

**ANNUAL FINANCIAL REPORT**  
**MCNAIRY COUNTY, TENNESSEE**

**FOR THE YEAR ENDED JUNE 30, 2015**



**DIVISION OF LOCAL GOVERNMENT AUDIT**



**ANNUAL FINANCIAL REPORT**  
**McNAIRY COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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

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

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***Audit Manager***

***LEE ANN WEST, CPA, CGFM***  
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***VICKY BARBER, CFE***  
***ELISHA CROWELL, CISA, 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

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# ***Summary of Audit Findings***

Annual Financial Report  
McNairy County, Tennessee  
For the Year Ended June 30, 2015

## ***Scope***

We have audited the basic financial statements of McNairy County as of and for the year ended June 30, 2015.

## ***Results***

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

Our audit resulted in 16 findings and recommendations, which we have reviewed with McNairy County management. Detailed findings, recommendations, and management's responses are included in the Single Audit section of this report.

## ***Findings***

The following are summaries of the audit findings:

### **OFFICE OF COUNTY MAYOR**

- ◆ The Community Development/Industrial Park Fund had a cash overdraft and a deficit in unassigned fund balance at June 30, 2015.
  - ◆ Expenditures exceeded appropriations.
  - ◆ The office had deficiencies in purchasing procedures.
  - ◆ Lease-purchase agreements were not approved by the County Commission.
- 

### **OFFICES OF COUNTY MAYOR AND SHERIFF**

- ◆ Accrued vacation leave balances exceeded the maximum balance provided by the county's personnel policy.
- 

### **OFFICE OF HIGHWAY COMMISSIONER**

- ◆ The Highway/Public Works Fund required material audit adjustments for proper financial statement presentation.
-

## **OFFICE OF DIRECTOR OF SCHOOLS**

- ◆ The School Federal Projects Fund had a cash overdraft of \$21,435 at June 30, 2015.
  - ◆ Amounts withheld from contractor payments were not deposited into an escrow account.
  - ◆ The School Department had deficiencies in purchasing procedures.
  - ◆ Salary supplements paid to certain employees were not approved by the Board of Education.
  - ◆ The purchasing software used by the central office did not have adequate application controls.
- 

## **OFFICE OF TRUSTEE**

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

## **OFFICE OF REGISTER OF DEEDS**

- ◆ The register of deeds allowed individuals unsupervised access to the office after business hours.
- 

## **OFFICE OF SHERIFF**

- ◆ The office had accounting deficiencies.
- ◆ The office did not deposit some funds within three days of collection.
- ◆ Duties were not segregated adequately.

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# INTRODUCTORY SECTION

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# McNairy County Officials

## June 30, 2015

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### **Officials**

Ronnie Brooks, County Mayor  
Harvey Neal Smith, Highway Commissioner  
John Prince, Director of Schools  
Stanley Mitchell, Trustee  
Betty Ashe, Assessor of Property  
Ronnie Price, County Clerk  
Byron Maxedon, Circuit and General Sessions Courts Clerk  
Kim Boals, Clerk and Master  
Brian Dickey, Register of Deeds  
Guy Buck, Sheriff

### **Board of County Commissioners**

Ronnie Brooks, County Mayor, Chairman  
Wilburn Gene Ashe  
Steve Browder  
Neal Burks  
Brenda Cauley  
Tammy Dillon  
Aubrey Harris  
Steve Hunter  
Keith Jernigan  
Jeff Lipford  
Kevin Lipford

Gregory Martin  
David McCullar  
Troy Moore  
Jim Rickman  
Anthony Smith  
John Talbott  
James Weatherford  
Stan Wheeler  
Sandy Whitaker  
Matthew Wood  
Carol Ann Woods

### **Board of Education**

Jarrell Stanfield, Chairman  
Lynn Baker  
Jay Hendrix  
Jean Jones  
Mark Massey  
Ricky Whitaker

### **Audit Committee**

George Donaldson, Chairman  
Wilburn Gene Ashe  
Billy Brown  
Troy Moore  
Jim Rickman  
Tommy Ross

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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

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

To the County Mayor and Board of County Commissioners:

**Report on the Financial Statements**

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, 2015, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the McNairy County Airport Authority, which represent 16.6 percent, 25.8 percent, and 2.4 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Also, we did not audit the financial statements of the McNairy County Emergency Communications District, which represent 4.2 percent, 6.5 percent, and 1.6 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the McNairy County Airport Authority and the McNairy County Emergency Communications District, is based

solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 June 30, 2015, and the respective changes in financial position and the respective budgetary comparisons for the General, Solid Waste/Sanitation, and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As described in Note V.B., McNairy County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*; GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

### ***Emphasis of Matter***

We draw attention to Note I.D.9. to the financial statements, which describes a prior-period adjustment decreasing the beginning Governmental Activities net position by \$404,923 on the Government-wide Statement of Activities. This adjustment was necessary because in prior years assets owned by the McNairy County Airport Authority had been included in error. We also draw attention to Notes I.D.10. and VII.B.3. to the financial statements, which describe restatements decreasing the beginning Governmental Activities net position

by \$30,811, the discretely presented McNairy County School Department's net position by \$5,695,514, and the discretely presented McNairy County Emergency Communications District's net position by \$42,954 on the Government-wide Statement of Activities. These restatements were necessary because of the transitional requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### *Required Supplementary Information*

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 schedule of changes in the county's net pension liability and related ratios, schedules of county and school contributions, schedule of school's proportionate share of the net pension asset, and schedule of funding progress - other postemployment benefits plans on pages 94-100 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.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise McNairy County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the McNairy County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining

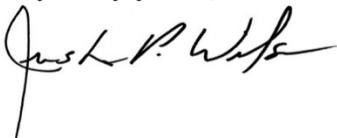
and individual fund financial statements of the McNairy County School Department (a discretely presented component unit), and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 miscellaneous schedules are fairly stated, in all material respects, in relation to the basic 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.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2016, on our consideration of McNairy County's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McNairy County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

January 20, 2016

JPW/sb

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

McNairy County, Tennessee  
Statement of Net Position  
June 30, 2015

	Primary Governmental Activities	Component Units		
		McNairy County School Department	McNairy County Airport Authority	Emergency Communications District
<u>ASSETS</u>				
Cash	\$ 403	\$ 0	\$ 215,990	\$ 598,067
Equity in Pooled Cash and Investments	6,325,807	1,729,507	0	0
Inventories	0	0	24,367	0
Accounts Receivable	1,978,769	2,389	385	0
Allowance for Uncollectibles	(704,653)	0	0	0
Due from Other Governments	452,951	1,041,814	0	15,500
Property Taxes Receivable	4,745,408	4,270,867	0	0
Allowance for Uncollectible Property Taxes	(226,938)	(204,244)	0	0
Prepaid Items	267	0	9,145	9,137
Net Pension Asset - Agent Plan	323,789	755,506	0	0
Net Pension Asset - Cost-sharing Plan	0	69,740	0	0
Capital Assets:				
Assets Not Depreciated:				
Land	1,140,327	406,479	91,331	0
Construction in Progress	0	1,206,400	607,170	0
Assets Net of Accumulated Depreciation:				
Buildings and Improvements	4,028,611	9,034,790	134,095	118,058
Infrastructure	4,077,306	0	3,080,249	0
Other Capital Assets	1,478,609	1,766,663	31,968	314,294
Total Assets	<u>\$ 23,620,656</u>	<u>\$ 20,079,911</u>	<u>\$ 4,194,700</u>	<u>\$ 1,055,056</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Pension Changes in Experience	\$ 0	\$ 169,313	\$ 0	\$ 0
Pension Contributions after Measurement Date	168,972	1,734,165	0	10,904
Total Deferred Outflows of Resources	<u>\$ 168,972</u>	<u>\$ 1,903,478</u>	<u>\$ 0</u>	<u>\$ 10,904</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 95,840	\$ 0	\$ 24,552	\$ 4,945
Payroll Deductions Payable	19,964	13,377	0	598
Accrued Leave	0	0	0	9,910
Cash Overdraft	1,534	21,435	0	0
Retainage Payable	0	41,446	0	0
Accrued Interest Payable	124,527	0	0	0
Other Current Liabilities	0	0	37,979	0
Noncurrent Liabilities:				
Due Within One Year	2,031,543	0	14,729	0
Due in More Than One Year (net of unamortized premium on debt)	6,741,131	981,476	120,463	9,435
Total Liabilities	<u>\$ 9,014,539</u>	<u>\$ 1,057,734</u>	<u>\$ 197,723</u>	<u>\$ 24,888</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 4,313,341	\$ 3,882,007	\$ 0	\$ 0
Pension Changes in Experience	59,142	137,998	0	10,873
Pension Changes in Investment Earnings	276,458	6,391,263	0	24,042
Pension Other Deferrals	0	48,573	0	0
Total Deferred Inflows of Resources	<u>\$ 4,648,941</u>	<u>\$ 10,459,841</u>	<u>\$ 0</u>	<u>\$ 34,915</u>

(Continued)

Exhibit A

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

	Primary Government Governmental Activities	Component Units		
		McNairy County School Department	McNairy County Airport Authority	Emergency Communications District
<u>NET POSITION</u>				
Net Investment in Capital Assets	\$ 7,827,348	\$ 12,414,332	\$ 3,809,621	\$ 432,352
Restricted for:				
General Government	27,163	0	0	0
Finance	7,589	0	0	0
Administration of Justice	49,400	0	0	0
Public Safety	207,398	0	0	0
Social, Cultural, and Recreational Services	4,965	0	0	0
Highway/Public Works	227,607	0	0	0
Education	0	895,439	0	0
Operation of Non-instructional Services	0	644,266	0	0
Capital Outlay	0	292,646	31,578	0
Debt Service	3,647,909	0	0	0
Other Purposes	323,789	0	0	0
Unrestricted	(2,197,020)	(3,780,869)	155,778	573,805
Total Net Position	\$ 10,126,148	\$ 10,465,814	\$ 3,996,977	\$ 1,006,157

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, 2015

Functions/Programs	Net (Expense) Revenue and Changes in Net Position							
	Expenses	Program Revenues			Primary Government	Component Units		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	McNairy County School Department	McNairy County Airport Authority	Emergency Communications District
Primary Government:								
Governmental Activities:								
General Government	\$ 2,070,921	266,898	\$ 25,364	\$ 0	\$ (1,778,659)	\$ 0	\$ 0	\$ 0
Finance	675,418	464,771	0	0	(210,647)	0	0	0
Administration of Justice	701,889	397,011	0	0	(304,878)	0	0	0
Public Safety	2,469,402	517,856	57,369	346,338	(1,547,839)	0	0	0
Public Health and Welfare	1,405,358	1,145,838	178,409	381,233	300,122	0	0	0
Social, Cultural, and Recreational Services	155,755	10,066	0	0	(145,689)	0	0	0
Agriculture and Natural Resources	173,793	0	11,000	0	(162,793)	0	0	0
Highways/Public Works	2,985,455	13,736	1,907,094	433,591	(631,034)	0	0	0
Education	30,080	0	0	0	(30,080)	0	0	0
Interest on Long-term Debt	323,323	0	5,258	0	(318,065)	0	0	0
<b>Total Primary Government</b>	<b>\$ 10,991,394</b>	<b>\$ 2,816,176</b>	<b>\$ 2,184,494</b>	<b>\$ 1,161,162</b>	<b>\$ (4,829,562)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
Component Units:								
McNairy County School Department	\$ 33,806,999	\$ 691,462	\$ 4,204,734	\$ 0	\$ 0	\$ (28,910,803)	\$ 0	\$ 0
McNairy County Airport Authority	326,913	138,773	74,733	672,991	0	0	559,584	0
Emergency Communications District	590,260	460,484	71,430	0	0	0	0	(58,346)
<b>Total Component Units</b>	<b>\$ 34,724,172</b>	<b>\$ 1,290,719</b>	<b>\$ 4,350,897</b>	<b>\$ 672,991</b>	<b>\$ 0</b>	<b>\$ (28,910,803)</b>	<b>\$ 559,584</b>	<b>\$ (58,346)</b>

(Continued)

Exhibit B

McNairy County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Position						
		Program Revenues			Primary Government	Component Units		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	McNairy County School Department	McNairy County Airport Authority	Emergency Communications District
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes					\$ 3,575,473	\$ 4,047,470	\$ 0	\$ 0
Property Taxes Levied for Debt Service					904,667	0	0	0
Local Option Sales Taxes					199,782	2,138,430	0	0
Litigation Tax					87,132	0	0	0
Business Tax					150,265	0	0	0
Wholesale Beer Tax					26,648	0	0	0
Other Local Taxes					6,483	4,848	0	0
Grants and Contributions Not Restricted to Specific Programs					1,549,824	23,949,380	0	46,913
Unrestricted Investment Income					15,615	12,797	99	1,010
Miscellaneous					15,723	78,848	0	0
Pension Income					19,000	112,239	0	0
Total General Revenues					<u>\$ 6,550,612</u>	<u>\$ 30,344,012</u>	<u>\$ 99</u>	<u>\$ 47,923</u>
Change in Net Position								
Net Position, July 1, 2014					\$ 1,721,050	\$ 1,433,209	\$ 559,683	\$ (10,423)
Prior-period Adjustment - See Note I.D.9					8,840,832	14,728,119	3,437,294	1,059,534
Restatement - Pension Liability - See Note I.D.10					(404,923)	0	0	0
Restatement - Pension Liability - See Note VII.B.3					(30,811)	(5,695,514)	0	0
					<u>0</u>	<u>0</u>	<u>0</u>	<u>(42,954)</u>
Net Position, June 30, 2015					<u>\$ 10,126,148</u>	<u>\$ 10,465,814</u>	<u>\$ 3,996,977</u>	<u>\$ 1,006,157</u>

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

Exhibit C-1

McNairy County, Tennessee  
 Balance Sheet  
 Governmental Funds  
 June 30, 2015

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<b>ASSETS</b>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 403	\$ 403
Equity in Pooled Cash and Investments	1,060,531	815,273	247,174	4,022,665	180,164	6,325,807
Accounts Receivable	4,448	1,970,207	4,114	0	0	1,978,769
Allowance for Uncollectibles	0	(704,653)	0	0	0	(704,653)
Due from Other Governments	86,559	25,637	340,755	0	0	452,951
Due from Other Funds	920	0	0	0	0	920
Property Taxes Receivable	3,408,065	0	388,261	949,082	0	4,745,408
Allowance for Uncollectible Property Taxes	(162,982)	0	(18,568)	(45,388)	0	(226,938)
Prepaid Items	267	0	0	0	0	267
<b>Total Assets</b>	<b>\$ 4,397,808</b>	<b>\$ 2,106,464</b>	<b>\$ 961,736</b>	<b>\$ 4,926,359</b>	<b>\$ 180,567</b>	<b>\$ 12,572,934</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ 67,439	\$ 25,405	\$ 0	\$ 0	\$ 2,996	\$ 95,840
Payroll Deductions Payable	19,339	534	53	0	38	19,964
Cash Overdraft	0	0	0	0	1,534	1,534
Due to Other Funds	0	517	0	0	403	920
<b>Total Liabilities</b>	<b>\$ 86,778</b>	<b>\$ 26,456</b>	<b>\$ 53</b>	<b>\$ 0</b>	<b>\$ 4,971</b>	<b>\$ 118,258</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Current Property Taxes	\$ 3,097,763	\$ 0	\$ 352,910	\$ 862,668	\$ 0	\$ 4,313,341
Deferred Delinquent Property Taxes	139,409	0	15,882	38,823	0	194,114
Other Deferred/Unavailable Revenue	14,481	1,239,893	175,371	0	0	1,429,745
<b>Total Deferred Inflows of Resources</b>	<b>\$ 3,251,653</b>	<b>\$ 1,239,893</b>	<b>\$ 544,163</b>	<b>\$ 901,491</b>	<b>\$ 0</b>	<b>\$ 5,937,200</b>

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>FUND BALANCES</u>						
Nonspendable:						
Prepaid Items	\$ 267	\$ 0	\$ 0	\$ 0	\$ 0	267
Restricted:						
Restricted for General Government	26,896	0	0	0	0	26,896
Restricted for Finance	7,589	0	0	0	0	7,589
Restricted for Administration of Justice	49,400	0	0	0	0	49,400
Restricted for Public Safety	90,229	0	0	0	117,169	207,398
Restricted for Social, Cultural, and Recreational Services	0	0	0	0	4,965	4,965
Restricted for Highways/Public Works	0	0	162,584	0	0	162,584
Restricted for Debt Service	0	0	0	3,732,366	0	3,732,366
Committed:						
Committed for General Government	0	0	0	0	54,996	54,996
Committed for Public Health and Welfare	0	840,115	0	0	0	840,115
Committed for Highways/Public Works	0	0	254,936	0	0	254,936
Committed for Debt Service	0	0	0	292,502	0	292,502
Committed for Capital Projects	195,600	0	0	0	0	195,600
Unassigned	689,396	0	0	0	(1,534)	687,862
Total Fund Balances	<u>\$ 1,059,377</u>	<u>\$ 840,115</u>	<u>\$ 417,520</u>	<u>\$ 4,024,868</u>	<u>\$ 175,596</u>	<u>\$ 6,517,476</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,397,808</u>	<u>\$ 2,106,464</u>	<u>\$ 961,736</u>	<u>\$ 4,926,359</u>	<u>\$ 180,567</u>	<u>\$ 12,572,934</u>

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

Exhibit C-2

McNairy County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
June 30, 2015

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$ 6,517,476
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 1,140,327	
Add: buildings and improvements net of accumulated depreciation	4,028,611	
Add: infrastructure net of accumulated depreciation	4,077,306	
Add: other capital assets net of accumulated depreciation	<u>1,478,609</u>	10,724,853
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: notes payable	\$ (3,704,538)	
Less: capital leases payable	(93,880)	
Less: bonds payable	(4,269,406)	
Less: compensated absences payable	(91,331)	
Less: landfill closure/postclosure care costs	(537,118)	
Less: other postemployment benefits liability	(55,894)	
Less: accrued interest on bonds, notes, and capital leases	(124,527)	
Less: other deferred revenue - premium on debt	<u>(20,507)</u>	(8,897,201)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.		
Add: deferred outflows of resources related to pensions	\$ 168,972	
Less: deferred inflows of resources related to pensions	<u>(335,600)</u>	(166,628)
(4) Net pension assets of the agent plan are not current financial resources and therefore are not reported in the governmental funds.		323,789
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>1,623,859</u>
Net position of governmental activities (Exhibit A)		<u>\$ 10,126,148</u>

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

Exhibit C-3

McNairy County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2015

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 3,599,352	\$ 74,431	\$ 369,437	\$ 903,157	\$ 2,760	\$ 4,949,137
Licenses and Permits	16,347	0	0	0	0	16,347
Fines, Forfeitures, and Penalties	90,979	0	0	0	22,843	113,822
Charges for Current Services	40,264	817,185	0	0	6,170	863,619
Other Local Revenues	38,447	164,308	17,801	40,815	150,537	411,908
Fees Received from County Officials	836,869	0	0	0	0	836,869
State of Tennessee	823,540	316,220	2,275,246	0	0	3,415,006
Federal Government	644,080	0	83,491	0	0	727,571
Other Governments and Citizens Groups	0	0	26,095	1,106,350	0	1,132,445
<b>Total Revenues</b>	<b>\$ 6,089,878</b>	<b>\$ 1,372,144</b>	<b>\$ 2,772,070</b>	<b>\$ 2,050,322</b>	<b>\$ 182,310</b>	<b>\$ 12,466,724</b>
<u>Expenditures</u>						
Current:						
General Government	\$ 851,987	\$ 0	\$ 0	\$ 0	\$ 95,709	\$ 947,696
Finance	519,722	0	0	0	0	519,722
Administration of Justice	559,629	0	0	0	6,170	565,799
Public Safety	2,113,696	0	0	0	99,685	2,213,381
Public Health and Welfare	182,058	1,162,937	0	0	0	1,344,995
Social, Cultural, and Recreational Services	126,539	0	0	0	2,381	128,920
Agriculture and Natural Resources	127,065	0	0	0	5,986	133,051
Other Operations	1,750,483	35,761	0	0	1,348	1,787,592
Highways	0	63,784	2,880,908	0	0	2,944,692
Debt Service:						
Principal on Debt	39,518	0	25,000	1,665,969	17,163	1,747,650
Interest on Debt	0	0	2,505	287,578	4,777	294,860
Other Debt Service	0	0	0	19,506	0	19,506

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Expenditures (Cont.)</u>						
Capital Projects	\$ 1,500,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,500,000
Total Expenditures	\$ 7,770,697	\$ 1,262,482	\$ 2,908,413	\$ 1,973,053	\$ 233,219	\$ 14,147,864
<u>Excess (Deficiency) of Revenues Over Expenditures</u>						
	\$ (1,680,819)	\$ 109,662	\$ (136,343)	\$ 77,269	\$ (50,909)	\$ (1,681,140)
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 1,500,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,500,000
Capital Leases Issued	0	0	0	0	61,043	61,043
Insurance Recovery	5,214	101	1,658	0	0	6,973
Transfers In	52,165	0	0	0	0	52,165
Transfers Out	0	0	0	0	(52,165)	(52,165)
Total Other Financing Sources (Uses)	\$ 1,557,379	\$ 101	\$ 1,658	\$ 0	\$ 8,878	\$ 1,568,016
<u>Net Change in Fund Balances</u>						
Fund Balance, July 1, 2014	\$ 1,182,817	\$ 730,352	\$ 552,205	\$ 3,947,599	\$ 217,627	\$ 6,630,600
Fund Balance, June 30, 2015	\$ 1,059,377	\$ 840,115	\$ 417,520	\$ 4,024,868	\$ 175,596	\$ 6,517,476

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, 2015

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)		\$ (113,124)
(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	\$ 2,059,859	
Less: current-year depreciation expense	<u>(867,221)</u>	1,192,638
(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, 2015	\$ 1,623,859	
Less: deferred delinquent property taxes and other deferred June 30, 2014	<u>(1,402,397)</u>	221,462
(3) 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 position. Also, governmental funds report the effect of 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: note proceeds	\$ (1,500,000)	
Less: capital lease proceeds	(61,043)	
Add: change in premium on debt issuances	5,258	
Add: principal payments on bonds	1,448,569	
Add: principal payments on notes	217,400	
Add: principal payments on capital leases	<u>81,681</u>	191,865
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ (28,463)	
Change in compensated absences payable	67,294	
Change in other postemployment benefits liability	(2,453)	
Change in landfill closure/postclosure care costs	3,859	
Change in net pension asset	354,600	
Change in deferred outflows related to pensions	168,972	
Change in deferred inflows related to pensions	<u>(335,600)</u>	<u>228,209</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 1,721,050</u>

