



**ANNUAL FINANCIAL REPORT  
McNAIRY COUNTY, TENNESSEE**



**FOR THE YEAR ENDED JUNE 30, 2012**



**ANNUAL FINANCIAL REPORT**  
**McNAIRY COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2012**

***COMPTROLLER OF THE TREASURY***  
***JUSTIN P. WILSON***

***DIVISION OF LOCAL GOVERNMENT AUDIT***  
***JAMES R. ARNETTE***  
***Director***

***JAN PAGE, CPA, CFE***  
***Audit Manager***

***LEE ANN WEST, CPA, CGFM***  
***Auditor 4***

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

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

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## McNAIRY COUNTY, TENNESSEE

### TABLE OF CONTENTS

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	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		26-55
REQUIRED SUPPLEMENTARY INFORMATION:		56
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Fund	E-1	57-58
Solid Waste/Sanitation Fund	E-2	59
Highway/Public Works Fund	E-3	60
Schedule of Funding Progress – Pension Plan – Primary Government and Discretely Presented McNairy County School Department	E-4	61
Schedule of Funding Progress – Other Postemployment Benefits Plans – Primary Government and Discretely Presented McNairy County School Department	E-5	62
Notes to the Required Supplementary Information		63

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		64
Nonmajor Governmental Funds:		65
Combining Balance Sheet	F-1	66
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	67
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
Law Library Fund	F-3	68
Special Purpose Fund	F-4	69
Drug Control Fund	F-5	70
Major Governmental Fund:		71
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	G	72
Fiduciary Funds:		73
Combining Statement of Fiduciary Assets and Liabilities	H-1	74
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	H-2	75
Component Unit:		
Discretely Presented McNairy County School Department:		76
Statement of Activities	I-1	77
Balance Sheet – Governmental Funds	I-2	78
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	I-3	79
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	I-4	80
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	I-5	81
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Purpose School Fund	I-6	82-83
School Federal Projects Fund	I-7	84
Central Cafeteria Fund	I-8	85

	Exhibit	Page(s)
Miscellaneous Schedules:		86
Schedule of Changes in Long-term Notes, Capital Leases and Bonds	J-1	87
Schedule of Long-term Debt Requirements by Year	J-2	88-89
Schedule of Transfers – Primary Government and Discretely Presented McNairy County School Department	J-3	90
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented McNairy County School Department	J-4	91
Schedule of Detailed Revenues – All Governmental Fund Types	J-5	92-96
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented McNairy County School Department	J-6	97-98
Schedule of Detailed Expenditures – All Governmental Fund Types	J-7	99-115
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented McNairy County School Department	J-8	116-127
Schedule of Detailed Receipts, Disbursements, and Change in Cash Balance – City Agency Fund	J-9	128
 <u>SINGLE AUDIT SECTION</u>		 129
 Auditor's Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		 130-132
Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133		133-135
Schedule of Expenditures of Federal Awards and State Grants		136-137
Schedule of Audit Findings Not Corrected		138-139
Schedule of Findings and Questioned Costs		140-151
Auditee Reporting Responsibilities		152

# ***Audit Highlights***

Annual Financial Report  
McNairy County, Tennessee  
For the Year Ended June 30, 2012

## ***Scope***

We have audited the basic financial statements of McNairy County as of and for the year ended June 30, 2012.

## ***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 at 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**

- ◆ Expenditures exceeded appropriations.
- ◆ The billing/accounts receivable software used by the Solid Waste Office did not have adequate application controls.
- ◆ The billing/accounts receivable software used by the Solid Waste Office did not identify the user who processed transactions.

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### **OFFICE OF TRUSTEE**

- ◆ Usernames and passwords were shared by employees.
- ◆ The office did not review its software audit logs.

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### **OFFICE OF COUNTY CLERK**

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

## **OFFICES OF COUNTY CLERK AND CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

- ◆ The offices did not implement adequate controls to protect their information resources.
- 

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

- ◆ The office did not deposit some funds within three days of collection.
  - ◆ Execution docket trial balances did not reconcile with cash journal accounts.
- 

## **OFFICES OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK AND SHERIFF**

- ◆ Duties were not segregated adequately.
- 

## **OFFICE OF REGISTER**

- ◆ Multiple employees operated from the same cash drawer.
  - ◆ The register allowed individuals unsupervised access to the office after business hours.
- 

## **OFFICE OF SHERIFF**

- ◆ A theft occurred at the Sheriff's Department and was not reported to the Comptroller of the Treasury.
  - ◆ The office had a cash shortage of \$9,782.36 on August 2, 2012, in the prisoner commissary operation.
- 

## **BEST PRACTICES**

The Division of Local Government 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.

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# INTRODUCTORY SECTION

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# McNairy County Officials

## June 30, 2012

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### **Officials**

Wilburn Gene Ashe, 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  
Guy Buck, Sheriff

### **Board of County Commissioners**

Wilburn Gene Ashe, County Mayor, Chairman	Keith Jernigan
Kenneth Amerson	Jeff Lipford
Steve Browder	Kevin Lipford
Billy Brown	David McCullar
Neal Burks	James McNeil
Fred Carroll	Troy Moore
Brenda Cauley	Jim Rickman
Stevie Clark	Anthony Smith
Tammy Dillon	James Weatherford
Charles Garrison	Stan Wheeler
Martha Glover	Carol Ann Woods

### **Board of Education**

Frank Lacey, Chairman  
Lynn Baker  
Tony Chapman  
Kevin Isbell  
Jean Jones  
Larry Smith  
Jarrell Stanfield

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## FINANCIAL SECTION

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

**INDEPENDENT AUDITOR'S REPORT**

October 24, 2012

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, 2012, 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, 2012, and the results of operations of the aggregate discretely presented component units, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of McNairy County, Tennessee, as of June 30, 2012, 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 October 24, 2012, 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.

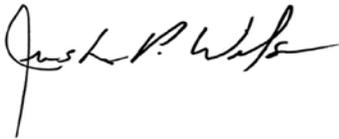
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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 57 through 63 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 financial statements as a whole. 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 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke extending downwards from the end.

Justin P. Wilson  
Comptroller of the Treasury

JPW/yu

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

McNairy County, Tennessee  
Statement of Net Assets  
June 30, 2012

	Primary Government Governmental Activities	Component Unit McNairy County School Department
<u>ASSETS</u>		
Cash	\$ 36,406	\$ 0
Equity in Pooled Cash and Investments	6,037,792	1,635,648
Accounts Receivable	1,434,642	900
Allowance for Uncollectibles	(579,174)	0
Due from Other Governments	762,813	781,870
Property Taxes Receivable	4,070,896	3,663,806
Allowance for Uncollectible Property Taxes	(217,983)	(196,184)
Prepaid Items	39,584	0
Deferred Charges - Debt Issuance Costs	82,280	0
Capital Assets:		
Assets Not Depreciated:		
Land	491,232	375,479
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	4,139,588	9,972,583
Infrastructure	4,144,503	0
Other Capital Assets	1,209,062	1,886,976
Total Assets	<u>\$ 21,651,641</u>	<u>\$ 18,121,078</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 101,250	\$ 0
Payroll Deductions Payable	846	10,014
Contracts Payable	272,430	0
Due to State of Tennessee	3,499	0
Accrued Interest Payable	94,874	0
Deferred Revenue - Current Property Taxes	3,663,977	3,297,580
Noncurrent Liabilities:		
Due Within One Year	1,494,316	0
Due in More Than One Year (net of unamortized premium on debt)	7,974,201	872,039
Total Liabilities	<u>\$ 13,605,393</u>	<u>\$ 4,179,633</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	\$ 7,467,748	\$ 0
Invested in Capital Assets	0	12,235,038
Restricted for:		
Solid Waste/Sanitation	1,490,941	0
Drug Control	94,994	0
Highway/Public Works	938,483	0
Debt Service	3,336,678	0
Automation	77,311	0
School Federal Projects	0	38,120
Central Cafeteria	0	879,878
Other Purposes	112,549	5,107
Unrestricted	<u>(5,472,456)</u>	<u>783,302</u>
Total Net Assets	<u>\$ 8,046,248</u>	<u>\$ 13,941,445</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, 2012

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets					
	Program Revenues			Primary Government	Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	McNairy County School Department
Primary Government:						
Governmental Activities:						
General Government	\$ 977,542	\$ 280,240	\$ 41,471	\$ 1,039,130	\$ 383,299	\$ 0
Finance	607,293	484,790	0	0	(122,503)	0
Administration of Justice	660,202	533,239	4,500	0	(122,463)	0
Public Safety	2,568,530	470,750	0	138,115	(1,959,665)	0
Public Health and Welfare	1,321,742	938,975	141,998	0	(240,769)	0
Social, Cultural, and Recreational Services	202,147	11,188	3,702	0	(187,257)	0
Agriculture and Natural Resources	145,707	0	0	0	(145,707)	0
Other Operations	624,404	0	0	0	(624,404)	0
Highways/Public Works	1,050,985	16,730	1,935,180	356,121	1,257,046	0
Interest on Long-term Debt	396,988	0	0	0	(396,988)	0
Other Debt Service	59,372	0	5,258	0	(54,114)	0
Total Primary Government	\$ 8,614,912	\$ 2,735,912	\$ 2,132,109	\$ 1,533,366	\$ (2,213,525)	\$ 0
Component Unit:						
McNairy County School Department	\$ 36,092,122	\$ 773,848	\$ 5,702,845	\$ 0	\$ 0	\$ (29,615,429)
Total Component Unit	\$ 36,092,122	\$ 773,848	\$ 5,702,845	\$ 0	\$ 0	\$ (29,615,429)

(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 Government	Component Unit
				Total Governmental Activities	McNairy County School Department
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				\$ 3,290,996	\$ 3,935,780
Property Taxes Levied for Debt Service				1,067,794	0
Local Option Sales Taxes				200,363	1,836,144
Wheel Tax				470,312	0
Litigation Tax				110,265	0
Mineral Severance Tax				36,704	0
Other Local Taxes				42,663	23,268
Grants and Contributions Not Restricted to Specific Programs				1,659,338	23,086,057
Unrestricted Investment Income				31,148	17,308
Miscellaneous				101,833	86,686
Total General Revenues				\$ 7,011,416	\$ 28,985,243
Change in Net Assets				\$ 4,797,891	\$ (630,186)
Net Assets, July 1, 2011				3,248,357	14,571,631
Net Assets, June 30, 2012				\$ 8,046,248	\$ 13,941,445

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

McNairy County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2012

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds		
\$	0	0	0	35,545	861		36,406
Cash	1,145,432	649,414	750,529	3,340,604	151,813		6,037,792
Equity in Pooled Cash and Investments	901	1,413,217	20,524	0	0		1,434,642
Accounts Receivable	0	(579,174)	0	0	0		(579,174)
Allowance for Uncollectibles	195,014	50,609	517,190	0	0		762,813
Due from Other Governments	2,276	0	0	5,910	0		8,186
Due from Other Funds	2,738,602	0	333,074	999,220	0		4,070,896
Property Taxes Receivable	(146,643)	0	(17,835)	(53,505)	0		(217,983)
Allowance for Uncollectible Property Taxes	39,584	0	0	0	0		39,584
Prepaid Items							
Total Assets	\$ 3,975,166	\$ 1,534,066	\$ 1,603,482	\$ 4,327,774	\$ 152,674	\$	11,593,162

ASSETS

Cash	0	0	0	35,545	861		36,406
Equity in Pooled Cash and Investments	1,145,432	649,414	750,529	3,340,604	151,813		6,037,792
Accounts Receivable	901	1,413,217	20,524	0	0		1,434,642
Allowance for Uncollectibles	0	(579,174)	0	0	0		(579,174)
Due from Other Governments	195,014	50,609	517,190	0	0		762,813
Due from Other Funds	2,276	0	0	5,910	0		8,186
Property Taxes Receivable	2,738,602	0	333,074	999,220	0		4,070,896
Allowance for Uncollectible Property Taxes	(146,643)	0	(17,835)	(53,505)	0		(217,983)
Prepaid Items	39,584	0	0	0	0		39,584

LIABILITIES AND FUND BALANCES

Liabilities							
Accounts Payable	43,962	41,710	11,714	0	3,864		101,250
Payroll Deductions Payable	846	0	0	0	0		846
Contracts Payable	4,883	0	267,547	0	0		272,430
Due to Other Funds	2,100	1,415	0	0	4,671		8,186
Due to State of Tennessee	0	0	3,499	0	0		3,499
Deferred Revenue - Current Property Taxes	2,464,857	0	299,780	899,340	0		3,663,977
Deferred Revenue - Delinquent Property Taxes	115,522	0	14,051	42,150	0		171,723
Other Deferred Revenues	12,387	780,046	162,197	0	0		954,630
Total Liabilities	\$ 2,644,557	\$ 823,171	\$ 758,788	\$ 941,490	\$ 8,535	\$	5,176,541
Fund Balances							
Nonspendable:							
Prepaid Items	39,584	0	0	0	0		39,584
Restricted:							
Restricted for General Government	3,361	0	0	0	0		3,361
Restricted for Administration of Justice	41,977	0	0	0	0		41,977

(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	
\$ 33,871 \$	0 \$	0 \$	0 \$	0 \$	94,994 \$	128,865	
6,109	0	0	0	0	3,575	9,684	
0	0	0	0	0	1,917	1,917	
0	0	733,198	0	0	0	733,198	
0	0	0	3,238,998	0	0	3,238,998	
15,813	0	0	0	0	0	15,813	
0	0	0	0	0	43,653	43,653	
0	710,895	0	0	0	0	710,895	
0	0	111,496	0	0	0	111,496	
0	0	0	147,286	0	0	147,286	
195,600	0	0	0	0	0	195,600	
994,294	0	0	0	0	0	994,294	
<u>\$ 1,330,609 \$</u>	<u>710,895 \$</u>	<u>844,694 \$</u>	<u>3,386,284 \$</u>	<u>144,139 \$</u>	<u>144,139 \$</u>	<u>6,416,621</u>	
<u>\$ 3,975,166 \$</u>	<u>1,534,066 \$</u>	<u>1,603,482 \$</u>	<u>4,327,774 \$</u>	<u>152,674 \$</u>	<u>152,674 \$</u>	<u>11,593,162</u>	

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)

Restricted (Cont.):
Restricted for Public Safety
Restricted for Social, Cultural, and Recreational Services
Restricted for Agriculture and Natural Resources
Restricted for Highways/Public Works
Restricted for Debt Service
Restricted for Other Purposes
Committed:
Committed for General Government
Committed for Public Health and Welfare
Committed for Highways/Public Works
Committed for Debt Service
Committed for Capital Projects
Unassigned
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, 2012

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)		\$ 6,416,621
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 491,232	
Add: buildings and improvements net of accumulated depreciation	4,139,588	
Add: infrastructure net of accumulated depreciation	4,144,503	
Add: other capital assets net of accumulated depreciation	<u>1,209,062</u>	9,984,385
(2) Long-term liabilities are not due and payable in the current-period and are not reported in the governmental funds.		
Less: notes payable	\$ (206,664)	
Less: capital leases payable	(193,784)	
Less: bonds payable	(8,311,711)	
Add: deferred charges - debt issuance costs	82,280	
Less: compensated absences payable	(136,630)	
Less: landfill closure/postclosure care costs	(540,775)	
Less: other postemployment benefits liability	(42,672)	
Less: accrued interest on bonds, notes, and capital leases	(94,874)	
Less: other deferred revenue - premium on debt	<u>(36,281)</u>	(9,481,111)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>1,126,353</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 8,046,248</u>

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

McNairy County, Tennessee  
 Statement of Revenues, Expenditures,  
 and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2012

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds			
<b>Revenues</b>								
Local Taxes	\$ 3,226,872	\$ 80,552	\$ 395,037	\$ 1,544,411	\$ 3,135	\$ 5,250,007		
Licenses and Permits	16,071	0	0	0	0	16,071		
Fines, Forfeitures, and Penalties	191,418	0	0	0	21,791	213,209		
Charges for Current Services	38,441	882,718	90	0	0	921,249		
Other Local Revenues	182,413	13,797	19,173	56,348	176,561	448,292		
Fees Received from County Officials	883,843	0	0	0	0	883,843		
State of Tennessee	738,525	289,296	2,148,058	0	0	3,175,879		
Federal Government	1,177,245	0	285,193	0	0	1,462,438		
Other Governments and Citizens Groups	0	0	18,438	1,155,175	0	1,173,613		
<b>Total Revenues</b>	<b>\$ 6,454,828</b>	<b>\$ 1,266,363</b>	<b>\$ 2,865,989</b>	<b>\$ 2,755,934</b>	<b>\$ 201,487</b>	<b>\$ 13,544,601</b>		
<b>Expenditures</b>								
Current:								
General Government	\$ 685,797	0	0	0	85,313	771,110		
Finance	474,804	0	0	0	0	474,804		
Administration of Justice	522,424	0	0	0	0	522,424		
Public Safety	1,887,782	0	0	0	31,618	1,919,400		
Public Health and Welfare	134,521	1,120,581	0	0	0	1,255,102		
Social, Cultural, and Recreational Services	172,099	0	0	0	2,384	174,483		
Agriculture and Natural Resources	138,052	0	0	0	7,655	145,707		
Other Operations	2,153,855	32,478	0	0	6,654	2,192,987		
Highways	0	47,315	2,640,840	0	0	2,688,155		
Debt Service:								
Principal on Debt	0	0	22,849	1,337,539	0	1,360,388		
Interest on Debt	7,924	0	1,114	394,635	0	403,673		
Other Debt Service	0	0	0	47,447	0	47,447		
<b>Total Expenditures</b>	<b>\$ 6,177,258</b>	<b>\$ 1,200,374</b>	<b>\$ 2,664,803</b>	<b>\$ 1,779,621</b>	<b>\$ 133,624</b>	<b>\$ 11,955,680</b>		
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 277,570</b>	<b>\$ 65,989</b>	<b>\$ 201,186</b>	<b>\$ 976,313</b>	<b>\$ 67,863</b>	<b>\$ 1,588,921</b>		
<b>Other Financing Sources (Uses)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 55,000</b>	<b>\$ 0</b>	<b>\$ 55,000</b>		
Notes Issued								

