



**ANNUAL FINANCIAL REPORT
McNAIRY COUNTY, TENNESSEE**



FOR THE YEAR ENDED JUNE 30, 2011



ANNUAL FINANCIAL REPORT
McNAIRY COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2011

COMPTROLLER OF THE TREASURY
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This financial report is available at www.tn.gov/comptroller

McNAIRY COUNTY, TENNESSEE

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Audit Highlights

Annual Financial Report
McNairy County, Tennessee
For the Year Ended June 30, 2011

Scope

We have audited the basic financial statements of McNairy County as of and for the year ended June 30, 2011.

Results

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

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

Findings and Best Practices

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

OFFICE OF COUNTY MAYOR

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

OFFICE OF HIGHWAY COMMISSIONER

- ◆ The office did not file a report on debt obligation with the state Comptroller's Office.

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The 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 CIRCUIT AND GENERAL SESSIONS COURTS CLERK

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

OFFICES OF CLERK AND MASTER AND REGISTER

- ◆ Multiple employees operated from the same cash drawer.
-

OFFICE OF REGISTER

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

OFFICE OF SHERIFF

- ◆ Duties were not segregated adequately.
-

BEST PRACTICES

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

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

INTRODUCTORY SECTION

McNairy County Officials

June 30, 2011

Officials

Wilburn Gene Ashe, County Mayor
Harvey Neal Smith, Highway Commissioner
Charlie Miskelly, Director of Schools
Stanley Mitchell, Trustee
Betty Ashe, Assessor of Property
Ronnie Price, County Clerk
Ronnie Brooks, Circuit and General Sessions Courts Clerk
Kim Harrison, Clerk and Master
Brian Dickey, Register
Guy Buck, Sheriff

Board of County Commissioners

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

Board of Education

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

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

March 2, 2012

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McNairy County, Tennessee, as of and for the year ended June 30, 2011, which collectively comprise McNairy County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of McNairy County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the McNairy County Emergency Communications District, which represent 2.6 percent and 1.8 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the McNairy County Emergency Communications District, is based on the report of other auditors.

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

evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

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

In our opinion, based on our audit and the report of other auditors, and except for the effects of not including the financial statements of the McNairy County Airport Authority as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of McNairy County, Tennessee, as of June 30, 2011, and the results of operations of the aggregate discretely presented component units, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of McNairy County, Tennessee, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2012, on our consideration of McNairy County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

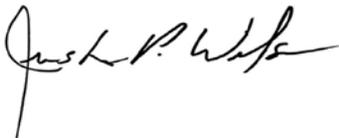
As described in Note V.B., McNairy County has adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which became effective for the year ended June 30, 2011.

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison, pension, and other postemployment benefits information on pages 63 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise McNairy County's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the McNairy County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the McNairy County School Department (a discretely presented component unit), and the miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

McNairy County, Tennessee
Statement of Net Assets
June 30, 2011

	Primary Governmental Activities	Component Units	
		McNairy County School Department	Emergency Communications District
<u>ASSETS</u>			
Cash	\$ 848	\$ 0	\$ 225,467
Equity in Pooled Cash and Investments	4,631,748	1,102,751	0
Accounts Receivable	1,215,538	3,862	34,138
Allowance for Uncollectibles	(472,606)	0	0
Due from Other Governments	734,680	1,519,667	1,500
Due from Primary Government	0	5,342	0
Property Taxes Receivable	4,110,307	3,699,275	0
Allowance for Uncollectible Property Taxes	(265,461)	(238,915)	0
Prepaid Items	1,065	0	7,728
Deferred Charges - Debt Issuance Costs	94,205	0	0
Capital Assets:			
Assets Not Depreciated:			
Land	491,232	375,479	0
Construction in Progress	92,311	0	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	3,391,015	10,189,589	98,012
Infrastructure	2,634,958	0	0
Other Capital Assets	1,364,800	1,856,967	127,216
Total Assets	\$ 18,024,640	\$ 18,514,017	\$ 494,061
<u>LIABILITIES</u>			
Accounts Payable	\$ 217,061	\$ 0	\$ 11,027
Payroll Deductions Payable	20,283	10,054	0
Contracts Payable	193,144	0	0
Accrued Interest Payable	101,559	0	0
Due to Component Units	5,342	0	0
Due to State of Tennessee	3,301	0	0
Deferred Revenue - Current Property Taxes	3,641,313	3,277,181	0
Noncurrent Liabilities:			
Due Within One Year	1,422,021	0	0
Due in More Than One Year (net of unamortized premium on debt)	9,172,259	655,151	0
Total Liabilities	\$ 14,776,283	\$ 3,942,386	\$ 11,027

(Continued)

Exhibit A

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

	Primary Governmental Activities	Component Units	
		McNairy County School Department	Emergency Communications District
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 5,109,484	\$ 0	\$ 0
Invested in Capital Assets	0	12,422,035	225,228
Restricted for:			
Solid Waste/Sanitation	1,405,351	0	0
Drug Control	46,173	0	0
Highway/Public Works	956,057	0	0
Debt Service	2,136,145	0	0
Capital Projects	1,772	0	0
Automation	116,908	0	0
School Federal Projects	0	224,604	0
Central Cafeteria	0	909,577	0
Other Purposes	57,623	270	0
Unrestricted	<u>(6,581,156)</u>	<u>1,015,145</u>	<u>257,806</u>
Total Net Assets	<u>\$ 3,248,357</u>	<u>\$ 14,571,631</u>	<u>\$ 483,034</u>

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

Exhibit B

McNairy County, Tennessee
Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						
	Program Revenues			Primary Government	Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	McNairy County School Department	Emergency Communications District
Primary Government:							
General Government	\$ 868,644	\$ 274,174	\$ 54,332	\$ 100,000	\$ (440,138)	\$ 0	\$ 0
Finance	588,028	498,249	2,196	0	(87,583)	0	0
Administration of Justice	621,284	445,164	9,000	0	(167,120)	0	0
Public Safety	2,564,804	239,989	0	32,953	(2,291,862)	0	0
Public Health and Welfare	1,309,678	483,876	589,375	0	(236,427)	0	0
Social, Cultural, and Recreational Services	169,228	12,217	29,068	0	(127,943)	0	0
Agriculture and Natural Resources	136,402	0	0	0	(136,402)	0	0
Other Operations	707,808	0	0	0	(707,808)	0	0
Highways/Public Works	2,371,818	1,868	2,748,644	697	379,391	0	0
Interest on Long-term Debt	465,759	0	0	0	(465,759)	0	0
Other Debt Service	40,063	0	5,258	0	(34,805)	0	0
Total Primary Government	\$ 9,843,516	\$ 1,955,537	\$ 3,437,873	\$ 133,650	\$ (4,316,456)	\$ 0	\$ 0
Component Units:							
McNairy County School Department	\$ 35,976,659	\$ 775,120	\$ 5,399,407	\$ 0	\$ 0	\$ (29,802,132)	\$ 0
Emergency Communications District	546,511	383,330	152,791	0	0	0	(10,390)
Total Component Units	\$ 36,523,170	\$ 1,158,450	\$ 5,552,198	\$ 0	\$ 0	\$ (29,802,132)	\$ (10,390)

(Continued)

Exhibit B

McNairy County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units	
				Expenses	Total Governmental Activities	McNairy County School Department	Emergency Communications District
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes				\$ 3,159,908	\$ 3,772,195	\$ 0	0
Property Taxes Levied for Debt Service				1,035,819	0	0	0
Local Option Sales Taxes				200,630	1,755,410	0	0
Wheel Tax				470,934	0	0	0
Litigation Tax				109,219	0	0	0
Mineral Severance Tax				40,243	0	0	0
Other Local Taxes				36,624	25,738	0	0
Grants and Contributions Not Restricted to Specific Programs				1,355,201	23,306,115	26,809	26,809
Unrestricted Investment Income				62,814	21,194	3,741	3,741
Miscellaneous				139,771	53,213	88,805	88,805
Total General Revenues				\$ 6,611,163	\$ 28,933,865	\$ 119,355	
Change in Net Assets				\$ 2,294,707	\$ (868,267)	\$ 108,965	
Net Assets, July 1, 2010				953,650	15,439,898	374,069	
Net Assets, June 30, 2011				\$ 3,248,357	\$ 14,571,631	\$ 483,034	

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, 2011

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
\$	0	0	0	0	0	848	848
Cash	973,299	701,855	688,229	2,187,746	80,619	848	4,631,748
Equity in Pooled Cash and Investments	1,727	1,210,206	3,605	0	0	0	1,215,538
Accounts Receivable	0	(472,606)	0	0	0	0	(472,606)
Allowance for Uncollectibles	222,861	39,788	472,031	0	0	0	734,680
Due from Other Governments	1,570	0	0	0	0	0	1,570
Due from Other Funds	2,765,115	0	336,298	1,008,894	0	0	4,110,307
Property Taxes Receivable	(178,582)	0	(21,720)	(65,159)	0	0	(265,461)
Allowance for Uncollectible Property Taxes	1,065	0	0	0	0	0	1,065
Prepaid Items							
Total Assets	\$ 3,787,055	\$ 1,479,243	\$ 1,478,443	\$ 3,131,481	\$ 81,467	\$ 848	\$ 9,957,689

ASSETS

LIABILITIES AND FUND BALANCES

Liabilities	\$ 140,564	\$ 72,222	\$ 0	\$ 0	\$ 4,275	\$ 217,061	
Accounts Payable	18,963	947	270	0	103	20,283	
Payroll Deductions Payable	0	0	193,144	0	0	193,144	
Contracts Payable	0	722	0	0	848	1,570	
Due to Other Funds	5,342	0	0	0	0	5,342	
Due to Component Units	0	0	3,301	0	0	3,301	
Due to State of Tennessee	2,449,610	0	297,926	893,777	0	3,641,313	
Deferred Revenue - Current Property Taxes	125,343	0	15,244	45,733	0	186,320	
Deferred Revenue - Delinquent Property Taxes	12,497	760,446	304,146	0	0	1,077,089	
Other Deferred Revenues							
Total Liabilities	\$ 2,752,319	\$ 834,337	\$ 814,031	\$ 939,510	\$ 5,226	\$ 5,345,423	