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

## Exhibit C-5

McNairy County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund  
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,599,352	\$ 3,441,715	\$ 3,443,715	\$ 155,637
Licenses and Permits	16,347	17,500	17,500	(1,153)
Fines, Forfeitures, and Penalties	90,979	138,950	138,950	(47,971)
Charges for Current Services	40,264	54,700	57,838	(17,574)
Other Local Revenues	38,447	87,000	90,224	(51,777)
Fees Received from County Officials	836,869	841,628	835,490	1,379
State of Tennessee	823,540	761,792	817,861	5,679
Federal Government	644,080	43,000	667,909	(23,829)
<b>Total Revenues</b>	<b>\$ 6,089,878</b>	<b>\$ 5,386,285</b>	<b>\$ 6,069,487</b>	<b>\$ 20,391</b>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 45,590	\$ 51,750	\$ 51,750	\$ 6,160
Board of Equalization	1,450	2,200	2,200	750
Beer Board	150	250	250	100
Budget and Finance Committee	3,000	3,500	3,500	500
Other Boards and Committees	2,300	3,500	3,500	1,200
County Mayor/Executive	154,580	155,355	156,030	1,450
County Attorney	2,400	2,400	2,400	0
Election Commission	162,700	158,545	163,545	845
Register of Deeds	127,715	128,732	129,707	1,992
County Buildings	351,552	296,920	344,178	(7,374)
Preservation of Records	550	550	550	0
<u>Finance</u>				
Property Assessor's Office	146,360	153,428	153,428	7,068
Reappraisal Program	31,982	37,561	37,561	5,579
County Trustee's Office	151,499	163,427	163,627	12,128
County Clerk's Office	189,881	192,612	193,851	3,970
<u>Administration of Justice</u>				
Circuit Court	182,740	197,189	200,913	18,173
General Sessions Court	200,257	196,494	203,082	2,825
Chancery Court	125,633	128,973	129,430	3,797
Juvenile Court	50,999	53,595	53,595	2,596
<u>Public Safety</u>				
Sheriff's Department	1,352,257	1,347,373	1,356,721	4,464
Jail	550,391	299,795	540,907	(9,484)
Fire Prevention and Control	127,737	123,017	127,841	104
Rural Fire Protection	32,435	41,632	41,632	9,197
Civil Defense	45,518	46,657	46,657	1,139
Inspection and Regulation	5,358	5,358	5,358	0
<u>Public Health and Welfare</u>				
Local Health Center	167,377	178,087	178,087	10,710
Other Local Health Services	14,681	22,752	22,752	8,071
<u>Social, Cultural, and Recreational Services</u>				
Libraries	126,539	142,287	142,287	15,748
<u>Agriculture and Natural Resources</u>				
Agricultural Extension Service	70,570	74,315	74,315	3,745
Soil Conservation	56,495	56,495	56,495	0

(Continued)

Exhibit C-5

McNairy County, Tennessee  
Statement 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>Other Operations</u>				
Other Economic and Community Development	\$ 612,409	\$ 25,000	\$ 637,409	\$ 25,000
Airport	64,000	64,000	64,000	0
Veterans' Services	13,736	13,953	13,953	217
Other Charges	125,122	130,000	130,000	4,878
Contributions to Other Agencies	179,233	163,088	163,088	(16,145)
Employee Benefits	755,983	804,433	827,714	71,731
Miscellaneous	0	6,000	6,000	6,000
<u>Principal on Debt</u>				
General Government	39,518	0	39,518	0
<u>Capital Projects</u>				
General Administration Projects	1,500,000	0	1,500,000	0
Total Expenditures	<u>\$ 7,770,697</u>	<u>\$ 5,471,223</u>	<u>\$ 7,967,831</u>	<u>\$ 197,134</u>
Excess (Deficiency) of Revenues Over Expenditures				
	<u>\$ (1,680,819)</u>	<u>\$ (84,938)</u>	<u>\$ (1,898,344)</u>	<u>\$ 217,525</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 1,500,000	\$ 0	\$ 1,500,000	\$ 0
Insurance Recovery	5,214	30,000	30,000	(24,786)
Transfers In	52,165	55,000	55,000	(2,835)
Total Other Financing Sources	<u>\$ 1,557,379</u>	<u>\$ 85,000</u>	<u>\$ 1,585,000</u>	<u>\$ (27,621)</u>
Net Change in Fund Balance	\$ (123,440)	\$ 62	\$ (313,344)	\$ 189,904
Fund Balance, July 1, 2014	<u>1,182,817</u>	<u>1,143,222</u>	<u>1,143,222</u>	<u>39,595</u>
Fund Balance, June 30, 2015	<u>\$ 1,059,377</u>	<u>\$ 1,143,284</u>	<u>\$ 829,878</u>	<u>\$ 229,499</u>

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

Exhibit C-6

McNairy County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 74,431	\$ 41,800	\$ 41,800	\$ 32,631
Charges for Current Services	817,185	675,000	675,000	142,185
Other Local Revenues	164,308	85,700	101,482	62,826
State of Tennessee	316,220	363,400	363,400	(47,180)
Total Revenues	<u>\$ 1,372,144</u>	<u>\$ 1,165,900</u>	<u>\$ 1,181,682</u>	<u>\$ 190,462</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 843,700	\$ 825,550	\$ 825,550	\$ (18,150)
Recycling Center	146,208	60,700	85,900	(60,308)
Landfill Operation and Maintenance	173,029	174,425	178,332	5,303
<u>Other Operations</u>				
Employee Benefits	35,761	43,350	43,350	7,589
<u>Highways</u>				
Litter and Trash Collection	63,784	49,900	51,482	(12,302)
Total Expenditures	<u>\$ 1,262,482</u>	<u>\$ 1,153,925</u>	<u>\$ 1,184,614</u>	<u>\$ (77,868)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 109,662</u>	<u>\$ 11,975</u>	<u>\$ (2,932)</u>	<u>\$ 112,594</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 101	\$ 0	\$ 0	\$ 101
Total Other Financing Sources	<u>\$ 101</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 101</u>
Net Change in Fund Balance	\$ 109,763	\$ 11,975	\$ (2,932)	\$ 112,695
Fund Balance, July 1, 2014	<u>730,352</u>	<u>123,576</u>	<u>123,576</u>	<u>606,776</u>
Fund Balance, June 30, 2015	<u>\$ 840,115</u>	<u>\$ 135,551</u>	<u>\$ 120,644</u>	<u>\$ 719,471</u>

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

Exhibit C-7

McNairy County, Tennessee  
 Statement of Revenues, Expenditures, and Changes  
 in Fund Balance - Actual and Budget  
 Highway/Public Works Fund  
 For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 369,437	\$ 394,039	\$ 394,039	\$ (24,602)
Charges for Current Services	0	100	100	(100)
Other Local Revenues	17,801	47,000	47,000	(29,199)
State of Tennessee	2,275,246	2,237,556	2,291,147	(15,901)
Federal Government	83,491	0	83,491	0
Other Governments and Citizens Groups	26,095	25,000	25,000	1,095
Total Revenues	<u>\$ 2,772,070</u>	<u>\$ 2,703,695</u>	<u>\$ 2,840,777</u>	<u>\$ (68,707)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 147,915	\$ 159,058	\$ 148,374	\$ 459
Highway and Bridge Maintenance	874,186	854,842	887,172	12,986
Operation and Maintenance of Equipment	390,494	404,280	401,480	10,986
Other Charges	84,200	78,000	85,072	872
Employee Benefits	443,443	412,000	449,743	6,300
Capital Outlay	940,670	872,500	947,500	6,830
<u>Principal on Debt</u>				
Highways and Streets	25,000	25,000	25,000	0
<u>Interest on Debt</u>				
Highways and Streets	2,505	2,505	2,505	0
Total Expenditures	<u>\$ 2,908,413</u>	<u>\$ 2,808,185</u>	<u>\$ 2,946,846</u>	<u>\$ 38,433</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (136,343)</u>	<u>\$ (104,490)</u>	<u>\$ (106,069)</u>	<u>\$ (30,274)</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 1,658	\$ 0	\$ 1,577	\$ 81
Total Other Financing Sources	<u>\$ 1,658</u>	<u>\$ 0</u>	<u>\$ 1,577</u>	<u>\$ 81</u>
Net Change in Fund Balance	\$ (134,685)	\$ (104,490)	\$ (104,492)	\$ (30,193)
Fund Balance, July 1, 2014	<u>552,205</u>	<u>555,195</u>	<u>555,195</u>	<u>(2,990)</u>
Fund Balance, June 30, 2015	<u>\$ 417,520</u>	<u>\$ 450,705</u>	<u>\$ 450,703</u>	<u>\$ (33,183)</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, 2015

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 637,635
Accounts Receivable	701
Due from Other Governments	353,476
Cash Shortage	<u>6,441</u>
Total Assets	<u>\$ 998,253</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 353,476
Due to Litigants, Heirs, and Others	<u>644,777</u>
Total Liabilities	<u>\$ 998,253</u>

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

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**McNAIRY COUNTY, TENNESSEE**  
**Index of Notes to the Financial Statements**

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**McNAIRY COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**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, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

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

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

The McNairy County School Department 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. 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  
2282 Airport Road  
Selmer, TN 38375

McNairy County Emergency  
Communications District  
12 Falcon Street  
Selmer, TN 38375

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

The government-wide financial statements (i.e., the Statement of Net Position 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 during the year ended June 30, 2015.

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 fund:

**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.

Additionally, the McNairy County School Department reports the following fund type:

**Special Revenue Funds** – These funds 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.

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.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

**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 position 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 are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. 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. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. 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 2.56 percent of total taxes levied.

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 a deferred inflow of resources 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 as a deferred inflow of resources to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

Retainage payable in the School Department’s General Purpose School Fund represents amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the General Purpose School Fund.

**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. The cost of prepaid items is recorded as an expenditure when consumed rather than when purchased. 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. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position. These items are for pension changes in experience, as well as employer contributions made to the pension plan after the measurement date.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These items are from the following sources: current and delinquent property taxes, pension changes in experience and investment earnings, pension changes in proportionate share of contributions, and various receivables for revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**6. 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.

**7. 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 Position. Debt premiums and discounts are deferred and amortized over the life of the new debt

using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner 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.

## **8. Net Position and Fund Balance**

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

- a. Net investment in capital assets – 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 position – Consists of net position 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 position – All other net position that does not meet the definition of restricted or net investment in capital assets.

As of June 30, 2015, McNairy County had \$4,077,441 in outstanding debt 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 position with no corresponding increase in the county's capital assets.

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.

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 Commission has by resolution authorized the county's Budget Committee to make assignments for the general government. The Board of Education makes assignments for the School Department.

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.

**9. Prior-period Adjustment**

Capital assets were restated \$404,923 from the prior year because assets owned by the airport had been included in error.

**10. Restatements**

In prior years, the government was not required to recognize a liability for its defined benefit pension plans. However, with the implementation of GASB Statement No. 68, government employers are required to recognize a net pension liability in their Statement of Net Position. Therefore, a restatement decreasing McNairy County's beginning net position by \$30,811 has been recognized on the Statement of Activities. In addition, a restatement decreasing the McNairy County School Department's beginning net position by \$5,695,514 has been recognized on the Statement of Activities for liabilities of the pension agent plan (\$71,892) and the pension cost-sharing plan (\$5,623,622).

**E. Pension Plans**

**Primary Government**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of McNairy County's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from McNairy County's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

**Discretely Presented McNairy County School Department**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement Plan and the Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System, and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Retirement Plan and the Teacher Legacy Pension Plan. Investments are reported at fair value.

**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 Position**

**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 Position.

**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 Position.

**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 position 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 position 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 Overdrafts and Fund Deficit**

The Community Development/Industrial Park Fund had a cash overdraft and a deficit in unassigned fund balance of \$1,534 at June 30, 2015. The cash overdraft resulted from the issuance of checks exceeding cash on deposit with the county trustee, and the deficit in unassigned fund balance resulted from expenditures exceeding available funds. The cash overdraft and the deficit in unassigned fund balance were liquidated subsequent to June 30, 2015.

The discretely presented School Federal Projects Fund had a cash overdraft of \$21,435 at June 30, 2015. This overdraft resulted from the issuance of warrants exceeding cash on deposit with the county trustee. The cash overdraft was liquidated subsequent to June 30, 2015.

**C. Cash Shortages – Prior Years**

The audit of McNairy County for the 2007-08 year reported a cash shortage of \$13,528.19 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, 2015, uncollected restitution for audit expenses totaled \$3,390.50.

The audit of McNairy County for the 2011-12 year reported a cash shortage of \$9,782.36 in the Office of Sheriff. A former employee admitted taking the funds, and on February 14, 2013, was found guilty of theft of property and official misconduct and ordered to pay restitution and court costs. As of June 30, 2015, the uncollected cash shortage totaled \$6,441.38.

**D Expenditures Exceeded Appropriations**

Expenditures exceeded total appropriations in the Solid Waste/Sanitation Fund by \$77,868. Also, expenditures exceeded appropriations approved by the County Commission in several major appropriation categories (the legal level of control) of the General and Special Purpose funds:

<u>Fund/Major Appropriation Category</u>	<u>Amount Overspent</u>
General:	
County Buildings	\$ 7,374
Jail	9,484
Contributions to Other Agencies	16,145
Special Purpose:	
Transfers Out	52,165

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

**E. The County Mayor Failed to Comply with State Statutes When Entering into Lease-Purchase Agreements**

The county mayor failed to comply with state statutes when entering into lease-purchase agreements for trucks for the Sheriff's Department. Details are discussed in the Schedule of Findings and Questioned Costs section of this report.

**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 position as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net position 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, 2015.

### **B. Capital Assets**

Capital assets activity for the year ended June 30, 2015, was as follows:

**Primary Government**

**Governmental Activities:**

	*Restated		
	Balance		Balance
	7-1-14	Increases	6-30-15
Capital Assets Not Depreciated:			
Land	\$ 495,327	\$ 645,000	\$ 1,140,327
Total Capital Assets Not Depreciated	\$ 495,327	\$ 645,000	\$ 1,140,327
Capital Assets Depreciated:			
Buildings and Improvements	\$ 9,921,631	\$ 855,000	\$ 10,776,631
Infrastructure	4,987,148	228,591	5,215,739
Other Capital Assets	5,943,182	331,268	6,274,450
Total Capital Assets Depreciated	\$ 20,851,961	\$ 1,414,859	\$ 22,266,820
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 6,385,067	\$ 362,953	\$ 6,748,020
Infrastructure	914,883	223,550	1,138,433
Other Capital Assets	4,515,123	280,718	4,795,841
Total Accumulated Depreciation	\$ 11,815,073	\$ 867,221	\$ 12,682,294
Total Capital Assets Depreciated, Net	\$ 9,036,888	\$ 547,638	\$ 9,584,526
Governmental Activities			
Capital Assets, Net	\$ 9,532,215	\$ 1,192,638	\$ 10,724,853

\*See Note I.D.9 for prior-period adjustment.

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

**Governmental Activities:**

General Government	\$ 181,086
Finance	3,889
Administration of Justice	5,087
Public Safety	262,632
Public Health and Welfare	48,353
Highway/Public Works	366,174
Total Depreciation Expense - Governmental Activities	\$ 867,221

**Discretely Presented McNairy County School Department**

**Governmental Activities:**

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated:				
Land	\$ 396,479	\$ 10,000	\$ 0	\$ 406,479
Construction in Progress	521,495	684,905	0	1,206,400
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 917,974</b>	<b>\$ 694,905</b>	<b>\$ 0</b>	<b>\$ 1,612,879</b>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 25,943,829	\$ 0	\$ 0	\$ 25,943,829
Other Capital Assets	6,991,805	112,189	234,651	6,869,343
<b>Total Capital Assets Depreciated</b>	<b>\$ 32,935,634</b>	<b>\$ 112,189</b>	<b>\$ 234,651</b>	<b>\$ 32,813,172</b>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 16,434,290	\$ 474,749	\$ 0	\$ 16,909,039
Other Capital Assets	4,925,334	411,997	234,651	5,102,680
<b>Total Accumulated Depreciation</b>	<b>\$ 21,359,624</b>	<b>\$ 886,746</b>	<b>\$ 234,651</b>	<b>\$ 22,011,719</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 11,576,010</b>	<b>\$ (774,557)</b>	<b>\$ 0</b>	<b>\$ 10,801,453</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 12,493,984</b>	<b>\$ (79,652)</b>	<b>\$ 0</b>	<b>\$ 12,414,332</b>

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

**Governmental Activities:**

Instruction	\$ 508,399
Support Services	311,380
Operation of Non-instructional Services	66,967
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 886,746</b>

**C. Construction Commitments**

At June 30, 2015, the School Department had uncompleted construction contracts of approximately \$328,922 for school renovations. Funding has been received for these future expenditures.

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

The composition of interfund balances as of June 30, 2015, was as follows:

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste/Sanitation	\$ 517
"	Nonmajor governmental	403

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

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2015, consisted of the following amounts:

**Primary Government**

<u>Transfer Out</u>	<u>Transfer In</u> General Fund
Nonmajor governmental fund	\$ 52,165

**Discretely Presented McNairy County School Department**

<u>Transfer Out</u>	<u>Transfer In</u> General Purpose School Fund
Nonmajor governmental fund	\$ 21,202

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.

**E. Capital Leases**

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.

On September 17, 2014, McNairy County entered into two three-year lease-purchase agreements for trucks for the Sheriff's Department. The terms of the agreements require total lease payments of \$30,622 and \$30,421, respectively, plus interest of 5.25 percent. Titles to the trucks transfer to McNairy County at the end of the lease period. The lease payments are made from the Drug Control Fund.

The assets acquired through capital leases are as follows:

<u>Assets</u>	<u>Governmental Activities</u>
Other Capital Assets	\$ 186,043
Less: Accumulated Depreciation	<u>(56,332)</u>
Total Book Value	<u>\$ 129,711</u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2015, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2016	\$ 48,610
2017	47,775
2018	<u>3,718</u>
Total Minimum Lease Payments	\$ 100,103
Less: Amount Representing Interest	<u>(6,223)</u>
Present Value of Minimum Lease Payments	<u>\$ 93,880</u>

**F. Long-term Obligations**

**Primary Government**

**General Obligation Bonds and Notes**

McNairy County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. In addition, general obligation bonds have been issued to refund other general obligation bonds. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 20 years for bonds and 12 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, 2015, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, and capital leases outstanding as of June 30, 2015, for governmental activities are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-15</u>
General Obligation Bonds	4.75%	6-21-22	\$ 893,250	\$ 309,406
General Obligation Bonds - Refunding	2 to 4.5	6-1-19	16,840,000	3,960,000
Capital Outlay Notes	0 to 3.25	3-1-27	3,956,560	3,704,538
Capital Leases	5.25	12-1-17	186,043	93,880

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2015, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2016	\$ 1,520,994	\$ 177,011	\$ 1,698,005
2017	1,578,711	115,893	1,694,604
2018	528,739	51,252	579,991
2019	525,350	28,604	553,954
2020	37,027	5,612	42,639
2021-2022	78,585	6,693	85,278
Total	\$ 4,269,406	\$ 385,065	\$ 4,654,471

Year Ending June 30	Notes		
	Principal	Interest	Total
2016	\$ 384,206	\$ 60,810	\$ 445,016
2017	1,518,688	53,650	1,572,338
2018	568,750	15,293	584,043
2019	153,511	3,060	156,571
2020	153,511	2,245	155,756
2021-2025	675,872	2,047	677,919
2026-2027	250,000	0	250,000
Total	\$ 3,704,538	\$ 137,105	\$ 3,841,643

There is \$4,024,868 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds, notes, and capital leases totaled \$309, based on the 2010 federal census.

#### Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2015, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2014	\$ 5,717,975	\$ 2,421,938	\$ 114,518
Additions	0	1,500,000	61,043
Reductions	(1,448,569)	(217,400)	(81,681)
Balance, June 30, 2015	\$ 4,269,406	\$ 3,704,538	\$ 93,880
Balance Due Within One Year	\$ 1,520,994	\$ 384,206	\$ 44,636

	Compensated Absences	Landfill Closure/ Postclosure Care Costs	Other Postemployment Benefits
Balance, July 1, 2014	\$ 158,625	\$ 540,977	\$ 53,441
Additions	130,268	8,198	6,055
Reductions	(197,562)	(12,057)	(3,602)
Balance, June 30, 2015	<u>\$ 91,331</u>	<u>\$ 537,118</u>	<u>\$ 55,894</u>
Balance Due Within One Year	<u>\$ 69,650</u>	<u>\$ 12,057</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	\$ 8,752,167
Less: Balance Due Within One Year	(2,031,543)
Add: Unamortized Premium on Debt	<u>20,507</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 6,741,131</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 Obligations

Long-term obligations activity for the year ended June 30, 2015, was as follows:

	Other Postemployment Benefits
Balance, July 1, 2014	\$ 994,282
Additions	283,024
Reductions	<u>(295,830)</u>
Balance, June 30, 2015	<u>\$ 981,476</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.

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the McNairy County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state’s Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2015, were \$85,502 and \$40,463, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**V. OTHER INFORMATION**

**A. Risk Management**

**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. Accounting Changes**

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27*; Statement No. 69, *Government Combinations and Disposals of Government Operations*; and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68* became effective for the year ended June 30, 2015.

GASB Statement No. 68, replaces the requirements of Statements No. 27 and No. 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this statement. This statement establishes standards for measuring and recognizing liabilities, deferred outflows/inflows, and expenses/expenditures.

GASB Statement No. 69, establishes accounting and financial reporting standards related to government combinations and disposals of government operations such as mergers, acquisitions, and transfer of operations.

GASB Statement No. 71, addresses issues related to amounts of contributions made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

**C. Subsequent Event**

On July 30, 2015, McNairy County issued capital outlay notes totaling \$2,000,000 for the acquisition of land and buildings, demolition, site work, and the construction, renovation, and equipping of schools and other public properties.

**D. Contingent Liabilities**

The county is 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's financial statements.