(Continued)

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds		
<u>Other Financing Sources (Uses) (Cont.)</u>							
Capital Leases Issued	\$ 0	\$ 0	\$ 125,000	\$ 0	\$ 0	\$ 0	\$ 125,000
Insurance Recovery	13,367	0	17,096	0	4,971	4,971	35,434
Transfers In	12,736	0	0	163,000	7,800	7,800	183,536
Transfers Out	(7,800)	0	(163,000)	0	(12,736)	(12,736)	(183,536)
Total Other Financing Sources (Uses)	\$ 18,303	\$ 0	\$ (20,904)	\$ 218,000	\$ 35	\$ 35	\$ 215,434
Net Change in Fund Balances	\$ 295,873	\$ 65,989	\$ 180,282	\$ 1,194,313	\$ 67,898	\$ 67,898	\$ 1,804,355
Fund Balance, July 1, 2011	1,034,736	644,906	664,412	2,191,971	76,241	76,241	4,612,266
Fund Balance, June 30, 2012	\$ 1,330,609	\$ 710,895	\$ 844,694	\$ 3,386,284	\$ 144,139	\$ 144,139	\$ 6,416,621

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, 2012

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ 1,804,355
(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	\$ 2,909,589	
Less: current-year depreciation expense	<u>(911,420)</u>	1,998,169
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net assets.		
Add: assets donated and capitalized		11,900
(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, 2012	\$ 1,126,353	
Less: deferred delinquent property taxes and other deferred June 30, 2011	<u>(1,263,409)</u>	(137,056)
(4) The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items.		
Less: capital lease proceeds	\$ (125,000)	
Less: note proceeds	(55,000)	
Add: change in premium on debt issuances	5,258	
Less: change in deferred debt issuance costs	(11,925)	
Add: principal payments on bonds	1,248,956	
Add: principal payments on notes	75,834	
Add: principal payments on capital leases	<u>35,598</u>	1,173,721
(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	\$ 6,685	
Change in compensated absences payable	(52,316)	
Change in other postemployment benefits liability	(6,795)	
Change in landfill closure/postclosure care costs	<u>(772)</u>	<u>(53,198)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 4,797,891</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, 2012

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 634,576
Accounts Receivable	1,824
Due from Other Governments	273,120
Cash Shortage	<u>9,782</u>
Total Assets	<u>\$ 919,302</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 273,120
Due to Litigants, Heirs, and Others	<u>646,182</u>
Total Liabilities	<u>\$ 919,302</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, 2012**

**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. There were no debt issues contributed by the county to the School Department for the year ended June 30, 2012.

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 funds 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 funds 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 special revenue fund accounts for the county’s garbage collection operations. Residential waste collection charges are the foundational revenues of this fund.

**Highway Public Works Fund** – This special revenue fund accounts for transactions of the county’s Highway Department. Local and state gasoline/fuel taxes are the foundational revenues of this fund.

**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 and local sales taxes received by the state to be forwarded to the various cities in McNairy

County. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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 special revenue fund is used to account for restricted federal revenues, which must be expended on specific education programs.

**Central Cafeteria Fund** – This special revenue fund is used to account for the cafeteria operations in each of the schools. Charges for services and federal funds are the foundational revenues for this fund.

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.

It is the county's policy that restricted amounts would be reduced first followed by unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Also, it is the county's policy that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

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

## **2. Receivables and Payables**

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

Property taxes 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 2.72 percent of total taxes levied.

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

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is

the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred revenue as of June 30.

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

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

### **3. 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. Prepaids are offset in the nonspendable fund balance account in governmental funds.

### **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 \$5,000 or more and an estimated useful life of more than five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

**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 sick leave 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. 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, 2012, McNairy County had \$4,720,350 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 fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the County Commission, the county’s highest level of decision-making authority and the Board of Education, the School Department’s highest level of decision-making authority, and shall remain binding unless removed in the same manner.

Assigned Fund Balance – includes amounts that are constrained by the county’s intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The county’s Budget Committee and the Board of Education are authorized bodies to make assignments.

Unassigned Fund Balance – the residual classification of the General and General Purpose School funds. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General and General Purpose School funds.

## **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 Park 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. Cash Shortages – Current and Prior Years**

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 admitted taking the funds and has restored the \$13,528.19 in missing funds to the office. On June 20, 2008, the former employee pled guilty in Circuit Court to official misconduct, was sentenced to two years in state prison, granted probation immediately, and ordered to pay \$4,405 for restitution to the county for audit expenses. As of June 30, 2012, \$1,014.50 of the audit expenses had been paid leaving an unpaid restitution of \$3,390.50.

The Office of Sheriff had a cash shortage of \$9,782.36, as of August 2, 2012. Details of this cash shortage are discussed in the Findings and Questioned Costs section of this report.

**C. Expenditures Exceeded Appropriations**

Expenditures exceeded appropriations approved by the County Commission in several major appropriation categories (the legal level of control) of the General and Solid Waste/Sanitation funds:

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
General:	
County Attorney	\$ 200
County Buildings	267
Sheriff's Department	314
Civil Defense	3,341
Libraries	877
Agricultural Extension Service	7,697
Solid Waste/Sanitation:	
Sanitation Management	1,119

Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balances.

#### 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 reflected on the balance sheets or statements of net assets represents nonpooled amounts held separately by individual funds.

##### Deposits

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

The county had no pooled and non-pooled investments as of June 30, 2012.

**B. Capital Assets**

Capital assets activity for the year ended June 30, 2012, was as follows:

**Primary Government**

**Governmental Activities:**

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets Not Depreciated:				
Land	\$ 491,232	\$ 0	\$ 0	\$ 491,232
Construction in Progress	92,311	0	92,311	0
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 583,543</b>	<b>\$ 0</b>	<b>\$ 92,311</b>	<b>\$ 491,232</b>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 8,918,177	\$ 1,065,000	\$ 0	\$ 9,983,177
Infrastructure	3,906,422	1,722,200	0	5,628,622
Other Capital Assets	4,930,637	226,600	64,557	5,092,680
<b>Total Capital Assets Depreciated</b>	<b>\$ 17,755,236</b>	<b>\$ 3,013,800</b>	<b>\$ 64,557</b>	<b>\$ 20,704,479</b>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 5,527,162	\$ 316,427	\$ 0	\$ 5,843,589
Infrastructure	1,271,464	212,655	0	1,484,119
Other Capital Assets	3,565,837	382,338	64,557	3,883,618
<b>Total Accumulated Depreciation</b>	<b>\$ 10,364,463</b>	<b>\$ 911,420</b>	<b>\$ 64,557</b>	<b>\$ 11,211,326</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 7,390,773</b>	<b>\$ 2,102,380</b>	<b>\$ 0</b>	<b>\$ 9,493,153</b>
Governmental Activities				
Capital Assets, Net	<b>\$ 7,974,316</b>	<b>\$ 2,102,380</b>	<b>\$ 92,311</b>	<b>\$ 9,984,385</b>

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

**Governmental Activities:**

General Government	\$	132,598
Finance		2,849
Administration of Justice		5,087
Public Safety		398,180
Public Health and Welfare		33,766
Other Operations		74,635
Highways		<u>264,305</u>
Total Depreciation Expense - Governmental Activities	<u>\$</u>	<u>911,420</u>

**Discretely Presented McNairy County School Department**

**Governmental Activities:**

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets Not Depreciated:				
Land	\$ 375,479	\$ 0	\$ 0	\$ 375,479
Total Capital Assets Not Depreciated	<u>\$ 375,479</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 375,479</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 25,243,454	\$ 243,856	\$ 0	\$ 25,487,310
Other Capital Assets	6,207,342	423,918	212,000	6,419,260
Total Capital Assets Depreciated	<u>\$ 31,450,796</u>	<u>\$ 667,774</u>	<u>\$ 212,000</u>	<u>\$ 31,906,570</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 15,053,865	\$ 460,862	\$ 0	\$ 15,514,727
Other Capital Assets	4,350,375	393,909	212,000	4,532,284
Total Accumulated Depreciation	<u>\$ 19,404,240</u>	<u>\$ 854,771</u>	<u>\$ 212,000</u>	<u>\$ 20,047,011</u>
Total Capital Assets Depreciated, Net	<u>\$ 12,046,556</u>	<u>\$ (186,997)</u>	<u>\$ 0</u>	<u>\$ 11,859,559</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,422,035</u>	<u>\$ (186,997)</u>	<u>\$ 0</u>	<u>\$ 12,235,038</u>

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

**Governmental Activities:**

Instruction	\$ 461,562
Support Services	323,549
Operation of Non-Instructional Services	<u>69,660</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 854,771</u></u>

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

The composition of interfund balances as of June 30, 2012, was as follows:

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste/Sanitation	\$ 1,415
"	Nonmajor governmental	861
General Debt Service	General	2,100
"	Nonmajor governmental	3,810

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, 2012, consisted of the following amounts:

**Primary Government:**

<u>Transfers Out</u>	<u>Transfers In</u>		
	<u>General Fund</u>	<u>General Debt Service Fund</u>	<u>Nonmajor Govern- mental Funds</u>
General Fund	\$ 0	\$ 0	\$ 7,800
Highway/Public Works Fund	0	163,000	0
Nonmajor governmental funds	<u>12,736</u>	<u>0</u>	<u>0</u>
Total	<u><u>\$ 12,736</u></u>	<u><u>\$ 163,000</u></u>	<u><u>\$ 7,800</u></u>

**Discretely Presented McNairy County School Department**

Transfer Out	Transfer In General Purpose School Fund
School Federal Projects Fund	\$ 25,553

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.

**D. 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.

On October 20, 2011, McNairy County entered into a five-year lease-purchase agreement for a dump truck for the Highway Department. The terms of the agreement require total lease payments of \$125,000 plus interest of 3.29 percent. Title to the dump truck transfers to McNairy County at the end of the lease period. The lease payments are made from the Highway/Public Works Fund.

The assets acquired through capital leases are as follows:

Assets	Governmental Activities
Machinery and Equipment	\$ 230,700
Less: Accumulated Depreciation	<u>(93,565)</u>
Total Book Value	<u><u>\$ 137,135</u></u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2012, were as follows:

Year Ending June 30	Governmental Funds
2013	\$ 34,982
2014	76,981
2015	19,258
2016	19,258
2017	<u>63,756</u>
Total Minimum Lease Payments	\$ 214,235
Less: Amount Representing Interest	<u>(20,451)</u>
 Present Value of Minimum Lease Payments	 <u><u>\$ 193,784</u></u>

**E. Long-term Debt**

**Primary Government**

**General Obligation Bonds and Notes**

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 38 years for bonds and 15 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, 2012, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, and capital leases outstanding as of June 30, 2012, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-12
General Obligation Bonds	4.5 to 4.75%	6-30-48	\$ 1,077,050	\$ 661,711
General Obligation Bonds - Refunding	2 to 5	6-1-19	19,875,000	7,650,000
Capital Outlay Notes	3.25 to 4.43	4-13-27	510,000	206,664
Capital Leases	3.29 to 3.59	10-25-16	230,700	193,784

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2012, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2013	\$ 1,318,284	\$ 334,593	\$ 1,652,877
2014	1,100,505	287,155	1,387,660
2015	1,453,149	242,692	1,695,841
2016	1,525,919	184,106	1,710,025
2017	1,584,081	122,325	1,706,406
2018-2022	1,194,343	123,265	1,317,608
2023-2027	24,185	26,120	50,305
2028-2032	24,185	20,678	44,863
2033-2037	24,185	15,236	39,421
2038-2042	24,185	9,795	33,980
2043-2047	29,022	4,352	33,374
2048	9,668	217	9,885
Total	<u>\$ 8,311,711</u>	<u>\$ 1,370,534</u>	<u>\$ 9,682,245</u>

Year Ending June 30	Notes		
	Principal	Interest	Total
2013	\$ 78,737	\$ 6,938	\$ 85,675
2014	78,828	3,419	82,247
2015	3,095	1,596	4,691
2016	3,196	1,495	4,691
2017	3,300	1,391	4,691
2018-2022	18,178	5,276	23,454
2023-2027	21,330	2,125	23,455
Total	<u>\$ 206,664</u>	<u>\$ 22,240</u>	<u>\$ 228,904</u>

There is \$3,386,284 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$319, based on the 2010 federal census. Debt per capita, including bonds, notes, and capital leases totaled \$334, based on the 2010 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2011	\$ 9,560,667	\$ 227,498	\$ 104,382
Additions	0	55,000	125,000
Reductions	(1,248,956)	(75,834)	(35,598)
Balance, June 30, 2012	<u>\$ 8,311,711</u>	<u>\$ 206,664</u>	<u>\$ 193,784</u>
Balance Due Within One Year	<u>\$ 1,318,284</u>	<u>\$ 78,737</u>	<u>\$ 28,297</u>

	Compensated Absences	Landfill Closure/ Postclosure Care Costs	Other Postemployment Benefits
Balance, July 1, 2011	\$ 84,314	\$ 540,003	\$ 35,877
Additions	206,675	12,674	8,912
Reductions	(154,359)	(11,902)	(2,117)
Balance, June 30, 2012	<u>\$ 136,630</u>	<u>\$ 540,775</u>	<u>\$ 42,672</u>
Balance Due Within One Year	<u>\$ 57,096</u>	<u>\$ 11,902</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	\$ 9,432,236
Less: Balance Due Within One Year	(1,494,316)
Add: Unamortized Premium on Debt	<u>36,281</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 7,974,201</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, 2012, was as follows:

	<u>Other Postemployment Benefits</u>
Balance, July 1, 2011	\$ 655,151
Additions	456,389
Reductions	<u>(239,501)</u>
Balance, June 30, 2012	<u>\$ 872,039</u>
Balance Due Within One Year	<u>\$ 0</u>

Other postemployment benefits will be paid from the employing funds, primarily the General Purpose School and School Federal Projects funds.

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the McNairy County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2012, were \$80,133 and \$31,523, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**G. Short-term Debt**

McNairy County issued revenue anticipation notes in advance of revenue collections and deposited the proceeds in the General Fund. These notes were necessary because funds were not available to meet payments coming due before current revenue collections. Short-term debt activity for the year ended June 30, 2012, was as follows:

	Balance			Balance
	7-1-12	Issued	Paid	6-30-12
Revenue Anticipation Notes	\$ 0	\$ 500,000	\$ (500,000)	\$ 0

V. **OTHER INFORMATION**

A. **Risk Management**

**Primary Government**

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. Subsequent Events**

On August 31, 2012, Wilburn Gene Ashe left the Office of County Mayor and was succeeded by Ronnie Brooks.

On August 31, 2012, Ronnie Brooks left the Office of Circuit and General Sessions Courts Clerk and was succeeded by Jackie Cox.

### **C. Contingent Liabilities**

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

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

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

State and federal laws and regulations require the county to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. McNairy County closed its sanitary landfill in 1998. The \$540,775 reported as postclosure care liability at June 30, 2012, represents amounts based on what it would cost to perform all postclosure care in 2012. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**E. Joint Venture**

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

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

Administrative Office:

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

**F. Retirement Commitments**

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, Chapter 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, 2012, was 5.17 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

#### Annual Pension Cost

For the year ended June 30, 2012, the county's annual pension cost of \$374,071 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2009, 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 three percent annual rate of inflation, (c) 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 (d) 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 ten-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, 2009, was 20 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

### Trend Information

Fiscal Year Ended	Annual Pension Cost( APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-12	\$374,071	100%	\$0
6-30-11	287,331	100	0
6-30-10	357,232	100	0

#### Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 95.58 percent funded. The actuarial accrued liability for benefits was \$11.82 million, and the actuarial value of assets was \$11.3 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.52 million. The covered payroll (annual payroll of active employees covered by the plan) \$6.89 million, and the ratio of the UAAL to the covered payroll was 7.58 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.

#### SCHOOL TEACHERS

##### Plan Description

The McNairy County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.tn.gov/treasury/tcrs/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, 2012, was 9.05 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, 2012, 2011, and 2010 were \$1,509,280, \$1,522,931, and \$1,038,934 respectively, equal to the required contributions for each year.