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
<u>Fund Balances</u>							
Nonspendable:							
Prepaid Items	\$ 1,065	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,065
Restricted:							
Restricted for General Government	6,385	0	0	0	0	0	6,385
Restricted for Administration of Justice	62,729	0	0	0	0	0	62,729
Restricted for Public Safety	32,185	0	0	0	46,173	0	78,358
Restricted for Public Health and Welfare	15,803	0	0	0	0	0	15,803
Restricted for Social, Cultural, and Recreational Services	28,068	0	0	0	2,824	0	30,892
Restricted for Agriculture and Natural Resources	0	0	0	0	1,772	0	1,772
Restricted for Highways/Public Works	0	0	610,749	0	0	0	610,749
Restricted for Debt Service	0	0	0	2,103,431	0	0	2,103,431
Committed:							
Committed for General Government	0	0	0	0	25,472	0	25,472
Committed for Public Health and Welfare	0	644,906	0	0	0	0	644,906
Committed for Highways/Public Works	0	0	53,663	0	0	0	53,663
Committed for Debt Service	0	0	0	88,540	0	0	88,540
Committed for Capital Projects	195,600	0	0	0	0	0	195,600
Unassigned	692,901	0	0	0	0	0	692,901
<u>Total Fund Balances</u>	<u>\$ 1,034,736</u>	<u>\$ 644,906</u>	<u>\$ 664,412</u>	<u>\$ 2,191,971</u>	<u>\$ 76,241</u>	<u>\$ 0</u>	<u>\$ 4,612,266</u>
<u>Total Liabilities and Fund Balances</u>	<u>\$ 3,787,055</u>	<u>\$ 1,479,243</u>	<u>\$ 1,478,443</u>	<u>\$ 3,131,481</u>	<u>\$ 81,467</u>	<u>\$ 0</u>	<u>\$ 9,957,689</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 Assets
June 30, 2011

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$ 4,612,266	
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$ 491,232		
Add: construction in progress	92,311		
Add: buildings and improvements net of accumulated depreciation	3,391,015		
Add: infrastructure net of accumulated depreciation	2,634,958		
Add: other capital assets net of accumulated depreciation	<u>1,364,800</u>	7,974,316	
(2) Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds.			
Less: notes payable	\$ (227,498)		
Less: capital leases payable	(104,382)		
Less: bonds payable	(9,560,667)		
Add: deferred charges - debt issuance costs	94,205		
Less: compensated absences payable	(84,314)		
Less: landfill closure/postclosure care costs	(540,003)		
Less: other postemployment benefits liability	(35,877)		
Less: accrued interest on bonds, notes, and capital leases	(101,559)		
Less: other deferred revenue - premium on debt	<u>(41,539)</u>	(10,601,634)	
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>1,263,409</u>
Net assets of governmental activities (Exhibit A)			<u>\$ 3,248,357</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, 2011

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other		
					Governmental Funds	Governmental Funds	
Revenues							
Local Taxes	\$ 3,119,607	\$ 76,015	\$ 386,432	\$ 1,516,213	\$ 2,778	\$ 5,101,045	
Licenses and Permits	15,638	0	0	0	0	15,638	
Fines, Forfeitures, and Penalties	121,277	0	0	0	859	122,136	
Charges for Current Services	60,566	822,704	99	0	1,405	884,774	
Other Local Revenues	182,626	8,280	11,354	85,858	160,177	448,295	
Fees Received from County Officials	890,484	0	0	0	0	890,484	
State of Tennessee	720,832	261,334	1,832,259	0	0	2,814,425	
Federal Government	170,849	253,522	769,863	0	0	1,194,234	
Other Governments and Citizens Groups	0	0	3,602	872,275	0	875,877	
Total Revenues	\$ 5,281,879	\$ 1,421,855	\$ 3,003,609	\$ 2,474,346	\$ 165,219	\$ 12,346,908	
Expenditures							
Current:							
General Government	\$ 684,386	\$ 0	\$ 0	\$ 0	\$ 92,565	\$ 776,951	
Finance	461,582	0	0	0	0	461,582	
Administration of Justice	484,253	0	0	0	1,405	485,658	
Public Safety	1,925,876	0	0	0	36,192	1,962,068	
Public Health and Welfare	543,641	1,207,924	0	0	0	1,751,565	
Social, Cultural, and Recreational Services	126,805	0	0	0	2,256	129,061	
Agriculture and Natural Resources	128,868	0	0	0	5,317	134,185	
Other Operations	1,218,763	36,962	0	0	6,780	1,262,505	
Highways	0	32,592	2,422,961	0	0	2,455,553	
Debt Service:							
Principal on Debt	12,662	0	25,762	2,545,839	0	2,584,263	
Interest on Debt	1,471	0	1,673	487,441	0	490,585	
Other Debt Service	0	0	0	28,138	0	28,138	
Total Expenditures	\$ 5,588,307	\$ 1,277,478	\$ 2,450,396	\$ 3,061,418	\$ 144,515	\$ 12,522,114	
Excess (Deficiency) of Revenues Over Expenditures	\$ (306,428)	\$ 144,377	\$ 553,213	\$ (587,072)	\$ 20,704	\$ (175,206)	

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds		
<u>Other Financing Sources (Uses)</u>							
Capital Leases Issued	\$ 0	\$ 0	\$ 31,111	\$ 0	\$ 0	\$ 0	\$ 31,111
Insurance Recovery	18,178	2,273	6,793	0	0	0	27,244
Transfers In	0	0	0	322,000	0	0	322,000
Transfers Out	0	0	(322,000)	0	0	0	(322,000)
Total Other Financing Sources (Uses)	\$ 18,178	\$ 2,273	\$ (284,096)	\$ 322,000	\$ 0	\$ 0	\$ 58,355
Net Change in Fund Balances	\$ (288,250)	\$ 146,650	\$ 269,117	\$ (265,072)	\$ 20,704	\$ (116,851)	
Fund Balance, July 1, 2010	1,322,986	498,256	395,295	2,457,043	55,537	4,729,117	
Fund Balance, June 30, 2011	\$ 1,034,736	\$ 644,906	\$ 664,412	\$ 2,191,971	\$ 76,241	\$ 4,612,266	

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, 2011

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)		\$ (116,851)
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 922,667	
Less: current-year depreciation expense	<u>(844,239)</u>	78,428
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2011	\$ 1,263,409	
Less: deferred delinquent property taxes and other deferred June 30, 2010	<u>(1,477,352)</u>	(213,943)
<p>(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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Less: capital lease proceeds	\$ (31,111)	
Add: change in premium on debt issuances	5,258	
Less: change in deferred debt issuance costs	(11,925)	
Add: principal payments on bonds	2,457,705	
Add: principal payments on notes	105,996	
Add: principal payments on capital leases	<u>20,562</u>	2,546,485
<p>(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.</p>		
Change in accrued interest payable	\$ 24,826	
Change in compensated absences payable	(19,343)	
Change in other postemployment benefits liability	(10,232)	
Change in landfill closure/postclosure care costs	<u>5,337</u>	588
Change in net assets of governmental activities (Exhibit B)		<u>\$ 2,294,707</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, 2011

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 690,301
Accounts Receivable	3,126
Due from Other Governments	<u>271,671</u>
Total Assets	<u>\$ 965,098</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 271,671
Due to Litigants, Heirs, and Others	<u>693,427</u>
Total Liabilities	<u>\$ 965,098</u>

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

McNAIRY COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

McNairy County's financial statements are presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

The following are the more significant accounting policies of McNairy County:

A. Reporting Entity

McNairy County is a public municipal corporation governed by an elected 21-member board. As required by GAAP, these financial statements present McNairy County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

Discretely Presented Component Units – The following entities meet the criteria for discretely presented component units of the county. They are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the county.

The McNairy County School Department operates the public school system in the county, and the voters of McNairy County elect its board. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The McNairy County Airport Authority operates the county's only airport facility, and the McNairy County Commission appoints its governing body and approves its operating budget. The McNairy County Airport Authority is funded primarily through rentals and fuel sales. The financial statements of the McNairy County Airport Authority were not available from other auditors in time for inclusion in this report.

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

The McNairy County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Although required by GAAP, the financial statements of the McNairy County Airport Authority were not available in time for inclusion, as previously mentioned. Complete financial statements of the McNairy County Airport Authority and the McNairy County Emergency Communications District can be obtained from their administrative offices at the following addresses:

Administrative Offices:

McNairy County Airport Authority
2281 Airport Road
Selmer, TN 38375

McNairy County Emergency
Communications District
300 Industrial Park Drive
Selmer, TN 38375

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the Statement of Activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the primary government of McNairy County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The McNairy County School Department component unit only reports governmental activities in the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

McNairy County issues all debt for the discretely presented McNairy County School Department; however, the county did not issue any debt for the School Department for the year ended June 30, 2011.

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

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary funds financial statements, except for agency funds, which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of McNairy County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category. McNairy County has no proprietary funds to report.

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. The fiduciary funds in total are reported in a single column.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. McNairy County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when

amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Fiduciary funds financial statements are reported using the economic resources measurement focus, except for agency funds, which have no measurement focus, and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

McNairy County reports the following major governmental funds:

General Fund – This is the county’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Solid Waste/Sanitation Fund – This special revenue fund accounts for the county’s garbage collection operations. Residential waste collection charges are the foundational revenues of this fund.

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

General Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, McNairy County reports the following fund types:

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

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in McNairy County. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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

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

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

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

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

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented McNairy County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund. McNairy County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

Property taxes and solid waste receivables are shown with an allowance for uncollectibles. The solid waste receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 3.32 percent of total taxes levied.