**E. Landfill Closure/Postclosure Care Costs**

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

State and federal laws and regulations require the county to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. McNairy County closed its sanitary landfill in 1998. The \$537,118 reported as postclosure care liability at June 30, 2015, represents amounts based on what it would cost to perform all postclosure care in 2015. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**F. Jointly Governed Organization**

The West Tennessee Railroad Authority (WTRA) was created by Gibson County in conjunction with the counties of Chester, Madison, McNairy, Obion, and Weakley. The WTRA's board includes the mayors of Chester, Gibson, Madison, McNairy, Obion, and Weakley counties, and one at-large member from each of these areas. However, the counties do not have any ongoing financial interest or responsibility for the entity.

**G. Retirement Commitments**

**Tennessee Consolidated Retirement System (TCRS)**

**Primary Government**

**General Information About the Pension Plan**

*Plan Description.* Employees of McNairy County and non-certified employees of the discretely presented McNairy County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 30 percent and the non-certified employees of the discretely presented School Department comprise 70 percent of the plan based on census data. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits Provided.* TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members

are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available to vested members at age 55. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria.

*Employees Covered by Benefit Terms.* At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	112
Inactive Employees Entitled to But Not Yet Receiving Benefits	302
Active Employees	<u>370</u>
 Total	 <u><u>784</u></u>

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. McNairy County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for McNairy County were \$397,134 based on a rate of 5.25 percent of pensionable payroll. By law, employer contributions are required to be paid. The TCRS may intercept McNairy County's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability (Asset)**

McNairy County's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial Assumptions.* The total pension liability as of the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study, adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	6.46 %	33 %
International Equity Emerging Market	6.26	17
International Equity Private Equity and Strategic Lending	6.40	5
U.S. Fixed Income Real Estate	4.61	8
Short-term Securities	0.98	29
	4.73	7
	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from McNairy County will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the Net Pension Liability (Asset)**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2013	\$ 13,041,657	\$ 12,558,589	\$ 483,068
Changes for the Year:			
Service Cost	\$ 517,696	\$ 0	\$ 517,696
Interest	999,235	0	999,235
Differences Between Expected and Actual Experience	(236,568)	0	(236,568)
Contributions-Employer	0	380,365	(380,365)
Contributions-Employees	0	372,182	(372,182)
Net Investment Income	0	2,103,796	(2,103,796)
Benefit Payments, Including Refunds of Employee Contributions	(472,435)	(472,435)	0
Administrative Expense	0	(13,617)	13,617
Other Changes	0	0	0
Net Changes	<u>\$ 807,928</u>	<u>\$ 2,370,291</u>	<u>\$ (1,562,363)</u>
Balance, June 30, 2014	<u>\$ 13,849,585</u>	<u>\$ 14,928,880</u>	<u>\$ (1,079,295)</u>

Allocation of Agent Plan Changes in the Net Pension Liability (Asset)

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	30.00%	\$ 4,154,876	\$ 4,478,664	\$ (323,789)
School Department	70.00%	<u>9,694,710</u>	<u>10,450,216</u>	<u>(755,506)</u>
Total		<u>\$ 13,849,585</u>	<u>\$ 14,928,880</u>	<u>\$ (1,079,295)</u>

*Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate.* The following presents the net pension liability (asset) of McNairy County calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
<u>McNairy County</u>	6.5%	7.5%	8.5%

Net Pension Liability    \$   613,535    \$ (1,079,295)    \$ (2,498,652)

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions**

*Pension Income.* For the year ended June 30, 2015, McNairy County recognized pension income of \$63,332.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2015, McNairy County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$            0	\$   197,140
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	921,526
Contributions Subsequent to the Measurement Date of June 30, 2014 (1)	<u>397,134</u>	<u>N/A</u>
Total	<u>\$ 397,134</u>	<u>\$ 1,118,666</u>

(1) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2014,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Allocation of Agent Plan Deferred Outflows of Resources and  
Deferred Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government	\$ 168,972	\$ 335,600
School Department	228,162	783,066
Total	<u>\$ 397,134</u>	<u>\$ 1,118,666</u>

Amounts reported as deferred outflows of resources, with the exception of contributions after the measurement date, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ (269,810)
2017	(269,810)
2018	(269,810)
2019	(269,810)
2020	(39,426)
Thereafter	0

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

**Discretely Presented McNairy County School Department**

**Non-certified Employees**

**General Information About the Pension Plan**

*Plan Description.* As noted above under the primary government, employees of McNairy County and non-certified employees of the discretely presented McNairy County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 30 percent and the non-certified employees of the discretely presented School Department comprise 70 percent of the plan based on census data.

## **Certified Employees**

### **Teacher Retirement Plan**

#### **General Information About the Pension Plan**

*Plan Description.* Teachers of the McNairy County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014, are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits Provided.* TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members are eligible to retire at age 65 with five years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members of the Teachers Retirement Plan are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2015, to the Teacher Retirement Plan were \$31,529, which is four percent of pensionable payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension Liabilities.* Since the measurement date is June 30, 2014, which is prior to the July 1, 2014, inception of the Teacher Retirement Plan, there is no net pension liability to report at June 30, 2015.

*Pension Expense.* Since the measurement date is June 30, 2014, the McNairy County School Department did not recognize any pension expense at June 30, 2015.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2015, the McNairy County School Department reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>Resources</u>	<u>Resources</u>
LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	\$ 31,529	N/A

The McNairy County School Department’s employer contributions of \$31,529 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a reduction of net pension liability in the year ending June 30, 2016.

## **Teacher Legacy Pension Plan**

### **General Information About the Pension Plan**

*Plan Description.* Teachers of the McNairy County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits Provided.* TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available to vested members at age 55. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid.

The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the McNairy County School Department for the year ended June 30, 2015, to the Teacher Legacy Pension Plan were \$1,474,474, which is 9.04 percent of pensionable payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension Assets.* At June 30, 2015, the McNairy County School Department reported an asset of \$69,740 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The McNairy County School Department’s proportion of the net pension asset was based on McNairy County School Department’s employer contributions to the pension plan during the year ended June 30, 2014, relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014, measurement date, the McNairy County School Department’s proportion was .429186 percent. The proportion measured as of June 30, 2013, was .432630 percent.

*Pension Income.* For the year ended June 30, 2015, the McNairy County School Department recognized a pension income of \$67,907.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2015, the McNairy County School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 169,313	\$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	5,746,195
Changes in proportion of Net Pension Liability (Asset) LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	0	48,573
	<u>1,474,474</u>	<u>N/A</u>
Total	<u>\$ 1,643,787</u>	<u>\$ 5,794,768</u>

The McNairy County School Department's employer contributions of \$1,474,474 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ (1,416,426)
2017	(1,416,426)
2018	(1,416,426)
2019	(1,416,426)
2020	20,123
Thereafter	20,123

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

*Actuarial Assumptions.* The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates are customized based on the June 30, 2012, actuarial experience study and some included adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the

TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	6.46 %	33 %
International Equity Emerging Market	6.26	17
International Equity Private Equity and Strategic Lending	6.40	5
U.S. Fixed Income Real Estate	4.61	8
Short-term Securities	0.98	29
	4.73	7
	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the four factors described above.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate.* The following presents McNairy County School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what McNairy County School Department's proportionate share of the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	\$ 11,762,568	\$ (69,740)	\$ (9,865,610)

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

**H. Other Postemployment Benefits (OPEB)**

Plan Description

The McNairy County Highway Department and the McNairy County School Department participate in the state-administered Local Government Group Insurance Plan and 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 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. The School Department makes a contribution toward the health insurance premium of the group medical plan for certified employees who retire with at least ten years of service, participate in the Tennessee Consolidated Retirement System, and have been covered under the group medical plan prior to retirement. Currently, 61 school retirees meet those eligibility requirements, and all chose to participate during the fiscal year. The School Department contributes from 11 to 15 percent of the premium for each eligible retiree and their dependents based on a value calculated from the retiree's years of service and a percentage of the premium. The calculated annual amount is allocated to each eligible retiree and used to pay the health insurance premium monthly until the amount is exhausted, the retiree reaches Medicare eligibility, or is deceased. Retirees' contributions vary depending on which option they select. During the year ended June 30, 2015, the McNairy County Highway Department and the discretely presented School Department contributed \$3,602 and \$295,830, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
	<u>          </u>	<u>          </u>
ARC	\$ 282,000	\$ 6,000
Interest on the NOPEBO	39,771	2,138
Adjustment to the ARC	(38,747)	(2,083)
Annual OPEB cost	<u>\$ 283,024</u>	<u>\$ 6,055</u>
Less: Amount of contribution	<u>(295,830)</u>	<u>(3,602)</u>
Increase/decrease in NOPEBO	\$ (12,806)	\$ 2,453
Net OPEB obligation, 7-1-14	<u>994,282</u>	<u>53,441</u>
Net OPEB obligation, 6-30-15	<u><u>\$ 981,476</u></u>	<u><u>\$ 55,894</u></u>

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-13	Local Education Group	\$ 460,856	61%	\$ 1,049,965
6-30-14	"	274,082	120	994,282
6-30-15	"	283,024	105	981,476
6-30-13	Local Government Group	8,895	25	49,302
6-30-14	"	5,051	18	53,441
6-30-15	"	6,055	59	55,894

### Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-13	7-1-13
Actuarial accrued liability (AAL)	\$ 2,432,000	\$ 32,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 2,432,000	\$ 32,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 20,862,065	\$ 682,161
UAAL as a % of covered payroll	12%	5%

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, 2013, actuarial valuation for the Local Government Group and the Local Education 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 health care cost trend rate of seven percent for fiscal year 2015. The trend rate will decrease to 6.5 percent in 2016, and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. 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 July 1, 2007.

**I. Purchasing Laws**

**Office of County Mayor**

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

**Office of 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.

**VI. OTHER NOTES – DISCRETELY PRESENTED McNAIRY COUNTY AIRPORT AUTHORITY**

**A. General Information**

**1. GASB Conformity**

The McNairy County Airport Authority complies with generally accepted accounting principles (GAAP). GAAP includes all relevant

Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

**2. Financial Reporting Entity**

The authority is a component unit of McNairy County, Tennessee, and is governed by a board of directors appointed by the county government. The authority is responsible for financing, developing, and operating McNairy County's public airport. The McNairy County Commission approves the operating budget of the authority and has provided regular operating subsidies to the authority in the past.

**3. Fund Accounting**

The accounts of the authority are organized on the basis of funds. The operations of funds are accounted for with a separate set of self-balancing accounts that comprise their assets, liabilities, fund equity, revenues, and expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The accounts in the financial statements in this report fall under one broad category as follows:

**Proprietary Funds**

Enterprise Funds – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**B. Summary of Significant Accounting Policies**

**1. Basis of Accounting**

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

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recognized when earned, and expenses are recognized when incurred. The authority has defined nonoperating revenues to be revenues that are not generated from daily operations. Capital contributions are nonoperating revenues.

**2. Capital Assets**

All capital assets of the authority are recorded at original cost. Expenses that materially increase values or capacities, or extend useful lives of these assets, are capitalized while expenses for maintenance and repairs are charged to operations as incurred. Gains and losses from the sale of capital assets are reflected in operations, and the asset accounts and related allowances for depreciation are reduced. These depreciable capital assets are being depreciated over various estimated useful lives on a straight-line basis. Any interest incurred in preparing or acquiring a capital asset for use is included in its cost. The authority has not adopted a capitalization threshold policy.

**3. Cash Equivalents**

Cash and cash equivalents include demand deposit accounts. Restricted cash consists of deposits held in an escrow account to fund the authority's local matching requirement for the ongoing authority grant projects and deposits in other local bank accounts for the retainage due on several projects.

**4. Inventory**

Inventory consists of fuel. Cost is determined using the first-in first-out method.

**C. Cash and Investments**

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. government or government agency securities, certain State of Tennessee or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the authority must have a written collateral agreement approved by the board of directors or loan committee.

The authority's investment policies are governed by state statute. Permissible investments include direct obligations of the U.S. government and agency securities, certificates of deposit, and savings accounts. Collateral is required for demand deposits, certificates of deposit, and repurchase agreements at 105 percent of all amounts not covered by federal deposit insurance.

**Custodial Credit Risk.** Custodial credit risk is the risk that in the event of a bank failure, the authority's deposits may not be returned to it. The authority requires any bank deposits to be insured by the Federal Deposit Insurance Corporation (FDIC), and any deposit in excess of FDIC coverage shall be collateralized by acceptable securities pledged for said purpose and an agreement between the bank of deposit and the authority shall be executed. As of June 30, 2015, the authority's bank balances were not exposed to custodial credit risk because they were insured and collateralized.

The authority also has \$31,578 in an escrow account with the State of Tennessee.

**D. Capital Assets**

Capital assets activity for the year ended June 30, 2015, was as follows:

Description	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated:				
Land	\$ 91,331	\$ 0	\$	\$ 91,331
Construction in Progress	1,231,376	451,694	1,075,900	607,170
Total Capital Assets Not Depreciated	\$ 1,322,707	\$ 451,694	\$ 1,075,900	\$ 698,501
Capital Assets Depreciated:				
Airport	\$ 3,531,806	\$ 1,309,066	\$ 0	\$ 4,840,872
Building	196,238	0	0	196,238
Equipment	216,104	0	0	216,104
Vehicles	14,880	0	0	14,880
Total Capital Assets Depreciated	\$ 3,959,028	\$ 1,309,066	\$ 0	\$ 5,268,094
Less Accumulated Depreciation For:				
Airport	\$ 1,626,195	\$ 134,428	\$ 0	\$ 1,760,623
Building	57,237	4,906	0	62,143
Equipment	173,536	10,600	0	184,136
Vehicles	14,880	0	0	14,880
Total Accumulated Depreciation	\$ 1,871,848	\$ 149,934	\$ 0	\$ 2,021,782
Total Capital Assets, Net	\$ 3,409,887	\$ 1,610,826	\$ 1,075,900	\$ 3,944,813

**E. Long-term Debt**

**1. Description of Individual Debt Outstanding**

Summarized below is the authority's individual note issue outstanding at year end:

	Amount Outstanding 6-30-15	Interest Rate	Current Principal Requirement 6-30-15
Capital Outlay Note	\$ 135,192	6.38%	\$ 14,729

**2. Summary of Principal and Interest Requirements – All Debt**

Year Ending June 30	Principal	Interest	Total
2016	\$ 14,729	\$ 6,486	\$ 21,215
2017	15,480	5,736	21,216
2018	16,268	4,947	21,215
2019	17,097	4,118	21,215
2020	17,968	3,247	21,215
2021-2023	53,650	4,070	57,720
Total	\$ 135,192	\$ 28,604	\$ 163,796
Less:			
Payable Within One Year	(14,729)	(6,486)	(21,215)
Due After One Year	\$ 120,463	\$ 22,118	\$ 142,581

**3. Changes in Outstanding Debt**

	Balance 7-1-14	Reductions	Balance 6-30-15
Capital Outlay Note	\$ 149,110	\$ (13,918)	\$ 135,192

**F. Risk Management**

The authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Settled claims have not exceeded this commercial coverage in any of the past three years.

## **G. Net Position Flow Assumption**

Sometimes the authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which resources are considered applied. It is the authority's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Net position is displayed in three components:

1. Net investment in capital assets – 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 improvements of those assets.
2. Restricted net position – Consists of net position 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.
3. Unrestricted net position – All other net position that does not meet the definition of restricted or net investment in capital assets.

## **H. Unearned Revenues – Rent**

The hospital prepaid hangar rent for 15 years to aid in construction of a new hangar. The authority has recorded the appropriate amount as unearned rent and is recognizing the rent revenue as it is earned.

## **I. Construction and Other Significant Commitments**

The authority has significant commitments on three construction projects.

The first is a fuel farm project. This project has estimated costs of \$570,000. It is to be funded with \$541,500 from grant funds and \$28,500 from the authority's local share, which is in an escrow account with the state as of June 30, 2015. The authority had \$516,770 recorded as construction in progress for this project at June 30, 2015.

The second is an updated ALP and Property Map project. This project has estimated costs of \$98,000. It is to be funded with \$93,100 from grant funds and \$4,900 from the authority's local share, which is in an escrow account

with the state as of June 30, 2015. The authority had \$90,400 recorded as construction in progress for this project at June 30, 2015.

The third is an airport lighting project. It is to be funded with \$452,200 from grant funds and \$23,800 from the authority's local share, which is in an escrow account with the state as of June 30, 2015. The authority had not recorded any construction in progress for this project at June 30, 2015.

**VII. OTHER NOTES – DISCRETELY PRESENTED McNAIRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**A. General Information**

McNairy County Emergency Communications District provides 911 emergency assistance to persons living in McNairy County. The district is a component unit of McNairy County. Accordingly, this financial data is incorporated into the county's financial statements. In addition, the district must obtain approval by the McNairy County Commission before the issuance of long-term debt. McNairy County and the cities of Selmer, Adamsville, and Bethel Springs provide funding for the dispatchers' salaries in exchange for dispatching services provided by the district.

**B. Summary of Significant Accounting Policies**

**1. Basis of Presentation**

The accounts of the district are organized on the basis of funds. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses, as appropriate. The accounts in the financial statements in this report fall under one broad fund category as follows:

**Proprietary Fund:**

Enterprise Fund – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis can be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**2. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**3. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position**

**Cash and Cash Equivalents**

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

**Receivables**

Receivables consist of all revenues earned at year-end and not yet received. Balances reported at year-end consist of dispatching revenue due from the county and the city, which are reposted as due from other governments.

**Capital Assets**

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

### **Compensated Absences**

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

### **Operating Revenues and Expenses**

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

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The district has items that qualify for reporting in this category. Accordingly, the items are reported in the enterprise fund balance sheet. These items are for employer contributions made to the pension plan after the measurement date.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The district has items that qualify for reporting in this category. Accordingly, the items are reported in the enterprise fund balance sheet. These items are for pension changes in experience and investment earnings. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

### **Net Position Flow Assumption**

Sometimes the district will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the district's policy to

consider restricted net position to have been depleted before unrestricted net position is applied.

### **Net Position**

In the district's financial statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation.
- b. Restricted net position – Consists of net position 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 position – All other net position that does not meet the definition of restricted or net investment in capital assets.

### **Restatement**

In prior years, the district was not required to recognize a liability for its defined benefit pension plan. However, with the implementation of GASB Statement No. 68, government employers are required to recognize a new pension liability in their Statement of Net Position. Therefore, a restatement decreasing the district's beginning net position has been recognized in the Statement of Revenues, Expenses, and Changes in Net Position totaling \$42,954.

#### **4. Pension Plan**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the district's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the district's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

**C. Revenues**

Revenues are derived from telephone customers in the area served by the district. Through December 2014, telephone companies collected the fees on the monthly telephone bills and remitted them to the district. Beginning January 2015, the telephone companies remitted these fees to the State of Tennessee. The State of Tennessee then remits a base amount to the district. Revenues are also derived from wireless charges from cellular phone fees. Through December 2014, the State of Tennessee collected these fees and remitted them to the district bimonthly. Beginning January 2015, the State of Tennessee remitted a base amount to the district, which included these fees in their calculation.

**D. Risk Management**

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

**E. Pension Plan**

**General Information About the Pension Plan**

*Plan Description.* Employees of the district are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8 Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits Provided.* TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available to vested members at age 55. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and

include projected service credits. A variety of death benefits is available under various eligibility criteria.

Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

*Employees Covered by Benefit Terms.* At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently	
Receiving Benefits	3
Inactive Employees Entitled to But Not Yet Receiving	
Benefits	8
Active Employees	<u>8</u>
 Total	 <u><u>19</u></u>

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. The district makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for the district were \$10,904 based on a rate of 5.31 percent of pensionable payroll. By law, employer contributions are required to be paid. The TCRS may intercept the district's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability (Asset)**

The district's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial Assumptions.* The total pension liability as of the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study, adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	6.46 %	33 %
International Equity Emerging Market	6.26	17
International Equity Private Equity and Strategic Lending	6.40	5
U.S. Fixed Income	4.61	8
Real Estate	0.98	29
Short-term Securities	4.73	7
	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from the district will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the Net Pension Liability (Asset)**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2013	\$ 385,287	\$ 333,741	\$ 51,546
Changes for the Year:			
Service Cost	\$ 16,956	\$ 0	\$ 16,956
Interest	29,302	0	29,302
Differences Between Expected and Actual Experience	(13,048)	0	(13,048)
Contributions-Employer	0	8,592	(8,592)
Contributions-Employees	0	12,102	(12,102)
Net Investment Income	0	54,980	(54,980)
Benefit Payments, Including Refunds of Employee Contributions	(23,109)	(23,109)	0
Administrative Expense	0	(353)	353
Net Changes	\$ 10,101	\$ 52,212	\$ (42,111)
Balance, June 30, 2014	\$ 395,388	\$ 385,953	\$ 9,435

*Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate.* The following presents the net pension liability (asset) of the district calculated using the discount rate of 7.5 percent, as well as what the net pension liability would be if it was calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease	Current Discount Rate 7.5%	1% Increase
McNairy County Emergency Communications District	6.5%	7.5%	8.5%
Net Pension Liability (Asset) \$	60,656 \$	9,435 \$	(32,024)

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions**

*Pension Expense.* For the year ended June 30, 2015, the district recognized pension expense of \$1,396.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2015, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 0	\$ 10,873
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	24,042
Contributions Subsequent to the Measurement Date of June 30, 2014 (1)	<u>10,904</u>	<u>N/A</u>
Total	<u>\$ 10,904</u>	<u>\$ 34,915</u>

The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2014,” will be recognized as a reduction (increase) to net pension liability in the following measurement period.

Amounts reported as deferred outflows of resources, with the exception of contributions after the measurement date, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ (8,186)
2017	(8,186)
2018	(8,186)
2019	(8,186)
2020	(2,171)
Thereafter	0

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

*Payable to the Pension Plan.* At June 30, 2015, the district reported a payable of \$2,012 for the outstanding amount of required contributions to the pension plan.