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

### Plan Description

The McNairy County Highway Department and the McNairy County School Department participate in the state-administered Local Government Group Insurance Plan and the Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-207, *Tennessee Code Annotated (TCA)*, for local governments and Section 8-27-302, *TCA*, for local education employees. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) 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, 2012, the McNairy County Highway Department and the discretely presented School Department contributed \$2,117 and \$239,501 respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 458,000	\$ 9,000
Interest on the NPO	26,206	1,435
Adjustment to the ARC	(27,817)	(1,523)
Annual OPEB cost	\$ 456,389	\$ 8,912
Less: Amount of contribution	(239,501)	(2,117)
Increase/decrease in NPO	\$ 216,888	\$ 6,795
Net OPEB obligation, 7-1-11	655,151	35,877
Net OPEB obligation, 6-30-12	\$ 872,039	\$ 42,672

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-10	Local Education Group	\$ 346,783	74%	\$ 418,706
6-30-11	"	503,995	53	655,151
6-30-12	"	456,389	52	872,039
6-30-10	Local Government Group	14,036	26	25,645
6-30-11	"	14,061	27	35,877
6-30-12	"	8,912	24	42,672

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-11	7-1-11
Actuarial accrued liability (AAL)	\$ 4,186,000	\$ 53,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 4,186,000	\$ 53,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 20,803,739	\$ 588,817
UAAL as a % of covered payroll	20%	9%

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, 2011, actuarial valuation for the Local Education Group and the Local Government Group plans, the projected unit credit actuarial cost method was used and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25 percent for fiscal year 2012. The trend will decrease to 8.75 percent in fiscal year 2013 and then be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

## H. Purchasing Laws

### Office of County Mayor

Chapter 171, Private Acts of 1990, provides for the county mayor to serve as purchasing agent for McNairy County and to award all contracts for purchases for all departments, excluding purchases made from county highway or county education funds. Purchasing procedures for the County Mayor's Office are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated (TCA)*, which provide for purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

### Office of 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 on the basis of publicly advertised competitive bids.

### Office of Director of Schools

Purchasing procedures for the discretely presented McNairy County 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.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E-1

McNairy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund  
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,226,872	\$ 3,190,084	\$ 3,190,084	\$ 36,788
Licenses and Permits	16,071	16,500	16,500	(429)
Fines, Forfeitures, and Penalties	191,418	144,850	214,850	(23,432)
Charges for Current Services	38,441	47,100	47,100	(8,659)
Other Local Revenues	182,413	88,500	98,500	83,913
Fees Received from County Officials	883,843	901,250	901,250	(17,407)
State of Tennessee	738,525	520,314	645,314	93,211
Federal Government	1,177,245	45,500	1,130,500	46,745
<b>Total Revenues</b>	<b>\$ 6,454,828</b>	<b>\$ 4,954,098</b>	<b>\$ 6,244,098</b>	<b>\$ 210,730</b>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 41,499	\$ 49,090	\$ 49,090	\$ 7,591
Board of Equalization	880	2,200	1,500	620
Beer Board	275	525	525	250
Budget and Finance Committee	2,450	1,750	2,450	0
Other Boards and Committees	2,700	3,500	3,500	800
County Mayor/Executive	140,336	140,244	142,244	1,908
County Attorney	2,600	2,400	2,400	(200)
Election Commission	120,186	138,411	136,411	16,225
Register of Deeds	118,829	122,552	122,552	3,723
County Buildings	255,742	250,475	255,475	(267)
Preservation of Records	300	350	350	50
<u>Finance</u>				
Property Assessor's Office	139,064	149,841	149,841	10,777
Reappraisal Program	31,553	39,893	34,893	3,340
County Trustee's Office	133,998	138,646	138,646	4,648
County Clerk's Office	170,189	162,227	176,450	6,261
<u>Administration of Justice</u>				
Circuit Court	160,222	163,167	165,167	4,945
General Sessions Court	203,506	216,627	214,627	11,121
Chancery Court	109,260	113,282	113,282	4,022
Juvenile Court	49,436	50,813	51,813	2,377
<u>Public Safety</u>				
Sheriff's Department	1,285,351	1,230,037	1,285,037	(314)
Jail	354,257	267,400	362,400	8,143
Fire Prevention and Control	77,733	91,433	91,583	13,850
Rural Fire Protection	37,432	41,632	41,632	4,200
Civil Defense	128,065	63,954	124,724	(3,341)
Inspection and Regulation	4,944	5,150	5,150	206
<u>Public Health and Welfare</u>				
Local Health Center	134,521	147,931	154,001	19,480

(Continued)

Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Social, Cultural, and Recreational Services</u>				
Libraries	\$ 172,099	\$ 135,982	\$ 171,222	\$ (877)
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	76,044	68,347	68,347	(7,697)
Soil Conservation	62,008	62,008	62,008	0
<u>Other Operations</u>				
Other Economic and Community Development	45,000	45,000	45,000	0
Airport	64,000	64,000	64,000	0
Veterans' Services	12,932	13,155	13,155	223
Other Charges	142,933	139,000	144,000	1,067
Contributions to Other Agencies	175,553	166,436	176,436	883
Employee Benefits	628,156	658,925	672,135	43,979
Miscellaneous	1,085,281	27,000	1,107,000	21,719
<u>Principal on Debt</u>				
General Government	0	0	500,000	500,000
<u>Interest on Debt</u>				
General Government	7,924	0	8,000	76
Total Expenditures	<u>\$ 6,177,258</u>	<u>\$ 4,973,383</u>	<u>\$ 6,857,046</u>	<u>\$ 679,788</u>
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 277,570	\$ (19,285)	\$ (612,948)	\$ 890,518
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 0	\$ 0	\$ 500,000	\$ (500,000)
Insurance Recovery	13,367	15,000	15,000	(1,633)
Transfers In	12,736	20,500	20,500	(7,764)
Transfers Out	(7,800)	(7,500)	(7,800)	0
Total Other Financing Sources (Uses)	<u>\$ 18,303</u>	<u>\$ 28,000</u>	<u>\$ 527,700</u>	<u>\$ (509,397)</u>
Net Change in Fund Balance	\$ 295,873	\$ 8,715	\$ (85,248)	\$ 381,121
Fund Balance, July 1, 2011	<u>1,034,736</u>	<u>1,252,099</u>	<u>1,252,099</u>	<u>(217,363)</u>
Fund Balance, June 30, 2012	<u>\$ 1,330,609</u>	<u>\$ 1,260,814</u>	<u>\$ 1,166,851</u>	<u>\$ 163,758</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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 80,552	\$ 71,500	\$ 71,500	\$ 9,052
Charges for Current Services	882,718	800,000	800,000	82,718
Other Local Revenues	13,797	3,500	13,350	447
State of Tennessee	289,296	232,109	266,458	22,838
Total Revenues	<u>\$ 1,266,363</u>	<u>\$ 1,107,109</u>	<u>\$ 1,151,308</u>	<u>\$ 115,055</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 860,269	\$ 859,150	\$ 859,150	\$ (1,119)
Recycling Center	30,527	3,000	31,650	1,123
Landfill Operation and Maintenance	229,785	213,771	233,771	3,986
<u>Other Operations</u>				
Employee Benefits	32,478	39,094	39,094	6,616
<u>Highways</u>				
Litter and Trash Collection	47,315	32,669	48,158	843
Total Expenditures	<u>\$ 1,200,374</u>	<u>\$ 1,147,684</u>	<u>\$ 1,211,823</u>	<u>\$ 11,449</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 65,989</u>	<u>\$ (40,575)</u>	<u>\$ (60,515)</u>	<u>\$ 126,504</u>
Net Change in Fund Balance	\$ 65,989	\$ (40,575)	\$ (60,515)	\$ 126,504
Fund Balance, July 1, 2011	<u>644,906</u>	<u>193,408</u>	<u>193,408</u>	<u>451,498</u>
Fund Balance, June 30, 2012	<u><u>\$ 710,895</u></u>	<u><u>\$ 152,833</u></u>	<u><u>\$ 132,893</u></u>	<u><u>\$ 578,002</u></u>

Exhibit E-3

McNairy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 395,037	\$ 390,881	\$ 390,881	\$ 4,156
Charges for Current Services	90	100	100	(10)
Other Local Revenues	19,173	15,500	15,500	3,673
State of Tennessee	2,148,058	2,166,925	2,166,925	(18,867)
Federal Government	285,193	0	285,193	0
Other Governments and Citizens Groups	18,438	20,000	20,000	(1,562)
Total Revenues	<u>\$ 2,865,989</u>	<u>\$ 2,593,406</u>	<u>\$ 2,878,599</u>	<u>\$ (12,610)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 133,622	\$ 141,237	\$ 141,237	\$ 7,615
Highway and Bridge Maintenance	800,056	763,682	847,922	47,866
Operation and Maintenance of Equipment	454,933	385,920	497,025	42,092
Other Charges	68,052	62,500	70,500	2,448
Employee Benefits	357,883	353,000	364,600	6,717
Capital Outlay	826,294	922,500	967,900	141,606
<u>Principal on Debt</u>				
Highways and Streets	22,849	36,000	22,849	0
<u>Interest on Debt</u>				
Highways and Streets	1,114	1,500	1,500	386
Total Expenditures	<u>\$ 2,664,803</u>	<u>\$ 2,666,339</u>	<u>\$ 2,913,533</u>	<u>\$ 248,730</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 201,186</u>	<u>\$ (72,933)</u>	<u>\$ (34,934)</u>	<u>\$ 236,120</u>
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 125,000	\$ 0	\$ 125,000	\$ 0
Insurance Recovery	17,096	0	0	17,096
Transfers Out	(163,000)	0	(163,000)	0
Total Other Financing Sources (Uses)	<u>\$ (20,904)</u>	<u>\$ 0</u>	<u>\$ (38,000)</u>	<u>\$ 17,096</u>
Net Change in Fund Balance	\$ 180,282	\$ (72,933)	\$ (72,934)	\$ 253,216
Fund Balance, July 1, 2011	664,412	309,156	309,156	355,256
Fund Balance, June 30, 2012	<u>\$ 844,694</u>	<u>\$ 236,223</u>	<u>\$ 236,222</u>	<u>\$ 608,472</u>

Exhibit E-4

McNairy County, Tennessee  
Schedule of Funding Progress – Pension Plan  
Primary Government and Discretely Presented McNairy County School Department  
June 30, 2012

(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)
7-1-11	\$ 11,298	\$ 11,820	\$ 522	95.58 %	\$ 6,886	7.58 %
7-1-09	8,920	10,359	1,440	86.1	6,324	22.76
7-1-07	8,121	8,121	0	100	5,270	0

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, 2012

(Dollar amounts in thousands)

Plans	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)
<u>PRIMARY GOVERNMENT</u>							
Local Government Group	7-1-09	\$ 0	\$ 66	\$ 66	0%	\$ 584	11%
"	7-1-10	0	71	71	0	587	12
"	7-1-11	0	53	53	0	589	9
<u>DISCRETELY PRESENTED McNAIRY COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-09	0	3,410	3,410	0	19,336	18
"	7-1-10	0	5,269	5,269	0	19,990	26
"	7-1-11	0	4,186	4,186	0	20,804	20
"							

**McNAIRY COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2012**

**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 several major appropriation categories (the legal level of control) of the General and Solid Waste/Sanitation funds:

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
General:	
County Attorney	\$ 200
County Buildings	267
Sheriff's Department	314
Civil Defense	3,341
Libraries	877
Agricultural Extension Service	7,697
Solid Waste/Sanitation:	
Sanitation Management	1,119

Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balances.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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

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

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Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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

Exhibit F-1

McNairy County, Tennessee  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2012

	Special Revenue Funds				Total	Capital Projects Fund		Total Nonmajor Governmental Funds
	Law Library	Special Purpose	Drug Control	Constitutional Officers - Fees		Community Development/Industrial Park		
\$	0 \$	0 \$	0 \$	861 \$	861 \$	0 \$	861	
	3,575	46,592	95,919	0	146,086	5,727	151,813	
\$	3,575 \$	46,592 \$	95,919 \$	861 \$	146,947 \$	5,727 \$	152,674	

ASSETS

Cash  
 Equity in Pooled Cash and Investments  
 Total Assets

LIABILITIES AND FUND BALANCES

Liabilities							
Accounts Payable	\$	0 \$	2,939 \$	925 \$	0 \$	3,864 \$	3,864
Due to Other Funds		0	0	0	861	3,810	4,671
Total Liabilities	\$	0 \$	2,939 \$	925 \$	861 \$	4,725 \$	8,535

Fund Balances

Restricted:  
 Restricted for Public Safety  
 Restricted for Social, Cultural, and Recreational Services  
 Restricted for Agriculture and Natural Resources  
 Committed:  
 Committed for General Government  
 Total Fund Balances

\$	0 \$	0 \$	94,994 \$	0 \$	0 \$	94,994 \$	94,994
	3,575	0	0	0	0	3,575	3,575
	0	0	0	0	0	1,917	1,917
\$	0	43,653	0	0	0	43,653	43,653
\$	3,575 \$	43,653 \$	94,994 \$	0 \$	0 \$	142,222 \$	144,139

Total Liabilities and Fund Balances

\$	3,575 \$	46,592 \$	95,919 \$	861 \$	861 \$	146,947 \$	5,727 \$	152,674
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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, 2012

	Special Revenue Funds				Total	Capital Projects Fund		Total Nonmajor Governmental Funds
	Law Library	Special Purpose	Drug Control			Community Development/ Industrial Park		
<u>Revenues</u>								
Local Taxes	\$ 3,135	\$ 0	\$ 0	\$ 3,135	\$ 0	\$ 0	\$ 3,135	
Fines, Forfeitures, and Penalties	0	0	21,791	21,791	0	0	21,791	
Other Local Revenues	0	117,913	58,648	176,561	0	0	176,561	
Total Revenues	\$ 3,135	\$ 117,913	\$ 80,439	\$ 201,487	\$ 0	\$ 0	\$ 201,487	
<u>Expenditures</u>								
Current:								
General Government	\$ 0	\$ 85,313	\$ 0	\$ 85,313	\$ 0	\$ 0	\$ 85,313	
Public Safety	0	0	31,618	31,618	0	0	31,618	
Social, Cultural, and Recreational Services	2,384	0	0	2,384	0	0	2,384	
Agriculture and Natural Resources	0	0	0	0	7,655	7,655	7,655	
Other Operations	0	6,654	0	6,654	0	0	6,654	
Total Expenditures	\$ 2,384	\$ 91,967	\$ 31,618	\$ 125,969	\$ 7,655	\$ 7,655	\$ 133,624	
Excess (Deficiency) of Revenues Over Expenditures	\$ 751	\$ 25,946	\$ 48,821	\$ 75,518	\$ (7,655)	\$ (7,655)	\$ 67,863	
<u>Other Financing Sources (Uses)</u>								
Insurance Recovery	\$ 0	\$ 4,971	\$ 0	\$ 4,971	\$ 0	\$ 0	\$ 4,971	
Transfers In	0	0	0	0	7,800	7,800	7,800	
Transfers Out	0	(12,736)	0	(12,736)	0	0	(12,736)	
Total Other Financing Sources (Uses)	\$ 0	\$ (7,765)	\$ 0	\$ (7,765)	\$ 7,800	\$ 7,800	\$ 35	
Net Change in Fund Balances	\$ 751	\$ 18,181	\$ 48,821	\$ 67,753	\$ 145	\$ 145	\$ 67,898	
Fund Balance, July 1, 2011	2,824	25,472	46,173	74,469	1,772	1,772	76,241	
Fund Balance, June 30, 2012	\$ 3,575	\$ 43,653	\$ 94,994	\$ 142,222	\$ 1,917	\$ 1,917	\$ 144,139	

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,135	\$ 3,400	\$ 3,400	\$ (265)
Total Revenues	\$ 3,135	\$ 3,400	\$ 3,400	\$ (265)
<u>Expenditures</u>				
<u>Social, Cultural, and Recreational Services</u>				
Libraries	\$ 2,384	\$ 2,385	\$ 2,385	\$ 1
Total Expenditures	\$ 2,384	\$ 2,385	\$ 2,385	\$ 1
Excess (Deficiency) of Revenues Over Expenditures	\$ 751	\$ 1,015	\$ 1,015	\$ (264)
Net Change in Fund Balance	\$ 751	\$ 1,015	\$ 1,015	\$ (264)
Fund Balance, July 1, 2011	2,824	1,093	1,093	1,731
Fund Balance, June 30, 2012	\$ 3,575	\$ 2,108	\$ 2,108	\$ 1,467

Exhibit F-4

McNairy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Special Purpose Fund  
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 0	\$ 600	\$ 600	\$ (600)
Other Local Revenues	117,913	119,413	119,413	(1,500)
Total Revenues	<u>\$ 117,913</u>	<u>\$ 120,013</u>	<u>\$ 120,013</u>	<u>\$ (2,100)</u>
<u>Expenditures</u>				
<u>General Government</u>				
Other Facilities	\$ 85,313	\$ 70,693	\$ 86,693	\$ 1,380
<u>Other Operations</u>				
Employee Benefits	6,654	5,613	6,613	(41)
Total Expenditures	<u>\$ 91,967</u>	<u>\$ 76,306</u>	<u>\$ 93,306</u>	<u>\$ 1,339</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 25,946</u>	<u>\$ 43,707</u>	<u>\$ 26,707</u>	<u>\$ (761)</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 4,971	\$ 0	\$ 5,000	\$ (29)
Transfers Out	(12,736)	(41,000)	(29,000)	16,264
Total Other Financing Sources (Uses)	<u>\$ (7,765)</u>	<u>\$ (41,000)</u>	<u>\$ (24,000)</u>	<u>\$ 16,235</u>
Net Change in Fund Balance	\$ 18,181	\$ 2,707	\$ 2,707	\$ 15,474
Fund Balance, July 1, 2011	<u>25,472</u>	<u>84,623</u>	<u>84,623</u>	<u>(59,151)</u>
Fund Balance, June 30, 2012	<u>\$ 43,653</u>	<u>\$ 87,330</u>	<u>\$ 87,330</u>	<u>\$ (43,677)</u>