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

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred revenue as of June 30.

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

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

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaids are offset in the nonspendable fund balance account in governmental funds.

4. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Property, plant, equipment, and infrastructure of the primary government and the discretely presented School Department are

depreciated using the straight-line method over the following estimated useful lives:

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

5. Compensated Absences

It is the county’s policy to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from service. There is no liability for accumulated sick leave since McNairy County does not have a policy to pay sick leave when employees separate from service with the government. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

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

6. Long-term Obligations

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

In the fund financial statements, governmental funds recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences, landfill closure/postclosure care costs, and other postemployment benefits, are recognized to the extent that the liabilities have matured (come due for payment) each period.

7. Net Assets and Fund Equity

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

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

As of June 30, 2011, McNairy County had \$5,524,790 in outstanding debt issued for capital purposes for the discretely presented McNairy County School Department. This debt is a liability of McNairy County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, McNairy County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

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

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or

laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

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

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

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Assets

Primary Government

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Assets.

Discretely Presented McNairy County School Department

Exhibit I-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Assets.

B. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities

Primary Government

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

Discretely Presented McNairy County School Department

Exhibit I-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide Statement of Activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (special revenue fund), which is not budgeted, and the Community Development/Industrial Park Fund (capital projects fund), which adopts project length budgets. All annual appropriations lapse at fiscal year end.

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the County Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, Beer Board, Budget and Finance Committee, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The county's budgetary basis of accounting is consistent with GAAP, except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

B. Cash Shortage – Prior Year

The audit of McNairy County for the 2007-08 year reported a cash shortage of \$13,528.19 from eight bank deposits in the Office of Circuit Court Clerk. A former office employee, Dana Siegler, admitted taking the funds and has restored the \$13,528.19 in missing funds to the office. On June 20, 2008, Ms. Siegler pled guilty in Circuit Court to official misconduct, was sentenced to two years in state prison, and immediately granted probation. In addition, she was ordered to pay \$4,405 for restitution to the county for audit expenses. As of June 30, 2011, Ms. Siegler had paid \$1,014.50 of the audit expenses leaving unpaid restitution of \$3,390.50.

C. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the Miscellaneous major appropriation category (the legal level of control) of the General Fund by \$65,604. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balance.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

McNairy County and the McNairy County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net assets represents nonpooled amounts held separately by individual funds.

Deposits

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

covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the county.

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county’s own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer’s Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state Comptroller’s Office and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the fair value of the securities on the day of purchase.

The county had no pooled and non-pooled investments as of June 30, 2011.

B. Capital Assets

Capital assets activity for the year ended June 30, 2011, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-10	Increases	Balance 6-30-11
Capital Assets Not Depreciated:			
Land	\$ 491,232	\$ 0	\$ 491,232
Construction in Progress	0	92,311	92,311
Total Capital Assets Not Depreciated	\$ 491,232	\$ 92,311	\$ 583,543

Governmental Activities (Cont.):

	Balance 7-1-10	Increases	Balance 6-30-11
Capital Assets Depreciated:			
Buildings and Improvements	\$ 8,527,237	\$ 390,940	\$ 8,918,177
Infrastructure	3,701,650	204,772	3,906,422
Other Capital Assets	4,695,993	234,644	4,930,637
	<hr/>		
Total Capital Assets Depreciated	\$ 16,924,880	\$ 830,356	\$ 17,755,236
	<hr/>		
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 5,227,592	\$ 299,570	\$ 5,527,162
Infrastructure	1,092,091	179,373	1,271,464
Other Capital Assets	3,200,541	365,296	3,565,837
	<hr/>		
Total Accumulated Depreciation	\$ 9,520,224	\$ 844,239	\$ 10,364,463
	<hr/>		
Total Capital Assets Depreciated, Net	\$ 7,404,656	\$ (13,883)	\$ 7,390,773
	<hr/>		
Governmental Activities			
Capital Assets, Net	\$ 7,895,888	\$ 78,428	\$ 7,974,316
	<hr/> <hr/>		

There were no decreases in capital assets during the year. Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 127,844
Finance	2,849
Administration of Justice	5,087
Public Safety	397,904
Public Health and Welfare	24,008
Other Operations	74,635
Highways	211,912
	<hr/>
Total Depreciation Expense - Governmental Activities	\$ 844,239
	<hr/> <hr/>

Discretely Presented McNairy County School Department

Governmental Activities:

	Balance 7-1-10	Increases	Decreases	Balance 6-30-11
Capital Assets Not Depreciated:				
Land	\$ 375,479	\$ 0	\$ 0	\$ 375,479
Construction in Progress	519,667	0	519,667	0
Total Capital Assets Not Depreciated	\$ 895,146	\$ 0	\$ 519,667	\$ 375,479
Capital Assets Depreciated:				
Buildings and Improvements	\$ 24,545,634	\$ 697,820	\$ 0	\$ 25,243,454
Other Capital Assets	5,787,680	419,662	0	6,207,342
Total Capital Assets Depreciated	\$ 30,333,314	\$ 1,117,482	\$ 0	\$ 31,450,796
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 14,603,572	\$ 450,293	\$ 0	\$ 15,053,865
Other Capital Assets	3,958,792	391,583	0	4,350,375
Total Accumulated Depreciation	\$ 18,562,364	\$ 841,876	\$ 0	\$ 19,404,240
Total Capital Assets Depreciated, Net	\$ 11,770,950	\$ 275,606	\$ 0	\$ 12,046,556
Governmental Activities Capital Assets, Net	\$ 12,666,096	\$ 275,606	\$ 519,667	\$ 12,422,035

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

Governmental Activities:

Instruction	\$ 462,035
Support Services	331,096
Operation of Non-Instructional Services	48,745
Total Depreciation Expense - Governmental Activities	\$ 841,876

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2011, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste/Sanitation	\$ 722
"	Nonmajor governmental	848

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.

Due to/from Primary Government and Component Unit:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Component Unit: General Purpose School	Primary Government: General	\$ 5,342

Interfund Transfers:

Interfund transfers for the year ended June 30, 2011, consisted of the following amounts:

Primary Government:

<u>Transfer Out</u>	<u>Transfer In</u>
	General
	Debt
	Service
	Fund
Highway/Public Works Fund	\$ 322,000

Discretely Presented McNairy County School Department

<u>Transfer Out</u>	<u>Transfer In</u>
	General
	Purpose
	School
	Fund
School Federal Projects Fund	\$ 36,096

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.

D. Capital Leases

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

On August 24, 2010, McNairy County entered into a three-year lease-purchase agreement for a mini excavator for the Highway Department. The terms of the agreement require total lease payments of \$31,111 plus interest of 6.9 percent. Title to the excavator transfers to McNairy County at the end of the lease period. The lease payments are made from the Highway/Public Works Fund.

The assets acquired through capital leases are as follows:

<u>Assets</u>	<u>Governmental Activities</u>
Machinery and Equipment	\$ 136,811
Less: Accumulated Depreciation	<u>(63,028)</u>
Total Book Value	<u><u>\$ 73,783</u></u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2011, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2012	\$ 27,530
2013	27,530
2014	<u>58,708</u>
Total Minimum Lease Payments	\$ 113,768
Less: Amount Representing Interest	<u>(9,386)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 104,382</u></u>

E. Long-term Debt

Primary Government

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 38 years for bonds and six years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2011, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, and capital leases outstanding as of June 30, 2011, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-11
General Obligation Bonds	4.5 to 4.75%	\$ 1,077,050	\$ 710,667
General Obligation Bonds - Refunding	2 to 5	19,875,000	8,850,000
Capital Outlay Notes	4.43	455,000	227,498
Capital Leases	3.59 to 6.9	136,811	104,382

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2011, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2012	\$ 1,255,571	\$ 389,425	\$ 1,644,996
2013	1,317,981	334,896	1,652,877
2014	1,100,505	287,155	1,387,660
2015	1,453,149	242,692	1,695,841
2016	1,525,919	184,106	1,710,025

Year Ending June 30	Bonds (Cont.)		
	Principal	Interest	Total
2017-2021	\$ 2,733,640	\$ 237,020	\$ 2,970,660
2022-2026	62,657	29,858	92,515
2027-2031	24,185	21,767	45,952
2032-2036	24,185	16,324	40,509
2037-2041	24,185	10,883	35,068
2042-2046	24,185	5,441	29,626
2047-2048	14,505	652	15,157
Total	\$ 9,560,667	\$ 1,760,219	\$ 11,320,886

Year Ending June 30	Notes		
	Principal	Interest	Total
2012	\$ 75,834	\$ 8,539	\$ 84,373
2013	75,834	5,151	80,985
2014	75,830	1,726	77,556
Total	\$ 227,498	\$ 15,416	\$ 242,914

There is \$2,191,971 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$367, based on the 2010 federal census. Debt per capita, including bonds, notes, and capital leases totaled \$379, based on the 2010 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2010	\$ 12,018,372	\$ 333,494	\$ 93,833
Additions	0	0	31,111
Deductions	(2,457,705)	(105,996)	(20,562)
Balance, June 30, 2011	\$ 9,560,667	\$ 227,498	\$ 104,382
Balance Due Within One Year	\$ 1,255,571	\$ 75,834	\$ 23,307

Governmental Activities (Cont.):

	Compensated Absences	Landfill Closure/ Postclosure Care Costs	Other Postemployment Benefits
Balance, July 1, 2010	\$ 64,971	\$ 545,340	\$ 25,645
Additions	100,557	5,347	14,061
Deductions	(81,214)	(10,684)	(3,829)
Balance, June 30, 2011	<u>\$ 84,314</u>	<u>\$ 540,003</u>	<u>\$ 35,877</u>
Balance Due Within One Year	<u>\$ 56,625</u>	<u>\$ 10,684</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$ 10,552,741
Less: Balance Due Within One Year	(1,422,021)
Add: Unamortized Premium on Debt	<u>41,539</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 9,172,259</u>

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

Discretely Presented McNairy County School Department

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Other Postemployment Benefits
Balance, July 1, 2010	\$ 418,706
Additions	503,995
Deductions	(267,550)
Balance, June 30, 2011	<u>\$ 655,151</u>
Balance Due Within One Year	<u>\$ 0</u>

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

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the McNairy County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2011, were \$113,404 and \$31,377, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

McNairy County is exposed to various risks related to general liability, property, and casualty losses. The county participates in the Local Government Property and Casualty Fund (LGPCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The county pays an annual premium to the LGPCF for its general liability, property, and casualty insurance coverage. The creation of the LGPCF provides for it to be self-sustaining through member premiums. The LGPCF reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

McNairy County participates in the Local Government Workers' Compensation Fund (LGWCF), a public entity risk pool established under the provisions of Section 29-20-401, *Tennessee Code Annotated (TCA)*, by the

Tennessee County Services Association to provide a program of workers' compensation coverage to employees of local governments. The county pays an annual premium to the LGWCF for its workers' compensation insurance coverage. The LGWCF is to be self-sustaining through member premiums. The LGWCF reinsures through commercial insurance companies for claims exceeding \$300,000.

