
<u>NOTES PAYABLE</u>								
Payable through General Fund								
Patrol Cars	\$ 40,300	4.45 %	9-10-07	9-10-10	\$ 26,095	0 \$	13,433 \$	12,662
Total Payable through General Fund					\$ 26,095	0 \$	13,433 \$	12,662
Payable through Highway/Public Works Fund								
Rural Economic Development Loan	135,000	4.5	8-31-07	8-31-10	\$ 56,250	0 \$	38,750 \$	17,500
Total Payable through Highway/Public Works Fund					\$ 56,250	0 \$	38,750 \$	17,500
Payable through General Debt Service Fund								
Agriculture Extension Building Construction	107,000	4.5	5-15-01	5-15-10	\$ 11,901	0 \$	11,901 \$	0
Highway Equipment	455,000	4.43	11-7-07	11-7-13	379,166	0	75,834	303,332
Total Payable through General Debt Service Fund					\$ 391,067	0 \$	87,735 \$	303,332
Total Notes Payable					\$ 473,412	0 \$	139,918 \$	333,494
<u>CAPITAL LEASES</u>								
Payable through General Debt Service Fund								
Highway Equipment	105,700	3.59	11-18-08	12-25-13	\$ 105,700	0 \$	11,867 \$	93,833
Total Capital Leases					\$ 105,700	0 \$	11,867 \$	93,833
<u>BONDS PAYABLE</u>								
Payable through General Debt Service Fund								
Airport Bonds, Series 1995	290,000	5 to 5.4	12-1-1995	2-1-11	\$ 50,000	0 \$	25,000 \$	25,000
USDA Rural Development Bonds	350,500	4.75	11-13-01	11-13-16	215,677	0	22,397	193,280
USDA Rural Development Bonds	217,750	4.75	5-1-02	5-1-22	163,150	0	9,697	153,453
USDA Rural Development Bonds	325,000	4.75	6-21-02	6-21-22	242,544	0	14,705	227,839
Refunding Bonds, Series 2003	3,035,000	3 to 5	3-11-03	9-1-12	1,340,000	0	310,000	1,030,000
School Refunding Bonds, Series 2003	10,305,000	2 to 4	4-22-03	3-1-17	6,830,000	0	745,000	6,085,000
Refunding Bonds, Series 2008	6,535,000	3.5 to 4.5	12-10-08	6-1-19	5,360,000	0	1,240,000	4,120,000
USDA GO Bonds	183,800	4.5	6-30-10	6-30-48	0	183,800	0	183,800
Total Bonds Payable					\$ 14,201,371	183,800 \$	2,366,799 \$	12,018,372

Exhibit J-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2011	\$ 105,996	\$ 12,604	\$ 118,600
2012	75,834	8,539	84,373
2013	75,834	5,151	80,985
2014	75,830	1,726	77,556
<b>Total</b>	<b>\$ 333,494</b>	<b>\$ 28,020</b>	<b>\$ 361,514</b>

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2011	\$ 12,300	\$ 3,425	\$ 15,725
2012	12,748	2,976	15,724
2013	13,214	2,510	15,724
2014	55,571	2,153	57,724
<b>Total</b>	<b>\$ 93,833</b>	<b>\$ 11,064</b>	<b>\$ 104,897</b>

Year Ending June 30	Bonds		
	Principal	Interest	Total
2011	\$ 2,463,270	\$ 480,317	\$ 2,943,587
2012	1,255,570	389,424	1,644,994
2013	1,317,980	334,897	1,652,877
2014	1,100,505	287,155	1,387,660
2015	1,453,149	242,693	1,695,842
2016	1,525,919	184,105	1,710,024
2017	1,583,203	123,204	1,706,407
2018	533,653	57,923	591,576
2019	530,259	35,061	565,320
2020	41,942	11,846	53,788
2021	43,704	9,866	53,570
2022	43,458	8,526	51,984
2023	4,837	5,659	10,496
2024	4,837	5,441	10,278
2025	4,837	5,224	10,061
2026	4,837	5,006	9,843
2027	4,837	4,788	9,625
2028	4,837	4,571	9,408

(Continued)

Exhibit J-2

McNairy County, Tennessee  
Schedule of Long-term Debt Requirements by Year (Cont.)

Year Ending June 30	Bonds (Cont.)		
	Principal	Interest	Total
2029	\$ 4,837	\$ 4,353	\$ 9,190
2030	4,837	4,135	8,972
2031	4,837	3,918	8,755
2032	4,837	3,700	8,537
2033	4,837	3,483	8,320
2034	4,837	3,265	8,102
2035	4,837	3,047	7,884
2036	4,837	2,829	7,666
2037	4,837	2,612	7,449
2038	4,837	2,394	7,231
2039	4,837	2,176	7,013
2040	4,837	1,959	6,796
2041	4,837	1,741	6,578
2042	4,837	1,524	6,361
2043	4,837	1,306	6,143
2044	4,837	1,088	5,925
2045	4,837	871	5,708
2046	4,837	653	5,490
2047	4,837	435	5,272
2048	4,835	218	5,053
Total	\$ 12,018,372	\$ 2,241,413	\$ 14,259,785

Exhibit J-3

McNairy County, Tennessee  
Schedule of Investments  
June 30, 2010

<u>Fund and Type</u>	<u>Fair Value 6-30-10</u>
<u>General Fund</u>	
Principal Financial Group (6,252 shares of common stock)	<u>\$ 146,547</u>
Total Investments	<u><u>\$ 146,547</u></u>

Exhibit J-4

McNairy County, Tennessee  
Schedule of Transfers  
Primary Government and Discretely Presented McNairy County School Department  
For the Year Ended June 30, 2010

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	Public Library	Operations	\$ 121,000
General	Special Purpose	Operations	14,000
General	Community Development/Industrial Park	Operations	11,500
Public Library	General	To close out fund	10,558
Highway/Public Works	General Debt Service	Debt payments	<u>49,000</u>
Total Transfers Primary Government			<u>\$ 206,058</u>
<u>DISCRETELY PRESENTED McNAIRY COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose	Indirect costs	\$ 55,968
General Purpose	School Federal Projects	Cash flow	<u>35,000</u>
Total Transfers Discretely Presented McNairy County School Department			<u>\$ 90,968</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, 2010

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 71,322	\$ 50,000	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	85,708 (1)	150,000	Tennessee Risk Management Trust
Trustee	Section 8-24-102, <u>TCA</u>	61,751	800,000	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	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 \$700.

(2) Does not include special commissioner fees of \$750.

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

Exhibit J-6

McNairy County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
For the Year Ended June 30, 2010

	Special Revenue Funds				
	General	Law Library	Public Library	Waste / Sanitation	Special Purpose
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 2,584,592	\$ 0	\$ 0	\$ 0	\$ 0
Trustee's Collections - Prior Year	146,586	0	0	0	0
Circuit/Clerk & Master Collections - Prior Years	59,474	0	0	0	0
Interest and Penalty	23,946	0	0	0	0
Payments in-Lieu-of Taxes - T.V.A.	2,506	0	0	0	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	128,134	0	0	72,508	0
Wheel Tax	0	0	0	0	0
Litigation Tax - General	120,506	0	0	0	0
Litigation Tax - Special Purpose	0	3,475	0	0	0
Business Tax	14,105	0	0	0	0
Mineral Severance Tax	0	0	0	0	0
<u>Statutory Local Taxes</u>					
Bank Excise Tax	9,936	0	0	0	0
Wholesale Beer Tax	40,313	0	0	0	0
Interstate Telecommunications Tax	355	0	0	1,109	0
Total Local Taxes	\$ 3,130,453	\$ 3,475	\$ 0	\$ 73,617	\$ 0
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Cable TV Franchise	\$ 11,462	\$ 0	\$ 0	\$ 0	\$ 0
<u>Permits</u>					
Beer Permits	1,520	0	0	0	0
Total Licenses and Permits	\$ 12,982	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 3,077	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	4,699	0	0	0	0
Drug Control Fines	95	0	0	0	0

(Continued)

Exhibit J-6

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 Court Fees	3,641	0	0	0	0
Jail Fees	843	0	0	0	0
District Attorney General Fees	3,764	0	0	0	0
DUI Treatment Fines	534	0	0	0	0
Data Entry Fee - Circuit Court	734	0	0	0	0
Victims Assistance Assessments	462	0	0	0	0
<u>Criminal Court</u>					
Drug Control Fines	492	0	0	0	0
<u>General Sessions Court</u>					
Fines	14,671	0	0	0	0
Officers Costs	30,444	0	0	0	0
Game and Fish Fines	536	0	0	0	0
Drug Control Fines	1,737	0	0	0	0
Drug Court Fees	5,245	0	0	0	0
Jail Fees	24,974	0	0	0	0
DUI Treatment Fines	11,485	0	0	0	0
Data Entry Fee - General Sessions Court	8,914	0	0	0	0
Courtroom Security Fee	940	0	0	0	0
Victims Assistance Assessments	18,582	0	0	0	0
<u>Juvenile Court</u>					
Fines	969	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	286	0	0	0	0
Data Entry Fee - Chancery Court	1,772	0	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 138,896	\$ 0	\$ 0	\$ 0	\$ 0
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Residential Waste Collection Charge	\$ 0	0	0	655,533	0
Tipping Fees	0	0	0	135,133	0

(Continued)