Exhibit F-5

McNairy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 21,791	\$ 40,500	\$ 40,500	\$ (18,709)
Other Local Revenues	58,648	3,000	18,000	40,648
Total Revenues	<u>\$ 80,439</u>	<u>\$ 43,500</u>	<u>\$ 58,500</u>	<u>\$ 21,939</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 31,618	\$ 29,500	\$ 44,500	\$ 12,882
Total Expenditures	<u>\$ 31,618</u>	<u>\$ 29,500</u>	<u>\$ 44,500</u>	<u>\$ 12,882</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 48,821</u>	<u>\$ 14,000</u>	<u>\$ 14,000</u>	<u>\$ 34,821</u>
Net Change in Fund Balance	\$ 48,821	\$ 14,000	\$ 14,000	\$ 34,821
Fund Balance, July 1, 2011	<u>46,173</u>	<u>48,210</u>	<u>48,210</u>	<u>(2,037)</u>
Fund Balance, June 30, 2012	<u><u>\$ 94,994</u></u>	<u><u>\$ 62,210</u></u>	<u><u>\$ 62,210</u></u>	<u><u>\$ 32,784</u></u>

# **Major Governmental Fund**

## **General Debt Service Fund**

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The General Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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Exhibit G-1

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,544,411	\$ 1,433,975	\$ 1,487,475	\$ 56,936
Other Local Revenues	56,348	128,500	128,500	(72,152)
Other Governments and Citizens Groups	1,155,175	0	1,032,750	122,425
<b>Total Revenues</b>	<b>\$ 2,755,934</b>	<b>\$ 1,562,475</b>	<b>\$ 2,648,725</b>	<b>\$ 107,209</b>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 412,056	\$ 489,149	\$ 438,291	\$ 26,235
Highways and Streets	121,043	91,564	121,048	5
Education	804,440	800,000	804,440	0
<u>Interest on Debt</u>				
General Government	98,494	178,300	98,794	300
Highways and Streets	74,871	10,078	76,439	1,568
Education	221,270	232,750	232,750	11,480
<u>Other Debt Service</u>				
General Government	46,534	0	82,079	35,545
Highways and Streets	346	0	750	404
Education	567	0	750	183
<b>Total Expenditures</b>	<b>\$ 1,779,621</b>	<b>\$ 1,801,841</b>	<b>\$ 1,855,341</b>	<b>\$ 75,720</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 976,313	\$ (239,366)	\$ 793,384	\$ 182,929
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 55,000	\$ 0	\$ 0	\$ 55,000
Transfers In	163,000	1,032,750	0	163,000
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 218,000</b>	<b>\$ 1,032,750</b>	<b>\$ 0</b>	<b>\$ 218,000</b>
Net Change in Fund Balance	\$ 1,194,313	\$ 793,384	\$ 793,384	\$ 400,929
Fund Balance, July 1, 2011	2,191,971	1,779,875	1,779,875	412,096
<b>Fund Balance, June 30, 2012</b>	<b>\$ 3,386,284</b>	<b>\$ 2,573,259</b>	<b>\$ 2,573,259</b>	<b>\$ 813,025</b>

# Fiduciary Funds

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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.

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

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

Exhibit H-1

McNairy County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2012

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 634,576	\$ 634,576
Accounts Receivable	0	1,824	1,824
Due from Other Governments	273,120	0	273,120
Cash Shortage	0	9,782	9,782
Total Assets	<u>\$ 273,120</u>	<u>\$ 646,182</u>	<u>\$ 919,302</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 273,120	\$ 0	\$ 273,120
Due to Litigants, Heirs, and Others	0	646,182	646,182
Total Liabilities	<u>\$ 273,120</u>	<u>\$ 646,182</u>	<u>\$ 919,302</u>

## Exhibit H-2

McNairy County, TennesseeCombining Statement of Changes in Assets and Liabilities - All Agency FundsFor the Year Ended June 30, 2012

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,631,439	\$ 1,631,439	\$ 0
Due from Other Governments	271,671	273,120	271,671	273,120
Total Assets	\$ 271,671	\$ 1,904,559	\$ 1,903,110	\$ 273,120
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 271,671	\$ 1,904,559	\$ 1,903,110	\$ 273,120
Total Liabilities	\$ 271,671	\$ 1,904,559	\$ 1,903,110	\$ 273,120
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 690,301	\$ 4,335,422	\$ 4,391,147	\$ 634,576
Accounts Receivable	3,126	1,824	3,126	1,824
Cash Shortage	0	9,782	0	9,782
Total Assets	\$ 693,427	\$ 4,347,028	\$ 4,394,273	\$ 646,182
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 693,427	\$ 4,347,028	\$ 4,394,273	\$ 646,182
Total Liabilities	\$ 693,427	\$ 4,347,028	\$ 4,394,273	\$ 646,182
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 690,301	\$ 4,335,422	\$ 4,391,147	\$ 634,576
Equity in Pooled Cash and Investments	0	1,631,439	1,631,439	0
Accounts Receivable	3,126	1,824	3,126	1,824
Due from Other Governments	271,671	273,120	271,671	273,120
Cash Shortage	0	9,782	0	9,782
Total Assets	\$ 965,098	\$ 6,251,587	\$ 6,297,383	\$ 919,302
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 271,671	\$ 1,904,559	\$ 1,903,110	\$ 273,120
Due to Litigants, Heirs, and Others	693,427	4,347,028	4,394,273	646,182
Total Liabilities	\$ 965,098	\$ 6,251,587	\$ 6,297,383	\$ 919,302

# McNairy County School Department

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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.

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

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

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

Exhibit I-1

McNairy County, Tennessee  
Statement of Activities  
Discretely Presented McNairy County School Department  
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
				Total Governmental Activities
Governmental Activities:				
Instruction	\$ 23,205,346	\$ 717,744	\$ 3,338,911	\$ (19,148,691)
Support Services	8,308,533	56,104	802,972	(7,449,457)
Operation of Non-Instructional Services	3,423,068	0	1,560,962	(1,862,106)
Other Debt Service	1,155,175	0	0	(1,155,175)
<b>Total Governmental Activities</b>	<b>\$ 36,092,122</b>	<b>\$ 773,848</b>	<b>\$ 5,702,845</b>	<b>\$ (29,615,429)</b>
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes			\$ 3,935,780	
Local Option Sales Taxes			1,836,144	
Other Local Taxes			23,268	
Grants and Contributions Not Restricted to Specific Programs			23,086,057	
Unrestricted Investment Income			17,308	
Miscellaneous			86,686	
<b>Total General Revenues</b>			<b>\$ 28,985,243</b>	
Change in Net Assets			\$ (630,186)	
Net Assets, July 1, 2011			14,571,631	
Net Assets, June 30, 2012			\$ 13,941,445	

Exhibit I-2

McNairy County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented McNairy County School Department  
June 30, 2012

	Major Funds			Total Govern- mental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 711,149	\$ 34,607	\$ 889,892	\$ 1,635,648
Accounts Receivable	900	0	0	900
Due from Other Governments	743,357	38,513	0	781,870
Property Taxes Receivable	3,663,806	0	0	3,663,806
Allowance for Uncollectible Property Taxes	(196,184)	0	0	(196,184)
<b>Total Assets</b>	<b>\$ 4,923,028</b>	<b>\$ 73,120</b>	<b>\$ 889,892</b>	<b>\$ 5,886,040</b>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Payroll Deductions Payable	\$ 0	\$ 0	\$ 10,014	\$ 10,014
Deferred Revenue - Current Property Taxes	3,297,580	0	0	3,297,580
Deferred Revenue - Delinquent Property Taxes	154,550	0	0	154,550
Other Deferred Revenues	150,150	0	0	150,150
<b>Total Liabilities</b>	<b>\$ 3,602,280</b>	<b>\$ 0</b>	<b>\$ 10,014</b>	<b>\$ 3,612,294</b>
<u>Fund Balances</u>				
Restricted:				
Restricted for Education	\$ 5,107	\$ 38,120	\$ 0	\$ 43,227
Restricted for Operation of Non-Instructional Services	0	0	879,878	879,878
Assigned:				
Assigned for Education	0	35,000		35,000
Unassigned	1,315,641	0	0	1,315,641
<b>Total Fund Balances</b>	<b>\$ 1,320,748</b>	<b>\$ 73,120</b>	<b>\$ 879,878</b>	<b>\$ 2,273,746</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,923,028</b>	<b>\$ 73,120</b>	<b>\$ 889,892</b>	<b>\$ 5,886,040</b>

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, 2012

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)		\$	2,273,746
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	375,479	
Add: buildings and improvements net of accumulated depreciation		9,972,583	
Add: other capital assets net of accumulated depreciation		<u>1,886,976</u>	12,235,038
(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			(872,039)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>304,700</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>13,941,445</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, 2012

	Major Funds			Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>Revenues</u>				
Local Taxes	\$ 5,806,898	\$ 0	\$ 0	\$ 5,806,898
Licenses and Permits	4,551	0	0	4,551
Charges for Current Services	36,986	0	704,756	741,742
Other Local Revenues	81,515	0	56,207	137,722
State of Tennessee	22,626,948	0	0	22,626,948
Federal Government	351,376	4,274,698	1,538,665	6,164,739
Total Revenues	<u>\$ 28,908,274</u>	<u>\$ 4,274,698</u>	<u>\$ 2,299,628</u>	<u>\$ 35,482,600</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 19,094,047	\$ 3,450,551	\$ 0	\$ 22,544,598
Support Services	7,831,133	593,719	0	8,424,852
Operation of Non-Instructional Services	743,344	383,713	2,329,327	3,456,384
Capital Outlay	115,960	0	0	115,960
Debt Service:				
Other Debt Service	1,155,175	0	0	1,155,175
Total Expenditures	<u>\$ 28,939,659</u>	<u>\$ 4,427,983</u>	<u>\$ 2,329,327</u>	<u>\$ 35,696,969</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (31,385)</u>	<u>\$ (153,285)</u>	<u>\$ (29,699)</u>	<u>\$ (214,369)</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 8,732	\$ 0	\$ 0	\$ 8,732
Transfers In	25,553	0	0	25,553
Transfers Out	0	(25,553)	0	(25,553)
Total Other Financing Sources (Uses)	<u>\$ 34,285</u>	<u>\$ (25,553)</u>	<u>\$ 0</u>	<u>\$ 8,732</u>
Net Change in Fund Balances	\$ 2,900	\$ (178,838)	\$ (29,699)	\$ (205,637)
Fund Balance, July 1, 2011	1,317,848	251,958	909,577	2,479,383
Fund Balance, June 30, 2012	<u>\$ 1,320,748</u>	<u>\$ 73,120</u>	<u>\$ 879,878</u>	<u>\$ 2,273,746</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, 2012

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)		\$ (205,637)
(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	\$ 667,774	
Less: current-year depreciation expense	<u>(854,771)</u>	(186,997)
(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, 2012	\$ 304,700	
Less: deferred delinquent property taxes and other deferred June 30, 2011	<u>(325,364)</u>	(20,664)
(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		<u>(216,888)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (630,186)</u>

Exhibit I-6

McNairy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented McNairy County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 5,806,898	\$ 5,786,648	\$ 5,786,648	\$ 20,250
Licenses and Permits	4,551	5,000	5,000	(449)
Charges for Current Services	36,986	132,500	42,500	(5,514)
Other Local Revenues	81,515	119,404	119,404	(37,889)
State of Tennessee	22,626,948	22,451,294	22,673,130	(46,182)
Federal Government	351,376	215,750	342,259	9,117
Total Revenues	<u>\$ 28,908,274</u>	<u>\$ 28,710,596</u>	<u>\$ 28,968,941</u>	<u>\$ (60,667)</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 15,795,439	\$ 15,526,208	\$ 15,968,894	\$ 173,455
Special Education Program	2,041,669	1,908,500	2,065,197	23,528
Vocational Education Program	933,167	911,691	946,506	13,339
Adult Education Program	323,772	241,782	332,044	8,272
<u>Support Services</u>				
Attendance	55,862	59,596	56,060	198
Health Services	324,993	299,486	326,137	1,144
Other Student Support	436,137	435,390	436,579	442
Regular Instruction Program	729,743	797,900	737,906	8,163
Special Education Program	241,890	245,681	242,734	844
Vocational Education Program	79,760	79,816	79,816	56
Adult Programs	70,455	80,983	70,533	78
Other Programs	111,656	0	111,656	0
Board of Education	383,069	403,605	393,241	10,172
Director of Schools	159,699	166,028	160,606	907
Office of the Principal	1,157,841	1,134,435	1,164,035	6,194
Fiscal Services	134,370	117,078	134,963	593
Operation of Plant	2,000,905	2,005,882	2,017,291	16,386
Maintenance of Plant	345,043	422,619	357,853	12,810
Transportation	1,556,294	1,589,183	1,571,260	14,966
Central and Other	43,416	39,071	43,496	80
<u>Operation of Non-Instructional Services</u>				
Food Service	49,960	50,081	50,081	121
Community Services	0	95,000	0	0
Early Childhood Education	693,384	677,738	702,087	8,703
<u>Capital Outlay</u>				
Regular Capital Outlay	115,960	40,000	121,000	5,040
<u>Other Debt Service</u>				
Education	1,155,175	1,032,750	1,155,175	0
Total Expenditures	<u>\$ 28,939,659</u>	<u>\$ 28,360,503</u>	<u>\$ 29,245,150</u>	<u>\$ 305,491</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (31,385)</u>	<u>\$ 350,093</u>	<u>\$ (276,209)</u>	<u>\$ 244,824</u>

(Continued)

Exhibit I-6

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 8,732	\$ 0	\$ 0	\$ 8,732
Transfers In	25,553	1,500	1,500	24,053
Total Other Financing Sources (Uses)	<u>\$ 34,285</u>	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 32,785</u>
Net Change in Fund Balance	\$ 2,900	\$ 351,593	\$ (274,709)	\$ 277,609
Fund Balance, July 1, 2011	<u>1,317,848</u>	<u>1,288,638</u>	<u>1,288,638</u>	<u>29,210</u>
Fund Balance, June 30, 2012	<u>\$ 1,320,748</u>	<u>\$ 1,640,231</u>	<u>\$ 1,013,929</u>	<u>\$ 306,819</u>

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 4,274,698	\$ 2,552,562	\$ 4,275,111	\$ (413)
Total Revenues	\$ 4,274,698	\$ 2,552,562	\$ 4,275,111	\$ (413)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 2,408,028	\$ 1,099,008	\$ 2,468,872	\$ 60,844
Special Education Program	995,478	988,035	1,005,901	10,423
Vocational Education Program	47,045	52,821	47,045	0
<u>Support Services</u>				
Other Student Support	112,544	138,117	114,516	1,972
Regular Instruction Program	424,886	395,869	512,410	87,524
Special Education Program	25,871	35,946	31,443	5,572
Vocational Education Program	2,945	3,500	2,945	0
Transportation	27,473	32,690	29,239	1,766
<u>Operation of Non-Instructional Services</u>				
Community Services	383,713	0	384,125	412
Total Expenditures	\$ 4,427,983	\$ 2,745,986	\$ 4,596,496	\$ 168,513
Excess (Deficiency) of Revenues Over Expenditures	\$ (153,285)	\$ (193,424)	\$ (321,385)	\$ 168,100
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (25,553)	\$ (26,095)	\$ (29,046)	\$ 3,493
Total Other Financing Sources (Uses)	\$ (25,553)	\$ (26,095)	\$ (29,046)	\$ 3,493
Net Change in Fund Balance	\$ (178,838)	\$ (219,519)	\$ (350,431)	\$ 171,593
Fund Balance, July 1, 2011	251,958	350,431	350,431	(98,473)
Fund Balance, June 30, 2012	\$ 73,120	\$ 130,912	\$ 0	\$ 73,120

Exhibit I-8

McNairy County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented McNairy County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 704,756	\$ 779,000	\$ 779,000	\$ (74,244)
Other Local Revenues	56,207	57,000	57,000	(793)
Federal Government	1,538,665	1,345,000	1,441,694	96,971
Total Revenues	<u>\$ 2,299,628</u>	<u>\$ 2,181,000</u>	<u>\$ 2,277,694</u>	<u>\$ 21,934</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 2,329,327	\$ 2,181,000	\$ 2,331,997	\$ 2,670
Total Expenditures	<u>\$ 2,329,327</u>	<u>\$ 2,181,000</u>	<u>\$ 2,331,997</u>	<u>\$ 2,670</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (29,699)</u>	<u>\$ 0</u>	<u>\$ (54,303)</u>	<u>\$ 24,604</u>
Net Change in Fund Balance	\$ (29,699)	\$ 0	\$ (54,303)	\$ 24,604
Fund Balance, July 1, 2011	<u>909,577</u>	<u>908,036</u>	<u>908,036</u>	<u>1,541</u>
Fund Balance, June 30, 2012	<u><u>\$ 879,878</u></u>	<u><u>\$ 908,036</u></u>	<u><u>\$ 853,733</u></u>	<u><u>\$ 26,145</u></u>

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## MISCELLANEOUS SCHEDULES

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Exhibit J-1

McNairy County, Tennessee  
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds  
For the Year Ended June 30, 2012