The employees of McNairy County (excluding the Highway Department) are provided health insurance through the purchase of commercial insurance. Retirees are not allowed to continue coverage. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

Discretely Presented McNairy County School Department

Liability, Property, Casualty, and Workers' Compensation Insurance

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

Employee Health Insurance

The School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, *TCA*, all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, *TCA*, provides for the LEGIF to be self-sustaining through member premiums.

B. Accounting Change

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* became effective for the year ended June 30, 2011.

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications include nonspendable, restricted, committed, assigned, and unassigned and are based on the relative strength of the constraints that control how specific amounts can be spent. Also, Statement No. 54 clarified the definitions of the General Fund and the special revenue, capital projects, debt service, and permanent fund types. McNairy County and the McNairy County School Department have implemented provisions of this statement in the financial statements of this report for their governmental funds.

C. Subsequent Events

On September 24, 2011, the McNairy County issued capital outlay notes totaling \$125,000 for the Highway Department to purchase a dump truck.

On September 27, 2011, McNairy County issued a \$500,000 tax anticipation note for the General Fund to provide temporary operating funds.

D. Contingent Liabilities

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

E. Changes in Administration

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

On May 31, 2011, Jai Templeton left the Office of County Mayor and was succeeded by Wilburn Gene Ashe.

F. Landfill Closure/Postclosure Care Costs

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

State and federal laws and regulations require the county to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. McNairy County closed its sanitary landfill in 1998. The \$540,003 reported as postclosure care liability at June 30, 2011, represents amounts based on what it would cost to perform all postclosure care in 2011. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

G. Joint Venture

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

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

Administrative Office:

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

H. Retirement Commitments

Plan Description

Employees of McNairy County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the

age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as McNairy County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

McNairy County requires employees to contribute five percent of their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011, was 5.17 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2011, the county's annual pension cost of \$357,232 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected postretirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The county's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009, was 20 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-11	\$357,232	100%	\$0
6-30-10	287,331	100	0
6-30-09	276,667	100	0

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 86.1 percent funded. The actuarial accrued liability for benefits was \$10 million, and the actuarial value of assets was \$9 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1 million. The covered payroll (annual payroll of active employees covered by the plan) was \$6 million, and the ratio of the UAAL to the covered payroll was 22.76 percent.

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

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

SCHOOL TEACHERS

Plan Description

The McNairy County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service.

Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2011, was 9.05 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2011, 2010, and 2009, were \$1,522,931, \$1,038,934, and \$1,023,485, respectively, equal to the required contributions for each year.

I. Other Postemployment Benefits (OPEB)

Plan Description

The McNairy County Highway Department and the McNairy County School Department participate in the state-administered Local Government Group Insurance Plan and Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-207, *Tennessee Code Annotated (TCA)*, for local governments and Section 8-27-302, *TCA*, for local education employees. In previous fiscal years, prior to reaching the age of 65, all members had the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. However, as of January 1, 2010, the insurance plan structure was changed, and as a result all members now have the option of

choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tn.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of the plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year ended June 30, 2011, McNairy County and the discretely presented School Department contributed \$3,829 and \$267,550 respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Government Group Plan	Local Education Group Plan
	<hr/>	<hr/>
ARC	\$ 14,000	\$ 503,000
Interest on the NPO	1,154	18,842
Adjustment to the ARC	(1,093)	(17,847)
Annual OPEB cost	<hr/> \$ 14,061	<hr/> \$ 503,995
Less: Amount of contribution	(3,829)	(267,550)
Increase/decrease in NPO	<hr/> \$ 10,232	<hr/> \$ 236,445
Net OPEB obligation, 7-1-10	<hr/> 25,645	<hr/> 418,706
Net OPEB obligation, 6-30-11	<hr/> <hr/> \$ 35,877	<hr/> <hr/> \$ 655,151

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-09	Local Government Group	\$ 5,975	79%	\$ 15,219
6-30-10	"	14,036	26	25,645
6-30-11	"	14,061	27	35,877
6-30-09	Local Education Group	349,591	44	329,667
6-30-10	"	346,783	74	418,706
6-30-11	"	503,995	53	655,151

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010, was as follows:

	Local Government Group Plan	Local Education Group Plan
Actuarial valuation date	7-1-10	7-1-10
Actuarial accrued liability (AAL)	\$ 71,000	\$ 5,269,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 71,000	\$ 5,269,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 587,162	\$ 19,989,567
UAAL as a % of covered payroll	12%	26%

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, 2010, actuarial valuation for the Local Education Group Plan, the projected unit credit actuarial cost method was used and the actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of ten percent for fiscal year 2011. The trend will decrease to 9.5 percent in fiscal year 2012 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The annual healthcare cost trend rate for the Local Government Group Plan was ten percent for fiscal year 2011. The trend will decrease to 9.5 percent in fiscal year 2012 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. All rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level of percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

J. 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 EMERGENCY COMMUNICATIONS DISTRICT**

A. **General**

McNairy County Emergency Communication District provides 911 emergency assistance to persons living in McNairy County.

Component Unit

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

GASB Conformity

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

B. **Summary of Significant Accounting Policies**

Basis of Accounting

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

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

Capital Assets

All capital assets of the district are recorded at original cost, except for donated equipment that is recorded at fair market value. Expenses that materially increase values of 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. Also, depreciation expense on all depreciable items is systematically charged against operations using the straight-line method over their estimated useful lives. Any related interest cost is also added to the cost of the asset as appropriate. See Note H. for more detailed information concerning the district's capital assets.

Vacation Leave

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

C. Revenues

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

D. Risk Management

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

E. Cash and Cash Equivalents

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

F. Operating Revenues and Expenses

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

G. Pension Plan

Plan Description

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

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

Funding Policy

The district requires employees to contribute five percent of earnable compensation. The district is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011, was 3.2 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the district is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2011, the district's annual pension cost of \$5,216 to TCRS was equal to the district's required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of

return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected three percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The district's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009, was 15 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-11	\$ 5,216	100%	\$ 0
6-30-10	4,631	100	0

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 101.81 percent funded. The actuarial accrued liability for benefits was \$.3 million, and the actuarial value of assets was \$.3 million, resulting in an unfunded actuarial accrued liability (UAAL) of zero. The covered payroll (annual payroll of active employees covered by the plan) was \$.1 million, and the ratio of the UAAL to the covered payroll was (3.16) percent.

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

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

H. Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance 7-1-10	Increases	Decreases	Balance 6-30-11
Capital Assets Depreciated:				
Equipment	\$ 323,769	\$ 97,950	\$ 106,437	\$ 315,282
Improvements	108,903	0	0	108,903
Maps	124,590	0	0	124,590
Total Capital Assets Depreciated	<u>\$ 557,262</u>	<u>\$ 97,950</u>	<u>\$ 106,437</u>	<u>\$ 548,775</u>
Less Accumulated Depreciation For:				
Equipment	\$ (264,427)	\$ (17,394)	\$ (83,750)	\$ (198,071)
Improvements	(8,169)	(2,722)	0	(10,891)
Maps	(109,571)	(5,014)	0	(114,585)
Total Accumulated Depreciation	<u>\$ (382,167)</u>	<u>\$ (25,130)</u>	<u>\$ (83,750)</u>	<u>\$ (323,547)</u>
Total Capital Assets, Net	<u>\$ 175,095</u>	<u>\$ 72,820</u>	<u>\$ 22,687</u>	<u>\$ 225,228</u>

Depreciation expense of \$25,130 was recorded by the district.

I. 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.

J. Deposits and Investments Laws and Regulations

The district's investment policies are governed by state statute. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit, and savings accounts. The district has no policy that further limits allowable investments. At June 30, 2011, 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, the district's deposits may not be returned to it. The district does not have a policy regarding custodial credit risk for deposits. Collateral is required for demand deposits and certificates of deposit at 105 percent of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of Tennessee and its subdivisions. The district's deposits at year-end were not exposed to custodial credit risk due to being entirely covered by federal depository insurance.

K. 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 operating expenses were within appropriations at the line-item level.