**F. Capital Assets**

Capital assets activity for the year ended June 30, 2015, was as follows:

<u>Capital Assets</u>	Balance 7-1-14	Increases	Balance 6-30-15
Capital Assets Depreciated:			
Equipment	\$ 418,024	\$ 46,062	\$ 464,086
Improvements	134,923	0	134,923
Maps	84,644	0	84,644
Total Capital Assets			
Depreciated	<u>\$ 637,591</u>	<u>\$ 46,062</u>	<u>\$ 683,653</u>
Less Accumulated Depreciation For:			
Equipment	\$ 143,506	\$ 37,295	\$ 180,801
Improvements	10,119	6,746	16,865
Maps	36,706	16,929	53,635
Total Accumulated Depreciation	<u>\$ 190,331</u>	<u>\$ 60,970</u>	<u>\$ 251,301</u>
Total Capital Assets			
Depreciated, Net	<u>\$ 447,260</u>	<u>\$ (14,908)</u>	<u>\$ 432,352</u>
Total Capital Assets, Net	<u>\$ 447,260</u>	<u>\$ (14,908)</u>	<u>\$ 432,352</u>

Depreciation expense of \$60,970 was recorded by the district.

**G. Stewardship, Compliance, and Accountability**

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

**1. Deposits and Investments**

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

For deposits and investments, custodial credit risk is the risk that, in the event of a bank failure, district deposits may not be returned to it. The district does not have a policy regarding custodial credit risk for deposits. Collateral is required for demand deposits and certificates of deposit at 105 percent of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are

obligations of the United States and its agencies and obligations of the State of Tennessee and its subdivisions. The district's deposits at year-end were exposed to custodial credit risk due to \$126,854 exceeding federal depository insurance and pledged collateral.

**2. Budget Appropriations**

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

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

**3. Travel Policy**

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

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

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

**H. Estimates and Assumptions**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**I. Accounting Changes**

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment to GASB No. 68*, became effective for the year ended June 30, 2015.

GASB Statement No. 68 replaces the requirements of GASB Statements No. 27 and No. 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pension plans that are not covered by the scope of this statement. This statement establishes standards for measuring and recognizing liabilities, deferred outflows/inflows, and expenses/expenditures.

GASB Statement No. 71 addresses issues related to contributions made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

**J. Operating Leases**

The district entered into an operating lease with the Town of Selmer and McNairy County for the use of the building in which they operate. This lease is for as long as the building is used by the district for a dispatch office. The rental agreement has a cancellation policy of 60 days' notice. Rental expenses for the year were \$1,311 for a copier operating lease.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E-1

McNairy County, Tennessee  
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on  
Participation in the Public Employee Pension Plan of TCRS  
Primary Government  
For the Fiscal Year Ended June 30

	<u>2014</u>
<b>Total Pension Liability (Asset)</b>	
Service Cost	\$ 517,696
Interest	999,235
Differences Between Actual and Expected Experience	(236,568)
Benefit Payments, Including Refunds of Employee Contributions	<u>(472,435)</u>
Net Change in Total Pension Liability (Asset)	\$ 807,928
Total Pension Liability (Asset), Beginning	<u>13,041,657</u>
Total Pension Liability (Asset), Ending (a)	<u>\$ 13,849,585</u>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 380,365
Contributions - Employee	372,182
Net Investment Income	2,103,796
Benefit Payments, Including Refunds of Employee Contributions	(472,435)
Administrative Expense	<u>(13,617)</u>
Net Change in Plan Fiduciary Net Position	\$ 2,370,291
Plan Fiduciary Net Position, Beginning	<u>12,558,589</u>
Plan Fiduciary Net Position, Ending (b)	<u>\$ 14,928,880</u>
Net Pension Liability (Asset), Ending (a - b)	<u><u>\$ (1,079,295)</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	107.79%
Covered Employee Payroll	\$ 7,443,631
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	14.50%

Note: ten years of data will be presented when available.

Note: data presented includes primary government and discretely presented non-certified employees of the School Department.

Exhibit E-2

McNairy County, Tennessee  
Schedule of Contributions Based on Participation in the Public  
Employee Pension Plan of TCRS  
Primary Government  
For the Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 380,365	\$ 397,134
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(380,365)</u>	<u>(397,134)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 7,443,631	\$ 8,045,324
Contributions as a Percentage of Covered Employee Payroll	5.11%	4.94%

Note: ten years of data will be presented when available.

Note: data presented includes primary government and discretely presented non-certified employees of the School Department.

Exhibit E-3

McNairy County, Tennessee  
Schedule of Contributions Based on Participation in the Teacher  
Retirement Plan of TCRS  
Discretely Presented McNairy County School Department  
For the Fiscal Year Ended June 30

	<u>2015</u>
Actuarially Determined Contribution	\$ 19,627
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(31,529)</u>
Contribution Deficiency (Excess)	<u>\$ (11,902)</u>
Covered Employee Payroll	\$ 788,225
Contributions as a Percentage of Covered Employee Payroll	4.00%

Note: ten years of data will be presented when available.

Exhibit E-4

McNairy County, Tennessee  
Schedule of Contributions Based on Participation in the Teacher  
Legacy Pension Plan of TCRS  
Discretely Presented McNairy County School Department  
For the Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 1,495,882	\$ 1,474,474
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(1,495,882)</u>	<u>(1,474,474)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 16,845,521	\$ 15,145,110
Contributions as a Percentage of Covered Employee Payroll	8.88%	9.74%

Note: ten years of data will be presented when available.

Exhibit E-5

McNairy County, Tennessee  
Schedule of Proportionate Share of the Net Pension Asset  
in the Teacher Legacy Pension Plan of TCRS  
Discretely Presented McNairy County School Department  
For the Fiscal Year Ended June 30 \*

	<u>2014</u>
School Department's Proportion of the Net Pension Asset	0.429186%
School Department's Proportionate Share of the Net Pension Asset	\$ 69,740
Covered Employee Payroll	\$ 16,845,521
School Department's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Employee Payroll	0.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%

\* The amounts presented were determined as of June 30 of the prior fiscal year.

Note: ten years of data will be presented when available.

Exhibit E-6

McNairy County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plans  
Primary Government and Discretely Presented McNairy County School Department  
June 30, 2015

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (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	7-1-10	\$ 0	\$ 71	\$ 71	0%	\$ 587	12%
"	7-1-11	0	53	53	0	589	9
"	7-1-13	0	32	32	0	682	5
<u>DISCRETELY PRESENTED McNAIRY COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-10	0	5,269	5,269	0	19,990	26
"	7-1-11	0	4,186	4,186	0	20,804	20
"	7-1-13	0	2,432	2,432	0	20,862	12

**McNAIRY COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2015**

**TENNESSEE CONSOLIDATED RETIREMENT SYSTEM**

*Valuation Date:* Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level Dollar, Closed (Not to Exceed 20 Years)
Remaining Amortization Period	One Year
Asset Valuation	10-Year Smoothed Within a 20% Corridor to Market Value
Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Investment Expense, Including Inflation
Retirement Age	Pattern of Retirement Determined by Experience Study
Mortality	Customized Table Based on Actual Experience Including an Adjustment for Some Anticipated Improvement

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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 of deeds, 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, 2015

	Special Revenue Funds				
	Law Library	Special Purpose	Drug Control	Constitu- tional Officers - Fees	Total
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 403	\$ 403
Equity in Pooled Cash and Investments	4,965	57,857	117,342	0	180,164
Total Assets	<u>\$ 4,965</u>	<u>\$ 57,857</u>	<u>\$ 117,342</u>	<u>\$ 403</u>	<u>\$ 180,567</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 0	\$ 2,823	\$ 173	\$ 0	\$ 2,996
Payroll Deductions Payable	0	38	0	0	38
Cash Overdraft	0	0	0	0	0
Due to Other Funds	0	0	0	403	403
Total Liabilities	<u>\$ 0</u>	<u>\$ 2,861</u>	<u>\$ 173</u>	<u>\$ 403</u>	<u>\$ 3,437</u>
<u>FUND BALANCES</u>					
Restricted:					
Restricted for Public Safety	\$ 0	\$ 0	\$ 117,169	\$ 0	\$ 117,169
Restricted for Social, Cultural, and Recreational Services	4,965	0	0	0	4,965
Committed:					
Committed for General Government	0	54,996	0	0	54,996
Unassigned	0	0	0	0	0
Total Fund Balances	<u>\$ 4,965</u>	<u>\$ 54,996</u>	<u>\$ 117,169</u>	<u>\$ 0</u>	<u>\$ 177,130</u>
Total Liabilities and Fund Balances	<u>\$ 4,965</u>	<u>\$ 57,857</u>	<u>\$ 117,342</u>	<u>\$ 403</u>	<u>\$ 180,567</u>

(Continued)

Exhibit F-1

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

	<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Community Development/ Industrial Park</u>	
<u>ASSETS</u>		
Cash	\$ 0	\$ 403
Equity in Pooled Cash and Investments	0	180,164
Total Assets	<u>\$ 0</u>	<u>\$ 180,567</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 0	\$ 2,996
Payroll Deductions Payable	0	38
Cash Overdraft	1,534	1,534
Due to Other Funds	0	403
Total Liabilities	<u>\$ 1,534</u>	<u>\$ 4,971</u>
<u>FUND BALANCES</u>		
Restricted:		
Restricted for Public Safety	\$ 0	\$ 117,169
Restricted for Social, Cultural, and Recreational Services	0	4,965
Committed:		
Committed for General Government	0	54,996
Unassigned	(1,534)	(1,534)
Total Fund Balances	<u>\$ (1,534)</u>	<u>\$ 175,596</u>
Total Liabilities and Fund Balances	<u>\$ 0</u>	<u>\$ 180,567</u>

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, 2015

	Special Revenue Funds					Total
	Law Library	Special Purpose	Drug Control	Constitu- tional Officers - Fees		
<u>Revenues</u>						
Local Taxes	\$ 2,760	\$ 0	\$ 0	\$ 0	\$	2,760
Fines, Forfeitures, and Penalties	0	0	22,843	0		22,843
Charges for Current Services	0	0	0	6,170		6,170
Other Local Revenues	0	125,258	25,279	0		150,537
Total Revenues	<u>\$ 2,760</u>	<u>\$ 125,258</u>	<u>\$ 48,122</u>	<u>\$ 6,170</u>	<u>\$</u>	<u>182,310</u>
<u>Expenditures</u>						
Current:						
General Government	\$ 0	\$ 95,709	\$ 0	\$ 0	\$	95,709
Administration of Justice	0	0	0	6,170		6,170
Public Safety	0	0	99,685	0		99,685
Social, Cultural, and Recreational Services	2,381	0	0	0		2,381
Agriculture and Natural Resources	0	0	0	0		0
Other Operations	0	1,348	0	0		1,348
Debt Service:						
Principal on Debt	0	0	17,163	0		17,163
Interest on Debt	0	0	4,777	0		4,777
Total Expenditures	<u>\$ 2,381</u>	<u>\$ 97,057</u>	<u>\$ 121,625</u>	<u>\$ 6,170</u>	<u>\$</u>	<u>227,233</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 379</u>	<u>\$ 28,201</u>	<u>\$ (73,503)</u>	<u>\$ 0</u>	<u>\$</u>	<u>(44,923)</u>

(Continued)

Exhibit F-2

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

	Special Revenue Funds				
	Law Library	Special Purpose	Drug Control	Constitu- tional Officers - Fees	Total
<u>Other Financing Sources (Uses)</u>					
Capital Leases Issued	\$ 0	\$ 0	\$ 61,043	\$ 0	\$ 61,043
Transfers Out	0	(52,165)	0	0	(52,165)
Total Other Financing Sources (Uses)	\$ 0	\$ (52,165)	\$ 61,043	\$ 0	\$ 8,878
Net Change in Fund Balances	\$ 379	\$ (23,964)	\$ (12,460)	\$ 0	\$ (36,045)
Fund Balance, July 1, 2014	4,586	78,960	129,629	0	213,175
Fund Balance, June 30, 2015	\$ 4,965	\$ 54,996	\$ 117,169	\$ 0	\$ 177,130

(Continued)

Exhibit F-2

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

	<u>Capital</u> <u>Projects Fund</u>	Total Nonmajor Governmental Funds
	Community Development/ Industrial Park	
<u>Revenues</u>		
Local Taxes	\$ 0	\$ 2,760
Fines, Forfeitures, and Penalties	0	22,843
Charges for Current Services	0	6,170
Other Local Revenues	0	150,537
Total Revenues	<u>\$ 0</u>	<u>\$ 182,310</u>
<u>Expenditures</u>		
Current:		
General Government	\$ 0	\$ 95,709
Administration of Justice	0	6,170
Public Safety	0	99,685
Social, Cultural, and Recreational Services	0	2,381
Agriculture and Natural Resources	5,986	5,986
Other Operations	0	1,348
Debt Service:		
Principal on Debt	0	17,163
Interest on Debt	0	4,777
Total Expenditures	<u>\$ 5,986</u>	<u>\$ 233,219</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (5,986)</u>	<u>\$ (50,909)</u>

(Continued)

Exhibit F-2

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

	<u>Capital Projects Fund</u>	Total Nonmajor Governmental Funds
	Community Development/ Industrial Park	
<u>Other Financing Sources (Uses)</u>		
Capital Leases Issued	\$ 0	\$ 61,043
Transfers Out	0	(52,165)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 8,878</u>
Net Change in Fund Balances	\$ (5,986)	\$ (42,031)
Fund Balance, July 1, 2014	<u>4,452</u>	<u>217,627</u>
Fund Balance, June 30, 2015	<u>\$ (1,534)</u>	<u>\$ 175,596</u>

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,760	\$ 3,400	\$ 3,400	\$ (640)
Total Revenues	\$ 2,760	\$ 3,400	\$ 3,400	\$ (640)
<u>Expenditures</u>				
<u>Social, Cultural, and Recreational Services</u>				
Libraries	\$ 2,381	\$ 3,340	\$ 3,340	\$ 959
Total Expenditures	\$ 2,381	\$ 3,340	\$ 3,340	\$ 959
Excess (Deficiency) of Revenues Over Expenditures	\$ 379	\$ 60	\$ 60	\$ 319
Net Change in Fund Balance	\$ 379	\$ 60	\$ 60	\$ 319
Fund Balance, July 1, 2014	4,586	2,138	2,138	2,448
Fund Balance, June 30, 2015	\$ 4,965	\$ 2,198	\$ 2,198	\$ 2,767

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 125,258	\$ 125,258	\$ 125,258	\$ 0
Total Revenues	\$ 125,258	\$ 125,258	\$ 125,258	\$ 0
<u>Expenditures</u>				
<u>General Government</u>				
Other Facilities	\$ 95,709	\$ 103,922	\$ 103,922	\$ 8,213
<u>Other Operations</u>				
Employee Benefits	1,348	1,709	1,709	361
Total Expenditures	\$ 97,057	\$ 105,631	\$ 105,631	\$ 8,574
Excess (Deficiency) of Revenues Over Expenditures	\$ 28,201	\$ 19,627	\$ 19,627	\$ 8,574
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (52,165)	\$ 0	\$ 0	\$ (52,165)
Total Other Financing Sources	\$ (52,165)	\$ 0	\$ 0	\$ (52,165)
Net Change in Fund Balance	\$ (23,964)	\$ 19,627	\$ 19,627	\$ (43,591)
Fund Balance, July 1, 2014	78,960	111,362	111,362	(32,402)
Fund Balance, June 30, 2015	\$ 54,996	\$ 130,989	\$ 130,989	\$ (75,993)

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 22,843	\$ 69,000	\$ 69,000	\$ (46,157)
Other Local Revenues	25,279	5,000	5,000	20,279
Total Revenues	<u>\$ 48,122</u>	<u>\$ 74,000</u>	<u>\$ 74,000</u>	<u>\$ (25,878)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 99,685	\$ 69,000	\$ 108,103	\$ 8,418
<u>Principal on Debt</u>				
General Government	17,163	0	17,163	0
<u>Interest on Debt</u>				
General Government	4,777	0	4,777	0
Total Expenditures	<u>\$ 121,625</u>	<u>\$ 69,000</u>	<u>\$ 130,043</u>	<u>\$ 8,418</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (73,503)</u>	<u>\$ 5,000</u>	<u>\$ (56,043)</u>	<u>\$ (17,460)</u>
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 61,043	0	\$ 61,043	0
Total Other Financing Sources	<u>\$ 61,043</u>	<u>0</u>	<u>\$ 61,043</u>	<u>0</u>
Net Change in Fund Balance	\$ (12,460)	\$ 5,000	\$ 5,000	\$ (17,460)
Fund Balance, July 1, 2014	<u>129,629</u>	<u>80,210</u>	<u>80,210</u>	<u>49,419</u>
Fund Balance, June 30, 2015	<u>\$ 117,169</u>	<u>\$ 85,210</u>	<u>\$ 85,210</u>	<u>\$ 31,959</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

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 903,157	\$ 894,270	\$ 894,270	\$ 8,887
Other Local Revenues	40,815	40,000	40,000	815
Other Governments and Citizens Groups	1,106,350	0	1,106,350	0
Total Revenues	<u>\$ 2,050,322</u>	<u>\$ 934,270</u>	<u>\$ 2,040,620</u>	<u>\$ 9,702</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 275,730	\$ 716,521	\$ 276,555	\$ 825
Highways and Streets	265,090	0	265,090	0
Education	1,125,149	975,000	1,125,149	0
<u>Interest on Debt</u>				
General Government	64,067	136,531	64,068	1
Highways and Streets	56,893	0	56,893	0
Education	166,618	112,600	166,618	0
<u>Other Debt Service</u>				
General Government	18,294	1,302	25,272	6,978
Highways and Streets	382	0	382	0
Education	830	0	830	0
Total Expenditures	<u>\$ 1,973,053</u>	<u>\$ 1,941,954</u>	<u>\$ 1,980,857</u>	<u>\$ 7,804</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 77,269</u>	<u>\$ (1,007,684)</u>	<u>\$ 59,763</u>	<u>\$ 17,506</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 1,106,350	\$ 0	\$ 0
Total Other Financing Sources	<u>\$ 0</u>	<u>\$ 1,106,350</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 77,269	\$ 98,666	\$ 59,763	\$ 17,506
Fund Balance, July 1, 2014	<u>3,947,599</u>	<u>3,337,190</u>	<u>3,337,190</u>	<u>610,409</u>
Fund Balance, June 30, 2015	<u>\$ 4,024,868</u>	<u>\$ 3,435,856</u>	<u>\$ 3,396,953</u>	<u>\$ 627,915</u>

# 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 of deeds, 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, 2015

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 637,635	\$ 637,635
Accounts Receivable	0	701	701
Due from Other Governments	353,476	0	353,476
Cash Shortage	0	6,441	6,441
Total Assets	<u>\$ 353,476</u>	<u>644,777</u>	<u>\$ 998,253</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 353,476	\$ 0	\$ 353,476
Due to Litigants, Heirs, and Others	0	644,777	644,777
Total Liabilities	<u>\$ 353,476</u>	<u>\$ 644,777</u>	<u>\$ 998,253</u>

Exhibit H-2

McNairy County, Tennessee  
Combining Statement of Changes in Assets and Liabilities - All Agency Funds  
For the Year Ended June 30, 2015

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,872,133	\$ 1,872,133	\$ 0
Due from Other Governments	282,851	353,476	282,851	353,476
Total Assets	\$ 282,851	\$ 2,225,609	\$ 2,154,984	\$ 353,476
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 282,851	\$ 2,225,609	\$ 2,154,984	\$ 353,476
Total Liabilities	\$ 282,851	\$ 2,225,609	\$ 2,154,984	\$ 353,476
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 783,361	\$ 3,903,013	\$ 4,048,739	\$ 637,635
Accounts Receivable	514	701	514	701
Cash Shortage	6,441	0	0	6,441
Total Assets	\$ 790,316	\$ 3,903,714	\$ 4,049,253	\$ 644,777
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 790,316	\$ 3,903,714	\$ 4,049,253	\$ 644,777
Total Liabilities	\$ 790,316	\$ 3,903,714	\$ 4,049,253	\$ 644,777
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 783,361	\$ 3,903,013	\$ 4,048,739	\$ 637,635
Equity in Pooled Cash and Investments	0	1,872,133	1,872,133	0
Accounts Receivable	514	701	514	701
Due from Other Governments	282,851	353,476	282,851	353,476
Cash Shortage	6,441	0	0	6,441
Total Assets	\$ 1,073,167	\$ 6,129,323	\$ 6,204,237	\$ 998,253
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 282,851	\$ 2,225,609	\$ 2,154,984	\$ 353,476
Due to Litigants, Heirs, and Others	790,316	3,903,714	4,049,253	644,777
Total Liabilities	\$ 1,073,167	\$ 6,129,323	\$ 6,204,237	\$ 998,253

# 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, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Total Governmental Activities
Governmental Activities:				
Instruction	\$ 22,020,808	\$ 612,839	\$ 2,314,909	\$ (19,093,060)
Support Services	8,115,189	66,180	326,827	(7,722,182)
Operation of Non-instructional Services	3,671,002	12,443	1,562,998	(2,095,561)
Total Governmental Activities	<u>\$ 33,806,999</u>	<u>\$ 691,462</u>	<u>\$ 4,204,734</u>	<u>\$ (28,910,803)</u>
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 4,047,470
Local Option Sales Taxes				2,138,430
Other Local Taxes				4,848
Grants and Contributions Not Restricted to Specific Programs				23,949,380
Unrestricted Investment Income				12,797
Miscellaneous				78,848
Pension Income				112,239
Total General Revenues				<u>\$ 30,344,012</u>
Change in Net Position				\$ 1,433,209
Net Position, July 1, 2014				14,728,119
Restatement - Pension Liability (See Note I.D.10)				<u>(5,695,514)</u>
Net Position, June 30, 2015				<u>\$ 10,465,814</u>

Exhibit I-2

McNairy County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented McNairy County School Department  
June 30, 2015

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,072,187	\$ 657,320	\$ 1,729,507
Accounts Receivable	2,389	0	2,389
Due from Other Governments	972,727	69,087	1,041,814
Property Taxes Receivable	4,270,867	0	4,270,867
Allowance for Uncollectible Property Taxes	(204,244)	0	(204,244)
Total Assets	<u>\$ 6,113,926</u>	<u>\$ 726,407</u>	<u>\$ 6,840,333</u>
<u>LIABILITIES</u>			
Payroll Deductions Payable	\$ 323	\$ 13,054	\$ 13,377
Cash Overdraft	0	21,435	21,435
Retainage Payable	41,446	0	41,446
Total Liabilities	<u>\$ 41,769</u>	<u>\$ 34,489</u>	<u>\$ 76,258</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 3,882,007	\$ 0	\$ 3,882,007
Deferred Delinquent Property Taxes	174,702	0	174,702
Other Deferred/Unavailable Revenue	204,900	0	204,900
Total Deferred Inflows of Resources	<u>\$ 4,261,609</u>	<u>\$ 0</u>	<u>\$ 4,261,609</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 57,541	\$ 12,652	\$ 70,193
Restricted for Operation of Non-instructional Services	0	644,266	644,266
Restricted for Capital Outlay	292,646	0	292,646
Assigned:			
Assigned for Education	0	35,000	35,000
Unassigned	1,460,361	0	1,460,361
Total Fund Balances	<u>\$ 1,810,548</u>	<u>\$ 691,918</u>	<u>\$ 2,502,466</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,113,926</u>	<u>\$ 726,407</u>	<u>\$ 6,840,333</u>