Exhibit J-6

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>Charges for Current Services (Cont.)</u>					
<u>Fees</u>					
Copy Fees	\$ 519	\$ 0	\$ 0	\$ 0	\$ 0
Library Fees	2,678	0	23,171	0	0
Telephone Commissions	5,907	0	953	0	0
Vending Machine Collections	100	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	0
Data Processing Fee - Register	8,290	0	0	0	0
Probation Fees	11,000	0	0	0	0
Data Processing Fee - Sheriff	2,789	0	0	0	0
Sexual Offender Registration Fees - Sheriff	900	0	0	0	0
Total Charges for Current Services	\$ 32,183	\$ 0	\$ 24,124	\$ 790,666	\$ 0
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 2,610	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	1,300	0	0	0	80,318
Sale of Materials and Supplies	30,159	0	0	3,173	0
Net Increase/Decrease in Fair Value of Investments	28,759	0	0	0	0
Sale of Gasoline	0	0	0	0	0
Refund of Telecommunication and Internet Fees (E-Rate)	407	0	0	0	0
Miscellaneous Refunds	59,928	0	0	2,230	0
<u>Nonrecurring Items</u>					
Sale of Equipment	0	0	0	0	0
Sale of Property	2,328	0	0	0	0
<u>Other Local Revenues</u>					
Other Local Revenues	4,274	0	0	0	0
Total Other Local Revenues	\$ 129,765	\$ 0	\$ 0	\$ 5,403	\$ 80,318
<u>Fees Received from County Officials</u>					
<u>Fees in-Lieu-of Salary</u>					
County Clerk	\$ 196,201	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit J-6

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>					
Circuit Court Clerk	\$ 46,361	\$ 0	\$ 0	\$ 0	\$ 0
General Sessions Court Clerk	188,537	0	0	0	0
Clerk and Master	75,253	0	0	0	0
Register	89,133	0	0	0	0
Sheriff	4,205	0	0	0	0
Trustee	280,840	0	0	0	0
Total Fees Received from County Officials	\$ 880,530	\$ 0	\$ 0	\$ 0	\$ 0

<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 11,370	\$ 0	\$ 0	\$ 0	\$ 0
State Reappraisal Grant	8,791	0	0	0	0
Solid Waste Grants	0	0	0	16,450	0
Other General Government Grants	47,749	0	0	0	0
<u>Health and Welfare Grants</u>					
Health Department Programs	102,837	0	0	0	0
<u>Public Works Grants</u>					
Bridge Program	0	0	0	0	0
State Aid Program	0	0	0	0	0
Litter Program	0	0	0	58,852	0
<u>Other State Revenues</u>					
Income Tax	51,954	0	0	0	0
Beer Tax	17,778	0	0	0	0
Alcoholic Beverage Tax	50,443	0	0	0	0
Mixed Drink Tax	1,055	0	0	0	0
State Revenue Sharing - T.V.A.	0	0	0	235,978	0
Contracted Prisoner Boarding	240,030	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	18,285	0	0	0	0

(Continued)

Exhibit J-6

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>State of Tennessee (Cont.)</u>					
<u>Other State Revenues (Cont.)</u>					
Other State Revenues	\$ 25,926	\$ 0	\$ 0	\$ 0	\$ 0
Total State of Tennessee	\$ 576,218	\$ 0	\$ 0	\$ 311,280	\$ 0
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 11,907	\$ 0	\$ 0	\$ 0	\$ 0
Civil Defense Reimbursement	333,724	0	0	0	0
<u>Direct Federal Revenue</u>					
ARRA Grant No. 6	22,208	0	0	0	0
ARRA Grant No. 7	2,750	0	0	0	0
Total Federal Government	\$ 370,589	\$ 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	14,000
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,000
Total	\$ 5,271,616	\$ 3,475	\$ 24,124	\$ 1,180,966	\$ 94,318

(Continued)

Exhibit J-6

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	\$ 304,080	\$ 942,575	\$ 3,831,247	
Trustee's Collections - Prior Year	0	0	17,240	53,402	217,228	
Circuit/Clerk & Master Collections - Prior Years	0	0	7,826	29,737	97,037	
Interest and Penalty	0	0	2,818	8,721	35,485	
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	200,642	
Wheel Tax	0	0	0	469,956	469,956	
Litigation Tax - General	0	0	0	0	120,506	
Litigation Tax - Special Purpose	0	0	0	0	3,475	
Business Tax	0	0	0	0	14,105	
Mineral Severance Tax	0	0	50,341	0	50,341	
<u>Statutory Local Taxes</u>						
Bank Excise Tax	0	0	3,201	9,778	22,915	
Wholesale Beer Tax	0	0	0	0	40,313	
Interstate Telecommunications Tax	0	0	0	0	1,464	
Total Local Taxes	\$ 0	\$ 0	\$ 385,506	\$ 1,514,169	\$ 5,107,220	
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,462	
<u>Permits</u>						
Beer Permits	0	0	0	0	1,520	
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,982	
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,077	
Officers Costs	0	0	0	0	4,699	
Drug Control Fines	285	0	0	0	380	

(Continued)

Exhibit J-6

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>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Circuit Court (Cont.)</u>						
Drug Court Fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	3,641
Jail Fees	0	0	0	0	0	843
District Attorney General Fees	0	0	0	0	0	3,764
DUI Treatment Fines	0	0	0	0	0	534
Data Entry Fee - Circuit Court	0	0	0	0	0	734
Victims Assistance Assessments	0	0	0	0	0	462
<u>Criminal Court</u>						
Drug Control Fines	0	0	0	0	0	492
<u>General Sessions Court</u>						
Fines	3,070	0	0	0	0	17,741
Officers Costs	0	0	0	0	0	30,444
Game and Fish Fines	0	0	0	0	0	536
Drug Control Fines	0	0	0	0	0	1,737
Drug Court Fees	0	0	0	0	0	5,245
Jail Fees	0	0	0	0	0	24,974
DUI Treatment Fines	0	0	0	0	0	11,485
Data Entry Fee - General Sessions Court	0	0	0	0	0	8,914
Courtroom Security Fee	0	0	0	0	0	940
Victims Assistance Assessments	0	0	0	0	0	18,582
<u>Juvenile Court</u>						
Fines	0	0	0	0	0	969
<u>Chancery Court</u>						
Officers Costs	0	0	0	0	0	286
Data Entry Fee - Chancery Court	0	0	0	0	0	1,772
Total Fines, Forfeitures, and Penalties	\$ 3,355	\$ 0	\$ 0	\$ 0	\$ 0	\$ 142,251
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Residential Waste Collection Charge	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	655,533
Tipping Fees	0	0	0	0	0	135,133

(Continued)

Exhibit J-6

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</u>						
Copy Fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	519
Library Fees	0	0	0	0	0	25,849
Telephone Commissions	0	0	0	0	0	6,860
Vending Machine Collections	0	0	123	0	0	223
Constitutional Officers' Fees and Commissions	0	750	0	0	0	750
Data Processing Fee - Register	0	0	0	0	0	8,290
Probation Fees	0	0	0	0	0	11,000
Data Processing Fee - Sheriff	0	0	0	0	0	2,789
Sexual Offender Registration Fees - Sheriff	0	0	0	0	0	900
Total Charges for Current Services	\$ 0	\$ 750	\$ 123	\$ 0	\$ 0	\$ 847,846
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 0	\$ 88,647	\$ 0	91,257
Lease/Rentals	0	0	0	25,200	0	106,818
Sale of Materials and Supplies	0	0	2,710	0	0	36,042
Net Increase/Decrease in Fair Value of Investments	0	0	0	0	0	28,759
Sale of Gasoline	0	0	4,165	0	0	4,165
Refund of Telecommunication and Internet Fees (E-Rate)	0	0	0	0	0	407
Miscellaneous Refunds	0	0	34	26,916	0	89,108
<u>Nonrecurring Items</u>						
Sale of Equipment	0	0	33,895	0	0	33,895
Sale of Property	0	0	0	0	0	2,328
<u>Other Local Revenues</u>						
Other Local Revenues	5,486	0	990	0	0	10,750
Total Other Local Revenues	\$ 5,486	\$ 0	\$ 41,794	\$ 140,763	\$ 0	\$ 403,529
<u>Fees Received from County Officials</u>						
<u>Fees in-Lieu-of Salary</u>						
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 196,201

(Continued)

Exhibit J-6

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	Debt Service		
<u>Fees Received from County Officials (Cont.)</u>							
<u>Fees in-Lieu-of Salary (Cont.)</u>							
Circuit Court Clerk	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	46,361
General Sessions Court Clerk	0	0	0	0	0	0	188,537
Clerk and Master	0	0	0	0	0	0	75,253
Register	0	0	0	0	0	0	89,133
Sheriff	0	0	0	0	0	0	4,205
Trustee	0	0	0	0	0	0	280,840
<b>Total Fees Received from County Officials</b>	<b>0 \$</b>	<b>0 \$</b>	<b>0 \$</b>	<b>0 \$</b>	<b>0 \$</b>	<b>0 \$</b>	<b>880,530</b>

<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	11,370
State Reappraisal Grant	0	0	0	0	0	0	8,791
Solid Waste Grants	0	0	0	0	0	0	16,450
Other General Government Grants	0	0	0	0	0	0	47,749
Health and Welfare Grants							
Health Department Programs	0	0	0	0	0	0	102,837
<u>Public Works Grants</u>							
Bridge Program	0	0	10,675	0	0	0	10,675
State Aid Program	0	0	589,221	0	0	0	589,221
Litter Program	0	0	0	0	0	0	58,852
<u>Other State Revenues</u>							
Income Tax	0	0	0	0	0	0	51,954
Beer Tax	0	0	0	0	0	0	17,778
Alcoholic Beverage Tax	0	0	0	0	0	0	50,443
Mixed Drink Tax	0	0	0	0	0	0	1,055
State Revenue Sharing - T.V.A.	0	0	0	0	0	0	235,978
Contracted Prisoner Boarding	0	0	0	0	0	0	240,030
Gasoline and Motor Fuel Tax	0	0	1,765,972	0	0	0	1,765,972
Petroleum Special Tax	0	0	19,799	0	0	0	19,799
Registrar's Salary Supplement	0	0	0	0	0	0	18,285