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-11	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-12
<b>NOTES PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
Highway Equipment	\$ 455,000	4.43 %	11-7-07	11-7-13	\$ 227,498 \$	0 \$	75,834 \$	151,664
911 Building and Storage	55,000	3.25	4-13-12	4-13-27	0	55,000	0	55,000
Total Notes Payable					\$ 227,498 \$	55,000 \$	75,834 \$	206,664
<b>CAPITAL LEASES</b>								
<u>Payable through Highway/Public Works Fund</u>								
Mini Excavator	31,111	6.9	8-24-10	5-2-12	\$ 22,849 \$	0 \$	22,849 \$	0
Dump Truck	125,000	3.29	10-20-11	10-25-16	0	125,000	0	125,000
Total Payable through Highway/Public Works Fund					\$ 22,849 \$	125,000 \$	22,849 \$	125,000
<u>Payable through General Debt Service Fund</u>								
Highway Equipment	105,700	3.59	11-18-08	12-25-13	\$ 81,533 \$	0 \$	12,749 \$	68,784
Total Payable through General Debt Service Fund					\$ 81,533 \$	0 \$	12,749 \$	68,784
Total Capital Leases					\$ 104,382 \$	125,000 \$	35,598 \$	193,784
<b>BONDS PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
USDA Rural Development Bonds	350,500	4.75	11-13-01	11-13-16	\$ 170,163 \$	0 \$	24,833 \$	145,330
USDA Rural Development Bonds	217,750	4.75	5-1-02	5-1-22	143,456	0	9,248	134,208
USDA Rural Development Bonds	325,000	4.75	6-21-02	6-21-22	213,248	0	14,875	198,373
Refunding Bonds, Series 2003	3,035,000	3 to 5	3-11-03	9-1-12	700,000	0	340,000	360,000
School Refunding Bonds, Series 2003	10,305,000	2 to 4	4-22-03	3-1-17	5,315,000	0	800,000	4,515,000
Refunding Bonds, Series 2008	6,535,000	3.5 to	12-10-08	6-1-19	2,835,000	0	60,000	2,775,000
USDA GO Bonds	183,800	4.5	6-30-10	6-30-48	183,800	0	0	183,800
Total Bonds Payable					\$ 9,560,667 \$	0 \$	1,248,956 \$	8,311,711

Exhibit J-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2013	\$ 78,737	\$ 6,938	\$ 85,675
2014	78,828	3,419	82,247
2015	3,095	1,596	4,691
2016	3,196	1,495	4,691
2017	3,300	1,391	4,691
2018	3,407	1,284	4,691
2019	3,517	1,173	4,690
2020	3,632	1,059	4,691
2021	3,750	941	4,691
2022	3,872	819	4,691
2023	3,998	693	4,691
2024	4,127	564	4,691
2025	4,262	429	4,691
2026	4,400	291	4,691
2027	4,543	148	4,691
Total	\$ 206,664	\$ 22,240	\$ 228,904

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2013	\$ 28,297	\$ 6,685	\$ 34,982
2014	71,157	5,824	76,981
2015	16,107	3,151	19,258
2016	16,645	2,613	19,258
2017	61,578	2,178	63,756
Total	\$ 193,784	\$ 20,451	\$ 214,235

Year Ending June 30	Bonds		
	Principal	Interest	Total
2013	\$ 1,318,284	\$ 334,593	\$ 1,652,877
2014	1,100,505	287,155	1,387,660
2015	1,453,149	242,692	1,695,841
2016	1,525,919	184,106	1,710,025
2017	1,584,081	122,325	1,706,406

(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
2018	\$ 533,654	\$ 57,922	\$ 591,576
2019	530,259	35,062	565,321
2020	41,942	11,846	53,788
2021	43,704	9,866	53,570
2022	44,784	8,569	53,353
2023	4,837	5,659	10,496
2024	4,837	5,442	10,279
2025	4,837	5,224	10,061
2026	4,837	5,006	9,843
2027	4,837	4,789	9,626
2028	4,837	4,571	9,408
2029	4,837	4,353	9,190
2030	4,837	4,136	8,973
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	2,177	7,014
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	870	5,707
2046	4,837	653	5,490
2047	9,674	435	10,109
2048	9,668	217	9,885
Total	\$ 8,311,711	\$ 1,370,534	\$ 9,682,245

Exhibit J-3

McNairy County, Tennessee  
Schedule of Transfers  
Primary Government and Discretely Presented McNairy County School Department  
For the Year Ended June 30, 2012

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	Community Development/Industrial Park	Operations	\$ 7,800
Special Purpose	General	Excess funds	12,736
Highway/Public Works	General Debt Service	Debt payments	<u>163,000</u>
Total Transfers Primary Government			<u>\$ 183,536</u>
<u>DISCRETELY PRESENTED McNAIRY</u> <u>COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 25,553</u>
Total Transfers Discretely Presented McNairy County School Department			<u>\$ 25,553</u>

Exhibit J-4

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, 2012

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 71,322	\$ 50,000	Ohio Casualty Insurance Company
Highway Commissioner	Section 8-24-102, TCA	67,927	100,000	"
Director of Schools	State Board of Education and County Board of Education	89,900 (1)	150,000	Tennessee Risk Management Trust
Trustee	Section 8-24-102, TCA	61,751	1,014,057	Ohio Casualty Insurance Company
Assessor of Property	Section 8-24-102, TCA	61,751	10,000	West American Insurance Company
County Clerk	Section 8-24-102, TCA	61,751	50,000	Ohio Casualty Insurance Company
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	61,751	50,000	"
Clerk and Master	Section 8-24-102, TCA	61,751	65,000	"
Register	Section 8-24-102, TCA	61,751	25,000	"
Sheriff	Section 8-24-102, TCA	67,927 (2)	25,000	"
Employee Dishonesty Coverage:				
County Employees			100,000	"
Office of Director of Schools' Employees			150,000	Tennessee Risk Management Trust

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

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

Exhibit J-5

McNairy County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2012

	Special Revenue Funds										Total
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control	Highway / Public Works	Debt Service			Fund	
							General	Debt	Service		
<u>Local Taxes</u>											
<u>County Property Taxes</u>											
Current Property Tax	\$ 2,668,734	\$ 0	\$ 0	\$ 0	\$ 0	\$ 323,112	\$ 973,567	\$ 3,965,413			
Trustee's Collections - Prior Year	154,852	0	0	0	0	18,512	51,628	224,992			
Trustee's Collections - Bankruptcy	441	0	0	0	0	51	161	653			
Circuit/Clerk & Master Collections - Prior Years	95,699	0	0	0	0	11,763	36,600	144,062			
Interest and Penalty	25,817	0	0	0	0	3,029	9,421	38,267			
Payments in-Lieu-of Taxes - T.V.A.	887	0	0	0	0	108	324	1,319			
<u>County Local Option Taxes</u>											
Local Option Sales Tax	120,922	0	79,578	0	0	0	0	200,500			
Wheel Tax	0	0	0	0	0	0	470,312	470,312			
Litigation Tax - General	107,130	0	0	0	0	0	0	107,130			
Litigation Tax - Special Purpose	0	3,135	0	0	0	0	0	3,135			
Business Tax	10,479	0	0	0	0	0	0	10,479			
Mineral Severance Tax	0	0	0	0	0	36,704	0	36,704			
<u>Statutory Local Taxes</u>											
Bank Excise Tax	10,709	0	0	0	0	1,758	2,398	14,865			
Wholesale Beer Tax	31,202	0	0	0	0	0	0	31,202			
Interstate Telecommunications Tax	0	0	974	0	0	0	0	974			
Total Local Taxes	\$ 3,226,872	\$ 3,135	\$ 80,552	\$ 0	\$ 0	\$ 395,037	\$ 1,544,411	\$ 5,250,007			
<u>Licenses and Permits</u>											
<u>Licenses</u>											
Cable TV Franchise	\$ 14,931	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,931			
<u>Permits</u>											
Beer Permits	1,140	0	0	0	0	0	0	1,140			
Total Licenses and Permits	\$ 16,071	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 16,071			
<u>Fines, Forfeitures, and Penalties</u>											
<u>Circuit Court</u>											
Fines	\$ 13,187	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,187			
Officers Costs	4,900	0	0	0	0	0	0	4,900			

(Continued)

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

	Special Revenue Funds										Total
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control	Highway / Public Works	General Debt Service	Debt Service Fund			
<u>Fines, Forfeitures, and Penalties (Cont.)</u>											
<u>Circuit Court (Cont.)</u>											
Drug Control Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,812	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,812	
Drug Court Fees	3,426	0	0	0	0	0	0	0	0	3,426	
Jail Fees	988	0	0	0	0	0	0	0	0	988	
Data Entry Fee - Circuit Court	426	0	0	0	0	0	0	0	0	426	
Victims Assistance Assessments	2,257	0	0	0	0	0	0	0	0	2,257	
<u>Criminal Court</u>											
DUI Treatment Fines	1	0	0	0	0	0	0	0	0	1	
<u>General Sessions Court</u>											
Fines	71,579	0	0	0	0	0	0	0	0	71,579	
Fines for Littering	119	0	0	0	0	0	0	0	0	119	
Officers Costs	27,568	0	0	0	0	0	0	0	0	27,568	
Game and Fish Fines	332	0	0	0	0	0	0	0	0	332	
Drug Control Fines	2,922	0	0	0	13,267	0	0	0	0	16,189	
Drug Court Fees	5,788	0	0	0	0	0	0	0	0	5,788	
Jail Fees	22,777	0	0	0	712	0	0	0	0	23,489	
DUI Treatment Fines	5,010	0	0	0	0	0	0	0	0	5,010	
Data Entry Fee - General Sessions Court	6,447	0	0	0	0	0	0	0	0	6,447	
Courtroom Security Fee	99	0	0	0	0	0	0	0	0	99	
Victims Assistance Assessments	21,081	0	0	0	0	0	0	0	0	21,081	
<u>Juvenile Court</u>											
Fines	256	0	0	0	0	0	0	0	0	256	
<u>Chancery Court</u>											
Officers Costs	230	0	0	0	0	0	0	0	0	230	
Data Entry Fee - Chancery Court	1,750	0	0	0	0	0	0	0	0	1,750	
<u>Other Fines, Forfeitures, and Penalties</u>											
Other Fines, Forfeitures, and Penalties	275	0	0	0	0	0	0	0	0	275	
Total Fines, Forfeitures, and Penalties	\$ 191,418	\$ 0	\$ 0	\$ 0	\$ 21,791	\$ 0	\$ 0	\$ 0	\$ 0	\$ 213,209	

(Continued)

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

	Special Revenue Funds							Total
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control	Highway / Public Works	Debt Service Fund General Debt Service	
<b>Charges for Current Services</b>								
<u>General Service Charges</u>								
Residential Waste Collection Charge	\$ 0	\$ 0	721,787	\$ 0	\$ 0	0	\$ 0	721,787
Tipping Fees	0	0	160,931	0	0	0	0	160,931
<u>Fees</u>								
Copy Fees	2,110	0	0	0	0	0	0	2,110
Library Fees	11,188	0	0	0	0	0	0	11,188
Telephone Commissions	5,289	0	0	0	0	0	0	5,289
Vending Machine Collections	0	0	0	0	0	90	0	90
Data Processing Fee - Register	6,772	0	0	0	0	0	0	6,772
Probation Fees	10,051	0	0	0	0	0	0	10,051
Data Processing Fee - Sheriff	2,233	0	0	0	0	0	0	2,233
Sexual Offender Registration Fees - Sheriff	600	0	0	0	0	0	0	600
Data Processing Fee - County Clerk	198	0	0	0	0	0	0	198
<b>Total Charges for Current Services</b>	<b>\$ 38,441</b>	<b>\$ 0</b>	<b>\$ 882,718</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 90</b>	<b>\$ 0</b>	<b>\$ 921,249</b>
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 0	\$ 0	0	0	0	0	0	31,148
Lease/Rentals	100	0	0	117,913	0	0	25,200	143,213
Sale of Materials and Supplies	26,704	0	13,797	0	0	3,262	0	43,763
Commissary Sales	17,925	0	0	0	0	0	0	17,925
Sale of Gasoline	0	0	0	0	0	13,468	0	13,468
Sale of Maps	90	0	0	0	0	0	0	90
Miscellaneous Refunds	98,635	0	0	0	0	2,443	0	101,078
<u>Nonrecurring Items</u>								
Sale of Property	755	0	0	0	0	0	0	755
Contributions and Gifts	13,500	0	0	0	0	0	0	13,500
<u>Other Local Revenues</u>								
Other Local Revenues	24,704	0	0	0	58,648	0	0	83,352
<b>Total Other Local Revenues</b>	<b>\$ 182,413</b>	<b>\$ 0</b>	<b>\$ 13,797</b>	<b>\$ 117,913</b>	<b>\$ 58,648</b>	<b>\$ 19,173</b>	<b>\$ 56,348</b>	<b>\$ 448,292</b>

(Continued)

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

	Special Revenue Funds										Total
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control	Highway / Public Works	Debt Service		Fund	Total	
							General	Debt Service			
<b>Fees Received from County Officials</b>											
<u>Excess Fees</u>											
Juvenile Court Clerk	4,595	0	0	0	0	0	0	0	0	0	4,595
Fees in-Lieu-of Salary											
County Clerk	206,795	0	0	0	0	0	0	0	0	0	206,795
Circuit Court Clerk	41,287	0	0	0	0	0	0	0	0	0	41,287
General Sessions Court Clerk	181,929	0	0	0	0	0	0	0	0	0	181,929
Clerk and Master	82,155	0	0	0	0	0	0	0	0	0	82,155
Register	87,480	0	0	0	0	0	0	0	0	0	87,480
Sheriff	4,005	0	0	0	0	0	0	0	0	0	4,005
Trustee	275,597	0	0	0	0	0	0	0	0	0	275,597
<b>Total Fees Received from County Officials</b>	<b>883,843</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>883,843</b>
<u>State of Tennessee</u>											
<u>General Government Grants</u>											
Juvenile Services Program	4,500	0	0	0	0	0	0	0	0	0	4,500
Solid Waste Grants	0	0	17,175	0	0	0	0	0	0	0	17,175
Health and Welfare Grants											
Health Department Programs	67,682	0	0	0	0	0	0	0	0	0	67,682
Public Works Grants											
State Aid Program	0	0	0	0	0	356,121	0	0	0	0	356,121
Litter Program	0	0	80,008	0	0	0	0	0	0	0	80,008
<u>Other State Revenues</u>											
Income Tax	31,765	0	0	0	0	0	0	0	0	0	31,765
Beer Tax	18,421	0	0	0	0	0	0	0	0	0	18,421
Alcoholic Beverage Tax	54,777	0	0	0	0	0	0	0	0	0	54,777
Mixed Drink Tax	1,422	0	0	0	0	0	0	0	0	0	1,422
State Revenue Sharing - T.V.A.	64,038	0	192,113	0	0	0	0	0	0	0	256,151
Prisoner Transportation	37,625	0	0	0	0	0	0	0	0	0	37,625
Contracted Prisoner Boarding	384,545	0	0	0	0	0	0	0	0	0	384,545
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,773,123	0	0	0	0	1,773,123
Petroleum Special Tax	0	0	0	0	0	18,814	0	0	0	0	18,814

(Continued)

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control	Highway / Public Works	General Debt Service		
<u>State of Tennessee (Cont.)</u>									
<u>Other State Revenues (Cont.)</u>									
Registrar's Salary Supplement	\$ 41,471	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 41,471
Other State Grants	3,702	0	0	0	0	0	0	0	3,702
Other State Revenues	28,577	0	0	0	0	0	0	0	28,577
Total State of Tennessee	\$ 738,525	\$ 0	\$ 289,296	\$ 0	\$ 0	\$ 2,148,058	\$ 0	\$ 0	\$ 3,175,879
<u>Federal Government</u>									
<u>Federal Through State</u>									
Civil Defense Reimbursement	\$ 28,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 28,000
Disaster Relief	0	0	0	0	0	285,193	0	0	285,193
Homeland Security Grants	110,115	0	0	0	0	0	0	0	110,115
Other Federal through State	1,039,130	0	0	0	0	0	0	0	1,039,130
Total Federal Government	\$ 1,177,245	\$ 0	\$ 0	\$ 0	\$ 0	\$ 285,193	\$ 0	\$ 0	\$ 1,462,438
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Paving and Maintenance Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,438	\$ 0	\$ 0	\$ 18,438
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,438	\$ 1,155,175	\$ 1,155,175	\$ 1,173,613
Total	\$ 6,454,828	\$ 3,135	\$ 1,266,363	\$ 117,913	\$ 80,439	\$ 2,865,989	\$ 2,755,934	\$ 13,544,601	

Exhibit J-6

McNairy County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented McNairy County School Department  
For the Year Ended June 30, 2012