Exhibit I-3

McNairy County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
Discretely Presented McNairy County School Department  
June 30, 2015

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$	2,502,466
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	406,479	
Add: construction in progress		1,206,400	
Add: buildings and improvements net of accumulated depreciation		9,034,790	
Add: other capital assets net of accumulated depreciation		<u>1,766,663</u>	12,414,332
(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			(981,476)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.			
Add: deferred outflows of resources related to pensions	\$	1,903,478	
Less: deferred inflows of resources related to pensions		<u>(6,577,834)</u>	(4,674,356)
(4) Net pension assets are not current financial resources and therefore are not reported in governmental funds.			
Add: net pension asset - agent plan	\$	755,506	
Add: net pension asset - cost-sharing plan		<u>69,740</u>	825,246
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>379,602</u>
Net position of governmental activities (Exhibit A)			<u>\$ 10,465,814</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, 2015

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General	Other	Total
	Purpose	Govern-	Governmental
	School	mental	Funds
	Funds	Funds	Funds
<u>Revenues</u>			
Local Taxes	\$ 6,146,133	\$ 0	\$ 6,146,133
Licenses and Permits	2,946	0	2,946
Charges for Current Services	59,626	591,907	651,533
Other Local Revenues	108,688	56,289	164,977
State of Tennessee	23,561,964	226,300	23,788,264
Federal Government	43,508	4,268,602	4,312,110
Total Revenues	<u>\$ 29,922,865</u>	<u>\$ 5,143,098</u>	<u>\$ 35,065,963</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 19,939,767	\$ 1,650,694	\$ 21,590,461
Support Services	7,788,404	643,748	8,432,152
Operation of Non-instructional Services	703,113	2,930,403	3,633,516
Capital Outlay	730,451	0	730,451
Debt Service:			
Other Debt Service	1,106,350	0	1,106,350
Total Expenditures	<u>\$ 30,268,085</u>	<u>\$ 5,224,845</u>	<u>\$ 35,492,930</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (345,220)</u>	<u>\$ (81,747)</u>	<u>\$ (426,967)</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 18,612	\$ 0	\$ 18,612
Transfers In	21,202	0	21,202
Transfers Out	0	(21,202)	(21,202)
Total Other Financing Sources (Uses)	<u>\$ 39,814</u>	<u>\$ (21,202)</u>	<u>\$ 18,612</u>
Net Change in Fund Balances	\$ (305,406)	\$ (102,949)	\$ (408,355)
Fund Balance, July 1, 2014	2,115,954	794,867	2,910,821
Fund Balance, June 30, 2015	<u>\$ 1,810,548</u>	<u>\$ 691,918</u>	<u>\$ 2,502,466</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, 2015

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)		\$	(408,355)
(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	\$	807,094	
Less: current-year depreciation expense		<u>(886,746)</u>	(79,652)
(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, 2015	\$	379,602	
Less: deferred delinquent property taxes and other deferred June 30, 2014		<u>(317,596)</u>	62,006
(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	\$	12,806	
Change in net pension asset - agent plan		827,398	
Change in net pension asset - cost-sharing plan		5,693,362	
Change in deferred outflows related to pensions		1,903,478	
Change in deferred inflows related to pensions		<u>(6,577,834)</u>	<u>1,859,210</u>
Change in net position of governmental activities (Exhibit B)			<u>\$ 1,433,209</u>

Exhibit I-6

McNairy County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Discretely Presented McNairy County School Department  
June 30, 2015

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>School</u>	<u>Central</u>	<u>Nonmajor</u>
	<u>Federal</u>	<u>Cafeteria</u>	<u>Governmental</u>
	<u>Projects</u>		<u>Funds</u>
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 0	\$ 657,320	\$ 657,320
Due from Other Governments	69,087	0	69,087
Total Assets	<u>\$ 69,087</u>	<u>\$ 657,320</u>	<u>\$ 726,407</u>
<u>LIABILITIES</u>			
Payroll Deductions Payable	\$ 0	\$ 13,054	\$ 13,054
Cash Overdraft	21,435	0	21,435
Total Liabilities	<u>\$ 21,435</u>	<u>\$ 13,054</u>	<u>\$ 34,489</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 12,652	\$ 0	\$ 12,652
Restricted for Operation of Non-instructional Services	0	644,266	644,266
Assigned:			
Assigned for Education	35,000	0	35,000
Total Fund Balances	<u>\$ 47,652</u>	<u>\$ 644,266</u>	<u>\$ 691,918</u>
Total Liabilities and Fund Balances	<u>\$ 69,087</u>	<u>\$ 657,320</u>	<u>\$ 726,407</u>

Exhibit I-7

McNairy County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Discretely Presented McNairy County School Department  
For the Year Ended June 30, 2015

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>School</u>	<u>Central</u>	<u>Nonmajor</u>
	<u>Federal</u>	<u>Cafeteria</u>	<u>Governmental</u>
	<u>Projects</u>		<u>Funds</u>
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 591,907	\$ 591,907
Other Local Revenues	0	56,289	56,289
State of Tennessee	204,969	21,331	226,300
Federal Government	2,716,935	1,551,667	4,268,602
Total Revenues	<u>\$ 2,921,904</u>	<u>\$ 2,221,194</u>	<u>\$ 5,143,098</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,650,694	\$ 0	\$ 1,650,694
Support Services	643,748	0	643,748
Operation of Non-instructional Services	624,854	2,305,549	2,930,403
Total Expenditures	<u>\$ 2,919,296</u>	<u>\$ 2,305,549</u>	<u>\$ 5,224,845</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>\$ 2,608</u>	<u>\$ (84,355)</u>	<u>\$ (81,747)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (21,202)	\$ 0	\$ (21,202)
Total Other Financing Sources (Uses)	<u>\$ (21,202)</u>	<u>\$ 0</u>	<u>\$ (21,202)</u>
Net Change in Fund Balances	\$ (18,594)	\$ (84,355)	\$ (102,949)
Fund Balance, July 1, 2014	<u>66,246</u>	<u>728,621</u>	<u>794,867</u>
Fund Balance, June 30, 2015	<u>\$ 47,652</u>	<u>\$ 644,266</u>	<u>\$ 691,918</u>

Exhibit I-8

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 6,146,133	\$ 5,874,370	\$ 5,903,158	\$ 242,975
Licenses and Permits	2,946	2,500	2,700	246
Charges for Current Services	59,626	57,000	59,356	270
Other Local Revenues	108,688	47,500	107,233	1,455
State of Tennessee	23,561,964	23,536,615	23,784,074	(222,110)
Federal Government	43,508	0	43,508	0
<b>Total Revenues</b>	<b>\$ 29,922,865</b>	<b>\$ 29,517,985</b>	<b>\$ 29,900,029</b>	<b>\$ 22,836</b>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 16,982,143	\$ 17,066,007	\$ 17,175,716	\$ 193,573
Special Education Program	1,995,820	2,050,099	2,004,188	8,368
Vocational Education Program	934,127	930,540	936,525	2,398
Adult Education Program	27,677	29,612	29,611	1,934
<u>Support Services</u>				
Attendance	75,900	69,397	75,989	89
Health Services	318,667	321,493	319,041	374
Other Student Support	479,782	453,604	482,917	3,135
Regular Instruction Program	722,800	660,497	727,018	4,218
Special Education Program	270,963	235,869	273,096	2,133
Vocational Education Program	81,651	81,737	81,707	56
Other Programs	125,965	0	125,965	0
Board of Education	439,335	446,551	440,338	1,003
Director of Schools	178,869	170,211	179,896	1,027
Office of the Principal	1,207,279	1,186,454	1,212,897	5,618
Fiscal Services	135,176	128,827	135,317	141
Operation of Plant	2,070,237	2,084,598	2,072,498	2,261
Maintenance of Plant	339,610	275,133	342,929	3,319
Transportation	1,253,457	1,418,155	1,266,105	12,648
Central and Other	88,713	89,038	88,838	125
<u>Operation of Non-instructional Services</u>				
Early Childhood Education	703,113	713,814	713,815	10,702
<u>Capital Outlay</u>				
Regular Capital Outlay	730,451	0	730,451	0
<u>Other Debt Service</u>				
Education	1,106,350	1,106,350	1,106,350	0
<b>Total Expenditures</b>	<b>\$ 30,268,085</b>	<b>\$ 29,517,986</b>	<b>\$ 30,521,207</b>	<b>\$ 253,122</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (345,220)	\$ (1)	\$ (621,178)	\$ 275,958
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 18,612	\$ 0	\$ 18,612	\$ 0
Transfers In	21,202	0	21,202	0
<b>Total Other Financing Sources</b>	<b>\$ 39,814</b>	<b>\$ 0</b>	<b>\$ 39,814</b>	<b>\$ 0</b>
Net Change in Fund Balance	\$ (305,406)	\$ (1)	\$ (581,364)	\$ 275,958
Fund Balance, July 1, 2014	2,115,954	634,696	634,696	1,481,258
<b>Fund Balance, June 30, 2015</b>	<b>\$ 1,810,548</b>	<b>\$ 634,695</b>	<b>\$ 53,332</b>	<b>\$ 1,757,216</b>

Exhibit I-9

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
State of Tennessee	\$ 204,969	\$ 477,581	\$ 477,581	\$ (272,612)
Federal Government	2,716,935	2,895,721	2,895,721	(178,786)
<b>Total Revenues</b>	<b>\$ 2,921,904</b>	<b>\$ 3,373,302</b>	<b>\$ 3,373,302</b>	<b>\$ (451,398)</b>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,071,068	\$ 1,338,743	\$ 1,338,743	\$ 267,675
Special Education Program	527,129	558,946	558,946	31,817
Vocational Education Program	52,497	52,497	52,497	0
<u>Support Services</u>				
Other Student Support	231,954	244,146	244,146	12,192
Regular Instruction Program	191,468	342,296	342,296	150,828
Special Education Program	147,536	149,245	149,245	1,709
Vocational Education Program	3,080	3,080	3,080	0
Transportation	69,710	70,692	70,692	982
<u>Operation of Non-instructional Services</u>				
Community Services	624,854	637,502	637,502	12,648
<b>Total Expenditures</b>	<b>\$ 2,919,296</b>	<b>\$ 3,397,147</b>	<b>\$ 3,397,147</b>	<b>\$ 477,851</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 2,608</b>	<b>\$ (23,845)</b>	<b>\$ (23,845)</b>	<b>\$ 26,453</b>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (21,202)	\$ (25,024)	\$ (25,024)	\$ 3,822
<b>Total Other Financing Sources</b>	<b>\$ (21,202)</b>	<b>\$ (25,024)</b>	<b>\$ (25,024)</b>	<b>\$ 3,822</b>
<b>Net Change in Fund Balance</b>	<b>\$ (18,594)</b>	<b>\$ (48,869)</b>	<b>\$ (48,869)</b>	<b>\$ 30,275</b>
<b>Fund Balance, July 1, 2014</b>	<b>66,246</b>	<b>123,999</b>	<b>123,999</b>	<b>(57,753)</b>
<b>Fund Balance, June 30, 2015</b>	<b>\$ 47,652</b>	<b>\$ 75,130</b>	<b>\$ 75,130</b>	<b>\$ (27,478)</b>

Exhibit I-10

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 591,907	\$ 749,000	\$ 749,000	\$ (157,093)
Other Local Revenues	56,289	48,000	48,000	8,289
State of Tennessee	21,331	21,000	21,000	331
Federal Government	1,551,667	1,508,000	1,614,259	(62,592)
Total Revenues	<u>\$ 2,221,194</u>	<u>\$ 2,326,000</u>	<u>\$ 2,432,259</u>	<u>\$ (211,065)</u>
<u>Expenditures</u>				
<u>Operation of Non-instructional Services</u>				
Food Service	\$ 2,305,549	\$ 2,326,000	\$ 2,432,259	\$ 126,710
Total Expenditures	<u>\$ 2,305,549</u>	<u>\$ 2,326,000</u>	<u>\$ 2,432,259</u>	<u>\$ 126,710</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (84,355)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (84,355)</u>
Net Change in Fund Balance	\$ (84,355)	\$ 0	\$ 0	\$ (84,355)
Fund Balance, July 1, 2014	<u>728,621</u>	<u>736,620</u>	<u>736,620</u>	<u>(7,999)</u>
Fund Balance, June 30, 2015	<u>\$ 644,266</u>	<u>\$ 736,620</u>	<u>\$ 736,620</u>	<u>\$ (92,354)</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, 2015

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-14	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-15
<b><u>NOTES PAYABLE</u></b>								
<b><u>Payable through General Debt Service Fund</u></b>								
911 Building and Storage	\$ 55,000	3.25	% 4-13-12	4-13-21	\$ 42,778	\$ 0	\$ 6,111	\$ 36,667
Latta Building/Welcome Center	201,560	2.75	11-9-12	11-9-21	179,160	0	22,400	156,760
School Improvement Project	1,700,000	2.75	8-16-13	8-16-16	1,700,000	0	188,889	1,511,111
School Roof Repair	500,000	2.75	6-19-14	8-16-17	500,000	0	0	500,000
County Office Building	1,500,000	0	1-27-15	3-1-27	0	1,500,000	0	1,500,000
Total Notes Payable					<u>\$ 2,421,938</u>	<u>\$ 1,500,000</u>	<u>\$ 217,400</u>	<u>\$ 3,704,538</u>
<b><u>CAPITAL LEASES</u></b>								
<b><u>Payable through General Fund</u></b>								
Patrol Cars	118,556	0	7-17-12	7-17-14	\$ 39,518	\$ 0	\$ 39,518	\$ 0
<b><u>Payable through Drug Control Fund</u></b>								
Sheriff's Department Truck	30,421	5.25	9-17-14	12-1-17	\$ 0	\$ 30,421	\$ 8,553	\$ 21,868
Sheriff's Department Truck	30,622	5.25	9-17-14	11-1-17	0	30,622	8,610	22,012
Total Payable through Drug Control Fund					<u>\$ 0</u>	<u>\$ 61,043</u>	<u>\$ 17,163</u>	<u>\$ 43,880</u>
<b><u>Payable through Highway/Public Works Fund</u></b>								
Dump Truck	125,000	3.29	10-20-11	10-25-16	\$ 75,000	\$ 0	\$ 25,000	\$ 50,000
Total Capital Leases					<u>\$ 114,518</u>	<u>\$ 61,043</u>	<u>\$ 81,681</u>	<u>\$ 93,880</u>
<b><u>BONDS PAYABLE</u></b>								
<b><u>Payable through General Debt Service Fund</u></b>								
USDA Rural Development Bonds	350,500	4.75	11-13-01	11-13-16	\$ 90,669	\$ 0	\$ 28,909	\$ 61,760
USDA Rural Development Bonds	217,750	4.75	5-1-02	5-1-22	111,589	0	11,763	99,826
USDA Rural Development Bonds	325,000	4.75	6-21-02	6-21-22	165,717	0	17,897	147,820
School Refunding Bonds, Series 2003	10,305,000	2 to 4	4-22-03	3-1-17	2,815,000	0	900,000	1,915,000
Refunding Bonds, Series 2008	6,535,000	3.5 to 4.5	12-10-08	6-1-19	2,535,000	0	490,000	2,045,000
Total Bonds Payable					<u>\$ 5,717,975</u>	<u>\$ 0</u>	<u>\$ 1,448,569</u>	<u>\$ 4,269,406</u>

Exhibit J-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2016	\$ 384,206	\$ 60,810	\$ 445,016
2017	1,518,688	53,650	1,572,338
2018	568,750	15,293	584,043
2019	153,511	3,060	156,571
2020	153,511	2,245	155,756
2021	153,512	1,431	154,943
2022	147,360	616	147,976
2023	125,000	0	125,000
2024	125,000	0	125,000
2025	125,000	0	125,000
2026	125,000	0	125,000
2027	125,000	0	125,000
Total	\$ 3,704,538	\$ 137,105	\$ 3,841,643

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2016	\$ 44,636	\$ 3,974	\$ 48,610
2017	45,668	2,107	47,775
2018	3,576	142	3,718
Total	\$ 93,880	\$ 6,223	\$ 100,103

Year Ending June 30	Bonds		
	Principal	Interest	Total
2016	\$ 1,520,994	\$ 177,011	\$ 1,698,005
2017	1,578,711	115,893	1,694,604
2018	528,739	51,252	579,991
2019	525,350	28,604	553,954
2020	37,027	5,612	42,639
2021	38,789	3,850	42,639
2022	39,796	2,843	42,639
Total	\$ 4,269,406	\$ 385,065	\$ 4,654,471

Exhibit J-3

McNairy County, Tennessee  
Schedule of Transfers  
Primary Government and Discretely Presented McNairy County School Department  
For the Year Ended June 30, 2015

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
Special Purpose	General	Excess funds	\$ <u>52,165</u>
Total Transfers Primary Government			\$ <u>52,165</u>
<u>DISCRETELY PRESENTED MCNAIRY COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ <u>21,202</u>
Total Transfers Discretely Presented McNairy County School Department			\$ <u>21,202</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, 2015

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <i>TCA</i>	\$ 78,358	\$ 100,000	Ohio Casualty Insurance Company
Highway Commissioner	Section 8-24-102, <i>TCA</i>	74,628	100,000	Western Surety Company
Director of Schools	State Board of Education and County Board of Education	91,000 (1)	100,000	CNA Surety Company
Trustee	Section 8-24-102, <i>TCA</i>	67,843	1,014,057	Ohio Casualty Insurance Company
Assessor of Property	Section 8-24-102, <i>TCA</i>	67,843	10,000	"
County Clerk	Section 8-24-102, <i>TCA</i>	67,843	100,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, <i>TCA</i>	67,843	100,000	"
Clerk and Master	Section 8-24-102, <i>TCA</i> and Chancery Court Judge	67,843 (2)	65,000	"
Register of Deeds	Section 8-24-102, <i>TCA</i>	67,843	100,000	"
Sheriff	Section 8-24-102, <i>TCA</i>	74,628 (3)	100,000	Western Surety Company
Employee Dishonesty Coverage:				
County Employees			150,000	Local Government Property and Casualty Fund
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 \$6,170 in special commissioner fees.

(3) Does not include a law enforcement training supplement of \$1,200.

Exhibit J-5

McNairy County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
For the Year Ended June 30, 2015

	Special Revenue Funds				
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 2,950,449	\$ 0	\$ 0	\$ 0	\$ 0
Trustee's Collections - Prior Year	138,120	0	0	0	0
Trustee's Collections - Bankruptcy	71	0	0	0	0
Circuit/Clerk and Master Collections - Prior Years	89,000	0	0	0	0
Interest and Penalty	22,205	0	0	0	0
Payments in-Lieu-of Taxes - T.V.A.	1,722	0	0	0	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	125,547	0	72,863	0	0
Litigation Tax - General	84,372	0	0	0	0
Litigation Tax - Special Purpose	0	2,760	0	0	0
Business Tax	15,990	0	0	0	0
Mixed Drink Tax	1,778	0	0	0	0
Mineral Severance Tax	0	0	0	0	0
<u>Statutory Local Taxes</u>					
Bank Excise Tax	9,175	0	0	0	0
Wholesale Beer Tax	26,648	0	0	0	0
Interstate Telecommunications Tax	0	0	1,568	0	0
<u>City Local Option Taxes</u>					
Business Tax	134,275	0	0	0	0
<b>Total Local Taxes</b>	<b>\$ 3,599,352</b>	<b>\$ 2,760</b>	<b>\$ 74,431</b>	<b>\$ 0</b>	<b>\$ 0</b>
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Cable TV Franchise	\$ 15,635	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit J-5

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

	Special Revenue Funds				
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control
<u>Licenses and Permits (Cont.)</u>					
<u>Permits</u>					
Beer Permits	\$ 712	\$ 0	\$ 0	\$ 0	\$ 0
Total Licenses and Permits	\$ 16,347	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 70	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	5,777	0	0	0	0
Drug Control Fines	0	0	0	0	9,981
Drug Court Fees	3,277	0	0	0	0
Jail Fees	1,187	0	0	0	0
Data Entry Fee - Circuit Court	762	0	0	0	0
Victims Assistance Assessments	2,628	0	0	0	0
<u>Criminal Court</u>					
DUI Treatment Fines	1,615	0	0	0	0
<u>General Sessions Court</u>					
Fines	10,446	0	0	0	0
Officers Costs	13,846	0	0	0	0
Game and Fish Fines	268	0	0	0	0
Drug Control Fines	0	0	0	0	12,862
Drug Court Fees	4,150	0	0	0	0
Jail Fees	17,455	0	0	0	0
DUI Treatment Fines	4,523	0	0	0	0
Data Entry Fee - General Sessions Court	8,077	0	0	0	0
Courtroom Security Fee	226	0	0	0	0
Victims Assistance Assessments	12,458	0	0	0	0

(Continued)

Exhibit J-5

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

	Special Revenue Funds				
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Juvenile Court</u>					
Fines	\$ 404	\$ 0	\$ 0	\$ 0	\$ 0
<u>Chancery Court</u>					
Data Entry Fee - Chancery Court	3,810	0	0	0	0
Total Fines, Forfeitures, and Penalties	<u>\$ 90,979</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 22,843</u>
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Residential Waste Collection Charge	\$ 0	\$ 0	\$ 804,250	\$ 0	\$ 0
Tipping Fees	0	0	12,935	0	0
<u>Fees</u>					
Copy Fees	144	0	0	0	0
Library Fees	10,066	0	0	0	0
Telephone Commissions	15,180	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	0
Data Processing Fee - Register	8,772	0	0	0	0
Data Processing Fee - Sheriff	1,716	0	0	0	0
Sexual Offender Registration Fee - Sheriff	900	0	0	0	0
Data Processing Fee - County Clerk	3,486	0	0	0	0
Total Charges for Current Services	<u>\$ 40,264</u>	<u>\$ 0</u>	<u>\$ 817,185</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	0	0	0	125,258	0
Sale of Materials and Supplies	326	0	163,726	0	0