L. Travel Policy

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

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

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

McNairy County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,119,607	\$ 3,104,674	\$ 3,104,674	\$ 14,933
Licenses and Permits	15,638	16,500	16,500	(862)
Fines, Forfeitures, and Penalties	121,277	147,200	147,200	(25,923)
Charges for Current Services	60,566	49,850	49,850	10,716
Other Local Revenues	182,626	55,000	115,153	67,473
Fees Received from County Officials	890,484	913,250	913,250	(22,766)
State of Tennessee	720,832	421,500	650,294	70,538
Federal Government	170,849	43,000	95,500	75,349
Other Governments and Citizens Groups	0	13,500	13,500	(13,500)
Total Revenues	\$ 5,281,879	\$ 4,764,474	\$ 5,105,921	\$ 175,958
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 45,099	\$ 50,340	\$ 50,340	\$ 5,241
Board of Equalization	2,200	2,200	2,200	0
Beer Board	0	525	525	525
Budget and Finance Committee	1,300	1,750	1,750	450
Other Boards and Committees	1,538	3,500	3,500	1,962
County Mayor/Executive	138,023	137,652	138,652	629
County Attorney	2,400	2,400	2,400	0
Election Commission	125,121	119,143	134,143	9,022
Register of Deeds	116,374	122,074	122,074	5,700
County Buildings	246,791	241,090	256,610	9,819
Preservation of Records	5,540	2,250	5,600	60
<u>Finance</u>				
Property Assessor's Office	131,392	144,056	144,081	12,689
Reappraisal Program	33,753	35,517	35,517	1,764
County Trustee's Office	133,824	135,195	136,645	2,821
County Clerk's Office	162,613	169,168	169,173	6,560
<u>Administration of Justice</u>				
Circuit Court	143,758	159,818	160,228	16,470
General Sessions Court	179,610	189,782	189,752	10,142
Chancery Court	113,570	113,450	118,817	5,247
Juvenile Court	47,315	48,601	48,601	1,286
<u>Public Safety</u>				
Sheriff's Department	1,173,490	1,166,099	1,187,966	14,476
Jail	537,430	308,478	602,478	65,048
Fire Prevention and Control	82,081	88,375	88,375	6,294
Rural Fire Protection	35,946	41,632	41,632	5,686
Civil Defense	92,129	44,018	95,018	2,889
Inspection and Regulation	4,800	4,850	4,850	50
<u>Public Health and Welfare</u>				
Local Health Center	543,641	198,893	552,493	8,852

(Continued)

Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Social, Cultural, and Recreational Services</u>				
Libraries	\$ 126,805	\$ 122,936	\$ 127,836	\$ 1,031
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	72,602	66,610	74,764	2,162
Soil Conservation	56,266	43,891	56,266	0
<u>Other Operations</u>				
Other Economic and Community Development	20,000	20,000	20,000	0
Airport	64,000	64,000	64,000	0
Veterans' Services	12,577	12,849	12,849	272
Other Charges	137,008	139,000	141,500	4,492
Contributions to Other Agencies	190,033	154,000	191,500	1,467
Employee Benefits	601,819	634,431	649,431	47,612
Miscellaneous	193,326	2,000	127,722	(65,604)
<u>Principal on Debt</u>				
General Government	12,662	0	12,662	0
<u>Interest on Debt</u>				
General Government	1,471	0	1,471	0
Total Expenditures	<u>\$ 5,588,307</u>	<u>\$ 4,790,573</u>	<u>\$ 5,773,421</u>	<u>\$ 185,114</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (306,428)</u>	<u>\$ (26,099)</u>	<u>\$ (667,500)</u>	<u>\$ 361,072</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 18,178	\$ 10,000	\$ 10,000	\$ 8,178
Transfers In	0	20,500	20,500	(20,500)
Total Other Financing Sources (Uses)	<u>\$ 18,178</u>	<u>\$ 30,500</u>	<u>\$ 30,500</u>	<u>\$ (12,322)</u>
Net Change in Fund Balance	<u>\$ (288,250)</u>	<u>\$ 4,401</u>	<u>\$ (637,000)</u>	<u>\$ 348,750</u>
Fund Balance, July 1, 2010	<u>1,322,986</u>	<u>1,157,423</u>	<u>1,157,423</u>	<u>165,563</u>
Fund Balance, June 30, 2011	<u><u>\$ 1,034,736</u></u>	<u><u>\$ 1,161,824</u></u>	<u><u>\$ 520,423</u></u>	<u><u>\$ 514,313</u></u>

Exhibit E-2

McNairy County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 76,015	\$ 66,500	\$ 66,500	\$ 9,515
Charges for Current Services	822,704	795,000	795,000	27,704
Other Local Revenues	8,280	3,100	4,600	3,680
State of Tennessee	261,334	232,109	232,109	29,225
Federal Government	253,522	0	179,500	74,022
Total Revenues	\$ 1,421,855	\$ 1,096,709	\$ 1,277,709	\$ 144,146
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 897,407	\$ 848,650	\$ 928,650	\$ 31,243
Recycling Center	3,204	2,000	3,500	296
Landfill Operation and Maintenance	307,313	207,554	323,424	16,111
<u>Other Operations</u>				
Employee Benefits	36,962	38,325	38,325	1,363
<u>Highways</u>				
Litter and Trash Collection	32,592	31,105	32,609	17
Total Expenditures	\$ 1,277,478	\$ 1,127,634	\$ 1,326,508	\$ 49,030
Excess (Deficiency) of Revenues Over Expenditures	\$ 144,377	\$ (30,925)	\$ (48,799)	\$ 193,176
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 2,273	\$ 0	\$ 0	\$ 2,273
Total Other Financing Sources (Uses)	\$ 2,273	\$ 0	\$ 0	\$ 2,273
Net Change in Fund Balance	\$ 146,650	\$ (30,925)	\$ (48,799)	\$ 195,449
Fund Balance, July 1, 2010	498,256	384,361	384,361	113,895
Fund Balance, June 30, 2011	\$ 644,906	\$ 353,436	\$ 335,562	\$ 309,344

Exhibit E-3

McNairy County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 386,432	\$ 391,934	\$ 392,146	\$ (5,714)
Charges for Current Services	99	100	100	(1)
Other Local Revenues	11,354	10,500	10,500	854
State of Tennessee	1,832,259	2,166,925	2,166,925	(334,666)
Federal Government	769,863	0	196,888	572,975
Other Governments and Citizens Groups	3,602	20,000	20,000	(16,398)
Total Revenues	<u>\$ 3,003,609</u>	<u>\$ 2,589,459</u>	<u>\$ 2,786,559</u>	<u>\$ 217,050</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 141,204	\$ 133,197	\$ 148,104	\$ 6,900
Highway and Bridge Maintenance	920,433	683,802	935,258	14,825
Operation and Maintenance of Equipment	356,377	317,800	358,722	2,345
Other Charges	60,272	59,000	61,251	979
Employee Benefits	331,799	339,300	332,023	224
Capital Outlay	612,876	802,500	703,071	90,195
<u>Principal on Debt</u>				
Highways and Streets	25,762	17,500	48,500	22,738
<u>Interest on Debt</u>				
Highways and Streets	1,673	500	1,675	2
Total Expenditures	<u>\$ 2,450,396</u>	<u>\$ 2,353,599</u>	<u>\$ 2,588,604</u>	<u>\$ 138,208</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 553,213</u>	<u>\$ 235,860</u>	<u>\$ 197,955</u>	<u>\$ 355,258</u>
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 31,111	\$ 0	\$ 31,111	\$ 0
Insurance Recovery	6,793	0	6,793	0
Transfers In	0	0	149,000	(149,000)
Transfers Out	(322,000)	(322,000)	(471,000)	149,000
Total Other Financing Sources (Uses)	<u>\$ (284,096)</u>	<u>\$ (322,000)</u>	<u>\$ (284,096)</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 269,117	\$ (86,140)	\$ (86,141)	\$ 355,258
Fund Balance, July 1, 2010	395,295	151,630	151,630	243,665
Fund Balance, June 30, 2011	<u>\$ 664,412</u>	<u>\$ 65,490</u>	<u>\$ 65,489</u>	<u>\$ 598,923</u>

Exhibit E-4

McNairy County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented McNairy County School Department
June 30, 2011

(Dollar amounts in thousands)

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

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method went into effect during the year of the 2007 actuarial valuation; therefore, only the two most recent valuations are presented.

Exhibit E-5

McNairy County, Tennessee
Schedule of Funding Progress – Pension Plan
Discretely Presented McNairy County Emergency Communications District
June 30, 2011

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-07	\$ 221	\$ 206	\$ (15)	107.28 %	\$ 141	(10.64) %
7-1-09	257	252	(5)	101.81	145	(3.16)

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method went into effect during the year of the 2007 actuarial valuation; therefore, only the two most recent valuations are presented.

Exhibit E-6

McNairy County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented McNairy County School Department
June 30, 2011

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>PRIMARY GOVERNMENT</u>							
Local Government Group	7-1-07	\$ 0	\$ 137	\$ 137	0%	\$ 511	27%
"	7-1-09	0	66	66	0	584	11
"	7-1-10	0	71	71	0	587	12
<u>DISCRETELY PRESENTED McNAIRY COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-07	0	2,700	2,700	0	19,752	14
"	7-1-09	0	3,410	3,410	0	19,336	18
"	7-1-10	0	5,269	5,269	0	19,990	26

McNAIRY COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2011

A. BUDGETARY INFORMATION

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the County Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, Beer Board, Budget and Finance Committee, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The county's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

B. EXPENDITURES EXCEEDED APPROPRIATIONS

Expenditures exceeded appropriations approved by the County Commission in the Miscellaneous major appropriation category (the legal level of control) of the General Fund by \$65,604. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balance.

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

Nonmajor Governmental Funds

Special Revenue Funds

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.

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

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

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

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

Capital Projects Fund

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.