(Continued)

Exhibit J-6

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>State of Tennessee (Cont.)</u>						
<u>Other State Revenues (Cont.)</u>						
Other State Revenues	0 \$	0 \$	0 \$	0 \$	0 \$	25,926
Total State of Tennessee	0 \$	0 \$	2,385,667 \$	0 \$	0 \$	3,273,165
<u>Federal Government</u>						
<u>Federal Through State</u>						
Community Development	0 \$	0 \$	0 \$	0 \$	0 \$	11,907
Civil Defense Reimbursement	0	0	0	0	0	333,724
<u>Direct Federal Revenue</u>						
ARRA Grant No. 6	0	0	0	0	0	22,208
ARRA Grant No. 7	0	0	0	0	0	2,750
Total Federal Government	0 \$	0 \$	0 \$	0 \$	0 \$	370,589
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Paving and Maintenance	0 \$	0 \$	16,514 \$	0 \$	0 \$	16,514
Contributions	0	0	0	1,030,775	0	1,044,775
Total Other Governments and Citizens Groups	0 \$	0 \$	16,514 \$	1,030,775 \$	0 \$	1,061,289
Total	8,841 \$	750 \$	2,829,604 \$	2,685,707 \$	0 \$	12,099,401

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, 2010

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 3,466,443	\$ 0	\$ 0	\$ 3,466,443
Trustee's Collections - Prior Year	196,528	0	0	196,528
Circuit/Clerk & Master Collections - Prior Years	90,776	0	0	90,776
Interest and Penalty	32,117	0	0	32,117
<u>County Local Option Taxes</u>				
Local Option Sales Tax	1,782,695	0	0	1,782,695
<u>Statutory Local Taxes</u>				
Bank Excise Tax	37,537	0	0	37,537
Interstate Telecommunications Tax	1,915	0	0	1,915
<b>Total Local Taxes</b>	<b>\$ 5,608,011</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 5,608,011</b>
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 4,407	\$ 0	\$ 0	\$ 4,407
<b>Total Licenses and Permits</b>	<b>\$ 4,407</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 4,407</b>
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Other	\$ 20,275	\$ 0	\$ 0	\$ 20,275
Lunch Payments - Children	0	0	277,747	277,747
Lunch Payments - Adults	0	0	64,545	64,545
Income from Breakfast	0	0	29,603	29,603
A la carte Sales	0	0	333,251	333,251
Receipts from Individual Schools	25,631	0	0	25,631
<u>Other Charges for Services</u>				
Other Charges for Services	135	0	11,132	11,267
<b>Total Charges for Current Services</b>	<b>\$ 46,041</b>	<b>\$ 0</b>	<b>\$ 716,278</b>	<b>\$ 762,319</b>
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 28,235	\$ 28,235
Lease/Rentals	31,311	0	0	31,311
Miscellaneous Refunds	13,685	0	40,525	54,210
<u>Nonrecurring Items</u>				
Contributions and Gifts	6,275	0	0	6,275
<u>Other Local Revenues</u>				
Other Local Revenues	22,315	0	0	22,315
<b>Total Other Local Revenues</b>	<b>\$ 73,586</b>	<b>\$ 0</b>	<b>\$ 68,760</b>	<b>\$ 142,346</b>
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 159,606	\$ 0	\$ 0	\$ 159,606
<u>State Education Funds</u>				
Basic Education Program	19,267,806	0	0	19,267,806
Basic Education Program - ARRA	786,400	0	0	786,400

(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>				
Early Childhood Education	\$ 634,407	\$ 0	\$ 0	\$ 634,407
School Food Service	24,304	0	0	24,304
Driver Education	12,281	0	0	12,281
Other State Education Funds	143,619	0	0	143,619
Coordinated School Health - ARRA	89,995	0	0	89,995
Internet Connectivity - ARRA	12,434	0	0	12,434
Statewide Student Management System (SSMS) - ARRA	10,799	0	0	10,799
Career Ladder Program	248,679	0	0	248,679
Career Ladder - Extended Contract - ARRA	138,944	0	0	138,944
<u>Other State Revenues</u>				
Mixed Drink Tax	1,056	0	0	1,056
State Revenue Sharing - T.V.A.	438,245	0	0	438,245
Other State Grants	103,286	0	0	103,286
Safe Schools - ARRA	13,400	0	0	13,400
Other State Revenues	91,935	0	0	91,935
Total State of Tennessee	\$ 22,177,196	\$ 0	\$ 0	\$ 22,177,196
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 977,198	\$ 977,198
USDA - Commodities	0	0	126,533	126,533
Breakfast	0	0	280,949	280,949
USDA - Other	0	0	53,422	53,422
USDA Food Service Equipment Grant - ARRA	0	0	5,347	5,347
Adult Education State Grant Program	118,970	0	0	118,970
Vocational Education - Basic Grants to States	0	81,244	0	81,244
Other Vocational	0	14,000	0	14,000
Title I Grants to Local Education Agencies	0	1,488,111	0	1,488,111
Special Education - Grants to States	1,595	1,275,801	0	1,277,396
Special Education Preschool Grants	0	28,947	0	28,947
English Language Acquisition Grants	0	736	0	736
Safe and Drug-free Schools - State Grants	0	31,807	0	31,807
Rural Education	0	141,570	0	141,570
Education for Homeless Children and Youth	0	1,338	0	1,338
Eisenhower Professional Development State Grants	0	287,755	0	287,755
Other Federal through State	93,593	433,733	0	527,326
Total Federal Government	\$ 214,158	\$ 3,785,042	\$ 1,443,449	\$ 5,442,649
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 44,000	\$ 0	\$ 0	\$ 44,000
Total Other Governments and Citizens Groups	\$ 44,000	\$ 0	\$ 0	\$ 44,000
Total	\$ 28,167,399	\$ 3,785,042	\$ 2,228,487	\$ 34,180,928

Exhibit J-8

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2010

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	16,200	
Audit Services		20,016	
Dues and Memberships		3,090	
Legal Services		8,089	
Travel		250	
Periodicals		962	
Other Charges		25	
Land		16,650	
Total County Commission			\$ 65,282

Board of Equalization

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

County Mayor/Executive

County Official/Administrative Officer	\$	71,322	
Accountants/Bookkeepers		20,750	
Secretary(ies)		20,078	
Advertising		24	
Communication		4,295	
Dues and Memberships		1,943	
Maintenance Agreements		2,077	
Printing, Stationery, and Forms		1,262	
Travel		1,003	
Other Contracted Services		9,148	
Office Supplies		1,419	
Other Charges		1,291	
Office Equipment		252	
Total County Mayor/Executive			134,864

County Attorney

County Official/Administrative Officer	\$	1,800	
Total County Attorney			1,800

Election Commission

County Official/Administrative Officer	\$	31,764	
Temporary Personnel		13,894	
Other Salaries and Wages		13,582	
Election Commission		4,686	
In-Service Training		925	

(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.)

Communication	\$	1,882	
Dues and Memberships		25	
Maintenance and Repair Services - Equipment		16,941	
Printing, Stationery, and Forms		107	
Travel		1,466	
Office Supplies		1,155	
Periodicals		193	
Office Equipment		38	
Total Election Commission			\$ 86,658

Register of Deeds

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		22,681	
Secretary(ies)		16,993	
Communication		2,189	
Data Processing Services		9,153	
Dues and Memberships		426	
Maintenance Agreements		912	
Printing, Stationery, and Forms		1,416	
Travel		230	
Office Supplies		642	
Total Register of Deeds			116,393

County Buildings

Custodial Personnel	\$	24,645
Maintenance and Repair Services - Buildings		11,826
Maintenance and Repair Services - Office Equipment		118
Maintenance and Repair Services - Vehicles		272
Pest Control		435
Postal Charges		22,994
Custodial Supplies		3,840
Electricity		95,711
Gasoline		1,282
Natural Gas		20,782
Periodicals		483
Water and Sewer		16,421
Other Supplies and Materials		8,261
Building and Contents Insurance		24,801
Premiums on Corporate Surety Bonds		560
Vehicle and Equipment Insurance		57

(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.)

Other Charges	\$ 9,709	
Total County Buildings		\$ 242,197

Preservation of Records

Part-time Personnel	\$ 6,500	
Other Supplies and Materials	203	
Total Preservation of Records		6,703

Finance

Property Assessor's Office

County Official/Administrative Officer	\$ 61,751	
Assistant(s)	22,167	
Deputy(ies)	30,962	
Communication	2,487	
Contracts with Private Agencies	6,025	
Dues and Memberships	1,141	
Maintenance Agreements	1,001	
Maintenance and Repair Services - Office Equipment	33	
Printing, Stationery, and Forms	375	
Travel	396	
Periodicals	296	
Other Supplies and Materials	637	
Office Equipment	24,143	
Total Property Assessor's Office		151,414

Reappraisal Program

Part-time Personnel	\$ 18,659	
Data Processing Services	17,276	
Travel	22	
Gasoline	594	
Other Charges	54	
Total Reappraisal Program		36,605

County Trustee's Office

County Official/Administrative Officer	\$ 61,751
Deputy(ies)	22,677
Clerical Personnel	16,992
Part-time Personnel	7,388
Communication	1,353
Data Processing Services	5,681

(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 (Cont.)