(Continued)

Exhibit J-5

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

	<u>Special Revenue Funds</u>				
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control
<u>Other Local Revenues (Cont.)</u>					
<u>Recurring Items (Cont.)</u>					
Commissary Sales	\$ 7,591	\$ 0	\$ 0	\$ 0	\$ 0
Sale of Gasoline	0	0	0	0	0
Sale of Maps	1,208	0	0	0	0
Miscellaneous Refunds	11,076	0	582	0	0
<u>Nonrecurring Items</u>					
Contributions and Gifts	14,800	0	0	0	0
<u>Other Local Revenues</u>					
Other Local Revenues	3,446	0	0	0	25,279
Total Other Local Revenues	<u>\$ 38,447</u>	<u>\$ 0</u>	<u>\$ 164,308</u>	<u>\$ 125,258</u>	<u>\$ 25,279</u>
<u>Fees Received from County Officials</u>					
<u>Fees in-Lieu-of Salary</u>					
County Clerk	\$ 180,143	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	53,737	0	0	0	0
General Sessions Court Clerk	141,498	0	0	0	0
Clerk and Master	90,268	0	0	0	0
Register	91,030	0	0	0	0
Sheriff	3,356	0	0	0	0
Trustee	276,837	0	0	0	0
Total Fees Received from County Officials	<u>\$ 836,869</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>State of Tennessee</u>					
<u>Health and Welfare Grants</u>					
Health Department Programs	\$ 134,675	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit J-5

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

	Special Revenue Funds				
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control
<u>State of Tennessee (Cont.)</u>					
<u>Public Works Grants</u>					
Bridge Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
State Aid Program	0	0	0	0	0
Litter Program	0	0	49,305	0	0
<u>Other State Revenues</u>					
Income Tax	8,646	0	0	0	0
Beer Tax	18,055	0	0	0	0
Vehicle Certificate of Title Fees	3,000	0	0	0	0
Alcoholic Beverage Tax	61,955	0	0	0	0
State Revenue Sharing - T.V.A.	0	0	258,506	0	0
Contracted Prisoner Boarding	463,018	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0
Petroleum Special Tax	0	0	0	0	0
Registrar's Salary Supplement	10,200	0	0	0	0
Other State Grants	2,500	0	8,409	0	0
Other State Revenues	121,491	0	0	0	0
Total State of Tennessee	<u>\$ 823,540</u>	<u>\$ 0</u>	<u>\$ 316,220</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 612,409	\$ 0	\$ 0	\$ 0	\$ 0
Civil Defense Reimbursement	31,671	0	0	0	0
Disaster Relief	0	0	0	0	0
Total Federal Government	<u>\$ 644,080</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

(Continued)

Exhibit J-5

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

	<u>Special Revenue Funds</u>				
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Paving and Maintenance	\$ 0	\$ 0	\$ 0	\$ 0	0
Contributions	0	0	0	0	0
Total Other Governments and Citizens Groups	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>
Total	<u>\$ 6,089,878</u>	<u>\$ 2,760</u>	<u>\$ 1,372,144</u>	<u>\$ 125,258</u>	<u>\$ 48,122</u>

(Continued)

Exhibit J-5

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

	Special Revenue Funds (Cont.)		Debt Service Fund		
	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service		Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 0	\$ 336,125	\$ 819,624	\$	4,106,198
Trustee's Collections - Prior Year	0	15,042	40,682		193,844
Trustee's Collections - Bankruptcy	0	8	26		105
Circuit/Clerk and Master Collections - Prior Years	0	10,824	32,473		132,297
Interest and Penalty	0	2,675	8,034		32,914
Payments in-Lieu-of Taxes - T.V.A.	0	108	264		2,094
<u>County Local Option Taxes</u>					
Local Option Sales Tax	0	0	0		198,410
Litigation Tax - General	0	0	0		84,372
Litigation Tax - Special Purpose	0	0	0		2,760
Business Tax	0	0	0		15,990
Mixed Drink Tax	0	0	0		1,778
Mineral Severance Tax	0	3,149	0		3,149
<u>Statutory Local Taxes</u>					
Bank Excise Tax	0	1,506	2,054		12,735
Wholesale Beer Tax	0	0	0		26,648
Interstate Telecommunications Tax	0	0	0		1,568
<u>City Local Option Taxes</u>					
Business Tax	0	0	0		134,275
Total Local Taxes	\$ 0	\$ 369,437	\$ 903,157	\$	4,949,137
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$	15,635

(Continued)

Exhibit J-5

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

	Special Revenue Funds (Cont.)		Debt Service Fund		Total
	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Licenses and Permits (Cont.)</u>					
<u>Permits</u>					
Beer Permits	\$ 0	\$ 0	\$ 0	\$ 0	712
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	16,347
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 0	\$ 0	\$ 0	\$ 0	70
Officers Costs	0	0	0	0	5,777
Drug Control Fines	0	0	0	0	9,981
Drug Court Fees	0	0	0	0	3,277
Jail Fees	0	0	0	0	1,187
Data Entry Fee - Circuit Court	0	0	0	0	762
Victims Assistance Assessments	0	0	0	0	2,628
<u>Criminal Court</u>					
DUI Treatment Fines	0	0	0	0	1,615
<u>General Sessions Court</u>					
Fines	0	0	0	0	10,446
Officers Costs	0	0	0	0	13,846
Game and Fish Fines	0	0	0	0	268
Drug Control Fines	0	0	0	0	12,862
Drug Court Fees	0	0	0	0	4,150
Jail Fees	0	0	0	0	17,455
DUI Treatment Fines	0	0	0	0	4,523
Data Entry Fee - General Sessions Court	0	0	0	0	8,077
Courtroom Security Fee	0	0	0	0	226
Victims Assistance Assessments	0	0	0	0	12,458

(Continued)

Exhibit J-5

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

	Special Revenue Funds (Cont.)		Debt Service Fund		Total
	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Juvenile Court</u>					
Fines	\$ 0	\$ 0	\$ 0	\$ 0	404
<u>Chancery Court</u>					
Data Entry Fee - Chancery Court	0	0	0		3,810
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	113,822
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Residential Waste Collection Charge	\$ 0	\$ 0	\$ 0	\$ 0	804,250
Tipping Fees	0	0	0		12,935
<u>Fees</u>					
Copy Fees	0	0	0		144
Library Fees	0	0	0		10,066
Telephone Commissions	0	0	0		15,180
Constitutional Officers' Fees and Commissions	6,170	0	0		6,170
Data Processing Fee - Register	0	0	0		8,772
Data Processing Fee - Sheriff	0	0	0		1,716
Sexual Offender Registration Fee - Sheriff	0	0	0		900
Data Processing Fee - County Clerk	0	0	0		3,486
Total Charges for Current Services	\$ 6,170	\$ 0	\$ 0	\$ 0	863,619
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	15,615	\$ 0	15,615
Lease/Rentals	0	0	25,200		150,458
Sale of Materials and Supplies	0	2,590	0		166,642

(Continued)

Exhibit J-5

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

	Special Revenue Funds (Cont.)		Debt Service Fund		Total
	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Other Local Revenues (Cont.)</u>					
<u>Recurring Items (Cont.)</u>					
Commissary Sales	\$ 0	\$ 0	\$ 0	\$ 0	7,591
Sale of Gasoline	0	11,146	0	0	11,146
Sale of Maps	0	0	0	0	1,208
Miscellaneous Refunds	0	4,065	0	0	15,723
<u>Nonrecurring Items</u>					
Contributions and Gifts	0	0	0	0	14,800
<u>Other Local Revenues</u>					
Other Local Revenues	0	0	0	0	28,725
Total Other Local Revenues	\$ 0	\$ 17,801	\$ 40,815	\$ 0	411,908
<u>Fees Received from County Officials</u>					
<u>Fees in-Lieu-of Salary</u>					
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	180,143
Circuit Court Clerk	0	0	0	0	53,737
General Sessions Court Clerk	0	0	0	0	141,498
Clerk and Master	0	0	0	0	90,268
Register	0	0	0	0	91,030
Sheriff	0	0	0	0	3,356
Trustee	0	0	0	0	276,837
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	836,869
<u>State of Tennessee</u>					
<u>Health and Welfare Grants</u>					
Health Department Programs	\$ 0	\$ 0	\$ 0	\$ 0	134,675

(Continued)

Exhibit J-5

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

	Special Revenue Funds (Cont.)		Debt Service Fund		Total
	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service		
<u>State of Tennessee (Cont.)</u>					
<u>Public Works Grants</u>					
Bridge Program	\$ 0	\$ 228,591	\$ 0	\$ 0	228,591
State Aid Program	0	205,000	0	0	205,000
Litter Program	0	0	0	0	49,305
<u>Other State Revenues</u>					
Income Tax	0	0	0	0	8,646
Beer Tax	0	0	0	0	18,055
Vehicle Certificate of Title Fees	0	0	0	0	3,000
Alcoholic Beverage Tax	0	0	0	0	61,955
State Revenue Sharing - T.V.A.	0	0	0	0	258,506
Contracted Prisoner Boarding	0	0	0	0	463,018
Gasoline and Motor Fuel Tax	0	1,822,841	0	0	1,822,841
Petroleum Special Tax	0	18,814	0	0	18,814
Registrar's Salary Supplement	0	0	0	0	10,200
Other State Grants	0	0	0	0	10,909
Other State Revenues	0	0	0	0	121,491
Total State of Tennessee	\$ 0	\$ 2,275,246	\$ 0	\$ 0	3,415,006
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	612,409
Civil Defense Reimbursement	0	0	0	0	31,671
Disaster Relief	0	83,491	0	0	83,491
Total Federal Government	\$ 0	\$ 83,491	\$ 0	\$ 0	727,571

(Continued)

Exhibit J-5

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

	Special Revenue Funds (Cont.)		Debt Service Fund		
	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service		Total
<hr/>					
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Paving and Maintenance	\$ 0	\$ 26,095	\$ 0	\$ 0	\$ 26,095
Contributions	0	0	1,106,350		1,106,350
Total Other Governments and Citizens Groups	\$ 0	\$ 26,095	\$ 1,106,350	\$ 0	\$ 1,132,445
Total	\$ 6,170	\$ 2,772,070	\$ 2,050,322	\$ 0	\$ 12,466,724

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, 2015

	General Purpose School	Special Revenue Funds		Total
		School Federal Projects	Central Cafeteria	
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 3,697,390	\$ 0	\$ 0	\$ 3,697,390
Trustee's Collections - Prior Year	193,457	0	0	193,457
Trustee's Collections - Bankruptcy	103	0	0	103
Circuit/Clerk and Master Collections - Prior Years	111,805	0	0	111,805
Interest and Penalty	30,225	0	0	30,225
Payments in-Lieu-of Taxes - T.V.A.	1,187	0	0	1,187
<u>County Local Option Taxes</u>				
Local Option Sales Tax	2,089,855	0	0	2,089,855
Mixed Drink Tax	1,928	0	0	1,928
<u>Statutory Local Taxes</u>				
Bank Excise Tax	17,391	0	0	17,391
Interstate Telecommunications Tax	2,792	0	0	2,792
Total Local Taxes	\$ 6,146,133	\$ 0	\$ 0	\$ 6,146,133
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 2,946	\$ 0	\$ 0	\$ 2,946
Total Licenses and Permits	\$ 2,946	\$ 0	\$ 0	\$ 2,946
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Other	\$ 33,375	\$ 0	\$ 0	\$ 33,375
Lunch Payments - Children	0	0	215,932	215,932
Lunch Payments - Adults	0	0	60,328	60,328
Income from Breakfast	0	0	36,051	36,051
A la carte Sales	0	0	267,153	267,153
Receipts from Individual Schools	26,196	0	0	26,196
<u>Other Charges for Services</u>				
Other Charges for Services	55	0	12,443	12,498
Total Charges for Current Services	\$ 59,626	\$ 0	\$ 591,907	\$ 651,533
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 12,797	\$ 12,797
Lease/Rentals	39,929	0	0	39,929
Miscellaneous Refunds	13,004	0	43,492	56,496
<u>Nonrecurring Items</u>				
Contributions and Gifts	33,403	0	0	33,403
<u>Other Local Revenues</u>				
Other Local Revenues	22,352	0	0	22,352
Total Other Local Revenues	\$ 108,688	\$ 0	\$ 56,289	\$ 164,977

(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	Special Revenue Funds		Total
		School Federal Projects	Central Cafeteria	
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-behalf Contributions for OPEB	\$ 125,965	\$ 0	\$ 0	\$ 125,965
<u>State Education Funds</u>				
Basic Education Program	21,569,999	0	0	21,569,999
Early Childhood Education	713,814	0	0	713,814
School Food Service	0	0	21,331	21,331
Driver Education	17,954	0	0	17,954
Other State Education Funds	386,043	0	0	386,043
Career Ladder Program	166,984	0	0	166,984
Career Ladder - Extended Contract	61,420	0	0	61,420
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	480,083	0	0	480,083
Other State Revenues	39,702	204,969	0	244,671
Total State of Tennessee	\$ 23,561,964	\$ 204,969	\$ 21,331	\$ 23,788,264
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,020,208	\$ 1,020,208
USDA - Commodities	0	0	96,259	96,259
Breakfast	0	0	352,926	352,926
USDA - Other	0	0	72,274	72,274
Vocational Education - Basic Grants to States	0	70,049	0	70,049
Title I Grants to Local Education Agencies	0	1,131,744	0	1,131,744
Special Education - Grants to States	43,508	779,730	0	823,238
Special Education Preschool Grants	0	33,762	0	33,762
Rural Education	0	62,165	0	62,165
Eisenhower Professional Development State Grants	0	141,248	0	141,248
Other Federal through State	0	498,237	10,000	508,237
Total Federal Government	\$ 43,508	\$ 2,716,935	\$ 1,551,667	\$ 4,312,110
Total	\$ 29,922,865	\$ 2,921,904	\$ 2,221,194	\$ 35,065,963

Exhibit J-7

McNairy County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2015

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	12,275	
Accounting Services		12,150	
Audit Services		7,823	
Dues and Memberships		3,090	
Legal Services		8,507	
Periodicals		1,690	
Other Charges		55	
Total County Commission			\$ 45,590

Board of Equalization

Board and Committee Members Fees	\$	1,450	
Total Board of Equalization			1,450

Beer Board

Board and Committee Members Fees	\$	150	
Total Beer Board			150

Budget and Finance Committee

Board and Committee Members Fees	\$	3,000	
Total Budget and Finance Committee			3,000

Other Boards and Committees

Board and Committee Members Fees	\$	2,300	
Total Other Boards and Committees			2,300

County Mayor/Executive

County Official/Administrative Officer	\$	78,358	
Accountants/Bookkeepers		21,890	
Secretary(ies)		22,606	
Communication		8,046	
Dues and Memberships		1,750	
Maintenance Agreements		1,614	
Postal Charges		1,506	
Printing, Stationery, and Forms		1,419	
Travel		938	
Other Contracted Services		11,470	
Office Supplies		1,265	
Premiums on Corporate Surety Bonds		975	
Other Charges		1,442	
Data Processing Equipment		962	
Office Equipment		339	
Total County Mayor/Executive			154,580

County Attorney

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

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission

County Official/Administrative Officer	\$	61,059	
Other Salaries and Wages		11,584	
Election Commission		5,686	
Election Workers		21,966	
In-service Training		1,985	
Communication		1,074	
Dues and Memberships		175	
Legal Notices, Recording, and Court Costs		3,102	
Maintenance and Repair Services - Buildings		1,626	
Maintenance and Repair Services - Equipment		14,961	
Postal Charges		2,203	
Printing, Stationery, and Forms		528	
Rentals		1,020	
Travel		1,404	
Other Contracted Services		26,352	
Office Supplies		1,375	
Periodicals		44	
Office Equipment		6,556	
Total Election Commission			\$ 162,700

Register of Deeds

County Official/Administrative Officer	\$	67,843	
Deputy(ies)		25,531	
Secretary(ies)		19,130	
Communication		1,208	
Data Processing Services		7,915	
Dues and Memberships		678	
Maintenance Agreements		900	
Postal Charges		622	
Printing, Stationery, and Forms		970	
Travel		694	
Office Supplies		1,249	
Premiums on Corporate Surety Bonds		975	
Total Register of Deeds			127,715

County Buildings

Custodial Personnel	\$	28,582	
Maintenance and Repair Services - Buildings		94,787	
Maintenance and Repair Services - Vehicles		812	
Pest Control		610	
Postal Charges		2,892	
Custodial Supplies		3,390	
Electricity		114,013	
Gasoline		2,905	
Natural Gas		20,397	
Water and Sewer		21,380	
Other Supplies and Materials		3,259	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Building and Contents Insurance	\$	50,908	
Other Charges		<u>7,617</u>	
Total County Buildings	\$		351,552

Preservation of Records

Postal Charges	\$	31	
Other Supplies and Materials		<u>519</u>	
Total Preservation of Records			550

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	67,843	
Assistant(s)		24,948	
Deputy(ies)		34,838	
Communication		884	
Contracts with Private Agencies		9,806	
Dues and Memberships		1,650	
Maintenance Agreements		3,307	
Maintenance and Repair Services - Office Equipment		270	
Postal Charges		572	
Printing, Stationery, and Forms		536	
Travel		411	
Periodicals		40	
Other Supplies and Materials		818	
Office Equipment		<u>437</u>	
Total Property Assessor's Office			146,360

Reappraisal Program

Part-time Personnel	\$	21,211	
Data Processing Services		10,182	
Gasoline		433	
Other Charges		<u>156</u>	
Total Reappraisal Program			31,982

County Trustee's Office

County Official/Administrative Officer	\$	67,843
Deputy(ies)		25,532
Clerical Personnel		19,130
Part-time Personnel		8,155
Communication		884
Data Processing Services		8,799
Dues and Memberships		903
Maintenance Agreements		678
Maintenance and Repair Services - Office Equipment		8,248
Postal Charges		4,876
Travel		569
Office Supplies		621

(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 (Cont.)

Periodicals	\$	194	
Premiums on Corporate Surety Bonds		5,067	
Total County Trustee's Office			\$ 151,499

County Clerk's Office

County Official/Administrative Officer	\$	67,843	
Deputy(ies)		24,808	
Secretary(ies)		38,873	
Clerical Personnel		29,000	
Communication		884	
Data Processing Services		4,800	
Dues and Memberships		578	
Postal Charges		4,748	
Printing, Stationery, and Forms		2,739	
Travel		408	
Premiums on Corporate Surety Bonds		1,139	
Data Processing Equipment		14,061	
Total County Clerk's Office			189,881

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	67,843	
Deputy(ies)		39,439	
Part-time Personnel		6,982	
Jury and Witness Expense		6,720	
Other Per Diem and Fees		5,147	
Communication		3,659	
Contracts with Government Agencies		6,975	
Dues and Memberships		573	
Maintenance Agreements		6,924	
Maintenance and Repair Services - Office Equipment		190	
Postal Charges		2,079	
Printing, Stationery, and Forms		498	
Travel		568	
Office Supplies		2,623	
Periodicals		564	
Premiums on Corporate Surety Bonds		975	
Other Charges		1,946	
Data Processing Equipment		29,035	
Total Circuit Court			182,740

General Sessions Court

Judge(s)	\$	109,890
Deputy(ies)		33,579
Accountants/Bookkeepers		22,941
Salary Supplements		320
Secretary(ies)		17,226

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Part-time Personnel	\$	3,829	
Other Per Diem and Fees		5,698	
Communication		54	
Contracts with Government Agencies		3,262	
Postal Charges		83	
Printing, Stationery, and Forms		620	
Travel		667	
Office Supplies		161	
Other Charges		1,927	
Total General Sessions Court			\$ 200,257

Chancery Court

County Official/Administrative Officer	\$	67,843	
Deputy(ies)		21,294	
Clerical Personnel		17,860	
Longevity Pay		175	
Communication		884	
Data Processing Services		6,675	
Dues and Memberships		673	
Maintenance Agreements		1,561	
Postal Charges		5,409	
Printing, Stationery, and Forms		481	
Office Supplies		1,101	
Periodicals		1,227	
Premiums on Corporate Surety Bonds		450	
Total Chancery Court			125,633

Juvenile Court

Youth Service Officer(s)	\$	30,770	
Clerical Personnel		16,775	
Communication		893	
Travel		684	
Other Charges		1,130	
Office Equipment		747	
Total Juvenile Court			50,999

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	74,628	
Deputy(ies)		472,547	
Accountants/Bookkeepers		23,587	
Salary Supplements		45,863	
Guards		358,318	
Secretary(ies)		25,439	
Part-time Personnel		29,096	
Longevity Pay		1,425	
In-service Training		21,198	

(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.)

Communication	\$	30,785	
Dues and Memberships		2,106	
Maintenance and Repair Services - Equipment		630	
Maintenance and Repair Services - Office Equipment		192	
Maintenance and Repair Services - Vehicles		19,503	
Postal Charges		901	
Printing, Stationery, and Forms		916	
Towing Services		2,548	
Travel		1,459	
Gasoline		78,722	
Office Supplies		2,283	
Tires and Tubes		5,581	
Uniforms		10,345	
Premiums on Corporate Surety Bonds		1,700	
Vehicle and Equipment Insurance		70,182	
Workers' Compensation Insurance		64,206	
Data Processing Equipment		6,437	
Law Enforcement Equipment		386	
Motor Vehicles		1,001	
Office Equipment		273	
Total Sheriff's Department			\$ 1,352,257

Jail

Custodial Personnel	\$	48,627	
Longevity Pay		150	
In-service Training		1,948	
Maintenance Agreements		3,598	
Maintenance and Repair Services - Buildings		128,506	
Maintenance and Repair Services - Equipment		2,166	
Medical and Dental Services		231,524	
Travel		681	
Custodial Supplies		13,871	
Food Supplies		109,799	
Office Supplies		2,250	
Prisoners Clothing		3,622	
Other Supplies and Materials		3,649	
Total Jail			550,391

Fire Prevention and Control

Supervisor/Director	\$	22,352
Maintenance and Repair Services - Equipment		5,695
Maintenance and Repair Services - Vehicles		9,195
Travel		563
Gasoline		2,980
Office Supplies		239
Tires and Tubes		24
Other Supplies and Materials		861

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Liability Insurance	\$	34,824	
Workers' Compensation Insurance		31,000	
Other Equipment		20,004	
Total Fire Prevention and Control			\$ 127,737

Rural Fire Protection

Contracts with Government Agencies	\$	32,435	
Total Rural Fire Protection			32,435

Civil Defense

Supervisor/Director	\$	42,427	
Communication		1,704	
Dues and Memberships		15	
Maintenance and Repair Services - Vehicles		317	
Postal Charges		9	
Travel		224	
Office Supplies		351	
Other Supplies and Materials		471	
Total Civil Defense			45,518

Inspection and Regulation

Supervisor/Director	\$	5,358	
Total Inspection and Regulation			5,358

Public Health and Welfare

Local Health Center

Social Workers	\$	32,364	
Clerical Personnel		47,904	
Custodial Personnel		9,000	
Communication		3,009	
Contracts with Government Agencies		34,550	
Maintenance and Repair Services - Buildings		9,779	
Pest Control		150	
Postal Charges		94	
Travel		6,332	
Other Contracted Services		200	
Custodial Supplies		100	
Drugs and Medical Supplies		125	
Electricity		10,368	
Natural Gas		2,684	
Office Supplies		8,758	
Water and Sewer		1,960	
Total Local Health Center			167,377

Other Local Health Services

Clerical Personnel	\$	7,560	
Travel		637	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Health Services (Cont.)