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, 2011

	Special Revenue Funds				Total	Capital Projects Fund		Total Nonmajor Governmental Funds
	Law Library	Special Purpose	Drug Control	Constitutional Officers - Fees		Community Development/ Industrial Park		
Cash	\$ 0	\$ 0	\$ 0	\$ 848	\$ 848	\$ 0	\$ 848	
Equity in Pooled Cash and Investments	2,824	29,239	46,784	0	78,847	1,772	80,619	
Total Assets	\$ 2,824	\$ 29,239	\$ 46,784	\$ 848	\$ 79,695	\$ 1,772	\$ 81,467	
<u>LIABILITIES AND FUND BALANCES</u>								
<u>Liabilities</u>								
Accounts Payable	\$ 0	\$ 3,664	\$ 611	\$ 0	\$ 4,275	\$ 0	\$ 4,275	
Payroll Deductions Payable	0	103	0	0	103	0	103	
Due to Other Funds	0	0	0	848	848	0	848	
Total Liabilities	\$ 0	\$ 3,767	\$ 611	\$ 848	\$ 5,226	\$ 0	\$ 5,226	
<u>Fund Balances</u>								
Restricted:								
Restricted for Public Safety	\$ 0	\$ 0	\$ 46,173	\$ 0	\$ 46,173	\$ 0	\$ 46,173	
Restricted for Social, Cultural, and Recreational Services	2,824	0	0	0	2,824	0	2,824	
Restricted for Agriculture and Natural Resources	0	0	0	0	0	1,772	1,772	
Committed:								
Committed for General Government	0	25,472	0	0	25,472	0	25,472	
Total Fund Balances	\$ 2,824	\$ 25,472	\$ 46,173	\$ 0	\$ 74,469	\$ 1,772	\$ 76,241	
Total Liabilities and Fund Balances	\$ 2,824	\$ 29,239	\$ 46,784	\$ 848	\$ 79,695	\$ 1,772	\$ 81,467	

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, 2011

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Law Library	Special Purpose	Drug Control	Constituti- onal Officers - Fees	Capital Projects Fund		Total Nonmajor Governmental Funds	
					Community Development/ Industrial Park	Fund		
<u>Revenues</u>								
Local Taxes	\$ 2,778	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,778	\$ 0	\$ 2,778
Fines, Forfeitures, and Penalties	0	0	859	0	0	859	0	859
Charges for Current Services	0	0	0	1,405	0	1,405	0	1,405
Other Local Revenues	0	115,400	44,777	0	0	160,177	0	160,177
Total Revenues	\$ 2,778	\$ 115,400	\$ 45,636	\$ 1,405	\$ 0	\$ 165,219	\$ 0	\$ 165,219
<u>Expenditures</u>								
Current:								
General Government	\$ 0	\$ 92,565	\$ 0	\$ 0	\$ 0	\$ 92,565	\$ 0	\$ 92,565
Administration of Justice	0	0	0	1,405	0	1,405	0	1,405
Public Safety	0	0	36,192	0	0	36,192	0	36,192
Social, Cultural, and Recreational Services	2,256	0	0	0	0	2,256	0	2,256
Agriculture and Natural Resources	0	0	0	0	0	0	5,317	5,317
Other Operations	0	6,780	0	0	0	6,780	0	6,780
Total Expenditures	\$ 2,256	\$ 99,345	\$ 36,192	\$ 1,405	\$ 0	\$ 139,198	\$ 5,317	\$ 144,515
Excess (Deficiency) of Revenues Over Expenditures	\$ 522	\$ 16,055	\$ 9,444	\$ 0	\$ 0	\$ 26,021	\$ (5,317)	\$ 20,704
Net Change in Fund Balances Fund Balance, July 1, 2010	\$ 522	\$ 16,055	\$ 9,444	\$ 0	\$ 0	\$ 26,021	\$ (5,317)	\$ 20,704
	2,302	9,417	36,729	0	0	48,448	7,089	55,537
Fund Balance, June 30, 2011	\$ 2,824	\$ 25,472	\$ 46,173	\$ 0	\$ 0	\$ 74,469	\$ 1,772	\$ 76,241

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,778	\$ 3,500	\$ 3,500	\$ (722)
Total Revenues	\$ 2,778	\$ 3,500	\$ 3,500	\$ (722)
<u>Expenditures</u>				
<u>Social, Cultural, and Recreational Services</u>				
Libraries	\$ 2,256	\$ 3,339	\$ 3,339	\$ 1,083
Total Expenditures	\$ 2,256	\$ 3,339	\$ 3,339	\$ 1,083
Excess (Deficiency) of Revenues Over Expenditures	\$ 522	\$ 161	\$ 161	\$ 361
Net Change in Fund Balance	\$ 522	\$ 161	\$ 161	\$ 361
Fund Balance, July 1, 2010	2,302	677	677	1,625
Fund Balance, June 30, 2011	\$ 2,824	\$ 838	\$ 838	\$ 1,986

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 0	\$ 600	\$ 600	\$ (600)
Other Local Revenues	115,400	116,900	116,900	(1,500)
Total Revenues	<u>\$ 115,400</u>	<u>\$ 117,500</u>	<u>\$ 117,500</u>	<u>\$ (2,100)</u>
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 134	\$ 0	\$ 0	\$ (134)
Other Facilities	92,431	69,825	115,825	23,394
<u>Other Operations</u>				
Employee Benefits	6,780	5,533	8,033	1,253
Total Expenditures	<u>\$ 99,345</u>	<u>\$ 75,358</u>	<u>\$ 123,858</u>	<u>\$ 24,513</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 16,055</u>	<u>\$ 42,142</u>	<u>\$ (6,358)</u>	<u>\$ 22,413</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ 0	(41,000)	0	0
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>(41,000)</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	\$ 16,055	\$ 1,142	\$ (6,358)	\$ 22,413
Fund Balance, July 1, 2010	9,417	27,818	27,818	(18,401)
Fund Balance, June 30, 2011	<u>\$ 25,472</u>	<u>\$ 28,960</u>	<u>\$ 21,460</u>	<u>\$ 4,012</u>

Exhibit F-5

McNairy County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 859	\$ 20,000	\$ 20,000	\$ (19,141)
Other Local Revenues	44,777	3,000	43,000	1,777
Total Revenues	<u>\$ 45,636</u>	<u>\$ 23,000</u>	<u>\$ 63,000</u>	<u>\$ (17,364)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 36,192	\$ 8,500	\$ 48,500	\$ 12,308
Total Expenditures	<u>\$ 36,192</u>	<u>\$ 8,500</u>	<u>\$ 48,500</u>	<u>\$ 12,308</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 9,444</u>	<u>\$ 14,500</u>	<u>\$ 14,500</u>	<u>\$ (5,056)</u>
Net Change in Fund Balance	\$ 9,444	\$ 14,500	\$ 14,500	\$ (5,056)
Fund Balance, July 1, 2010	<u>36,729</u>	<u>0</u>	<u>0</u>	<u>36,729</u>
Fund Balance, June 30, 2011	<u><u>\$ 46,173</u></u>	<u><u>\$ 14,500</u></u>	<u><u>\$ 14,500</u></u>	<u><u>\$ 31,673</u></u>

Major Governmental Fund

General Debt Service Fund

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.

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,516,213	\$ 1,511,702	\$ 1,511,702	\$ 4,511
Other Local Revenues	85,858	145,000	145,000	(59,142)
Other Governments and Citizens Groups	872,275	0	872,275	0
Total Revenues	<u>\$ 2,474,346</u>	<u>\$ 1,656,702</u>	<u>\$ 2,528,977</u>	<u>\$ (54,631)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 897,430	\$ 497,350	\$ 906,776	\$ 9,346
Highways and Streets	783,319	1,354,000	824,185	40,866
Education	865,090	770,000	865,090	0
<u>Interest on Debt</u>				
General Government	132,835	174,900	141,819	8,984
Highways and Streets	103,058	115,112	158,378	55,320
Education	251,548	259,150	251,548	0
<u>Other Debt Service</u>				
General Government	26,690	7,800	33,940	7,250
Highways and Streets	965	10,000	10,000	9,035
Education	483	2,500	2,500	2,017
Total Expenditures	<u>\$ 3,061,418</u>	<u>\$ 3,190,812</u>	<u>\$ 3,194,236</u>	<u>\$ 132,818</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (587,072)</u>	<u>\$ (1,534,110)</u>	<u>\$ (665,259)</u>	<u>\$ 78,187</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 322,000	\$ 1,446,550	\$ 574,275	\$ (252,275)
Transfers Out	0	0	(149,000)	149,000
Total Other Financing Sources (Uses)	<u>\$ 322,000</u>	<u>\$ 1,446,550</u>	<u>\$ 425,275</u>	<u>\$ (103,275)</u>
Net Change in Fund Balance	<u>\$ (265,072)</u>	<u>\$ (87,560)</u>	<u>\$ (239,984)</u>	<u>\$ (25,088)</u>
Fund Balance, July 1, 2010	<u>2,457,043</u>	<u>1,234,586</u>	<u>1,234,586</u>	<u>1,222,457</u>
Fund Balance, June 30, 2011	<u><u>\$ 2,191,971</u></u>	<u><u>\$ 1,147,026</u></u>	<u><u>\$ 994,602</u></u>	<u><u>\$ 1,197,369</u></u>

Fiduciary Funds

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

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

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

Exhibit H-1

McNairy County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2011

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 690,301	\$ 690,301
Accounts Receivable	0	3,126	3,126
Due from Other Governments	271,671	0	271,671
Total Assets	<u>\$ 271,671</u>	<u>\$ 693,427</u>	<u>\$ 965,098</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 271,671	\$ 0	\$ 271,671
Due to Litigants, Heirs, and Others	0	693,427	693,427
Total Liabilities	<u>\$ 271,671</u>	<u>\$ 693,427</u>	<u>\$ 965,098</u>