Dues and Memberships	\$	426	
Maintenance Agreements		629	
Maintenance and Repair Services - Office Equipment		656	
Postal Charges		5,505	
Printing, Stationery, and Forms		522	
Travel		588	
Office Supplies		856	
Periodicals		546	
Total County Trustee's Office			\$ 125,570

County Clerk's Office

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		22,035	
Secretary(ies)		34,528	
Clerical Personnel		18,730	
Communication		1,353	
Dues and Memberships		426	
Maintenance and Repair Services - Office Equipment		250	
Printing, Stationery, and Forms		1,032	
Travel		437	
Periodicals		46	
Workers' Compensation Insurance		35	
Data Processing Equipment		13,081	
Total County Clerk's Office			153,704

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	61,751
Deputy(ies)		33,928
Part-time Personnel		2,227
Jury and Witness Expense		13,159
Audit Services		334
Communication		4,437
Contracts with Government Agencies		51
Dues and Memberships		521
Maintenance Agreements		5,564
Maintenance and Repair Services - Office Equipment		55
Printing, Stationery, and Forms		2,140
Duplicating Supplies		254
Office Supplies		3,139

(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.)

Periodicals	\$	419	
Data Processing Equipment		10,943	
Total Circuit Court			\$ 138,922

General Sessions Court

Judge(s)	\$	100,737	
Deputy(ies)		29,962	
Accountants/Bookkeepers		18,537	
Secretary(ies)		15,250	
Communication		2,482	
Contracts with Government Agencies		2,879	
Dues and Memberships		90	
Printing, Stationery, and Forms		583	
Travel		1,761	
Office Supplies		636	
Workers' Compensation Insurance		35	
Other Charges		206	
Data Processing Equipment		6,876	
Total General Sessions Court			180,034

Chancery Court

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		35,291	
Communication		1,353	
Data Processing Services		5,088	
Dues and Memberships		463	
Maintenance Agreements		1,140	
Printing, Stationery, and Forms		1,303	
Travel		95	
Office Supplies		448	
Periodicals		198	
Premiums on Corporate Surety Bonds		450	
Total Chancery Court			107,580

Juvenile Court

Youth Service Officer(s)	\$	27,331	
Clerical Personnel		14,900	
Communication		446	
Maintenance Agreements		1,650	
Travel		161	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Office Supplies	\$	581	
Other Charges		777	
Data Processing Equipment		200	
Total Juvenile Court			\$ 46,046

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	67,927	
Deputy(ies)		345,340	
Accountants/Bookkeepers		18,895	
Salary Supplements		18,838	
Guards		333,056	
Secretary(ies)		18,104	
Part-time Personnel		17,608	
Overtime Pay		6,069	
In-Service Training		6,000	
Communication		20,676	
Dues and Memberships		1,500	
Maintenance and Repair Services - Equipment		3,431	
Maintenance and Repair Services - Office Equipment		879	
Maintenance and Repair Services - Vehicles		17,716	
Printing, Stationery, and Forms		938	
Tow-in Services		2,942	
Travel		2,700	
Gasoline		67,155	
Office Supplies		3,385	
Periodicals		321	
Tires and Tubes		1,909	
Uniforms		3,335	
Other Supplies and Materials		8,240	
Vehicle and Equipment Insurance		37,612	
Workers' Compensation Insurance		66,720	
Law Enforcement Equipment		3,093	
Motor Vehicles		18	
Total Sheriff's Department			1,074,407

Jail

Salary Supplements	\$	818
Custodial Personnel		61,519
Overtime Pay		165

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

In-Service Training	\$	1,235	
Maintenance Agreements		3,172	
Maintenance and Repair Services - Buildings		10,708	
Maintenance and Repair Services - Equipment		1,279	
Maintenance and Repair Services - Vehicles		1,841	
Medical and Dental Services		152,407	
Travel		1,098	
Custodial Supplies		6,392	
Drugs and Medical Supplies		16,288	
Food Preparation Supplies		10,591	
Food Supplies		65,869	
Office Supplies		1,996	
Prisoners Clothing		1,769	
Other Supplies and Materials		9,306	
Total Jail			\$ 346,453

Fire Prevention and Control

Supervisor/Director	\$	20,112	
Contracts with Government Agencies		420	
Maintenance and Repair Services - Buildings		3,026	
Maintenance and Repair Services - Equipment		1,421	
Maintenance and Repair Services - Vehicles		14,960	
Tow-in Services		50	
Gasoline		4,661	
Natural Gas		21	
Tires and Tubes		1,248	
Other Supplies and Materials		2,010	
Liability Insurance		16,110	
Workers' Compensation Insurance		17,923	
Other Charges		13,900	
Other Equipment		15,506	
Total Fire Prevention and Control			111,368

Rural Fire Protection

Contracts with Government Agencies	\$	37,148	
Maintenance and Repair Services - Equipment		3,500	
Total Rural Fire Protection			40,648

Civil Defense

Supervisor/Director	\$	37,684	
---------------------	----	--------	--

(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.)

Communication	\$	2,986	
Maintenance and Repair Services - Equipment		568	
Maintenance and Repair Services - Vehicles		10	
Travel		375	
Office Supplies		758	
Other Supplies and Materials		<u>308,367</u>	
Total Civil Defense	\$		350,748

Inspection and Regulation

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

Public Health and Welfare

Local Health Center

Social Workers	\$	32,283	
Custodial Personnel		5,370	
Communication		3,878	
Contracts with Government Agencies		41,500	
Maintenance and Repair Services - Buildings		5,379	
Maintenance and Repair Services - Equipment		235	
Pest Control		359	
Postal Charges		318	
Travel		2,748	
Other Contracted Services		3,056	
Custodial Supplies		755	
Drugs and Medical Supplies		917	
Electricity		7,442	
Natural Gas		3,474	
Office Supplies		3,003	
Periodicals		84	
Water and Sewer		1,630	
Building Improvements		<u>47,659</u>	
Total Local Health Center			160,090

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	57,728	
Communication		957	
Maintenance Agreements		2,106	
Travel		856	

(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 Contracted Services	\$	381	
Other Supplies and Materials		1,798	
Office Equipment		1,864	
Total Agriculture Extension Service			\$ 65,690

Soil Conservation

County Official/Administrative Officer	\$	21,400	
Secretary(ies)		20,187	
Contributions		800	
Total Soil Conservation			42,387

Other Operations

Other Economic and Community Development

Other Charges	\$	75,000	
Total Other Economic and Community Development			75,000

Airport

Other Charges	\$	65,453	
Total Airport			65,453

Veterans' Services

Supervisor/Director	\$	9,750	
Communication		678	
Travel		447	
Office Supplies		690	
Total Veterans' Services			11,565

Other Charges

Liability Insurance	\$	73,861	
Trustee's Commission		67,071	
Total Other Charges			140,932

Contributions to Other Agencies

Contributions	\$	172,996	
Total Contributions to Other Agencies			172,996

Employee Benefits

Longevity Pay	\$	4,875	
Social Security		132,688	
State Retirement		85,657	

(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	\$	263,260	
Unemployment Compensation		18,924	
Employer Medicare		30,885	
Workers' Compensation Insurance		35	
Total Employee Benefits			\$ 536,324

ARRA Grant No. 1

Motor Vehicles	\$	21,331	
Total ARRA Grant No. 1			21,331

ARRA Grant No. 2

Other Charges	\$	3,239	
Total ARRA Grant No. 2			3,239

Miscellaneous

Other Supplies and Materials	\$	150	
Site Development		56,228	
Total Miscellaneous			56,378

Principal on Debt

General Government

Principal on Notes	\$	13,433	
Total General Government			13,433

Interest on Debt

General Government

Interest on Notes	\$	1,084	
Total General Government			1,084

Capital Projects - Donated

Capital Projects Donated to School Department

Contributions	\$	44,000	
Total Capital Projects Donated to School Department			44,000

Total General Fund \$ 4,934,298

Law Library Fund

Social, Cultural, and Recreational Services

Libraries

Clerical Personnel	\$	1,800	
--------------------	----	-------	--

(Continued)

Exhibit J-8

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

Law Library Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Library Books/Media	\$	547	
Trustee's Commission		35	
Total Libraries		<u>          </u>	\$ <u>2,382</u>

Total Law Library Fund \$ 2,382

Public Library Fund

Social, Cultural, and Recreational Services

Libraries

County Official/Administrative Officer	\$	41,585	
Custodial Personnel		867	
Part-time Personnel		41,341	
Communication		4,902	
Maintenance and Repair Services - Buildings		1,105	
Pest Control		88	
Postal Charges		219	
Travel		262	
Custodial Supplies		559	
Electricity		11,283	
Library Books/Media		151	
Natural Gas		1,113	
Office Supplies		1,434	
Water and Sewer		1,388	
Other Supplies and Materials		6,691	
Workers' Compensation Insurance		35	
Data Processing Equipment		2,673	
Total Libraries		<u>          </u>	\$ <u>115,696</u>

Other Operations

Employee Benefits

Longevity Pay	\$	250	
Social Security		5,193	
State Retirement		2,520	
Medical Insurance		12,735	
Employer Medicare		1,166	
Total Employee Benefits		<u>          </u>	<u>21,864</u>

Total Public Library Fund 137,560

(Continued)

Exhibit J-8

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

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Advertising	\$	148	
Contracts with Private Agencies		791,677	
Legal Services		9,991	
Other Contracted Services		117,427	
Building and Contents Insurance		5,433	
Trustee's Commission		3,120	
Vehicle and Equipment Insurance		4,469	
Total Sanitation Management			\$ 932,265

Recycling Center

Advertising	\$	100	
Other Contracted Services		104	
Periodicals		214	
Other Charges		3,264	
Total Recycling Center			3,682

Landfill Operation and Maintenance

Supervisor/Director	\$	25,250
Data Processing Personnel		17,700
Foremen		22,783
Equipment Operators		18,354
Overtime Pay		2,848
Communication		1,305
Contracts with Government Agencies		6,237
Dues and Memberships		192
Evaluation and Testing		7,979
Maintenance and Repair Services - Buildings		1,115
Maintenance and Repair Services - Equipment		23,511
Postal Charges		5,484
Travel		1,439
Diesel Fuel		14,712
Electricity		1,167
Fertilizer, Lime, and Seed		241
Lubricants		1,368
Office Supplies		4,512
Periodicals		758
Small Tools		1,316
Tires and Tubes		337
Water and Sewer		996
Gravel and Chert		476

(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.)