Other Supplies and Materials	\$ 6,265	
Other Charges	219	
Total Other Local Health Services	\$ 14,681	\$ 14,681

Social, Cultural, and Recreational Services

Libraries

County Official/Administrative Officer	\$ 45,341	
Custodial Personnel	1,500	
Other Salaries and Wages	48,537	
Communication	5,545	
Maintenance and Repair Services - Buildings	419	
Pest Control	79	
Postal Charges	225	
Travel	468	
Custodial Supplies	523	
Electricity	9,419	
Library Books/Media	350	
Natural Gas	1,128	
Office Supplies	2,124	
Water and Sewer	1,548	
Other Supplies and Materials	5,752	
Data Processing Equipment	3,581	
Total Libraries	126,539	126,539

Agriculture and Natural Resources

Agricultural Extension Service

Salary Supplements	\$ 65,331	
Communication	959	
Maintenance Agreements	2,372	
Other Supplies and Materials	143	
Office Equipment	1,765	
Total Agricultural Extension Service	70,570	70,570

Soil Conservation

County Official/Administrative Officer	\$ 33,000	
Secretary(ies)	22,695	
Contributions	800	
Total Soil Conservation	56,495	56,495

Other Operations

Other Economic and Community Development

Contracts for Development Costs	\$ 612,409	
Total Other Economic and Community Development	612,409	612,409

Airport

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

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services

Supervisor/Director	\$	11,252	
Communication		478	
Dues and Memberships		25	
Postal Charges		170	
Travel		640	
Office Supplies		431	
Periodicals		399	
Furniture and Fixtures		341	
Total Veterans' Services			\$ 13,736

Other Charges

Liability Insurance	\$	55,000	
Trustee's Commission		70,122	
Total Other Charges			125,122

Contributions to Other Agencies

Contributions	\$	179,233	
Total Contributions to Other Agencies			179,233

Employee Benefits

Longevity Pay	\$	7,050	
Social Security		163,058	
Pensions		123,793	
Life Insurance		9,651	
Medical Insurance		393,441	
Unemployment Compensation		14,215	
Employer Medicare		38,129	
Workers' Compensation Insurance		6,646	
Total Employee Benefits			755,983

Principal on Debt

General Government

Principal on Capital Leases	\$	39,518	
Total General Government			39,518

Capital Projects

General Administration Projects

Land	\$	645,000	
Building Purchases		855,000	
Total General Administration Projects			1,500,000

Total General Fund \$ 7,770,697

Law Library Fund

Social, Cultural, and Recreational Services

Libraries

Clerical Personnel	\$	1,800	
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(Continued)

Exhibit J-7

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

Law Library Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Library Books/Media	\$	553	
Trustee's Commission		28	
Total Libraries			\$ 2,381

Total Law Library Fund \$ 2,381

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Contracts with Private Agencies	\$	818,481	
Legal Services		6,568	
Other Contracted Services		4,701	
Building and Contents Insurance		1,766	
Trustee's Commission		3,344	
Vehicle and Equipment Insurance		8,840	
Total Sanitation Management			\$ 843,700

Recycling Center

Laborers	\$	43,363	
Part-time Personnel		19,969	
Overtime Pay		695	
Advertising		96	
Maintenance and Repair Services - Buildings		45	
Maintenance and Repair Services - Equipment		1,934	
Maintenance and Repair Services - Vehicles		1,809	
Travel		193	
Electricity		2,476	
Gasoline		4,336	
Office Supplies		5	
Periodicals		470	
Propane Gas		928	
Small Tools		458	
Tires and Tubes		948	
Water and Sewer		370	
Other Supplies and Materials		5,055	
Other Charges		63,058	
Total Recycling Center			146,208

Landfill Operation and Maintenance

Supervisor/Director	\$	32,850	
Data Processing Personnel		21,200	
Foremen		15,777	
Overtime Pay		380	
Communication		1,030	
Contracts with Government Agencies		75	
Contracts with Private Agencies		44,926	
Dues and Memberships		175	

(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.)

Engineering Services	\$	11,502	
Evaluation and Testing		11,982	
Maintenance and Repair Services - Buildings		45	
Maintenance and Repair Services - Equipment		5,212	
Postal Charges		10,883	
Travel		1,264	
Diesel Fuel		5,743	
Electricity		705	
Fertilizer, Lime, and Seed		185	
Lubricants		301	
Office Supplies		2,437	
Periodicals		1,696	
Small Tools		54	
Tires and Tubes		48	
Water and Sewer		2,006	
Other Supplies and Materials		1,195	
Refunds		275	
Other Equipment		1,083	
Total Landfill Operation and Maintenance			\$ 173,029

Other Operations

Employee Benefits

Longevity Pay	\$	475	
Social Security		10,526	
Pensions		3,685	
Life Insurance		319	
Medical Insurance		17,594	
Employer Medicare		2,462	
Workers' Compensation Insurance		700	
Total Employee Benefits			35,761

Highways

Litter and Trash Collection

Part-time Personnel	\$	30,426	
Overtime Pay		5,450	
Maintenance and Repair Services - Vehicles		996	
Travel		3,965	
Gasoline		1,739	
Instructional Supplies and Materials		15,427	
Periodicals		1,237	
Other Supplies and Materials		3,449	
Litter Enforcement Awards		1,095	
Total Litter and Trash Collection			63,784

Total Solid Waste/Sanitation Fund \$ 1,262,482

(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	\$	9,851	
Communication		1,243	
Maintenance and Repair Services - Buildings		4,312	
Other Contracted Services		1,238	
Custodial Supplies		3,252	
Electricity		31,141	
Natural Gas		3,396	
Water and Sewer		2,280	
Building and Contents Insurance		5,569	
Other Charges		33,427	
Total Other Facilities			\$ 95,709

Other Operations

Employee Benefits

Social Security	\$	611	
Pensions		594	
Employer Medicare		143	
Total Employee Benefits			1,348

Total Special Purpose Fund \$ 97,057

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	5,500	
Travel		1,129	
Veterinary Services		405	
Other Supplies and Materials		17,183	
Motor Vehicles		70,184	
Other Equipment		5,284	
Total Drug Enforcement			\$ 99,685

Principal on Debt

General Government

Principal on Capital Leases	\$	17,163	
Total General Government			17,163

Interest on Debt

General Government

Interest on Capital Leases	\$	4,777	
Total General Government			4,777

Total Drug Control Fund 121,625

(Continued)

Exhibit J-7

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

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$ 6,170	
Total Chancery Court		<u>\$ 6,170</u>

Total Constitutional Officers - Fees Fund \$ 6,170

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 74,628	
Accountants/Bookkeepers	32,230	
Clerical Personnel	5,103	
Board and Committee Members Fees	1,000	
Communication	5,209	
Dues and Memberships	2,984	
Legal Services	1,690	
Maintenance and Repair Services - Buildings	4,879	
Postal Charges	294	
Printing, Stationery, and Forms	462	
Travel	381	
Electricity	10,005	
Office Supplies	1,147	
Water and Sewer	1,018	
Office Equipment	<u>6,885</u>	
Total Administration		\$ 147,915

Highway and Bridge Maintenance

Foremen	\$ 34,348	
Equipment Operators	183,710	
Truck Drivers	148,708	
Laborers	210,643	
Other Contracted Services	11,885	
Concrete	2,916	
Crushed Stone	150,404	
Pipe - Metal	64,932	
Road Signs	8,688	
Salt	1,109	
Chemicals	<u>56,843</u>	
Total Highway and Bridge Maintenance		874,186

Operation and Maintenance of Equipment

Mechanic(s)	\$ 91,125	
Licenses	70	
Diesel Fuel	110,782	
Equipment and Machinery Parts	85,952	
Garage Supplies	15,453	
Gasoline	41,575	
Lubricants	8,699	
Tires and Tubes	<u>36,838</u>	
Total Operation and Maintenance of Equipment		390,494

(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		2,427	
Trustee's Commission		28,178	
Vehicle and Equipment Insurance		53,245	
Total Other Charges			\$ 84,200

Employee Benefits

Social Security	\$	58,406	
Pensions		40,511	
Employee and Dependent Insurance		240,116	
Unemployment Compensation		6,783	
Workers' Compensation Insurance		97,627	
Total Employee Benefits			443,443

Capital Outlay

Bridge Construction	\$	285,300	
Highway Construction		364,303	
Highway Equipment		86,067	
State Aid Projects		205,000	
Total Capital Outlay			940,670

Principal on Debt

Highways and Streets

Principal on Capital Leases	\$	25,000	
Total Highways and Streets			25,000

Interest on Debt

Highways and Streets

Interest on Capital Leases	\$	2,505	
Total Highways and Streets			2,505

Total Highway/Public Works Fund \$ 2,908,413

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	247,219	
Principal on Notes		28,511	
Total General Government			\$ 275,730

Highways and Streets

Principal on Bonds	\$	265,090	
Total Highways and Streets			265,090

Education

Principal on Bonds	\$	936,260	
Principal on Notes		188,889	
Total Education			1,125,149

(Continued)

Exhibit J-7

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

General Debt Service Fund (Cont.)

Interest on Debt

General Government

Interest on Bonds	\$ 57,761	
Interest on Notes	6,306	
Total General Government	\$ 64,067	\$ 64,067

Highways and Streets

Interest on Bonds	\$ 56,893	
Total Highways and Streets	56,893	56,893

Education

Interest on Bonds	\$ 120,381	
Interest on Notes	46,237	
Total Education	166,618	166,618

Other Debt Service

General Government

Trustee's Commission	\$ 18,022	
Other Debt Service	272	
Total General Government	18,294	18,294

Highways and Streets

Other Debt Service	\$ 382	
Total Highways and Streets	382	382

Education

Other Debt Service	\$ 830	
Total Education	830	830

Total General Debt Service Fund \$ 1,973,053

Community Development/Industrial Park Fund

Agriculture and Natural Resources

<u>Other Agriculture and Natural Resources</u>		
Other Charges	\$ 5,986	
Total Other Agriculture and Natural Resources	\$ 5,986	\$ 5,986

Total Community Development/Industrial Park Fund 5,986

Total Governmental Funds - Primary Government \$ 14,147,864

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, 2015

General Purpose School Fund

Instruction

Regular Instruction Program

Sergeant(s)	\$	2,800	
Teachers		11,871,072	
Career Ladder Program		116,213	
Career Ladder Extended Contracts		49,175	
Educational Assistants		412,851	
Certified Substitute Teachers		52,670	
Non-certified Substitute Teachers		82,242	
Social Security		700,050	
Pensions		1,078,153	
Medical Insurance		1,839,363	
Dental Insurance		121,491	
Unemployment Compensation		11,311	
Employer Medicare		165,537	
Travel		4,609	
Instructional Supplies and Materials		159,006	
Textbooks		122,984	
Other Supplies and Materials		2,500	
Other Charges		21,320	
Other Equipment		168,796	
Total Regular Instruction Program			\$ 16,982,143

Special Education Program

Teachers	\$	1,048,161	
Career Ladder Program		13,000	
Clerical Personnel		15,000	
Educational Assistants		172,604	
Speech Pathologist		53,680	
Certified Substitute Teachers		1,500	
Non-certified Substitute Teachers		10,008	
Social Security		73,778	
Pensions		108,596	
Medical Insurance		407,287	
Dental Insurance		8,686	
Employer Medicare		17,268	
Contracts with Other Public Agencies		6,543	
Contracts with Private Agencies		13,832	
Maintenance and Repair Services - Equipment		2,693	
Other Contracted Services		2,883	
Instructional Supplies and Materials		26,817	
Other Charges		484	
Special Education Equipment		13,000	
Total Special Education Program			1,995,820

Vocational Education Program

Teachers	\$	702,609	
Career Ladder Program		2,000	

(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 (Cont.)

Certified Substitute Teachers	\$	180	
Non-certified Substitute Teachers		1,896	
Social Security		40,736	
Pensions		63,697	
Medical Insurance		89,385	
Employer Medicare		9,528	
Instructional Supplies and Materials		23,886	
Vocational Instruction Equipment		210	
Total Vocational Education Program			\$ 934,127

Adult Education Program

Teachers	\$	20,000	
Social Security		1,214	
Pensions		1,808	
Medical Insurance		964	
Employer Medicare		284	
Travel		10	
Instructional Supplies and Materials		802	
Other Charges		2,595	
Total Adult Education Program			27,677

Support Services

Attendance

Supervisor/Director	\$	54,495	
Social Security		3,031	
Pensions		4,926	
Medical Insurance		11,050	
Employer Medicare		709	
Travel		1,689	
Total Attendance			75,900

Health Services

Medical Personnel	\$	60,307	
Other Salaries and Wages		159,748	
Social Security		12,318	
Pensions		15,746	
Medical Insurance		34,040	
Employer Medicare		2,881	
Communication		1,600	
Postal Charges		50	
Travel		5,529	
Other Supplies and Materials		22,448	
Other Charges		4,000	
Total Health Services			318,667

(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.)

Other Student Support

Guidance Personnel	\$	312,982	
Assessment Personnel		26,790	
Social Security		17,792	
Pensions		30,631	
Medical Insurance		54,088	
Employer Medicare		4,494	
Evaluation and Testing		33,005	
Total Other Student Support			\$ 479,782

Regular Instruction Program

Supervisor/Director	\$	65,989	
Career Ladder Program		4,000	
Librarians		351,632	
Materials Supervisor		9,882	
Instructional Computer Personnel		62,000	
Secretary(ies)		21,217	
Social Security		29,567	
Pensions		44,833	
Medical Insurance		89,880	
Employer Medicare		6,915	
Communication		25	
Travel		6,671	
Other Contracted Services		2,896	
Library Books/Media		10,081	
In Service/Staff Development		15,419	
Other Charges		1,793	
Total Regular Instruction Program			722,800

Special Education Program

Supervisor/Director	\$	65,000	
Psychological Personnel		54,000	
Assessment Personnel		49,134	
Secretary(ies)		22,322	
Social Security		10,887	
Pensions		14,325	
Medical Insurance		26,085	
Dental Insurance		620	
Employer Medicare		2,546	
Travel		12,826	
Other Charges		13,218	
Total Special Education Program			270,963

Vocational Education Program

Supervisor/Director	\$	63,834	
Career Ladder Program		2,000	
Social Security		3,947	

(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.)

Vocational Education Program (Cont.)

Pensions	\$	5,951	
Medical Insurance		4,996	
Employer Medicare		923	
Total Vocational Education Program			\$ 81,651

Other Programs

On-behalf Payments to OPEB	\$	125,965	
Total Other Programs			125,965

Board of Education

Board and Committee Members Fees	\$	5,650	
Social Security		350	
Employer Medicare		82	
Audit Services		19,000	
Dues and Memberships		24,624	
Legal Services		2,225	
Travel		5,734	
Other Contracted Services		5,601	
Premiums on Corporate Surety Bonds		1,330	
Trustee's Commission		150,838	
Workers' Compensation Insurance		223,399	
Other Charges		502	
Total Board of Education			439,335

Director of Schools

County Official/Administrative Officer	\$	90,000	
Career Ladder Program		1,000	
Secretary(ies)		32,500	
Social Security		7,650	
Pensions		9,648	
Medical Insurance		6,300	
Employer Medicare		1,789	
Communication		8,783	
Travel		11,640	
Office Supplies		6,892	
Other Charges		2,667	
Total Director of Schools			178,869

Office of the Principal

Principals	\$	510,125	
Career Ladder Program		8,000	
Secretary(ies)		402,233	
Social Security		52,219	
Pensions		67,956	
Medical Insurance		149,490	
Employer Medicare		12,213	
Communication		5,043	
Total Office of the Principal			1,207,279

(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.)

Fiscal Services

Accountants/Bookkeepers	\$	81,386	
Secretary(ies)		24,000	
Social Security		6,751	
Pensions		5,533	
Medical Insurance		4,996	
Employer Medicare		1,579	
Other Contracted Services		7,918	
Office Supplies		3,013	
Total Fiscal Services			\$ 135,176

Operation of Plant

Custodial Personnel	\$	496,911	
Other Salaries and Wages		379	
Social Security		28,050	
Pensions		25,634	
Medical Insurance		99,826	
Employer Medicare		6,560	
Custodial Supplies		75,825	
Electricity		705,472	
Natural Gas		224,734	
Water and Sewer		115,698	
Building and Contents Insurance		291,148	
Total Operation of Plant			2,070,237

Maintenance of Plant

Maintenance Personnel	\$	95,122	
Social Security		5,061	
Pensions		4,994	
Medical Insurance		23,782	
Employer Medicare		1,184	
Communication		2,500	
Maintenance and Repair Services - Buildings		88,002	
Maintenance and Repair Services - Equipment		10,662	
Maintenance and Repair Services - Vehicles		105	
Other Contracted Services		14,991	
Other Supplies and Materials		64,107	
Other Charges		29,100	
Total Maintenance of Plant			339,610

Transportation

Supervisor/Director	\$	41,340
Mechanic(s)		58,556
Bus Drivers		519,830
Clerical Personnel		22,249
Other Salaries and Wages		49,631
Social Security		40,937

(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.)

Transportation (Cont.)

Pensions	\$	36,765	
Medical Insurance		16,325	
Employer Medicare		9,851	
Communication		3,087	
Maintenance and Repair Services - Vehicles		134,884	
Medical and Dental Services		7,012	
Diesel Fuel		221,866	
Gasoline		16,917	
Lubricants		12,160	
Tires and Tubes		52,584	
Other Supplies and Materials		7,646	
Other Charges		1,016	
Transportation Equipment		801	
Total Transportation			\$ 1,253,457

Central and Other

Data Processing Personnel	\$	69,819	
Social Security		4,094	
Pensions		3,666	
Medical Insurance		10,177	
Employer Medicare		957	
Total Central and Other			88,713

Operation of Non-instructional Services

Early Childhood Education

Supervisor/Director	\$	12,500	
Teachers		269,677	
Clerical Personnel		7,244	
Educational Assistants		101,448	
Other Salaries and Wages		114,647	
Certified Substitute Teachers		3,660	
Non-certified Substitute Teachers		1,296	
Social Security		26,888	
Pensions		38,233	
Medical Insurance		93,237	
Dental Insurance		2,171	
Employer Medicare		7,235	
Communication		5,645	
Maintenance and Repair Services - Buildings		1,842	
Travel		6,500	
Other Supplies and Materials		10,890	
Total Early Childhood Education			703,113

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	695,968	
Other Capital Outlay		34,483	
Total Regular Capital Outlay			730,451

(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.)

Other Debt Service

Education

Contributions	\$ 1,106,350	
Total Education		\$ 1,106,350

Total General Purpose School Fund \$ 30,268,085

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 662,346	
Educational Assistants	46,410	
Other Salaries and Wages	1,365	
Certified Substitute Teachers	4,225	
Non-certified Substitute Teachers	6,155	
Social Security	40,987	
Pensions	62,013	
Medical Insurance	96,702	
Dental Insurance	4,136	
Employer Medicare	9,611	
Maintenance and Repair Services - Equipment	1,566	
Instructional Supplies and Materials	81,892	
Regular Instruction Equipment	43,674	
Other Equipment	9,986	
Total Regular Instruction Program		\$ 1,071,068

Special Education Program

Educational Assistants	\$ 434,965	
Speech Pathologist	34,912	
Social Security	25,393	
Pensions	24,669	
Employer Medicare	5,939	
Instructional Supplies and Materials	1,251	
Total Special Education Program		527,129

Vocational Education Program

Instructional Supplies and Materials	\$ 21,336	
Other Charges	4,213	
Vocational Instruction Equipment	26,948	
Total Vocational Education Program		52,497

Support Services

Other Student Support

Social Workers	\$ 113,499	
Assessment Personnel	8,431	
Clerical Personnel	8,948	
Other Salaries and Wages	43,341	
Social Security	10,052	

(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.)

Other Student Support (Cont.)

Pensions	\$	12,674	
Medical Insurance		3,810	
Dental Insurance		569	
Employer Medicare		2,381	
Travel		16,071	
Other Supplies and Materials		423	
In Service/Staff Development		700	
Other Charges		11,055	
Total Other Student Support			\$ 231,954

Regular Instruction Program

Supervisor/Director	\$	60,308	
Secretary(ies)		17,447	
Other Salaries and Wages		30,875	
In-service Training		3,005	
Social Security		4,329	
Pensions		6,639	
Medical Insurance		15,144	
Dental Insurance		284	
Employer Medicare		1,018	
Communication		749	
Consultants		5,759	
Operating Lease Payments		935	
Maintenance and Repair Services - Equipment		14	
Travel		9,417	
Other Supplies and Materials		7,469	
In Service/Staff Development		28,076	
Total Regular Instruction Program			191,468

Special Education Program

Travel	\$	5,203	
Other Contracted Services		141,717	
Other Supplies and Materials		616	
Total Special Education Program			147,536

Vocational Education Program

Travel	\$	3,080	
Total Vocational Education Program			3,080

Transportation

Bus Drivers	\$	21,470	
Other Salaries and Wages		40,275	
Social Security		3,828	
Pensions		3,242	
Employer Medicare		895	
Total Transportation			69,710

(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.)