Exhibit H-2

McNairy County, Tennessee

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

For the Year Ended June 30, 2011

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,592,842	\$ 1,592,842	\$ 0
Due from Other Governments	307,686	271,671	307,686	271,671
Total Assets	\$ 307,686	\$ 1,864,513	\$ 1,900,528	\$ 271,671
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 307,686	\$ 1,864,513	\$ 1,900,528	\$ 271,671
Total Liabilities	\$ 307,686	\$ 1,864,513	\$ 1,900,528	\$ 271,671
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 695,889	\$ 4,317,766	\$ 4,323,354	\$ 690,301
Accounts Receivable	1,773	3,126	1,773	3,126
Total Assets	\$ 697,662	\$ 4,320,892	\$ 4,325,127	\$ 693,427
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 697,662	\$ 4,320,892	\$ 4,325,127	\$ 693,427
Total Liabilities	\$ 697,662	\$ 4,320,892	\$ 4,325,127	\$ 693,427
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 695,889	\$ 4,317,766	\$ 4,323,354	\$ 690,301
Equity in Pooled Cash and Investments	0	1,592,842	1,592,842	0
Accounts Receivable	1,773	3,126	1,773	3,126
Due from Other Governments	307,686	271,671	307,686	271,671
Total Assets	\$ 1,005,348	\$ 6,185,405	\$ 6,225,655	\$ 965,098
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 307,686	\$ 1,864,513	\$ 1,900,528	\$ 271,671
Due to Litigants, Heirs, and Others	697,662	4,320,892	4,325,127	693,427
Total Liabilities	\$ 1,005,348	\$ 6,185,405	\$ 6,225,655	\$ 965,098

McNairy County School Department

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

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

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

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

Exhibit I-1

McNairy County, Tennessee
Statement of Activities
Discretely Presented McNairy County School Department
For the Year Ended June 30, 2011

Functions/Programs	Program Revenues		Expenses	Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions		Total	Governmental Activities
Governmental Activities:					
Instruction	\$ 23,363,099	\$ 704,039	\$ 2,698,721	\$ (19,960,339)	
Support Services	8,361,109	71,081	1,185,995	(7,104,033)	
Operation of Non-Instructional Services	3,380,176	0	1,514,691	(1,865,485)	
Other Debt Service	872,275	0	0	(872,275)	
Total Governmental Activities	\$ 35,976,659	\$ 775,120	\$ 5,399,407	\$ (29,802,132)	
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				\$ 3,772,195	
Local Option Sales Taxes				1,755,410	
Other Local Taxes				25,738	
Grants and Contributions Not Restricted to Specific Programs				23,306,115	
Unrestricted Investment Income				21,194	
Miscellaneous				53,213	
Total General Revenues				\$ 28,933,865	
Change in Net Assets				\$ (868,267)	
Net Assets, July 1, 2010				15,439,898	
Net Assets, June 30, 2011				\$ 14,571,631	

Exhibit I-2

McNairy County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented McNairy County School Department
June 30, 2011

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Purpose School</u>	<u>School Federal Projects</u>	<u>Central Cafeteria</u>	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 33,117	\$ 150,003	\$ 919,631	\$ 1,102,751
Accounts Receivable	3,862	0	0	3,862
Due from Other Governments	1,410,066	109,601	0	1,519,667
Due from Primary Government	5,342	0	0	5,342
Property Taxes Receivable	3,699,275	0	0	3,699,275
Allowance for Uncollectible Property Taxes	(238,915)	0	0	(238,915)
Total Assets	\$ 4,912,747	\$ 259,604	\$ 919,631	\$ 6,091,982
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Payroll Deductions Payable	\$ 0	\$ 0	\$ 10,054	\$ 10,054
Deferred Revenue - Current Property Taxes	3,277,181	0	0	3,277,181
Deferred Revenue - Delinquent Property Taxes	167,687	0	0	167,687
Other Deferred Revenues	150,031	7,646	0	157,677
Total Liabilities	\$ 3,594,899	\$ 7,646	\$ 10,054	\$ 3,612,599
<u>Fund Balances</u>				
Restricted:				
Restricted for Education	\$ 270	\$ 216,958	\$ 0	\$ 217,228
Restricted for Operation of Non-Instructional Services	0	0	909,577	909,577
Assigned:				
Assigned for Education	0	35,000	0	35,000
Unassigned	1,317,578	0	0	1,317,578
Total Fund Balances	\$ 1,317,848	\$ 251,958	\$ 909,577	\$ 2,479,383
Total Liabilities and Fund Balances	\$ 4,912,747	\$ 259,604	\$ 919,631	\$ 6,091,982

Exhibit I-3

McNairy County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
Discretely Presented McNairy County School Department
June 30, 2011

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 2,479,383
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 375,479	
Add: buildings and improvements net of accumulated depreciation	10,189,589	
Add: other capital assets net of accumulated depreciation	<u>1,856,967</u>	12,422,035
(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		(655,151)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>325,364</u>
Net assets of governmental activities (Exhibit A)		<u><u>\$ 14,571,631</u></u>

Exhibit I-4

McNairy County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented McNairy County School Department
For the Year Ended June 30, 2011

	Major Funds			Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>Revenues</u>				
Local Taxes	\$ 5,616,081	\$ 0	\$ 0	\$ 5,616,081
Licenses and Permits	5,073	0	0	5,073
Charges for Current Services	43,795	0	691,350	735,145
Other Local Revenues	60,274	0	58,608	118,882
State of Tennessee	22,993,060	0	0	22,993,060
Federal Government	288,066	3,930,713	1,491,685	5,710,464
Total Revenues	<u>\$ 29,006,349</u>	<u>\$ 3,930,713</u>	<u>\$ 2,241,643</u>	<u>\$ 35,178,705</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 19,678,315	\$ 2,721,196	\$ 0	\$ 22,399,511
Support Services	7,824,110	628,265	0	8,452,375
Operation of Non-Instructional Services	858,736	374,030	2,279,166	3,511,932
Capital Outlay	324,622	0	0	324,622
Debt Service:				
Other Debt Service	872,275	0	0	872,275
Total Expenditures	<u>\$ 29,558,058</u>	<u>\$ 3,723,491</u>	<u>\$ 2,279,166</u>	<u>\$ 35,560,715</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (551,709)</u>	<u>\$ 207,222</u>	<u>\$ (37,523)</u>	<u>\$ (382,010)</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 64,562	\$ 0	\$ 0	\$ 64,562
Transfers In	36,096	0	0	36,096
Transfers Out	0	(36,096)	0	(36,096)
Total Other Financing Sources (Uses)	<u>\$ 100,658</u>	<u>\$ (36,096)</u>	<u>\$ 0</u>	<u>\$ 64,562</u>
Net Change in Fund Balances	\$ (451,051)	\$ 171,126	\$ (37,523)	\$ (317,448)
Fund Balance, July 1, 2010	1,768,899	80,832	947,100	2,796,831
Fund Balance, June 30, 2011	<u>\$ 1,317,848</u>	<u>\$ 251,958</u>	<u>\$ 909,577</u>	<u>\$ 2,479,383</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, 2011

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)		\$ (317,448)
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 597,815	
Less: current-year depreciation expense	<u>(841,876)</u>	(244,061)
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2011	\$ 325,364	
Less: deferred delinquent property taxes and other deferred June 30, 2010	<u>(395,677)</u>	(70,313)
<p>(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.</p>		
Change in other postemployment benefits liability		<u>(236,445)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (868,267)</u>

Exhibit I-6

McNairy County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented McNairy County School Department
General Purpose School Fund
For the Year Ended June 30, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 5,616,081	\$ 0	\$ 5,616,081	\$ 5,697,636	\$ 5,564,112	\$ 51,969
Licenses and Permits	5,073	0	5,073	5,000	5,000	73
Charges for Current Services	43,795	0	43,795	45,200	45,200	(1,405)
Other Local Revenues	60,274	0	60,274	65,000	65,000	(4,726)
State of Tennessee	22,993,060	0	22,993,060	22,480,909	23,052,178	(59,118)
Federal Government	288,066	0	288,066	215,750	287,837	229
Total Revenues	\$ 29,006,349	\$ 0	\$ 29,006,349	\$ 28,509,495	\$ 29,019,327	\$ (12,978)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 16,354,422	\$ 0	\$ 16,354,422	\$ 15,966,826	\$ 16,433,699	\$ 79,277
Special Education Program	2,019,829	0	2,019,829	1,916,541	2,051,605	31,776
Vocational Education Program	1,052,923	0	1,052,923	1,074,395	1,057,295	4,372
Adult Education Program	251,141	0	251,141	241,782	269,383	18,242
<u>Support Services</u>						
Attendance	56,335	0	56,335	56,794	56,674	339
Health Services	275,774	0	275,774	165,870	278,393	2,619
Other Student Support	434,860	0	434,860	428,428	435,428	568
Regular Instruction Program	783,594	0	783,594	795,534	803,633	20,039
Special Education Program	243,661	0	243,661	240,741	244,241	580
Vocational Education Program	79,415	0	79,415	79,759	79,897	482
Adult Programs	69,168	0	69,168	80,927	69,168	0
Other Programs	144,781	0	144,781	0	144,781	0
Board of Education	370,447	0	370,447	405,416	380,166	9,719
Director of Schools	154,450	0	154,450	157,408	154,725	275
Office of the Principal	1,129,973	0	1,129,973	1,090,240	1,131,643	1,670

(Continued)