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 3,569,743	\$ 0	\$ 0	\$ 3,569,743
Trustee's Collections - Prior Year	204,798	0	0	204,798
Trustee's Collections - Bankruptcy	584	0	0	584
Circuit/Clerk & Master Collections - Prior Years	138,368	0	0	138,368
Interest and Penalty	34,237	0	0	34,237
Payments in-Lieu-of Taxes - T.V.A.	1,187	0	0	1,187
<u>County Local Option Taxes</u>				
Local Option Sales Tax	1,836,025	0	0	1,836,025
<u>Statutory Local Taxes</u>				
Bank Excise Tax	20,299	0	0	20,299
Interstate Telecommunications Tax	1,657	0	0	1,657
<b>Total Local Taxes</b>	<b>\$ 5,806,898</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 5,806,898</b>
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 4,551	\$ 0	\$ 0	\$ 4,551
<b>Total Licenses and Permits</b>	<b>\$ 4,551</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 4,551</b>
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Other	\$ 22,530	\$ 0	\$ 0	\$ 22,530
Lunch Payments - Children	0	0	253,368	253,368
Lunch Payments - Adults	0	0	68,833	68,833
Income from Breakfast	0	0	29,905	29,905
A la carte Sales	0	0	343,108	343,108
Receipts from Individual Schools	14,321	0	0	14,321
<u>Other Charges for Services</u>				
Other Charges for Services	135	0	9,542	9,677
<b>Total Charges for Current Services</b>	<b>\$ 36,986</b>	<b>\$ 0</b>	<b>\$ 704,756</b>	<b>\$ 741,742</b>
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 17,308	\$ 17,308
Lease/Rentals	32,106	0	0	32,106
Miscellaneous Refunds	7,843	0	38,899	46,742
<u>Nonrecurring Items</u>				
Contributions and Gifts	1,622	0	0	1,622
<u>Other Local Revenues</u>				
Other Local Revenues	39,944	0	0	39,944
<b>Total Other Local Revenues</b>	<b>\$ 81,515</b>	<b>\$ 0</b>	<b>\$ 56,207</b>	<b>\$ 137,722</b>
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 111,656	\$ 0	\$ 0	\$ 111,656
<u>State Education Funds</u>				
Basic Education Program	20,723,000	0	0	20,723,000
Early Childhood Education	693,388	0	0	693,388
School Food Service	22,297	0	0	22,297

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
Driver Education	\$ 15,560	\$ 0	\$ 0	\$ 15,560
Other State Education Funds	162,610	0	0	162,610
Statewide Student Management System (SSMS) - ARRA	11,289	0	0	11,289
Career Ladder Program	222,820	0	0	222,820
Career Ladder - Extended Contract	122,800	0	0	122,800
Career Ladder - Extended Contract - ARRA	700	0	0	700
Other Vocational	11,000	0	0	11,000
<u>Other State Revenues</u>				
Mixed Drink Tax	1,312	0	0	1,312
State Revenue Sharing - T.V.A.	475,709	0	0	475,709
Other State Revenues	52,807	0	0	52,807
Total State of Tennessee	\$ 22,626,948	\$ 0	\$ 0	\$ 22,626,948
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,059,621	\$ 1,059,621
USDA - Commodities	0	0	96,694	96,694
Breakfast	0	0	324,927	324,927
USDA - Other	0	0	57,423	57,423
Adult Education State Grant Program	194,926	0	0	194,926
Vocational Education - Basic Grants to States	0	73,821	0	73,821
Other Vocational	0	7,646	0	7,646
Title I Grants to Local Education Agencies	0	1,187,787	0	1,187,787
Special Education - Grants to States	0	861,469	0	861,469
Special Education Preschool Grants	0	32,991	0	32,991
Rural Education	0	82,577	0	82,577
Eisenhower Professional Development State Grants	0	231,683	0	231,683
Race-to-the-Top - ARRA	0	289,149	0	289,149
Other Federal through State	156,450	1,507,575	0	1,664,025
Total Federal Government	\$ 351,376	\$ 4,274,698	\$ 1,538,665	\$ 6,164,739
Total	\$ 28,908,274	\$ 4,274,698	\$ 2,299,628	\$ 35,482,600

Exhibit J-7

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2012

General Fund

General Government

County Commission

Board and Committee Members Fees	\$ 10,475	
Accounting Services	9,730	
Audit Services	8,573	
Dues and Memberships	1,650	
Legal Services	10,388	
Periodicals	683	
Total County Commission		\$ 41,499

Board of Equalization

Board and Committee Members Fees	\$ 880	
Total Board of Equalization		880

Beer Board

Board and Committee Members Fees	\$ 275	
Total Beer Board		275

Budget and Finance Committee

Board and Committee Members Fees	\$ 2,450	
Total Budget and Finance Committee		2,450

Other Boards and Committees

Board and Committee Members Fees	\$ 2,700	
Total Other Boards and Committees		2,700

County Mayor/Executive

County Official/Administrative Officer	\$ 71,322	
Accountants/Bookkeepers	22,638	
Secretary(ies)	21,095	
Communication	5,475	
Dues and Memberships	1,450	
Maintenance Agreements	1,907	
Maintenance and Repair Services - Office Equipment	138	
Postal Charges	2,386	
Printing, Stationery, and Forms	1,070	
Travel	921	
Other Contracted Services	9,139	
Office Supplies	1,365	
Premiums on Corporate Surety Bonds	206	
Other Charges	1,224	
Total County Mayor/Executive		140,336

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Attorney

County Official/Administrative Officer	\$ 2,600	
Total County Attorney		\$ 2,600

Election Commission

County Official/Administrative Officer	\$ 55,576	
Other Salaries and Wages	8,500	
Election Commission	4,861	
Election Workers	9,460	
In-Service Training	1,565	
Communication	2,162	
Maintenance and Repair Services - Equipment	30,955	
Postal Charges	1,703	
Printing, Stationery, and Forms	19	
Rentals	630	
Travel	598	
Other Contracted Services	930	
Office Supplies	1,851	
Periodicals	1,376	
Total Election Commission		120,186

Register of Deeds

County Official/Administrative Officer	\$ 61,751	
Deputy(ies)	23,824	
Secretary(ies)	17,851	
Communication	1,644	
Data Processing Services	9,796	
Dues and Memberships	426	
Maintenance Agreements	978	
Postal Charges	983	
Printing, Stationery, and Forms	1,143	
Travel	335	
Office Supplies	98	
Total Register of Deeds		118,829

County Buildings

Custodial Personnel	\$ 26,240
Maintenance and Repair Services - Buildings	8,757
Maintenance and Repair Services - Vehicles	1,209
Pest Control	300
Postal Charges	201

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Custodial Supplies	\$	3,066	
Electricity		118,608	
Gasoline		1,985	
Natural Gas		18,560	
Periodicals		108	
Water and Sewer		23,347	
Other Supplies and Materials		8,190	
Building and Contents Insurance		37,307	
Vehicle and Equipment Insurance		1,450	
Other Charges		6,414	
Total County Buildings			\$ 255,742

Preservation of Records

Postal Charges	\$	34	
Other Supplies and Materials		266	
Total Preservation of Records			300

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	61,751	
Assistant(s)		23,281	
Deputy(ies)		32,554	
Communication		2,211	
Contracts with Private Agencies		14,272	
Dues and Memberships		1,450	
Maintenance Agreements		727	
Postal Charges		1,512	
Printing, Stationery, and Forms		463	
Travel		388	
Periodicals		135	
Other Supplies and Materials		320	
Total Property Assessor's Office			139,064

Reappraisal Program

Part-time Personnel	\$	16,677	
Data Processing Services		13,763	
Gasoline		913	
Other Charges		200	
Total Reappraisal Program			31,553

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		23,725	
Clerical Personnel		17,852	
Part-time Personnel		7,610	
Communication		1,644	
Data Processing Services		6,747	
Dues and Memberships		651	
Maintenance Agreements		681	
Postal Charges		9,890	
Printing, Stationery, and Forms		672	
Travel		500	
Office Supplies		714	
Periodicals		1,012	
Data Processing Equipment		549	
Total County Trustee's Office	\$		133,998

County Clerk's Office

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		23,150	
Secretary(ies)		36,275	
Clerical Personnel		25,562	
Communication		1,644	
Dues and Memberships		426	
Maintenance and Repair Services - Office Equipment		515	
Postal Charges		4,538	
Printing, Stationery, and Forms		1,674	
Travel		431	
Data Processing Equipment		14,223	
Total County Clerk's Office			170,189

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	61,751
Deputy(ies)		37,574
Part-time Personnel		6,777
Jury and Witness Expense		15,451
Other Per Diem and Fees		3,413
Audit Services		500
Communication		3,135
Contracts with Government Agencies		5,762

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Dues and Memberships	\$	521	
Maintenance Agreements		8,110	
Postal Charges		2,558	
Printing, Stationery, and Forms		637	
Office Supplies		3,021	
Periodicals		469	
Other Charges		2,575	
Data Processing Equipment		6,617	
Other Equipment		1,351	
Total Circuit Court			\$ 160,222

General Sessions Court

Judge(s)	\$	100,737	
Deputy(ies)		31,365	
Accountants/Bookkeepers		21,408	
Secretary(ies)		16,022	
Other Per Diem and Fees		6,983	
Communication		2,462	
Contracts with Government Agencies		2,700	
Postal Charges		75	
Printing, Stationery, and Forms		585	
Travel		1,052	
Office Supplies		311	
Other Charges		3,785	
Data Processing Equipment		16,021	
Total General Sessions Court			203,506

Chancery Court

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		19,850	
Clerical Personnel		15,759	
Communication		1,644	
Data Processing Services		5,834	
Dues and Memberships		521	
Maintenance Agreements		1,124	
Postal Charges		884	
Printing, Stationery, and Forms		198	
Travel		335	
Office Supplies		910	
Premiums on Corporate Surety Bonds		450	
Total Chancery Court			109,260

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court

Youth Service Officer(s)	\$	28,714	
Clerical Personnel		15,654	
Communication		562	
Maintenance Agreements		1,950	
Postal Charges		1	
Travel		155	
Office Supplies		222	
Other Charges		2,013	
Data Processing Equipment		165	
Total Juvenile Court			\$ 49,436

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	67,927
Deputy(ies)		436,731
Accountants/Bookkeepers		22,000
Salary Supplements		53,024
Guards		305,102
Secretary(ies)		18,580
Part-time Personnel		18,838
Overtime Pay		3,014
In-Service Training		16,837
Communication		28,053
Dues and Memberships		2,100
Maintenance Agreements		3,337
Maintenance and Repair Services - Equipment		174
Maintenance and Repair Services - Vehicles		23,632
Postal Charges		2,215
Printing, Stationery, and Forms		872
Tow-in Services		5,953
Travel		2,972
Other Contracted Services		9,333
Gasoline		111,525
Office Supplies		3,902
Periodicals		3,510
Tires and Tubes		6,013
Uniforms		8,820
Other Supplies and Materials		7,621
Vehicle and Equipment Insurance		33,420
Workers' Compensation Insurance		37,500

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Law Enforcement Equipment	\$	2,884	
Motor Vehicles		39,962	
Office Equipment		57	
Other Equipment		9,443	
Total Sheriff's Department			\$ 1,285,351

Jail

Custodial Personnel	\$	45,220	
In-Service Training		2,460	
Maintenance Agreements		2,885	
Maintenance and Repair Services - Buildings		26,643	
Maintenance and Repair Services - Equipment		766	
Maintenance and Repair Services - Office Equipment		95	
Maintenance and Repair Services - Vehicles		392	
Medical and Dental Services		143,350	
Pest Control		400	
Travel		452	
Custodial Supplies		15,385	
Food Preparation Supplies		281	
Food Supplies		98,104	
Office Supplies		1,530	
Prisoners Clothing		2,316	
Other Supplies and Materials		13,978	
Total Jail			354,257

Fire Prevention and Control

Supervisor/Director	\$	21,008	
Contracts with Government Agencies		2,000	
Maintenance and Repair Services - Equipment		6,517	
Maintenance and Repair Services - Vehicles		12,033	
Gasoline		6,505	
Liability Insurance		12,189	
Workers' Compensation Insurance		16,181	
Other Equipment		1,300	
Total Fire Prevention and Control			77,733

Rural Fire Protection

Contracts with Government Agencies	\$	37,432	
Total Rural Fire Protection			37,432

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense

Supervisor/Director	\$	39,591	
Communication		2,271	
Maintenance and Repair Services - Equipment		500	
Maintenance and Repair Services - Vehicles		915	
Postal Charges		393	
Travel		656	
Office Supplies		364	
Other Supplies and Materials		83,375	
Total Civil Defense			\$ 128,065

Inspection and Regulation

Supervisor/Director	\$	4,944	
Total Inspection and Regulation			4,944

Public Health and Welfare

Local Health Center

Social Workers	\$	36,667	
Clerical Personnel		21,234	
Custodial Personnel		4,450	
Communication		4,310	
Contracts with Government Agencies		36,300	
Maintenance and Repair Services - Buildings		6,807	
Pest Control		360	
Postal Charges		271	
Travel		4,685	
Custodial Supplies		235	
Drugs and Medical Supplies		710	
Electricity		12,664	
Natural Gas		2,111	
Office Supplies		1,606	
Periodicals		120	
Water and Sewer		1,991	
Total Local Health Center			134,521

Social, Cultural, and Recreational Services

Libraries

County Official/Administrative Officer	\$	43,688	
Custodial Personnel		1,225	
Other Salaries and Wages		50,488	
Communication		6,445	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Maintenance and Repair Services - Buildings	\$	6,744	
Postal Charges		138	
Travel		791	
Custodial Supplies		609	
Electricity		11,622	
Natural Gas		535	
Office Supplies		1,806	
Water and Sewer		1,351	
Other Supplies and Materials		44,669	
Data Processing Equipment		1,988	
Total Libraries			\$ 172,099

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	67,734	
Communication		1,128	
Maintenance Agreements		2,482	
Travel		580	
Other Supplies and Materials		2,156	
Office Equipment		1,964	
Total Agriculture Extension Service			76,044

Soil Conservation

County Official/Administrative Officer	\$	36,000	
Secretary(ies)		21,208	
Contributions		4,800	
Total Soil Conservation			62,008

Other Operations

Other Economic and Community Development

Other Charges	\$	45,000	
Total Other Economic and Community Development			45,000

Airport

Other Charges	\$	64,000	
Total Airport			64,000

Veterans' Services

Supervisor/Director	\$	10,500	
Communication		821	

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services (Cont.)

Dues and Memberships	\$	25	
Postal Charges		165	
Travel		594	
Office Supplies		453	
Periodicals		224	
Data Processing Equipment		150	
Total Veterans' Services			\$ 12,932

Other Charges

Liability Insurance	\$	75,000	
Trustee's Commission		67,933	
Total Other Charges			142,933

Contributions to Other Agencies

Contributions	\$	175,553	
Total Contributions to Other Agencies			175,553

Employee Benefits

Longevity Pay	\$	5,775	
Social Security		149,988	
State Retirement		105,565	
Life Insurance		3,629	
Medical Insurance		284,472	
Dental Insurance		47	
Unemployment Compensation		14,573	
Employer Medicare		34,786	
Workers' Compensation Insurance		29,321	
Total Employee Benefits			628,156

Miscellaneous

Other Supplies and Materials	\$	40	
Site Development		1,085,241	
Total Miscellaneous			1,085,281

Interest on Debt

General Government

Interest on Notes	\$	7,924	
Total General Government			7,924

Total General Fund \$ 6,177,258

(Continued)

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

Law Library Fund

Social, Cultural, and Recreational Services

Libraries

Clerical Personnel	\$	1,800	
Library Books/Media		553	
Trustee's Commission		31	
Total Libraries			\$ 2,384

Total Law Library Fund \$ 2,384

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Contracts with Private Agencies	\$	817,607	
Legal Services		10,310	
Other Contracted Services		14,387	
Building and Contents Insurance		7,832	
Trustee's Commission		2,711	
Vehicle and Equipment Insurance		7,422	
Total Sanitation Management			\$ 860,269

Recycling Center

Advertising	\$	3,221	
Periodicals		1,266	
Water and Sewer		187	
Other Charges		25,853	
Total Recycling Center			30,527

Landfill Operation and Maintenance

Supervisor/Director	\$	28,045	
Data Processing Personnel		18,596	
Foremen		17,139	
Equipment Operators		21,886	
Overtime Pay		2,715	
Communication		705	
Contracts with Government Agencies		75	
Contracts with Private Agencies		25,995	
Dues and Memberships		137	
Evaluation and Testing		11,827	
Maintenance and Repair Services - Equipment		54,075	
Postal Charges		17,884	
Travel		765	
Diesel Fuel		20,489	

(Continued)

Exhibit J-7

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.)