Operation of Non-instructional Services

Community Services

Teachers	\$	309,484	
Clerical Personnel		21,699	
Educational Assistants		77,762	
Part-time Personnel		6,027	
Social Security		24,614	
Pensions		26,613	
Employer Medicare		5,839	
Travel		10,072	
Other Contracted Services		13,173	
Other Supplies and Materials		128,449	
Other Charges		1,122	
Total Community Services			\$ 624,854

Total School Federal Projects Fund \$ 2,919,296

Central Cafeteria Fund

Operation of Non-instructional Services

Food Service

Supervisor/Director	\$	38,221	
Accountants/Bookkeepers		25,282	
Clerical Personnel		16,508	
Cafeteria Personnel		633,028	
Maintenance Personnel		28,833	
Other Salaries and Wages		29,007	
Social Security		42,423	
Pensions		37,014	
Medical Insurance		198,558	
Unemployment Compensation		666	
Employer Medicare		9,921	
Communication		2,566	
Maintenance and Repair Services - Equipment		19,910	
Transportation - Other than Students		8,096	
Travel		1,214	
Other Contracted Services		33,136	
Food Supplies		988,377	
Office Supplies		1,998	
Uniforms		7,400	
USDA - Commodities		96,259	
Other Supplies and Materials		63,071	
Other Charges		2,134	
Food Service Equipment		21,927	
Total Food Service			\$ 2,305,549

Total Central Cafeteria Fund 2,305,549

Total Governmental Funds - McNairy County School Department \$ 35,492,930

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, 2015

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 1,872,133
Total Cash Receipts	<u>\$ 1,872,133</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,853,412
Trustee's Commission	18,721
Total Cash Disbursements	<u>\$ 1,872,133</u>
 Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2014	<u>0</u>
 Cash Balance, June 30, 2015	<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***

Independent Auditor's Report

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

To the County Executive and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2015, and the related notes to the financial statements, which collectively comprise McNairy County's basic financial statements, and have issued our report thereon dated January 20, 2016. Our report includes a reference to other auditors who audited the financial statements of the McNairy County Airport Authority and the McNairy County Emergency Communications District, as described in our report on McNairy County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered McNairy County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of McNairy County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*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 a 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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness: 2015-006.

*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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 2015-001, 2015-003(A,B), 2015-007, 2015-009, 2015-011, 2015-012, 2015-013, 2015-014, and 2015-016.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether McNairy County's financial statements are free from 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: 2015-002, 2015-003(C), 2015-004, 2015-005, 2015-008, 2015-010, and 2015-015.

## **McNairy County's Responses to Findings**

McNairy County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. McNairy County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McNairy County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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  
Nashville, Tennessee

January 20, 2016

JPW/sb



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 for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

**Report on Compliance for Each Major Federal Program**

We have audited McNairy County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of McNairy County's major federal programs for the year ended June 30, 2015. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of McNairy County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of McNairy County's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, McNairy County complied, in all material respects, with the types of compliance 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, 2015.

### **Report on Internal Control Over Compliance**

Management of McNairy County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered McNairy County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we

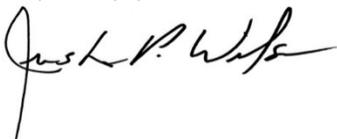
consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

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, 2015, and the related notes to the financial statements, which collectively comprise McNairy County's basic financial statements. We issued our report thereon dated January 20, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

January 20, 2016

JPW/sb

McNairy County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2015

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	\$ 352,926
National School Lunch Program	10.555	N/A	1,020,208 (3)
Summer Food Service Program for Children	10.559	N/A	72,274
Healthy, Hunger-free Kids Act of 2010 Childhood Hunger Research and Demonstration Projects	10.592	N/A	10,000
Passed-through State Department of Agriculture:			
National School Lunch Program - (Commodities - Noncash Assistance)	10.555	N/A	96,259 (3)
Total U.S. Department of Agriculture			<u>\$ 1,551,667</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	GG-10-33115-00	\$ 612,409
Total U.S. Department of Housing and Urban Development			<u>\$ 612,409</u>
U.S. Department of Labor:			
Passed-through State Department of Labor and Workforce Development:			
WIA/WIOA Youth Activities	17.259	(2)	\$ 39,702
Total U.S. Department of Labor			<u>\$ 39,702</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,135,865
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	838,560
Special Education - Preschool Grants	84.173	N/A	34,046
Career and Technical Education - Basic Grants to States	84.048	N/A	68,758
Twenty-first Century Community Learning Centers	84.287	N/A	495,095
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	N/A	206,117
Rural Education	84.358	N/A	64,347
Improving Teacher Quality State Grants	84.367	N/A	141,218
Total U.S. Department of Education			<u>\$ 2,984,006</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(2)	\$ 83,491
Emergency Management Performance Grants	97.042	(2)	31,671
Total U.S. Department of Homeland Security			<u>\$ 115,162</u>
Total Expenditures of Federal Awards			<u>\$ 5,302,946</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>			
Litter Program - State Department of Transportation	N/A	(2)	\$ 49,305
Governor's Highway Safety Grant - State Department of Transportation	N/A	(2)	2,500
Hub and Spoke Grant - State Department of Environment and Conservation	N/A	(2)	8,409
ACT/Explore - State Department of Education	N/A	(2)	6,384
Family Preservation and Support Services (Family Resource Center) - State Department of Education	N/A	(2)	29,612
Early Childhood Education - State Department of Education	N/A	(2)	713,814
Coordinated School Health - State Department of Education	N/A	(2)	90,000
Art Ticket Student Subsidy - State Department of Education	N/A	(2)	893
Safe Schools Act - State Department of Education	N/A	(2)	25,330
ConnecTenn - State Department of Education	N/A	(2)	<u>12,198</u>
Total State Grants			<u>\$ 938,445</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 \$1,116,467.

McNairy County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2015

*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, 2014, which have not been corrected.

**OFFICE OF COUNTY MAYOR**

Finding Number	Page Number	Subject
2014-001	155	Expenditures exceeded appropriations

**OFFICE OF DIRECTOR OF SCHOOLS**

Finding Number	Page Number	Subject
2014-003	156	The School Federal Projects Fund had a cash overdraft
2014-004	157	Amounts withheld from contractor payments were not deposited into an escrow account

**OFFICE OF TRUSTEE**

Finding Number	Page Number	Subject
2014-005	157	The office did not review its software audit logs

**OFFICE OF REGISTER OF DEEDS**

Finding Number	Page Number	Subject
2014-008	158	The register of deeds allowed individuals unsupervised access to the office after business hours

**OFFICE OF SHERIFF**

Finding Number	Page Number	Subject
2014-009	159	The office had accounting deficiencies
2014-010	160	The office did not deposit some funds within three days of collection
2014-011	160	Duties were not segregated adequately

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**McNAIRY COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2015**

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

1. Our report on the financial statements of McNairy County is unmodified.
2. The audit of the financial statements of McNairy County disclosed significant deficiencies in internal control. One of these deficiencies was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that are material to the financial statements of McNairy County.
4. The audit reported no significant deficiencies in internal control over major programs.
5. An unmodified 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) was determined to be a major program.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. McNairy County qualified 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 director of schools and the chairman of the Board of Education provided written responses to 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 2015-001

#### **THE COMMUNITY DEVELOPMENT/INDUSTRIAL PARK FUND HAD A CASH OVERDRAFT AND A DEFICIT IN UNASSIGNED FUND BALANCE AT JUNE 30, 2015**

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The Community Development/Industrial Park Fund had a cash overdraft of \$1,534 and a deficit in unassigned fund balance of \$1,534 at June 30, 2015. The cash overdraft resulted from the issuance of checks exceeding cash on deposit with the county trustee, and the deficit in unassigned fund balance resulted in expenditures exceeding available funds. Sound business practices dictate that expenditures be held within available funds. The cash overdraft and the deficit in unassigned fund balance were liquidated subsequent to June 30, 2015.

#### RECOMMENDATION

The office should not issue checks in excess of cash on deposit with the county trustee, and expenditures should be held within available funding.

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#### FINDING 2015-002

#### **EXPENDITURES EXCEEDED APPROPRIATIONS**

(Noncompliance Under *Government Auditing Standards*)

We noted the following deficiencies in the budget operations of the office:

- A. Expenditures exceeded total appropriations approved by the County Commission in the Solid Waste/Sanitation Fund by \$77,868.
- B. Expenditures exceeded appropriations approved by the County Commission in three of 39 major appropriation categories (the legal level of control) in the General Fund, and one of three major appropriation categories in the Special Purpose Fund as reflected in the following table:

<u>Fund/Major Appropriation Category</u>	<u>Amount Overspent</u>
General:	
County Buildings	\$ 7,374
Jail	9,484
Contributions to Other Agencies	16,145
Special Purpose:	
Transfers Out	52,165

The amount overspent in the Transfers Out category of the Special Purpose Fund was due to a transfer of excess funds to the General Fund for operations. This transfer was not budgeted by the County Commission.

- C. Salaries exceeded appropriations in two of 77 salary line-items of the General Fund by \$360 and \$685 and in five of ten salary line-items in the Solid Waste/Sanitation Fund by amounts ranging from \$25 to \$5,450. 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 appropriations that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the County Commission.

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.” These deficiencies exist because management failed to hold spending to the limits authorized by the County Commission, which resulted in unauthorized expenditures, and management failed to correct the finding noted in the prior-year audit report.

#### RECOMMENDATION

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

#### FINDING 2015-003

#### **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**

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

As part of our audit procedures for determining whether the purchasing process was operating as designed, we selected a sample of 31 invoices totaling \$25,519. Our sample revealed the following deficiencies:

- A. In six instances, invoices were paid without documentation that goods had been received and/or services rendered. This practice weakens controls over the purchasing process and increases the risk of paying for something that was never received.
- B. In three instances, employee travel claims for reimbursement were not signed by a supervisor. The failure to properly approve travel claims increases the risks of unauthorized expenditures.
- C. Competitive bids were not solicited for the purchase of food for the jail totaling \$109,799. Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated*, require public advertisement and solicitation of competitive bids on purchases exceeding \$10,000. The failure to solicit competitive bids could result in the county paying more than the most competitive price.

These deficiencies can be attributed to a lack of management oversight and their understanding of internal controls and state statutes.

RECOMMENDATION

The office should maintain documentation that goods have been received or services have been rendered before invoices are paid. Travel claims should be signed as evidence of review and approval by the employee's supervisor. Competitive bids should be solicited for purchases exceeding \$10,000 as required by state statute.

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FINDING 2015-004

**LEASE-PURCHASE AGREEMENTS WERE NOT APPROVED BY THE COUNTY COMMISSION**  
(Noncompliance Under *Government Auditing Standards*)

On September 17, 2014, the county mayor entered into two three-year lease-purchase agreements for trucks for the Sheriff's Department totaling \$61,043. These leases were not approved by the County Commission as required by Section 7-51-904, *Tennessee Code Annotated*. This deficiency was due to an oversight by management.

RECOMMENDATION

The County Commission should approve all lease-purchase agreements as required by state statute.

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## **OFFICES OF COUNTY MAYOR AND SHERIFF**

**FINDING 2015-005**

### **ACCRUED VACATION LEAVE BALANCES EXCEEDED THE MAXIMUM BALANCE PROVIDED BY THE COUNTY'S PERSONNEL POLICY**

(Noncompliance Under *Government Auditing Standards*)

We noted that several employees in the Sheriff's Department had accrued vacation leave balances exceeding the maximum balance provided by the county's personnel policy. The county's personnel policy for vacation leave provides, "Vacation time may be accumulated and carried forward to the next year in an amount not to exceed five days. Any days exceeding the five-day limit will be lost if not used prior to the end of the current year." This deficiency can be attributed to the failure of management to adequately monitor employees' leave balances. Allowing employees to accrue leave balances exceeding five days violates the county's leave policy and may result in excess employee compensation.

### **RECOMMENDATION**

Management should monitor employees' leave balances to ensure compliance with the county's personnel policy.

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## **OFFICE OF HIGHWAY COMMISSIONER**

**FINDING 2015-006**

### **THE HIGHWAY/PUBLIC WORKS FUND REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION**

(Internal Control – Material Weakness Under *Government Auditing Standards*)

At June 30, 2015, certain general ledger account balances in the Highway/Public Works Fund were not materially correct, and audit adjustments totaling \$192,262 were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require the Highway Department to have adequate internal controls over the maintenance of its accounting records. Material audit adjustments were required because the Highway Department's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the Highway Department has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. This deficiency is the result of management's failure to detect and correct potential material misstatements. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

The Highway Department should have appropriate processes in place to ensure that its general ledgers are materially correct.

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OFFICE OF DIRECTOR OF SCHOOLS

FINDING 2015-007

**THE SCHOOL FEDERAL PROJECTS FUND HAD A CASH OVERDRAFT OF \$21,435 AT JUNE 30, 2015**

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The School Federal Projects Fund had a cash overdraft of \$21,435 at June 30, 2015. This cash overdraft resulted from the issuance of checks exceeding cash on deposit with the county trustee. Sound business practices dictate that expenditures be held within available funds. The cash overdraft was liquidated subsequent to June 30, 2015.

RECOMMENDATION

The School Department should not issue checks exceeding cash on deposit with the county trustee.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS

Complexities and intricacies in receiving federal funds caused the federal funds account to be overdrawn on June 30, 2015. That overdraft was corrected after June 30, 2015, when federal funds were received to counter the overdraft. The director of schools will submit to the Board of Education a request to approve the creation and posting of the position of chief financial officer for the McNairy County School Department, for such a position is needed for the efficient financial operation of the system.

MANAGEMENT’S RESPONSE – CHAIRMAN OF THE BOARD OF EDUCATION

We agree with this finding, and steps are being taken to insure that this does not happen in the future.

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FINDING 2015-008

**AMOUNTS WITHHELD FROM CONTRACTOR PAYMENTS WERE NOT DEPOSITED INTO AN ESCROW ACCOUNT**

(Noncompliance Under *Government Auditing Standards*)

The School Department did not deposit amounts withheld from contractor payments into an escrow account related to a \$1,157,854 construction contract for a new roof for McNairy Central High School. Section 66-34-104, *Tennessee Code Annotated*, requires that funds

withheld from contractor payments be deposited into an escrow account with a third party for contracts of \$500,000 or more. This deficiency exists because management failed to correct the finding noted in the prior-year audit report and could result in the loss of interest earnings for the contractor.

RECOMMENDATION

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

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS

The McNairy County Board of Education will make all attempts to educate itself on the process in which funds from contractor payments on contracts in excess of \$500,000 may be held in escrow accounts and accrue interest while not being used.

FINDING 2015-009

**THE SCHOOL DEPARTMENT HAD DEFICIENCIES IN PURCHASING PROCEDURES**

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

As a part of our auditing procedures for determining whether internal controls over purchasing were operating as designed, we selected a sample of 31 disbursements totaling \$16,011. Our sample revealed the following deficiencies, which were the result of a lack of management oversight:

- A. In three instances, purchase orders were not issued or were issued after the purchases were made. Purchase orders are necessary to control who has purchasing authority for the department and to document purchasing commitments. The failure to issue purchase orders increases the risks of unauthorized purchases. The practice of issuing purchase orders after the purchase has been made defeats the purpose and makes it an approval for payment, rather than approval of the purchase.
- B. In 13 instances, invoices were paid without documentation that goods had been received and/or services had been rendered. This practice weakens controls over the purchasing process and increases the risk of paying for something that was never received.

RECOMMENDATION

The School Department should issue purchase orders for all applicable purchases before purchases are made to strengthen internal controls over purchasing procedures and to document purchasing commitments. Documentation should be maintained that goods have been received and/or services have been rendered before invoices are paid.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS

The School Department will strive to make sure purchase orders will be issued within defined guidelines and that all proof of services received will be evident.

MANAGEMENT’S RESPONSE – CHAIRMAN OF THE BOARD OF EDUCATION

We agree with the finding, and steps are being taken to insure that this does not happen again.

FINDING 2015-010

**SALARY SUPPLEMENTS PAID TO CERTAIN EMPLOYEES WERE NOT APPROVED BY THE BOARD OF EDUCATION**

(Noncompliance Under *Government Auditing Standards*)

Salary supplements totaling \$56,218, which ranged from \$674 to \$18,833, were paid to certain employees during the year without the approval of the Board of Education. Section 49-2-203(a)(1), *Tennessee Code Annotated*, states “It is the duty of the local board of education to”... “fix the salaries of and make written contracts with the teachers.” At the time the supplements were paid, the only documentation to support the payments were written notes from the director of schools instructing the bookkeeper to pay the supplements. These supplements were over the amounts authorized by the approved salary and supplement schedules for the department. The director of schools stated that he did not realize he needed the board’s approval to increase salaries as long as he stayed within the budget for the salary line-items. Several months after the supplements were paid, teacher contracts were completed for most of these employees with the new total salary and supplement amounts included. These contracts were between the McNairy County Board of Education and the employee and were signed by the director of schools and the chairman of the Board of Education. However, the chairman of the board advised us that he was not aware of the salary increases, and a signature stamp was used to affix his signature to the contracts. *Tennessee Code Annotated* does not provide authority for the use of a signature stamp.

RECOMMENDATION

All salaries and supplements should be authorized by the Board of Education in accordance with provisions of the statute, should be documented in the minutes of the board, and should follow the salary and supplement schedules adopted by the board. The School Department should discontinue the use of any signature stamp.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS

All salaries henceforth will be approved by the Board of Education annually as part of the budgeting process. In addition, a salary task force will be convened in order to: update salary schedules that are approximately 19 years old; establish salary schedules for positions for which there has never existed said schedule; and clearly delineate, for all involved, the role of the director of schools in regard to the same.

All signature stamps with director and board chairman names, dating back several years, will be destroyed, and the same will be documented via video. In the future, the chairman of the Board of Education will sign any documentation in regard to expenditure of funds.

#### MANAGEMENT'S RESPONSE – CHAIRMAN OF THE BOARD OF EDUCATION

With regard to the unapproved salary increases, I, as board chairman, had no knowledge that these salary increases would be awarded to the particular employees. Further, I have no knowledge that would suggest that any other board member knew that these salary increases would take place. Going forward, all salaries and supplements will be presented to the board for review and approval as part of the budgeting process. I have advised the central office that the signature stamp will no longer be used.

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#### FINDING 2015-011

#### **THE PURCHASING SOFTWARE USED BY THE CENTRAL OFFICE DID NOT HAVE ADEQUATE APPLICATION CONTROLS**

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The software application allowed users to change vendor names during the check-writing process causing the payee on the check to disagree with reports. Sound business practices dictate that proper computer application controls be implemented. These controls would help ensure the reliability and integrity of the information maintained by the system. Since the vendor did not design the system with proper controls, inappropriate system activity could occur.

#### RECOMMENDATION

Management should contact the software developer concerning the addition of controls to the software that would prevent users from altering vendor names during the check-writing process.

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#### OFFICE OF TRUSTEE

#### FINDING 2015-012

#### **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, the log was not reviewed. This deficiency was 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 REGISTER OF DEEDS

### FINDING 2015-013

### **THE REGISTER OF DEEDS ALLOWED INDIVIDUALS UNSUPERVISED ACCESS TO THE OFFICE AFTER BUSINESS HOURS**

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Our examination disclosed that the register of deeds 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 an attorney 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 2015-014

### **THE OFFICE HAD ACCOUNTING DEFICIENCIES**

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The following deficiencies were noted during our examination of the office's accounting records. These deficiencies can be attributed to a lack of understanding of internal controls, generally accepting accounting principles, state statutes, and sound business practices. Also, these deficiencies are the result of management's failure to correct the finding noted in the prior-year audit report.

- A. The cash journal was not properly maintained. Transactions were posted to the cash journal only once per week and were dated the day of posting instead of the actual date of the transaction. The official cash journal is the primary cash control record of the office that summarizes financial operations; therefore, the proper maintenance of the cash journal on a current basis is necessary for the official to determine the financial position of

the office. The failure to properly maintain accounting records also increases the risks of fraud and abuse.

- B. The office did not maintain any accounting records for transactions of the commissary. Also, the cash journal and annual financial report did not include the commissary account, and the office was unable to provide any subsidiary reports from the commissary software. We have included commissary receipts (\$127,321) and disbursements (\$150,810) in the financial statements of this report based on amounts we summarized from available bank statements. The failure to properly maintain records of commissary transactions allows errors to occur and not be detected and increases the risks of fraud and abuse.
- C. Bank statements for the primary bank account had not been reconciled. Sound business practices require the reconciliation of bank statements with general ledger accounts to ensure all cash collections and disbursements are recorded in the accounting records accurately. The failure to reconcile bank statements with the general ledger allows errors to remain undiscovered and uncorrected.

#### RECOMMENDATION

An official cash journal should be properly maintained on a current basis and should reflect all financial operations of the Sheriff's Department. The office should consult with their software vendor to obtain reports of commissary transactions. Bank statements should be reconciled with the general ledger monthly, and any errors discovered should be corrected promptly.

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#### FINDING 2015-015

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

In some instances, the Sheriff's Office did not deposit funds to the office bank account within three days of collection as required by Section 5-8-207, *Tennessee Code Annotated*. Throughout the year, deposits were only made three to four times per month resulting in collections that were consistently held over three days before depositing. This deficiency is the result of a lack of management oversight and management's failure to correct the finding noted in the prior-year audit report. The delay in depositing funds weakens internal controls over collections and increases the risks of fraud and misappropriation.

#### RECOMMENDATION

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

FINDING 2015-016

**DUTIES WERE NOT SEGREGATED ADEQUATELY**

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Duties were not segregated adequately among the official and employees in the Office of Sheriff. Employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. Sound business practices dictate that management is responsible for designing internal controls 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 management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

The sheriff should segregate duties to the extent possible using available resources.

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

There were no findings and questioned costs for federal awards.

## **BEST PRACTICE**

Accounting literature describes a best practice as a recommended policy, procedure, or technique that aids management in improving financial performance. Historically, a best practice has consistently shown superior results over conventional methods.

The Division of Local Government Audit strongly believes that the item noted below is a best practice 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 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.

**McNAIRY COUNTY, TENNESSEE**  
**AUDITEE REPORTING RESPONSIBILITIES**  
**For the Year Ended June 30, 2015**

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