Other Supplies and Materials	\$	5,327	
Refunds		260	
Data Processing Equipment		163	
Other Equipment		20	
Total Landfill Operation and Maintenance			\$ 165,850

Other Operations

Employee Benefits

Longevity Pay	\$	125	
Social Security		7,395	
State Retirement		3,428	
Medical Insurance		15,919	
Employer Medicare		1,730	
Workers' Compensation Insurance		1,035	
Total Employee Benefits			29,632

Highways

Litter and Trash Collection

Temporary Personnel	\$	8,566	
Part-time Personnel		23,962	
Overtime Pay		1,533	
Maintenance and Repair Services - Vehicles		560	
Travel		294	
Gasoline		350	
Instructional Supplies and Materials		641	
Periodicals		1,406	
Other Supplies and Materials		5,153	
Total Litter and Trash Collection			42,465

Total Solid Waste/Sanitation Fund \$ 1,173,894

Special Purpose Fund

General Government

Other Facilities

Custodial Personnel	\$	8,750	
Communication		2,109	
Maintenance Agreements		722	
Maintenance and Repair Services - Buildings		10,765	
Pest Control		580	
Other Contracted Services		1,394	

(Continued)

Exhibit J-8

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

Special Purpose Fund (Cont.)

General Government (Cont.)

Other Facilities (Cont.)

Custodial Supplies	\$	3,922	
Electricity		28,792	
Gasoline		219	
Natural Gas		4,576	
Periodicals		142	
Water and Sewer		2,572	
Building and Contents Insurance		4,782	
Building Construction		33,015	
Total Other Facilities			\$ 102,340

Other Operations

Employee Benefits

Social Security	\$	543	
State Retirement		454	
Medical Insurance		4,481	
Employer Medicare		127	
Total Employee Benefits			5,605

Total Special Purpose Fund \$ 107,945

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	6,000	
Travel		335	
Other Supplies and Materials		5,633	
Motor Vehicles		21,348	
Other Equipment		248	
Total Drug Enforcement			\$ 33,564

Total Drug Control Fund 33,564

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$	750	
Total Chancery Court			\$ 750

Total Constitutional Officers - Fees Fund 750

(Continued)

Exhibit J-8

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	67,927	
Accountants/Bookkeepers		27,030	
Clerical Personnel		2,208	
Board and Committee Members Fees		950	
Communication		4,622	
Dues and Memberships		3,094	
Legal Services		500	
Postal Charges		315	
Printing, Stationery, and Forms		2,317	
Travel		775	
Electricity		8,992	
Office Supplies		1,149	
Water and Sewer		433	
Office Equipment		6,543	
Total Administration			\$ 126,855

Highway and Bridge Maintenance

Foremen	\$	29,062	
Equipment Operators		116,427	
Truck Drivers		133,751	
Laborers		139,172	
Other Contracted Services		119,765	
Concrete		564	
Crushed Stone		113,260	
Pipe - Metal		67,915	
Road Signs		11,144	
Chemicals		27,717	
Total Highway and Bridge Maintenance			758,777

Operation and Maintenance of Equipment

Mechanic(s)	\$	73,793	
Licenses		70	
Maintenance and Repair Services - Equipment		7,814	
Diesel Fuel		86,330	
Equipment and Machinery Parts		61,010	
Garage Supplies		12,424	
Gasoline		26,809	
Lubricants		8,270	
Propane Gas		412	
Tires and Tubes		11,366	
Total Operation and Maintenance of Equipment			288,298

(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges

Other Contracted Services	\$	620	
Building and Contents Insurance		1,433	
Trustee's Commission		24,901	
Vehicle and Equipment Insurance		27,998	
Total Other Charges			\$ 54,952

Employee Benefits

Social Security	\$	44,583	
State Retirement		25,145	
Employee and Dependent Insurance		176,945	
Unemployment Compensation		7,181	
Workers' Compensation Insurance		54,237	
Total Employee Benefits			308,091

Capital Outlay

Bridge Construction	\$	61,425	
Highway Construction		402,922	
Highway Equipment		87,023	
State Aid Projects		566,263	
Total Capital Outlay			1,117,633

Principal on Debt

Highways and Streets

Principal on Notes	\$	38,750	
Total Highways and Streets			38,750

Interest on Debt

Highways and Streets

Interest on Notes	\$	1,986	
Total Highways and Streets			1,986

Total Highway/Public Works Fund \$ 2,695,342

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	859,199	
Principal on Notes		11,901	
Total General Government			\$ 871,100

(Continued)

Exhibit J-8

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

General Debt Service Fund (Cont.)

Principal on Debt (Cont.)

Highways and Streets

Principal on Bonds	\$	670,840	
Principal on Notes		75,834	
Principal on Capital Leases		11,867	
Total Highways and Streets		<u>          </u>	\$ 758,541

Education

Principal on Bonds	\$	836,760	
Total Education		<u>          </u>	836,760

Interest on Debt

General Government

Interest on Bonds	\$	166,111	
Interest on Notes		550	
Total General Government		<u>          </u>	166,661

Highways and Streets

Interest on Bonds	\$	114,550	
Interest on Notes		15,322	
Interest on Capital Leases		3,858	
Total Highways and Streets		<u>          </u>	133,730

Education

Interest on Bonds	\$	281,294	
Total Education		<u>          </u>	281,294

Other Debt Service

General Government

Trustee's Commission	\$	26,436	
Other Debt Service		13,940	
Building Purchases		176,500	
Total General Government		<u>          </u>	216,876

Highways and Streets

Other Debt Service	\$	803	
Total Highways and Streets		<u>          </u>	803

Education

Other Debt Service	\$	482	
Total Education		<u>          </u>	482

Total General Debt Service Fund \$ 3,266,247

(Continued)

Exhibit J-8

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

<u>Community Development/Industrial Park Fund</u>			
<u>Agriculture and Natural Resources</u>			
<u>Other Agriculture and Natural Resources</u>			
Other Charges	\$	<u>4,565</u>	
Total Other Agriculture and Natural Resources			\$ <u>4,565</u>
Total Community Development/Industrial Park Fund			\$ <u>4,565</u>
Total Governmental Funds - Primary Government			\$ <u>12,356,547</u>

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, 2010

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 10,735,347	
Career Ladder Program	168,208	
Career Ladder Extended Contracts	128,806	
Educational Assistants	328,438	
Certified Substitute Teachers	18,450	
Non-certified Substitute Teachers	115,660	
Social Security	622,442	
State Retirement	715,902	
Medical Insurance	1,472,021	
Dental Insurance	85,081	
Unemployment Compensation	8,564	
Employer Medicare	148,007	
Instructional Supplies and Materials	252,470	
Textbooks	225,871	
Other Supplies and Materials	370	
Other Charges	10,824	
Regular Instruction Equipment	61,524	
Other Equipment	280,000	
Total Regular Instruction Program		\$ 15,377,985

Special Education Program

Teachers	\$ 1,075,764	
Career Ladder Program	18,166	
Clerical Personnel	19,603	
Educational Assistants	167,146	
Certified Substitute Teachers	3,978	
Non-certified Substitute Teachers	18,979	
Social Security	80,820	
State Retirement	78,265	
Medical Insurance	311,153	
Dental Insurance	4,873	
Unemployment Compensation	903	
Employer Medicare	18,901	
Other Contracted Services	7,450	
Instructional Supplies and Materials	13,414	
Special Education Equipment	473	
Total Special Education Program		1,819,888

(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	\$	771,523	
Career Ladder Program		5,000	
Certified Substitute Teachers		360	
Non-certified Substitute Teachers		1,721	
Social Security		48,273	
State Retirement		49,853	
Medical Insurance		95,572	
Unemployment Compensation		476	
Employer Medicare		11,290	
Travel		1,711	
Instructional Supplies and Materials		28,695	
Vocational Instruction Equipment		272	
Total Vocational Education Program			\$ 1,014,746

Adult Education Program

Teachers	\$	187,527	
Social Security		11,978	
State Retirement		6,278	
Medical Insurance		29,474	
Unemployment Compensation		223	
Employer Medicare		2,803	
Travel		7,815	
Instructional Supplies and Materials		11,233	
Other Charges		10,849	
Total Adult Education Program			268,180

Support Services

Attendance

Supervisor/Director	\$	43,769	
Social Security		2,714	
State Retirement		2,810	
Medical Insurance		3,978	
Unemployment Compensation		24	
Employer Medicare		607	
Travel		2,443	
Total Attendance			56,345

Health Services

Medical Personnel	\$	55,569	
-------------------	----	--------	--

(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.)