Electricity	\$	1,275	
Fertilizer, Lime, and Seed		350	
Lubricants		1,474	
Office Supplies		2,807	
Periodicals		728	
Small Tools		66	
Tires and Tubes		792	
Water and Sewer		921	
Gravel and Chert		700	
Other Supplies and Materials		284	
Refunds		55	
Total Landfill Operation and Maintenance			\$ 229,785

Other Operations

Employee Benefits

Longevity Pay	\$	325	
Social Security		6,095	
State Retirement		5,876	
Life Insurance		187	
Medical Insurance		18,500	
Employer Medicare		1,425	
Workers' Compensation Insurance		70	
Total Employee Benefits			32,478

Highways

Litter and Trash Collection

Part-time Personnel	\$	24,374	
Maintenance and Repair Services - Vehicles		862	
Travel		1,082	
Gasoline		2,962	
Instructional Supplies and Materials		11,706	
Periodicals		962	
Other Supplies and Materials		5,367	
Total Litter and Trash Collection			<u>47,315</u>

Total Solid Waste/Sanitation Fund \$ 1,200,374

(Continued)

Exhibit J-7

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

Special Purpose Fund

General Government

Other Facilities

Custodial Personnel	\$	9,193	
Communication		2,258	
Maintenance and Repair Services - Buildings		8,257	
Pest Control		90	
Other Contracted Services		2,089	
Custodial Supplies		2,055	
Electricity		32,282	
Natural Gas		2,453	
Water and Sewer		2,769	
Building and Contents Insurance		9,996	
Other Charges		13,871	
Total Other Facilities			\$ 85,313

Other Operations

Employee Benefits

Longevity Pay	\$	250	
Social Security		581	
State Retirement		908	
Life Insurance		47	
Medical Insurance		4,732	
Employer Medicare		136	
Total Employee Benefits			6,654

Total Special Purpose Fund \$ 91,967

Drug Control Fund

Public Safety

Drug Enforcement

Travel	\$	682	
Veterinary Services		2,941	
Other Supplies and Materials		19,031	
Motor Vehicles		1,736	
Other Equipment		7,228	
Total Drug Enforcement			\$ 31,618

Total Drug Control Fund 31,618

(Continued)

Exhibit J-7

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		29,110	
Clerical Personnel		7,356	
Board and Committee Members Fees		900	
Communication		4,376	
Dues and Memberships		2,894	
Legal Services		350	
Maintenance and Repair Services - Buildings		2,763	
Postal Charges		312	
Printing, Stationery, and Forms		1,290	
Travel		308	
Electricity		9,673	
Office Supplies		619	
Water and Sewer		709	
Office Equipment		5,035	
Total Administration			\$ 133,622

Highway and Bridge Maintenance

Foremen	\$	31,142	
Equipment Operators		132,596	
Truck Drivers		126,841	
Laborers		193,637	
Other Contracted Services		26,258	
Concrete		322	
Crushed Stone		163,765	
Pipe - Metal		69,988	
Road Signs		10,129	
Chemicals		45,378	
Total Highway and Bridge Maintenance			800,056

Operation and Maintenance of Equipment

Mechanic(s)	\$	78,146	
Licenses		105	
Diesel Fuel		151,942	
Equipment and Machinery Parts		131,792	
Garage Supplies		13,320	
Gasoline		47,555	
Lubricants		10,140	
Propane Gas		390	
Tires and Tubes		21,543	
Total Operation and Maintenance of Equipment			454,933

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges

Other Contracted Services	\$	350	
Building and Contents Insurance		1,656	
Trustee's Commission		27,084	
Vehicle and Equipment Insurance		38,962	
Total Other Charges			\$ 68,052

Employee Benefits

Social Security	\$	50,603	
State Retirement		33,076	
Employee and Dependent Insurance		203,596	
Unemployment Compensation		9,655	
Workers' Compensation Insurance		60,953	
Total Employee Benefits			357,883

Capital Outlay

Bridge Construction	\$	27,320	
Highway Construction		395,148	
Highway Equipment		195,400	
State Aid Projects		208,426	
Total Capital Outlay			826,294

Principal on Debt

Highways and Streets

Principal on Capital Leases	\$	22,849	
Total Highways and Streets			22,849

Interest on Debt

Highways and Streets

Interest on Capital Leases	\$	1,114	
Total Highways and Streets			1,114

Total Highway/Public Works Fund \$ 2,664,803

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	412,056	
Total General Government			\$ 412,056

(Continued)

Exhibit J-7

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	\$ 32,460	
Principal on Notes	75,834	
Principal on Capital Leases	12,749	
Total Highways and Streets		\$ 121,043

Education

Principal on Bonds	\$ 804,440	
Total Education		804,440

Interest on Debt

General Government

Interest on Bonds	\$ 98,494	
Total General Government		98,494

Highways and Streets

Interest on Bonds	\$ 63,385	
Interest on Notes	8,510	
Interest on Capital Leases	2,976	
Total Highways and Streets		74,871

Education

Interest on Bonds	\$ 221,270	
Total Education		221,270

Other Debt Service

General Government

Trustee's Commission	\$ 26,345	
Other Debt Service	20,189	
Total General Government		46,534

Highways and Streets

Other Debt Service	\$ 346	
Total Highways and Streets		346

Education

Other Debt Service	\$ 567	
Total Education		567

Total General Debt Service Fund \$ 1,779,621

(Continued)

Exhibit J-7

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	\$ 7,655	
Total Other Agriculture and Natural Resources		\$ 7,655
Total Community Development/Industrial Park Fund		\$ 7,655
Total Governmental Funds - Primary Government		\$ 11,955,680

Exhibit J-8

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented McNairy County School Department  
For the Year Ended June 30, 2012

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 10,924,611	
Career Ladder Program	153,647	
Career Ladder Extended Contracts	106,500	
Educational Assistants	356,628	
Certified Substitute Teachers	27,395	
Non-certified Substitute Teachers	118,872	
Social Security	637,436	
State Retirement	1,006,939	
Medical Insurance	1,490,159	
Dental Insurance	90,626	
Unemployment Compensation	5,849	
Employer Medicare	157,078	
Travel	13,943	
Instructional Supplies and Materials	161,914	
Textbooks	259,757	
Other Supplies and Materials	6,045	
Other Charges	966	
Regular Instruction Equipment	35,714	
Other Equipment	241,360	
Total Regular Instruction Program		\$ 15,795,439

Special Education Program

Teachers	\$ 1,126,588	
Career Ladder Program	13,977	
Clerical Personnel	20,395	
Educational Assistants	187,692	
Certified Substitute Teachers	2,130	
Non-certified Substitute Teachers	24,060	
Social Security	82,642	
State Retirement	114,011	
Medical Insurance	340,554	
Dental Insurance	7,677	
Unemployment Compensation	1,200	
Employer Medicare	19,328	
Contracts with Other Public Agencies	17,921	
Contracts with Private Agencies	20,000	
Travel	64	
Other Contracted Services	51,260	
Other Charges	12,170	
Total Special Education Program		2,041,669

(Continued)

Exhibit J-8

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	\$	683,831	
Career Ladder Program		2,000	
Certified Substitute Teachers		240	
Non-certified Substitute Teachers		2,376	
Social Security		41,537	
State Retirement		62,068	
Medical Insurance		74,203	
Unemployment Compensation		600	
Employer Medicare		9,716	
Travel		1,981	
Instructional Supplies and Materials		42,969	
In Service/Staff Development		11,000	
Vocational Instruction Equipment		646	
Total Vocational Education Program			\$ 933,167

Adult Education Program

Teachers	\$	178,283	
Social Security		11,002	
State Retirement		9,867	
Medical Insurance		18,885	
Employer Medicare		2,530	
Travel		7,900	
Instructional Supplies and Materials		77,204	
Other Charges		18,101	
Total Adult Education Program			323,772

Support Services

Attendance

Supervisor/Director	\$	38,495	
Social Security		2,489	
State Retirement		3,854	
Medical Insurance		7,710	
Unemployment Compensation		180	
Employer Medicare		582	
Travel		2,552	
Total Attendance			55,862

Health Services

Medical Personnel	\$	53,915	
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(Continued)

Exhibit J-8

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	\$	156,694	
Social Security		12,004	
State Retirement		14,253	
Medical Insurance		49,052	
Dental Insurance		259	
Unemployment Compensation		135	
Employer Medicare		2,808	
Communication		889	
Postal Charges		50	
Travel		10,343	
Other Contracted Services		250	
Instructional Supplies and Materials		1,000	
Other Supplies and Materials		19,838	
Other Charges		3,503	
Total Health Services			\$ 324,993

Other Student Support

Career Ladder Program	\$	4,000	
Guidance Personnel		315,460	
Social Security		18,392	
State Retirement		28,890	
Medical Insurance		38,118	
Unemployment Compensation		380	
Employer Medicare		4,479	
Evaluation and Testing		26,418	
Total Other Student Support			436,137

Regular Instruction Program

Supervisor/Director	\$	64,309
Career Ladder Program		5,000
Librarians		330,925
Materials Supervisor		9,882
Instructional Computer Personnel		88,659
Secretary(ies)		18,717
Social Security		31,011
State Retirement		42,878
Medical Insurance		71,033
Unemployment Compensation		380
Employer Medicare		7,252

(Continued)

Exhibit J-8

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.)

Communication	\$	3,848	
Travel		28,571	
Other Contracted Services		4,000	
Library Books/Media		11,467	
In Service/Staff Development		9,493	
Other Charges		2,318	
Total Regular Instruction Program			\$ 729,743

Special Education Program

Supervisor/Director	\$	67,969	
Career Ladder Program		2,000	
Psychological Personnel		29,984	
Assessment Personnel		44,441	
Secretary(ies)		22,322	
Social Security		8,418	
State Retirement		11,508	
Medical Insurance		17,521	
Dental Insurance		608	
Unemployment Compensation		150	
Employer Medicare		1,969	
Travel		15,000	
Other Charges		20,000	
Total Special Education Program			241,890

Vocational Education Program

Supervisor/Director	\$	62,669	
Career Ladder Program		2,000	
Social Security		3,975	
State Retirement		5,854	
Medical Insurance		4,332	
Employer Medicare		930	
Total Vocational Education Program			79,760

Adult Programs

Supervisor/Director	\$	52,225
Career Ladder Program		3,000
Social Security		3,640
State Retirement		5,493
Medical Insurance		5,245

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs (Cont.)

Employer Medicare	\$ 852	
Total Adult Programs		\$ 70,455

Other Programs

On-Behalf Payments to OPEB	\$ 111,656	
Total Other Programs		111,656

Board of Education

Board and Committee Members Fees	\$ 6,125	
Social Security	380	
Employer Medicare	89	
Audit Services	19,000	
Dues and Memberships	16,224	
Legal Services	719	
Travel	11,399	
Other Contracted Services	5,756	
Premiums on Corporate Surety Bonds	1,330	
Trustee's Commission	146,385	
Workers' Compensation Insurance	174,528	
Other Charges	1,134	
Total Board of Education		383,069

Director of Schools

County Official/Administrative Officer	\$ 88,900	
Career Ladder Program	1,000	
Secretary(ies)	29,445	
Social Security	7,399	
State Retirement	9,658	
Medical Insurance	6,300	
Unemployment Compensation	50	
Employer Medicare	1,730	
Communication	1,362	
Travel	4,176	
Office Supplies	6,468	
Other Charges	3,014	
Administration Equipment	197	
Total Director of Schools		159,699

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal

Principals	\$	500,674	
Career Ladder Program		10,000	
Secretary(ies)		384,538	
Social Security		53,423	
State Retirement		65,264	
Medical Insurance		125,699	
Unemployment Compensation		900	
Employer Medicare		12,494	
Communication		4,849	
Total Office of the Principal			\$ 1,157,841

Fiscal Services

Accountants/Bookkeepers	\$	62,494	
Secretary(ies)		21,652	
Social Security		5,411	
State Retirement		4,602	
Medical Insurance		4,333	
Unemployment Compensation		72	
Employer Medicare		1,265	
Travel		1,310	
Other Contracted Services		31,268	
Office Supplies		1,963	
Total Fiscal Services			134,370

Operation of Plant

Custodial Personnel	\$	490,586	
Other Salaries and Wages		1,684	
Social Security		29,420	
State Retirement		25,419	
Medical Insurance		86,615	
Unemployment Compensation		660	
Employer Medicare		6,412	
Custodial Supplies		80,436	
Electricity		770,500	
Natural Gas		166,263	
Water and Sewer		107,800	
Building and Contents Insurance		235,110	
Total Operation of Plant			2,000,905

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant

Maintenance Personnel	\$	127,927	
Other Salaries and Wages		2,530	
Social Security		7,784	
State Retirement		6,632	
Medical Insurance		21,198	
Unemployment Compensation		100	
Employer Medicare		1,820	
Communication		3,923	
Maintenance and Repair Services - Buildings		73,185	
Maintenance and Repair Services - Equipment		14,645	
Maintenance and Repair Services - Vehicles		374	
Other Contracted Services		20,686	
Other Supplies and Materials		37,339	
Other Charges		26,900	
Total Maintenance of Plant			\$ 345,043

Transportation

Supervisor/Director	\$	41,340	
Mechanic(s)		65,121	
Bus Drivers		513,132	
Clerical Personnel		22,593	
Other Salaries and Wages		55,503	
Social Security		42,501	
State Retirement		36,033	
Medical Insurance		21,102	
Unemployment Compensation		700	
Employer Medicare		10,070	
Communication		4,632	
Maintenance and Repair Services - Vehicles		73,406	
Medical and Dental Services		5,130	
Diesel Fuel		260,449	
Gasoline		24,251	
Lubricants		8,266	
Tires and Tubes		51,107	
Other Supplies and Materials		18,004	
Other Charges		962	
Transportation Equipment		301,992	
Total Transportation			1,556,294

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Central and Other

Data Processing Personnel	\$	34,607	
Social Security		2,103	
State Retirement		1,789	
Medical Insurance		4,425	
Employer Medicare		492	
Total Central and Other			\$ 43,416

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	38,221	
Social Security		2,334	
State Retirement		1,976	
Medical Insurance		4,656	
Employer Medicare		546	
Other Charges		2,227	
Total Food Service			49,960

Early Childhood Education

Teachers	\$	244,805	
Educational Assistants		90,752	
Other Salaries and Wages		137,605	
Certified Substitute Teachers		3,180	
Non-certified Substitute Teachers		5,352	
Social Security		26,227	
State Retirement		31,284	
Medical Insurance		77,811	
Dental Insurance		1,706	
Employer Medicare		6,599	
Communication		5,478	
Maintenance and Repair Services - Buildings		1,271	
Postal Charges		990	
Travel		14,259	
Instructional Supplies and Materials		43,615	
Other Supplies and Materials		2,450	
Total Early Childhood Education			693,384

Capital Outlay

Regular Capital Outlay

Architects	\$	110,695	
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(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Capital Outlay (Cont.)

Regular Capital Outlay (Cont.)

Other Contracted Services	\$ 5,265	
Total Regular Capital Outlay		\$ 115,960

Other Debt Service

Education

Contributions	\$ 1,155,175	
Total Education		<u>1,155,175</u>

Total General Purpose School Fund		\$ 28,939,659
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School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 1,524,135	
Educational Assistants	114,275	
Certified Substitute Teachers	1,530	
Non-certified Substitute Teachers	4,848	
Social Security	103,189	
State Retirement	150,800	
Medical Insurance	217,174	
Dental Insurance	9,720	
Unemployment Compensation	571	
Employer Medicare	24,131	
Maintenance and Repair Services - Equipment	1,390	
Instructional Supplies and Materials	187,133	
Regular Instruction Equipment	<u>69,132</u>	
Total Regular Instruction Program		\$ 2,408,028

Special Education Program

Teachers	\$ 1,390
Educational Assistants	629,700
Social Security	38,979
State Retirement	32,188
Unemployment Compensation	1,543
Employer Medicare	22,631
Contracts with Private Agencies	125,054
Other Contracted Services	80,464
Instructional Supplies and Materials	6,593
Other Charges	4,754

(Continued)

Exhibit J-8

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.)

Special Education Program (Cont.)

Special Education Equipment	\$ 52,182	
Total Special Education Program		\$ 995,478

Vocational Education Program

Instructional Supplies and Materials	\$ 21,704	
Other Charges	2,911	
Vocational Instruction Equipment	22,430	
Total Vocational Education Program		47,045

Support Services

Other Student Support

Social Workers	\$ 57,714	
Social Security	3,388	
State Retirement	5,026	
Medical Insurance	8,746	
Dental Insurance	465	
Unemployment Compensation	48	
Employer Medicare	792	
Travel	24,934	
Other Supplies and Materials	1,146	
Other Charges	10,285	
Total Other Student Support		112,544

Regular Instruction Program

Supervisor/Director	\$ 59,208
Secretary(ies)	17,447
Social Security	4,553
State Retirement	6,275
Medical Insurance	12,735
Dental Insurance	258
Unemployment Compensation	48
Employer Medicare	1,065
Postal Charges	50
Travel	17,687
Other Contracted Services	6,837
Library Books/Media	54,295
Other Supplies and Materials	17,727
In Service/Staff Development	197,209
Other Charges	1,113

(Continued)

Exhibit J-8

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 (Cont.)

Other Equipment	\$ 28,379	
Total Regular Instruction Program		\$ 424,886

Special Education Program

Other Salaries and Wages	\$ 8,404	
Social Security	521	
Employer Medicare	122	
Travel	16,482	
Other Charges	342	
Total Special Education Program		25,871

Vocational Education Program

Travel	\$ 2,945	
Total Vocational Education Program		2,945

Transportation

Bus Drivers	\$ 23,972	
Social Security	1,595	
State Retirement	1,231	
Unemployment Compensation	303	
Employer Medicare	372	
Total Transportation		27,473

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$ 5,890	
Teachers	198,078	
Clerical Personnel	21,699	
Part-time Personnel	97,970	
Social Security	18,697	
State Retirement	18,250	
Employer Medicare	4,508	
Travel	1,199	
Other Contracted Services	9,126	
Other Supplies and Materials	6,102	
Other Charges	2,194	
Total Community Services		383,713

Total School Federal Projects Fund		\$ 4,427,983
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(Continued)

Exhibit J-8

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

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Accountants/Bookkeepers	\$	25,282	
Clerical Personnel		16,508	
Cafeteria Personnel		713,873	
Other Salaries and Wages		19,860	
Social Security		44,514	
State Retirement		34,404	
Medical Insurance		137,880	
Unemployment Compensation		1,215	
Employer Medicare		10,410	
Communication		3,844	
Maintenance and Repair Services - Equipment		16,585	
Transportation - Other than Students		7,898	
Travel		1,580	
Other Contracted Services		30,972	
Food Supplies		964,605	
Office Supplies		2,000	
Uniforms		9,412	
Other Supplies and Materials		166,538	
Food Service Equipment		121,947	
Total Food Service			<u>\$ 2,329,327</u>

Total Central Cafeteria Fund \$ 2,329,327

Total Governmental Funds - McNairy County School Department \$ 35,696,969

Exhibit J-9

McNairy County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Change in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2012

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 1,631,439
Total Cash Receipts	<u>\$ 1,631,439</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,615,125
Trustee's Commission	16,314
Total Cash Disbursements	<u>\$ 1,631,439</u>
 Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2011	<u>0</u>
 Cash Balance, June 30, 2012	<u><u>\$ 0</u></u>

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## **SINGLE AUDIT SECTION**

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF LOCAL GOVERNMENT 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*

October 24, 2012

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, 2012, which collectively comprise McNairy County's basic financial statements and have issued our report thereon dated October 24, 2012. 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

The management of McNairy County is responsible for establishing and maintaining effective 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: 12.02, 12.03, 12.04, 12.05, 12.06, 12.07, 12.10, 12.11, 12.12, and 12.14(B,C,D). 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 12.01, 12.08, 12.09, 12.13, and 12.14(A,E).

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

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

This report is intended solely for the information and use of management, the county mayor, highway commissioner, director of schools, 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 long vertical stroke extending downwards from the end.

Justin P. Wilson  
Comptroller of the Treasury

JPW/yu



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

REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditor's Report

October 24, 2012

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited McNairy County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

#### 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 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

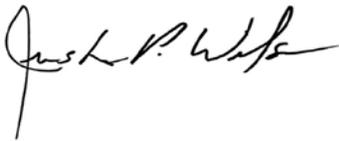
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McNairy County as of and for the year ended June 30, 2012, and have issued our report thereon dated October 24, 2012. 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. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole. The 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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, highway commissioner, director of schools, 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 long, vertical tail on the letter "l".

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, 2012

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 Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 324,927
National School Lunch Program	10.555	N/A	1,059,621 (3)
Summer Food Service Program for Children	10.559	N/A	57,423
Passed-through State Department of Agriculture:			
National School Lunch Program - (Commodities - Noncash Assistance)	10.555	N/A	96,694 (3)
Total U.S. Department of Agriculture			<u>\$ 1,538,665</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(2)	\$ 4,500
Total U.S. Department of Justice			<u>\$ 4,500</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	80043	\$ 1,039,130
Total U.S. Department of Transportation			<u>\$ 1,039,130</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Adult Education - Basic Grants to States	84.002	N/A	\$ 194,926
Title I Grants to Local Educational Agencies	84.010	N/A	1,209,877
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	1,019,221
Special Education - Preschool Grants	84.173	N/A	38,655
Career and Technical Education - Basic Grants to States	84.048	N/A	73,821
Even Start - State Educational Agencies	84.213	(2)	156,450
Twenty-first Century Community Learning Centers	84.287	N/A	387,588
Rural Education	84.358	N/A	83,360
English Language Acquisition State Grants	84.365	N/A	2,175
Improving Teacher Quality State Grants	84.367	N/A	206,240
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	289,786
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	N/A	11,989
Education Jobs Fund	84.410	N/A	1,117,813
Project Help - WIA	84.XXX	N/A	25,000
Total U.S. Department of Education			<u>\$ 4,816,901</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(2)	\$ 285,193
Emergency Management Performance Grants	97.042	(2)	28,000
Assistance to Firefighters Grant	97.044	(2)	23,595
Homeland Security Grant Program	97.067	HSGP-Z-2573	86,520
Total U.S. Department of Homeland Security			<u>\$ 423,308</u>
Total Expenditures of Federal Awards			<u>\$ 7,822,504</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Rural Library Computer Grant - Tennessee Secretary of State	N/A	(2)	\$ 3,702
Litter Program - State Department of Transportation	N/A	(2)	80,008
Waste Tire Option Grant Program - State Department of Environment and Conservation	N/A	(2)	17,175
Family Preservation and Support Services (Family Resource Center) - State Department of Education	N/A	(2)	29,603
School to Work - State Department of Education	N/A	(2)	49,359
Early Childhood - State Department of Education	N/A	(2)	693,388
Safe Schools - State Department of Education	N/A	(2)	23,300
Health Grant - State Department of Education	N/A	(2)	89,545
High Schools that Work - State Department of Education	N/A	(2)	11,000
ACT/Explore - State Department of Education	N/A	(2)	4,920
ConnecTenn - State Department of Education	N/A	(2)	<u>15,242</u>
Total State Grants			<u>\$ 1,017,242</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 \$1,156,315.

McNairy County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2012

*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, 2011, which have not been corrected.

**OFFICE OF COUNTY MAYOR**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.01	146	Expenditures exceeded appropriations
11.02	146	The billing/accounts receivable software used by the Solid Waste Office did not have adequate application controls

**OFFICE OF TRUSTEE**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.05	148	The office did not review its software audit logs

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

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.06	149	The office did not deposit some funds within three days of collection
11.07	149	Execution docket trial balances did not reconcile with cash journal accounts

**OFFICE OF REGISTER**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.08	150	Multiple employees operated from the same cash drawer
11.09	150	The register allowed individuals unsupervised access to the office after business hours

**OFFICE OF SHERIFF**

Finding Number	Page Number	Subject
11.10	151	Duties were not segregated adequately

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**McNAIRY COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2012**

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

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of McNairy County disclosed significant deficiencies in internal control. None of these deficiencies were considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance that are material to the financial statements of McNairy County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children (CFDA Nos. 10.553, 10.555, and 10.559); Highway Planning and Construction (CFDA No. 20.205); Title I Grants to Local Educational Agencies (CFDA No. 84.010); and Education Jobs Fund (CFDA No. 84.410) 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 solid waste director provided written responses on certain findings, which are paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

**OFFICE OF COUNTY MAYOR**

**FINDING 12.01      **EXPENDITURES EXCEEDED APPROPRIATIONS****  
 (Noncompliance Under *Government Auditing Standards*)

Expenditures exceeded appropriations approved by the County Commission as noted below:

- A. Expenditures exceeded appropriations in several major appropriations categories (the legal level of control) of the following funds:

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
General:	
County Attorney	\$        200
County Buildings	267
Sheriff's Department	314
Civil Defense	3,341
Libraries	877
Agricultural Extension Service	7,697
Solid Waste/Sanitation:	
Sanitation Management	1,119

- B. Salaries exceeded line-item appropriations in the General and Solid Waste/Sanitation funds by amounts ranging from \$175 to \$8,094.

Section 5-9-401, *Tennessee Code Annotated*, states that "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies." The budget resolution approved by the County Commission states that the salary, wages, or enumeration of each official, employee, or agent of the county will not exceed expenditures that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the County Commission. These deficiencies exist because management failed to hold spending to the limits authorized by the County Commission, which resulted in unauthorized expenditures. Also, these deficiencies are the result of management's failure to correct the finding noted in the prior-year audit.

RECOMMENDATION

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

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FINDING 12.02      **THE BILLING/ACCOUNTS RECEIVABLE SOFTWARE USED BY THE SOLID WASTE OFFICE DID NOT HAVE ADEQUATE APPLICATION CONTROLS**  
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The following internal control deficiencies related to the software were identified:

- A. Users had the ability to alter receipts before batches were processed, which would leave no audit trail of the original transaction.
- B. Gaps in the receipt number sequence were possible given users' ability to delete credit entries and discard receipt numbers before batches were processed. An audit trail of the deletions was not maintained.
- C. The application did not produce a report listing receipts in sequential order. Batch reports were presented in receipt number order, but after processing batches, the reports cannot be recalled.

Sound business practices dictate that proper application controls be implemented. Because the vendor did not design the system with proper controls, inappropriate system activity could occur. This deficiency is also a result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

Management should contact the software vendor concerning the addition of controls to the software application that would provide an audit trail for any changes to receipts. The ability to perform any deletion involving receipts should be removed from the system. Instead, a void option should be used. A report listing all receipt transactions in sequential order for a date range should be readily available. These controls would help to ensure the reliability and integrity of the information maintained by the system.

MANAGEMENT'S RESPONSE –SOLID WASTE DIRECTOR

We have contacted the vendor in reference to this finding. The vendor is working on the issues.

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**FINDING 12.03      THE BILLING/ACCOUNTS RECEIVABLE SOFTWARE USED BY THE SOLID WASTE OFFICE DID NOT IDENTIFY THE USER WHO PROCESSED TRANSACTIONS**  
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Although each employee had been assigned a unique username and password for accessing the office’s accounting software, the software did not record the user who processed each transaction. Since the vendor did not design the system with these controls, the employee responsible for this activity would not be easily identified if inappropriate activity were to occur. Sound business practices dictate that each transaction be identified to the individual creating the transaction. This deficiency was the result of a lack of management oversight.

**RECOMMENDATION**

Management should contact the software vendor concerning the addition of controls to the software that would identify the user who performed each transaction.

**MANAGEMENT’S RESPONSE – SOLID WASTE DIRECTOR**

We have contacted the vendor in reference to this finding. The vendor is working on the issue.

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**OFFICE OF TRUSTEE**

**FINDING 12.04      USERNAMES AND PASSWORDS WERE SHARED BY EMPLOYEES**  
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Although each employee had been assigned a unique username for accessing the office’s accounting software, all employees used the same password. If inappropriate activity were to occur, the employee responsible for this activity would not be easily identified because employees had access to each other’s username and password. Sound business practices dictate that each transaction be identified to the individual creating the transaction. This deficiency was the result of a lack of management oversight.

**RECOMMENDATION**

Each employee should access the application using his or her unique username and password to ensure that transactions are properly identified to that employee. Usernames and passwords should remain confidential and should not be shared among employees.

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**FINDING 12.05      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. This log provided the only audit trail of these changes and should be reviewed for inappropriate activity. Although the official was aware of the importance of this log, it was not reviewed. This deficiency is also a result of management's failure to correct the finding noted in the prior-year audit report.

**RECOMMENDATION**

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

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**OFFICE OF COUNTY CLERK**

**FINDING 12.06      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. This log provided the only audit trail of these changes and 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.

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**OFFICES OF COUNTY CLERK AND CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

**FINDING 12.07      THE OFFICES DID NOT IMPLEMENT ADEQUATE CONTROLS TO PROTECT THEIR INFORMATION RESOURCES  
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)**

The offices did not implement adequate controls to protect their information resources. This finding does not identify specific vulnerabilities that could allow someone to exploit the offices' information system or misuse county funds. Disclosing those vulnerabilities could present a potential security risk by providing the readers with information that might be confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated*. Sound business

practices dictate that proper controls be implemented. Without these controls, unauthorized system activity could occur.

#### RECOMMENDATION

The offices should ensure that adequate controls over their information systems and the resources associated with those systems are implemented.

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### OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 12.08      **THE OFFICE DID NOT DEPOSIT SOME FUNDS WITHIN THREE DAYS OF COLLECTION**  
(Noncompliance Under *Government Auditing Standards*)

In some instances, funds were not deposited within three days of collection in Circuit and General Sessions Court. Section 5-8-207, *Tennessee Code Annotated*, requires county officials to deposit public funds to the office bank account within three days of collection. This deficiency exists because management failed to correct the finding noted in the prior-year audit report and did not implement internal control procedures that would ensure funds are deposited within three days of collection. The delay in depositing the funds increases the risk of fraud and misappropriation.

#### RECOMMENDATION

The clerk should ensure that all funds are deposited to the office bank account within three days of collection as required by state statute.

---

FINDING 12.09      **EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH CASH JOURNAL ACCOUNTS**  
(Noncompliance Under *Government Auditing Standards*)

At June 30, 2012, 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. The clerk held unidentified funds of \$877 in Circuit Court and \$4,474 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.

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## OFFICES OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK AND SHERIFF

FINDING 12.10      **DUTIES WERE NOT SEGREGATED ADEQUATELY**  
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Duties were not segregated adequately among the officials and employees in the Offices of Circuit and General Sessions Courts Clerk and Sheriff. Employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this deficiency is the result of the sheriff's failure to correct the finding noted in the prior-year audit report.

## RECOMMENDATION

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

---

## OFFICE OF REGISTER

FINDING 12.11      **MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER**  
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Multiple employees operated from the same cash drawer in the Office of Register. Good internal controls dictate that each employee have their own cash drawer, start the day with a standard fixed amount of cash, and remove all but the beginning amount at the end of the day. This amount should be verified to the employee's receipts at the end of each day. Failure to adhere to this control regime greatly increases the risk that a cash shortage may not be detected in a timely manner. Furthermore, in the event of a cash shortage, the official would not be able to determine who was responsible for the shortage because multiple employees were working from one cash drawer. This deficiency has been a management decision resulting in a loss of control over assets. Also, this deficiency is the result of the register's failure to correct the finding noted in the prior-year audit report.

## RECOMMENDATION

The register should assign each employee their own cash drawer.

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**FINDING 12.12      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.

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## OFFICE OF SHERIFF

**FINDING 12.13      A THEFT OCCURRED AT THE SHERIFF’S DEPARTMENT AND WAS NOT REPORTED TO THE COMPTROLLER OF THE TREASURY**  
(Noncompliance Under *Government Auditing Standards*)

On August 2, 2012, the sheriff was made aware of a cash shortage in the commissary operations. The sheriff contacted the district attorney general and the Tennessee Bureau of Investigation (TBI) to report the shortage. The TBI determined that a theft of \$8,536.66 had occurred from the kiosk machine used to collect cash for the prisoner commissary accounts. The employee believed responsible for the theft resigned and was indicted by a grand jury on October 8, 2012. Restitution for this cash shortage had not been made as of the date of this report. The sheriff did not report the theft to the Comptroller of the Treasury. Section 8-4-503, *Tennessee Code Annotated (TCA)*, requires that “a public official with knowledge based upon available information, which reasonably causes the public official to believe that unlawful conduct has occurred, shall report the information in a reasonable amount of time to the Office of the Comptroller of the Treasury.” Section 8-4-502, *TCA*, defines a reasonable amount of time to make this report as not exceeding five working days. The sheriff advised that he was not aware of this statute.

## RECOMMENDATION

The Office of the Comptroller of the Treasury should be informed of any suspected unlawful theft, forgery, credit card fraud, or any other act of unlawful taking, waste, or abuse of, or official misconduct within five working days of becoming aware of the situation.

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### FINDING 12.14      **THE OFFICE HAD A CASH SHORTAGE OF \$9,782.36 ON AUGUST 2, 2012, IN THE PRISONER COMMISSARY OPERATION**

(B., C., and D. – Internal Control – Significant Deficiency Under *Government Auditing Standards*, A. and E. – Noncompliance Under *Government Auditing Standards*)

The following deficiencies were noted during our examination of the office's accounting records. These deficiencies contributed to a cash shortage of \$9,782.36 on August 2, 2012, in the prisoner commissary account. These deficiencies exist due to a lack of understanding of internal controls, generally accepting accounting principles, state statutes, and sound business practices.

- A. The office had a cash shortage of \$9,782.36 in the commissary operation on August 2, 2012, which has been included in the financial statements of this report. This cash shortage consisted of the \$8,536.66 from a kiosk machine as noted in Finding 12.13 and an additional cash shortage of \$1,245.07 in the commissary operation that remained undetected by the Sheriff's Office and was not discovered until our audit was performed. We were unable to determine the exact amount of the cash shortage as of June 30, 2012, because of inadequate records. Due to these deficiencies, there could be other collections that have not been accounted for properly and have not yet been detected. The total cash shortage has been discussed with the district attorney general.
- B. Accounting records were not properly maintained for the prisoner commissary account. A vendor provided software to maintain subsidiary ledgers for the commissary account; however, these ledgers had not been posted to the official cash journal or reconciled with the bank account. The Sheriff's Department also did not include the commissary activity on its annual financial report. Receipts (\$108,025) and disbursements (\$102,325) for commissary operations were determined by substantive testing and alternative auditing procedures and have been included in the financial statements of this report.
- C. Bank statements were not reconciled with general ledger accounts currently. During our audit, we determined that as of May 1, 2012, reconciliations had not been performed since September 2011 for the primary bank account (activities of the office other than commissary); however, these bank statements were reconciled as of June 30, 2012. Additionally, bank statements for the commissary account had not been reconciled. Sound

business practices require the reconciliation of bank statements with general ledger accounts on a current basis to ensure that all cash collections and disbursements are recorded in the accounting records accurately. The failure to currently reconcile bank statements with the general ledger allows errors to remain undiscovered and uncorrected.

- D. The office did not deposit collections to the commissary bank account on a timely basis. During the period under examination, commissary funds were held for over two months before being deposited to the bank. Sound business practices require funds to be promptly deposited to the official bank account. Failure to deposit collections on a regular basis weakens internal controls over funds and increases the risks for loss or theft.
- E. The office did not remit commissary profits to the county trustee from July 2011 through January 2012. The state attorney general opined in November 1989 (Attorney General Opinion U89-143) that profits earned from commissary operations are local revenues and should be administered as any other local revenue. Section 8-24-103, *TCA*, provides that all funds earned by the Sheriff's Department should be reported to the county monthly.

### RECOMMENDATION

County officials should take steps to liquidate the cash shortage. Accounting records of the commissary should be maintained properly. Bank statements should be reconciled with the general ledger monthly, and any errors discovered should be corrected promptly. Commissary funds should be promptly deposited to the office bank account. Profits generated from the operation of the jail commissary should be remitted to the county monthly.

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### BEST PRACTICES

The Division of Local Government 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.      **McNAIRY COUNTY SHOULD ADOPT A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING**

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. 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.

**ITEM 2.      McNAIRY COUNTY SHOULD ESTABLISH AN AUDIT COMMITTEE**

McNairy County does not have an Audit Committee. An Audit Committee can assist the County Commission by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and being 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, 2012**

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