Other Salaries and Wages	\$	118,758	
Social Security		10,808	
State Retirement		9,363	
Medical Insurance		22,612	
Dental Insurance		303	
Unemployment Compensation		132	
Employer Medicare		2,528	
Communication		800	
Postal Charges		50	
Travel		9,296	
Other Contracted Services		14,145	
Other Supplies and Materials		30,170	
Other Charges		<u>3,500</u>	
Total Health Services	\$		278,034

Other Student Support

Career Ladder Program	\$	4,000	
Guidance Personnel		307,344	
Social Security		19,303	
State Retirement		19,989	
Medical Insurance		35,196	
Unemployment Compensation		164	
Employer Medicare		4,514	
Evaluation and Testing		<u>38,000</u>	
Total Other Student Support			428,510

Regular Instruction Program

Supervisor/Director	\$	75,669	
Career Ladder Program		6,000	
Librarians		321,612	
Materials Supervisor		9,499	
Instructional Computer Personnel		91,934	
Secretary(ies)		21,589	
Social Security		32,631	
State Retirement		32,112	
Medical Insurance		81,031	
Unemployment Compensation		286	
Employer Medicare		7,631	
Communication		5,237	

(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.)

Travel	\$	21,578	
Other Contracted Services		5,418	
Library Books/Media		10,163	
In Service/Staff Development		3,848	
Other Charges		6,311	
Total Regular Instruction Program			\$ 732,549

Special Education Program

Supervisor/Director	\$	67,139	
Career Ladder Program		2,000	
Psychological Personnel		22,070	
Assessment Personnel		47,344	
Secretary(ies)		21,455	
Social Security		8,552	
State Retirement		8,380	
Medical Insurance		12,498	
Unemployment Compensation		71	
Employer Medicare		2,000	
Travel		4,655	
Other Contracted Services		17	
Other Charges		1,782	
Total Special Education Program			197,963

Vocational Education Program

Supervisor/Director	\$	61,934	
Career Ladder Program		2,000	
Social Security		3,965	
State Retirement		4,105	
Medical Insurance		3,978	
Employer Medicare		927	
Total Vocational Education Program			76,909

Adult Programs

Supervisor/Director	\$	51,334	
Career Ladder Program		3,000	
Social Security		4,025	
State Retirement		4,185	
Medical Insurance		3,978	
Employer Medicare		940	
Total Adult Programs			67,462

(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	\$ 159,606	
Total Other Programs		\$ 159,606

Board of Education

Board and Committee Members Fees	\$ 4,575	
Social Security	332	
Employer Medicare	78	
Audit Services	19,000	
Dues and Memberships	19,958	
Legal Services	5,500	
Travel	13,743	
Other Contracted Services	7,138	
Premiums on Corporate Surety Bonds	1,430	
Trustee's Commission	143,518	
Workers' Compensation Insurance	154,433	
Other Charges	2,317	
Total Board of Education		372,022

Director of Schools

County Official/Administrative Officer	\$ 85,008	
Career Ladder Program	700	
Secretary(ies)	29,042	
Social Security	7,114	
State Retirement	6,557	
Medical Insurance	6,000	
Unemployment Compensation	48	
Employer Medicare	1,664	
Communication	7,626	
Office Supplies	8,783	
Other Charges	4,620	
Total Director of Schools		157,162

Office of the Principal

Principals	\$ 485,050
Career Ladder Program	11,000
Secretary(ies)	322,787
Social Security	50,650
State Retirement	45,709
Medical Insurance	108,740

(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.)

Unemployment Compensation	\$	643	
Employer Medicare		11,846	
Communication		14,452	
Total Office of the Principal			\$ 1,050,877

Fiscal Services

Accountants/Bookkeepers	\$	69,428	
Secretary(ies)		21,716	
Social Security		5,652	
State Retirement		3,938	
Medical Insurance		3,328	
Unemployment Compensation		72	
Employer Medicare		1,322	
Travel		144	
Other Contracted Services		5,446	
Total Fiscal Services			111,046

Operation of Plant

Custodial Personnel	\$	478,757	
Social Security		29,685	
State Retirement		20,514	
Medical Insurance		64,261	
Unemployment Compensation		627	
Employer Medicare		6,906	
Custodial Supplies		74,423	
Electricity		632,887	
Natural Gas		230,206	
Water and Sewer		102,735	
Building and Contents Insurance		214,709	
Other Charges		140	
Plant Operation Equipment		3,499	
Total Operation of Plant			1,859,349

Maintenance of Plant

Maintenance Personnel	\$	145,280	
Other Salaries and Wages		8,514	
Social Security		9,021	
State Retirement		6,286	
Medical Insurance		23,709	

(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	\$	119	
Employer Medicare		2,110	
Communication		3,956	
Maintenance and Repair Services - Buildings		25,897	
Maintenance and Repair Services - Equipment		14,858	
Maintenance and Repair Services - Vehicles		28	
Other Contracted Services		36,269	
Other Supplies and Materials		53,454	
Other Charges		2,707	
Administration Equipment		18,687	
Total Maintenance of Plant			\$ 350,895

Transportation

Supervisor/Director	\$	40,529	
Mechanic(s)		62,592	
Bus Drivers		466,298	
Clerical Personnel		21,716	
Other Salaries and Wages		50,846	
Social Security		40,547	
State Retirement		27,733	
Medical Insurance		20,868	
Unemployment Compensation		920	
Employer Medicare		9,483	
Communication		2,299	
Maintenance and Repair Services - Vehicles		81,040	
Medical and Dental Services		5,580	
Diesel Fuel		197,244	
Gasoline		18,258	
Lubricants		9,081	
Tires and Tubes		40,589	
Other Supplies and Materials		5,826	
Other Charges		292	
Transportation Equipment		195,326	
Total Transportation			1,297,067

Central and Other

Data Processing Personnel	\$	33,263
Social Security		2,063
State Retirement		1,437

(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.)

Medical Insurance	\$	3,631	
Unemployment Compensation		24	
Employer Medicare		483	
Total Central and Other			\$ 40,901

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	36,737	
Social Security		2,277	
State Retirement		1,581	
Medical Insurance		9,216	
Employer Medicare		533	
Other Charges		2,400	
Total Food Service			52,744

Community Services

Teachers	\$	43,494	
Part-time Personnel		17,847	
Social Security		3,674	
State Retirement		3,170	
Unemployment Compensation		60	
Employer Medicare		859	
Travel		280	
Other Contracted Services		1,674	
Other Supplies and Materials		40,100	
Other Charges		72	
Total Community Services			111,230

Early Childhood Education

Teachers	\$	275,086
Educational Assistants		96,682
Other Salaries and Wages		73,554
Certified Substitute Teachers		2,220
Non-certified Substitute Teachers		6,360
Social Security		27,866
State Retirement		21,837
Medical Insurance		61,900
Dental Insurance		1,218
Unemployment Compensation		381

(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.)

Employer Medicare	\$	6,517	
Communication		4,074	
Travel		5,598	
Instructional Supplies and Materials		72,414	
Other Charges		2,614	
Total Early Childhood Education			\$ 658,321

Capital Outlay

Regular Capital Outlay

Building Construction	\$	1,463,534	
Other Capital Outlay		2,000	
Total Regular Capital Outlay			1,465,534

Other Debt Service

Education

Contributions	\$	1,030,775	
Total Education			1,030,775

Total General Purpose School Fund \$ 29,036,100

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	1,029,263	
Educational Assistants		21,760	
Certified Substitute Teachers		17,028	
Non-certified Substitute Teachers		12,528	
Social Security		62,893	
State Retirement		63,528	
Medical Insurance		127,998	
Dental Insurance		3,580	
Unemployment Compensation		686	
Employer Medicare		14,421	
Contracts with Other School Systems		462	
Maintenance and Repair Services - Equipment		1,093	
Other Contracted Services		1,650	
Instructional Supplies and Materials		207,610	
Other Supplies and Materials		500	
Other Charges		20,384	

(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.)

Regular Instruction Equipment	\$ 20,880	
Total Regular Instruction Program		\$ 1,606,264

Special Education Program

Teachers	\$ 35,859	
Educational Assistants	608,647	
Speech Pathologist	45,928	
Other Salaries and Wages	11,333	
Social Security	44,263	
State Retirement	29,894	
Unemployment Compensation	1,200	
Employer Medicare	10,351	
Contracts with Private Agencies	209,434	
Other Contracted Services	16,042	
Instructional Supplies and Materials	28,514	
Other Supplies and Materials	6,417	
Other Charges	4,045	
Special Education Equipment	17,589	
Total Special Education Program		1,069,516

Vocational Education Program

Instructional Supplies and Materials	\$ 31,946	
Other Supplies and Materials	14,000	
Other Charges	5,492	
Vocational Instruction Equipment	21,208	
Total Vocational Education Program		72,646

Support Services

Other Student Support

Social Workers	\$ 73,581	
Social Security	4,562	
State Retirement	4,331	
Medical Insurance	3,978	
Dental Insurance	150	
Unemployment Compensation	48	
Employer Medicare	1,067	
Travel	20,889	
Total Other Student Support		108,606

(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.)

Regular Instruction Program

Supervisor/Director	\$	65,947	
Secretary(ies)		14,674	
Other Salaries and Wages		13,875	
Social Security		5,852	
State Retirement		4,867	
Medical Insurance		8,441	
Dental Insurance		150	
Unemployment Compensation		88	
Employer Medicare		1,486	
Postal Charges		33	
Travel		12,381	
Other Contracted Services		19,704	
Library Books/Media		28,819	
Other Supplies and Materials		3,573	
In Service/Staff Development		97,331	
Other Charges		<u>2,892</u>	
Total Regular Instruction Program			\$ 280,113

Special Education Program

Other Salaries and Wages	\$	6,500	
Social Security		403	
State Retirement		417	
Employer Medicare		94	
Consultants		15,838	
Travel		19,158	
Other Supplies and Materials		1,192	
In Service/Staff Development		<u>15,627</u>	
Total Special Education Program			59,229

Vocational Education Program

Travel	\$	<u>3,283</u>	
Total Vocational Education Program			3,283

Transportation

Bus Drivers	\$	22,324	
Social Security		1,384	
State Retirement		964	
Unemployment Compensation		34	
Employer Medicare		324	

(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.)

Transportation Equipment	\$ 119,551	
Total Transportation		\$ 144,581

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$ 21,419	
Teachers	146,503	
Clerical Personnel	21,273	
Part-time Personnel	104,394	
Social Security	16,777	
State Retirement	11,407	
Unemployment Compensation	130	
Employer Medicare	4,034	
Travel	215	
Other Contracted Services	10,332	
Other Supplies and Materials	41,231	
Other Charges	1,707	
Total Community Services		<u>379,422</u>

Total School Federal Projects Fund \$ 3,723,660

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Accountants/Bookkeepers	\$ 24,300
Clerical Personnel	15,867
Cafeteria Personnel	677,040
Other Salaries and Wages	32,464
Social Security	42,825
State Retirement	26,689
Medical Insurance	138,893
Unemployment Compensation	1,404
Employer Medicare	10,016
Communication	4,075
Maintenance and Repair Services - Equipment	11,293
Transportation - Other than Students	15,854
Travel	1,639
Other Contracted Services	28,846
Food Supplies	845,927

(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.)

Office Supplies	\$	2,011	
Uniforms		8,988	
USDA - Commodities		126,533	
Other Supplies and Materials		56,755	
Food Service Equipment		113,725	
Total Food Service			<u>\$ 2,185,144</u>

Total Central Cafeteria Fund \$ 2,185,144

Total Governmental Funds - McNairy County School Department \$ 34,944,904

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, 2010

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 1,575,935
Total Cash Receipts	<u>\$ 1,575,935</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,560,176
Trustee's Commission	15,759
Total Cash Disbursements	<u>\$ 1,575,935</u>
 Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2009	<u>0</u>
 Cash Balance, June 30, 2010	<u><u>\$ 0</u></u>

---

---

## **SINGLE AUDIT SECTION**

---

---



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

**REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

November 18, 2010

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, 2010, which collectively comprise McNairy County's basic financial statements and have issued our report thereon dated November 18, 2010. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the McNairy County Airport Authority and the McNairy County Emergency Communications District, which were not available from other auditors as of the date of this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered McNairy County's 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting: 10.01(B), 10.04, 10.09, 10.10, 10.13, and 10.14. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### Compliance and Other Matters

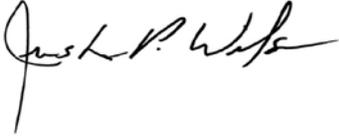
As part of obtaining reasonable assurance about whether McNairy County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 10.01(A), 10.02, 10.03, 10.05, 10.06, 10.07, 10.08, 10.11, and 10.12.

We also noted certain matters that we reported to management of McNairy County in a separate communication.

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 the responses.

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 beginning.

Justin P. Wilson  
Comptroller of the Treasury

JPW/yu



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

November 18, 2010

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, 2010. 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 of 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, 2010.

#### Internal Control Over Compliance

The management of McNairy County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered McNairy County's 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of McNairy County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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

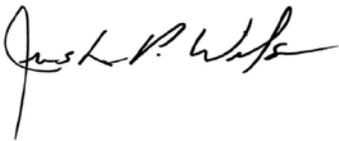
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McNairy County as of and for the year ended June 30, 2010, and have issued our report thereon dated November 18, 2010. Our report was qualified due to not including the financial statements of the McNairy County Airport Authority and the McNairy County Emergency Communications District, 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 the responses.

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

Yours very truly,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is written in a cursive style with a prominent vertical stroke at the beginning.

Justin P. Wilson  
Comptroller of the Treasury

JPW/yu

McNairy County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2010

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	\$ 126,533 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	280,949
National School Lunch Program	10.555	N/A	977,198 (3)
Summer Food Service Program for Children	10.559	N/A	53,422
Child Nutrition Discretionary Grants Limited Availability	10.579	N/A	5,347
Total U.S. Department of Agriculture			<u>\$ 1,443,449</u>
U.S. Department of Commerce/National Oceanic and Atmospheric Administration (NOAA):			
Passed-through State Department of the Military:			
Applied Meteorological Research	11.468	(2)	<u>\$ 250,000</u>
Total U.S. Department of Commerce/National Oceanic and Atmospheric Administration (NOAA)			<u>\$ 250,000</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	GG209869	\$ 11,370
Passed-through State Department of Finance and Administration:			
Recovery Act - Edward Byrne Memorial Justice Grant (JAG) Program/ Grants to States and Territories	16.803	(2)	2,750
Recovery Act - Edward Byrne Memorial Justice Grant (JAG) Program/ Grants to Units of Local Governments	16.804	2009BB91683	<u>22,208</u>
Total U.S. Department of Justice			<u>\$ 36,328</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Adult Education - Basic Grants to States	84.002	Z1021853100	\$ 118,970
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	N/A	1,180,937
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	284,829
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	771,966
Special Education - Preschool Grants	84.173	N/A	29,597
Special Education - Grants to States, Recovery Act	84.391	N/A	507,791
Special Education - Preschool Grants, Recovery Act	84.392	N/A	18,618
Career and Technical Education - Basic Grants to States	84.048	N/A	95,244
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	31,802
Even Start - State Educational Agencies	84.213	(2)	93,593
Twenty-first Century Community Learning Centers	84.287	N/A	380,443
Educational Technology State Grants Cluster:			
Educational Technology State Grants	84.318	N/A	6,640
Educational Technology State Grants, Recovery Act	84.386	N/A	28,924
Rural Education	84.358	N/A	140,706
English Language Acquisition Grants	84.365	N/A	13,892
Improving Teacher Quality State Grants	84.367	N/A	263,496
Education for Homeless Children and Youth, Recovery Act	84.387	N/A	1,338

(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	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Education (Cont.):			
State Fiscal Stabilization Fund Cluster:			
State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	N/A	786,400
State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	N/A	265,572
Project Help - WIA	84.XXX	N/A	25,000
Total U.S. Department of Education			<u>\$ 5,045,758</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	(2)	\$ 15,047
Homeland Security Grant Program	97.067	GG0824147	68,677
Total U.S. Department of Homeland Security			<u>\$ 83,724</u>
Total Expenditures of Federal Awards			<u>\$ 6,859,259</u>

State Grants		Contract Number	
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 8,791
FastTrack Infrastructure Development Program - State Department of Economic and Community Development	N/A	(2)	47,749
Litter Program - State Department of Transportation	N/A	(2)	58,852
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	16,450
Family Preservation and Support Services (Family Resource Center) - State Department of Education	N/A	(2)	19,887
School to Work - State Department of Education	N/A	(2)	16,976
Out of School Youth - State Department of Education	N/A	(2)	46,864
Vocational Rehabilitation - State Department of Education	N/A	(2)	9,388
Diabetes Grant - State Department of Education	N/A	(2)	29,938
Early Childhood - State Department of Education	N/A	(2)	634,407
ACT/Explore - State Department of Education	N/A	(2)	4,518
Internet Connectivity - State Department of Education	N/A	(2)	4,514
ConnecTenn - State Department of Education	N/A	(2)	2,959
Safe Schools Act of 2003 - State Department of Education	N/A	(2)	511
L.E.A.P.S. Grant - State Department of Education	N/A	(2)	111,230
Total State Grants			<u>\$ 1,013,034</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 \$1,103,731.

McNairy County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2010

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, 2009, which have not been corrected.

**OFFICE OF COUNTY MAYOR**

Finding Number	Page Number	Subject
09.01	180	The office had deficiencies in budget operations
09.02	181	Some county funds were not invested in accordance with state statutes

**OFFICE OF TRUSTEE**

Finding Number	Page Number	Subject
09.07	183	The office had deficiencies in computer backup procedures

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

Finding Number	Page Number	Subject
09.09	184	Execution docket trial balances did not reconcile with cash journal accounts
09.10	185	The office had deficiencies in computer backup procedures

**OFFICE OF REGISTER**

Finding Number	Page Number	Subject
09.11	186	The register allowed individuals unsupervised access to his office after business hours

---

---

**McNAIRY COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2010**

---

---

**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 Title I, Part A Cluster: Title I Grants to Local Educational Agencies and Title I Grants to Local Educational Agencies, Recovery Act (CFDA Nos. 84.010 and 84.389); the Special Education Cluster: Special Education – Grants to States, Special Education – Preschool Grants, Special Education – Grants to States, Recovery Act, and Special Education – Preschool Grants, Recovery Act (CFDA Nos. 84.027, 84.173, 84.391, and 84.392); and the State Fiscal Stabilization Cluster: State Fiscal Stabilization Funds (SFSF) – Education State Grants, Recovery Act and State Fiscal Stabilization Funds (SFSF) – Government Services, Recovery Act (CFDA Nos. 84.394 and 84.397) 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 and the sheriff are paraphrased in this report.

### **OFFICE OF COUNTY MAYOR**

#### **FINDING 10.01      **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS** (A. – Noncompliance Under Government Auditing Standards; B. – Internal Control – Significant Deficiency Under Government Auditing Standards)**

Our examination of budget operations revealed the following deficiencies:

- A.      Expenditures exceeded appropriations approved by the County Commission in the Jail major appropriation category (the legal level of control) in the General Fund by \$11,281. 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.”
  
- B.      The budget and subsequent amendments submitted to and approved by the County Commission for the Public Library Fund resulted in appropriations exceeding estimated available funds by \$3,170. Sound budgetary principles dictate that appropriations be held within estimated available funding.

These deficiencies exist because of a lack of oversight by management and 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. Appropriations that exceed estimated available funds should not be submitted to the County Commission, and the County Commission should not approve such appropriations.

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

In response to Item A., expenditures exceeding appropriations were a result of inmate medical bills not being reported until after fiscal year 2009-10. Management will remind all officials of the need to properly notify the County Mayor’s Office of any obligations. In response to Item B., budget appropriations exceeded available funds due to an inadvertent use of an unreliable report. Efforts will be made to ensure that the budget systems used are the ones compatible to auditing standards.

**FINDING 10.02      SOME COUNTY FUNDS WERE NOT INVESTED IN ACCORDANCE WITH STATE STATUTE**  
(Noncompliance Under Government Auditing Standards)

As noted in the two prior-year audit reports, the county received stock in connection with the sale of the hospital, and the county holds 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 previous audit reports. As of June 30, 2010, the value of the stocks was \$146,547.

**RECOMMENDATION**

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

**MANAGEMENT'S RESPONSE – COUNTY MAYOR**

The McNairy County Commission has discussed alternatives for the investment of these funds.

---

**FINDING 10.03      A CAPITAL LEASE WAS NOT REPORTED PROPERLY**  
(Noncompliance Under Government Auditing Standards)

In the prior fiscal year, the county issued a \$105,700 capital lease. This lease was not reflected in the prior-year financial statements as required by generally accepted accounting principles. The current-year financial statements have been adjusted to reflect this lease. Also, the county did not file a Report on Debt Obligation with the state Comptroller's Office for the \$105,700 capital lease. Section 9-21-151, Tennessee Code Annotated, requires that within 45 days following the issuance of debt, a county must provide to the state Comptroller's Office certain information, such as a description of the purchase for which the debt is issued, a description of the debt obligation, and an itemized description of the cost of issuance. These deficiencies were the result of a lack of management oversight.

**RECOMMENDATION**

Capital leases should be properly reflected in the county's financial statements as required by generally accepted accounting principles. The office should file a Report on Debt Obligation with the state Comptroller's Office for each debt issuance.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

McNairy County has now filed a report on Debt Obligation with the state Comptroller's Office and will strive to ensure that this is done with each qualified debt issuance.

---

**OFFICE OF HIGHWAY COMMISSIONER**

**FINDING 10.04      **PURCHASE ORDERS WERE NOT ISSUED IN SOME INSTANCES****

(Internal Control – Significant Deficiency Under Government Auditing Standards)

Purchase orders were not issued in some instances. Purchase orders are necessary to control who has purchasing authority for the Highway Department and to document purchasing commitments. This deficiency could result in unapproved purchases, purchases made without adequate appropriations, and undocumented purchasing commitments. This deficiency was the result of a lack of management oversight.

**RECOMMENDATION**

To strengthen internal controls over the purchasing process and to document purchasing commitments, the office should ensure that purchase orders are issued for all applicable purchases.

---

**FINDING 10.05      **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES****

(Noncompliance Under Government Auditing Standards)

System backups were not regularly stored off-site. Section 10-7-121, Tennessee Code Annotated, provides that records required to be retained by any government official may be maintained on a computer or removable storage media as long as certain standards are met. One of these standards requires that all data generated and stored within the computer system be copied to storage media daily, and media more than one week old be stored at an off-site location. 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.

---

**OFFICE OF DIRECTOR OF SCHOOLS**

**FINDING 10.06      AMOUNTS WITHHELD FROM CONTRACTOR PAYMENTS WERE NOT DEPOSITED INTO AN ESCROW ACCOUNT**  
(Noncompliance Under Government Auditing Standards)

The School Department did not deposit amounts withheld (\$66,823) from contractor payments into an escrow account. Section 66-34-104, Tennessee Code Annotated, requires that funds withheld from contractor payments be deposited into an escrow account for contracts of \$500,000 or more. Management advised that they were not aware that amounts withheld from contractor payments had to be deposited into an escrow account. This noncompliance could result in the loss of interest earnings for the contractor.

**RECOMMENDATION**

Amounts withheld from contractor payments on contracts of \$500,000 or more should be deposited into an escrow account in compliance with state statute.

---

**FINDING 10.07      EXPENDITURES AND ENCUMBRANCES EXCEEDED APPROPRIATIONS**  
(Noncompliance Under Government Auditing Standards)

Expenditures and encumbrances exceeded appropriations approved by the County Commission in the Regular Capital Outlay major appropriation category (the legal level of control) of the General Purpose School Fund by \$96,886. Section 5-9-401, Tennessee Code Annotated, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.” This deficiency exists because management failed to hold spending to the limits authorized by the County Commission, which resulted in unauthorized expenditures.

**RECOMMENDATION**

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

---

## **OFFICE OF TRUSTEE**

### **FINDING 10.08      **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES** (Noncompliance Under Government Auditing Standards)**

System backups were not stored off-site. Section 10-7-121, Tennessee Code Annotated, provides that records required to be retained by any government official may be maintained on a computer or removable storage media as long as certain standards are met. One of these standards requires that all data generated and stored within the computer system be copied to storage media daily, and media more than one week old be stored at an off-site location. 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. Proper system backup procedures were implemented in August 2010.

### **RECOMMENDATION**

Management should ensure backups are rotated off-site on a weekly basis.

---

### **FINDING 10.09      **THE OFFICE DID NOT REVIEW ITS SOFTWARE AUDIT LOGS** (Internal Control – Significant Deficiency Under Government Auditing Standards)**

The software application used by the office generated a log that displayed changes made by users. Since this log provided the only audit trail of these changes, it should be reviewed for inappropriate activity. Although the official was aware of the importance of this log, it was not reviewed.

### **RECOMMENDATION**

Management should review the audit log on a routine basis. Any unusual transactions should be investigated.

---

## **OFFICE OF COUNTY CLERK**

### **FINDING 10.10      **THE OFFICE DID NOT REVIEW ITS SOFTWARE AUDIT LOGS** (Internal Control – Significant Deficiency Under Government Auditing Standards)**

The software application used by the office generated a log that displayed changes made by users. Since this log provided the only audit trail of these changes, it should be reviewed for inappropriate activity. Although the official was aware of the importance of this log, it was not consistently reviewed.

## RECOMMENDATION

Management should review the audit log on a routine basis. Any unusual transactions should be investigated.

---

## OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

### FINDING 10.11      **EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH CASH JOURNAL ACCOUNTS** (Noncompliance Under Government Auditing Standards)

At June 30, 2010, 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 \$61,049 in Circuit Court and \$40,613 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 10.12      **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES** (Noncompliance Under Government Auditing Standards)

System backups were not stored off-site. Section 10-7-121, Tennessee Code Annotated, provides that records required to be retained by any government official may be maintained on a computer or removable storage media as long as certain standards are met. One of these standards requires that all data generated and stored within the computer system be copied to storage media daily, and media more than one week old be stored at an off-site location. 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. This deficiency is also a result of management's failure to correct the finding noted in the prior-year audit report. Proper system backup procedures were implemented in August 2010.

## RECOMMENDATION

Management should ensure backups are rotated off-site on a weekly basis.

---

## OFFICE OF REGISTER

FINDING 10.13      **THE REGISTER ALLOWED INDIVIDUALS UNSUPERVISED ACCESS TO THE OFFICE AFTER BUSINESS HOURS**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Our examination disclosed that the register did not adequately control access to the 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.

---

## OFFICE OF SHERIFF

FINDING 10.14      **FUEL CARDS WERE NOT ACCOUNTED FOR PROPERLY**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

It is the department's practice to maintain a separate fuel card for each of the department's vehicles. Department records indicated that fuel cards are still activated for 13 vehicles that are no longer in service. Sound business practices dictate that when a vehicle is no longer in service, the assigned fuel card should be deactivated. The failure to deactivate fuel cards for vehicles that are no longer in service increases the risk of fraud and abuse.

## RECOMMENDATION

Fuel cards should be deactivated when the vehicle is no longer in service.

## MANAGEMENT'S RESPONSE – SHERIFF

It would appear that the recommendation made in the review would be appropriate and should be followed in the future.

---

## BEST PRACTICES

The Division of County Audit strongly believes that the items noted below are best practices that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of McNairy County.

### ITEM 1.      **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAS NOT BEEN ADOPTED**

McNairy County does not have 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. 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. The Division of County Audit strongly believes that the adoption of a central system of accounting, budgeting, and purchasing is a best practice that would significantly improve accountability and the quality of services provided to the citizens of McNairy County. Therefore, we recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

### MANAGEMENT'S RESPONSE – COUNTY MAYOR

McNairy County Officials have discussed a system of accounting, budgeting, and purchasing.

### ITEM 2.      **McNAIRY COUNTY HAS NOT ESTABLISHED AN AUDIT COMMITTEE**

McNairy County does not have an Audit Committee. Audit committees can assist the County Commission by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and would be responsible for monitoring management's plans to address various risks. County officials should establish an Audit Committee as a best practice.

**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, 2010**

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