Exhibit I-6

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Fiscal Services	\$ 115,338	\$ 0	\$ 115,338	\$ 117,443	\$ 115,372	\$ 34
Operation of Plant	1,965,706	0	1,965,706	1,901,125	1,970,851	5,145
Maintenance of Plant	626,929	0	626,929	366,070	637,997	11,068
Transportation	1,330,951	0	1,330,951	1,429,674	1,334,869	3,918
Central and Other	42,728	0	42,728	38,304	42,730	2
<u>Operation of Non-Instructional Services</u>						
Food Service	52,631	0	52,631	51,704	53,104	473
Community Services	118,898	0	118,898	0	139,284	20,386
Early Childhood Education	687,207	0	687,207	672,739	687,491	284
<u>Capital Outlay</u>						
Regular Capital Outlay	324,622	(69,535)	255,087	0	291,899	36,812
Other Debt Service						
Education	872,275	0	872,275	1,030,775	872,275	0
Total Expenditures	\$ 29,558,058	\$ (69,535)	\$ 29,488,523	\$ 28,308,495	\$ 29,736,603	\$ 248,080
Excess (Deficiency) of Revenues Over Expenditures	\$ (551,709)	\$ 69,535	\$ (482,174)	\$ 201,000	\$ (717,276)	\$ 235,102
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 64,562	\$ 0	\$ 64,562	\$ 0	\$ 54,951	\$ 9,611
Transfers In	36,096	0	36,096	1,500	1,500	34,596
Total Other Financing Sources (Uses)	\$ 100,658	\$ 0	\$ 100,658	\$ 1,500	\$ 56,451	\$ 44,207
Net Change in Fund Balance	\$ (451,051)	\$ 69,535	\$ (381,516)	\$ 202,500	\$ (660,825)	\$ 279,309
Fund Balance, July 1, 2010	1,768,899	(69,535)	1,699,364	1,309,080	1,309,080	390,284
Fund Balance, June 30, 2011	\$ 1,317,848	\$ 0	\$ 1,317,848	\$ 1,511,580	\$ 648,255	\$ 669,593

Exhibit I-7

McNairy County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented McNairy County School Department
School Federal Projects Fund
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 3,930,713	\$ 3,307,099	\$ 3,996,221	\$ (65,508)
Total Revenues	\$ 3,930,713	\$ 3,307,099	\$ 3,996,221	\$ (65,508)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,652,693	\$ 1,441,421	\$ 1,704,343	\$ 51,650
Special Education Program	947,464	1,186,929	1,100,469	153,005
Vocational Education Program	121,039	116,039	121,039	0
<u>Support Services</u>				
Other Student Support	110,374	97,790	124,062	13,688
Regular Instruction Program	304,636	344,759	422,212	117,576
Special Education Program	75,965	111,743	103,115	27,150
Vocational Education Program	3,500	3,500	3,500	0
Transportation	133,790	41,401	137,240	3,450
<u>Operation of Non-Instructional Services</u>				
Community Services	374,030	0	395,410	21,380
Total Expenditures	\$ 3,723,491	\$ 3,343,582	\$ 4,111,390	\$ 387,899
Excess (Deficiency) of Revenues Over Expenditures	\$ 207,222	\$ (36,483)	\$ (115,169)	\$ 322,391
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (36,096)	\$ (32,057)	\$ (35,815)	\$ (281)
Total Other Financing Sources (Uses)	\$ (36,096)	\$ (32,057)	\$ (35,815)	\$ (281)
Net Change in Fund Balance	\$ 171,126	\$ (68,540)	\$ (150,984)	\$ 322,110
Fund Balance, July 1, 2010	80,832	151,311	151,311	(70,479)
Fund Balance, June 30, 2011	\$ 251,958	\$ 82,771	\$ 327	\$ 251,631

Exhibit I-8

McNairy County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented McNairy County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 691,350	\$ 802,000	\$ 802,000	\$ (110,650)
Other Local Revenues	58,608	64,000	64,000	(5,392)
Federal Government	1,491,685	1,295,000	1,441,443	50,242
Total Revenues	<u>\$ 2,241,643</u>	<u>\$ 2,161,000</u>	<u>\$ 2,307,443</u>	<u>\$ (65,800)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 2,279,166	\$ 2,161,000	\$ 2,307,443	\$ 28,277
Total Expenditures	<u>\$ 2,279,166</u>	<u>\$ 2,161,000</u>	<u>\$ 2,307,443</u>	<u>\$ 28,277</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (37,523)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (37,523)</u>
Net Change in Fund Balance	\$ (37,523)	\$ 0	\$ 0	\$ (37,523)
Fund Balance, July 1, 2010	947,100	947,100	947,100	0
Fund Balance, June 30, 2011	<u>\$ 909,577</u>	<u>\$ 947,100</u>	<u>\$ 947,100</u>	<u>\$ (37,523)</u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

McNairy County, Tennessee
 Schedule of Changes in Long-term Notes, Capital Leases, and
 For the Year Ended June 30, 2011

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-10	Issued During Period	Paid and/or	
							Matured During Period	Outstanding 6-30-11
NOTES PAYABLE								
<u>Payable through General Fund</u>								
Patrol Cars	\$ 40,300	4.45 %	9-10-07	9-10-10	\$ 12,662	0 \$	12,662 \$	0
Total Payable through General Fund					\$ 12,662	0 \$	12,662 \$	0
<u>Payable through Highway/Public Works Fund</u>								
Rural Economic Development Loan	135,000	4.5	8-31-07	8-31-10	\$ 17,500	0 \$	17,500 \$	0
Total Payable through Highway/Public Works Fund					\$ 17,500	0 \$	17,500 \$	0
<u>Payable through General Debt Service Fund</u>								
Highway Equipment	455,000	4.43	11-7-07	11-7-13	\$ 303,332	0 \$	75,834 \$	227,498
Total Payable through General Debt Service Fund					\$ 303,332	0 \$	75,834 \$	227,498
Total Notes Payable					\$ 333,494	0 \$	105,996 \$	227,498
CAPITAL LEASES								
<u>Payable through Highway/Public Works Fund</u>								
Mini Excavator	31,111	6.9	8-24-10	8-24-13	\$ 0	31,111 \$	8,262 \$	22,849
Total Payable through Highway/Public Works Fund					\$ 0	31,111 \$	8,262 \$	22,849
<u>Payable through General Debt Service Fund</u>								
Highway Equipment	105,700	3.59	11-18-08	12-25-13	\$ 93,833	0 \$	12,300 \$	81,533
Total Payable through General Debt Service Fund					\$ 93,833	0 \$	12,300 \$	81,533
Total Capital Leases					\$ 93,833	31,111 \$	20,562 \$	104,382
BONDS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Airport Bonds, Series 1995	290,000	5 to 5.4	12-1-1995	2-1-11	\$ 25,000	0 \$	25,000 \$	0
USDA Rural Development Bonds	350,500	4.75	11-13-01	11-13-16	193,280	0	23,117	170,163
USDA Rural Development Bonds	217,750	4.75	5-1-02	5-1-22	153,453	0	9,997	143,456
USDA Rural Development Bonds	325,000	4.75	6-21-02	6-21-22	227,839	0	14,591	213,248
Refunding Bonds, Series 2003	3,035,000	3 to 5	3-11-03	9-1-12	1,030,000	0	330,000	700,000
School Refunding Bonds, Series 2003	10,305,000	2 to 4	4-22-03	3-1-17	6,085,000	0	770,000	5,315,000
Refunding Bonds, Series 2008	6,535,000	3.5 to 4.5	12-10-08	6-1-19	4,120,000	0	1,285,000	2,835,000
USDA GO Bonds	183,800	4.5	6-30-10	6-30-48	183,800	0	0	183,800
Total Bonds Payable					\$ 12,018,372	0 \$	2,457,705 \$	9,560,667

Exhibit J-2

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

Year Ending June 30	Note		
	Principal	Interest	Total
2012	\$ 75,834	\$ 8,539	\$ 84,373
2013	75,834	5,151	80,985
2014	75,830	1,726	77,556
Total	\$ 227,498	\$ 15,416	\$ 242,914

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2012	\$ 23,307	\$ 4,223	\$ 27,530
2013	24,526	3,004	27,530
2014	56,549	2,159	58,708
Total	\$ 104,382	\$ 9,386	\$ 113,768

Year Ending June 30	Bonds		
	Principal	Interest	Total
2012	\$ 1,255,571	\$ 389,425	\$ 1,644,996
2013	1,317,981	334,896	1,652,877
2014	1,100,505	287,155	1,387,660
2015	1,453,149	242,692	1,695,841
2016	1,525,919	184,106	1,710,025
2017	1,584,081	122,324	1,706,405
2018	533,654	57,922	591,576
2019	530,259	35,062	565,321
2020	41,942	11,846	53,788
2021	43,704	9,866	53,570
2022	43,309	8,527	51,836
2023	4,837	5,659	10,496
2024	4,837	5,442	10,279
2025	4,837	5,224	10,061
2026	4,837	5,006	9,843
2027	4,837	4,789	9,626
2028	4,837	4,571	9,408

(Continued)

Exhibit J-2

McNairy County, Tennessee

Schedule of Long-term Debt Requirements by Year (Cont.)

Year Ending June 30	Bonds (Cont.)		
	Principal	Interest	Total
2029	\$ 4,837	\$ 4,353	\$ 9,190
2030	4,837	4,136	8,973
2031	4,837	3,918	8,755
2032	4,837	3,700	8,537
2033	4,837	3,483	8,320
2034	4,837	3,265	8,102
2035	4,837	3,047	7,884
2036	4,837	2,829	7,666
2037	4,837	2,612	7,449
2038	4,837	2,394	7,231
2039	4,837	2,177	7,014
2040	4,837	1,959	6,796
2041	4,837	1,741	6,578
2042	4,837	1,524	6,361
2043	4,837	1,306	6,143
2044	4,837	1,088	5,925
2045	4,837	870	5,707
2046	4,837	653	5,490
2047	4,837	435	5,272
2048	9,668	217	9,885
Total	\$ 9,560,667	\$ 1,760,219	\$ 11,320,886

Exhibit J-3

McNairy County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented McNairy County School Department
For the Year Ended June 30, 2011

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
Highway/Public Works	General Debt Service	Debt payments	\$ <u>322,000</u>
Total Transfers Primary Government			\$ <u>322,000</u>
<u>DISCRETELY PRESENTED McNAIRY COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ <u>36,096</u>
Total Transfers Discretely Presented McNairy County School Department			\$ <u>36,096</u>

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, 2011

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor:				
Jai Templeton (7-1-10 through 5-31-11)	Section 8-24-102, TCA	\$ 65,379	\$ 50,000	Ohio Casualty Insurance Company
Wilburn Gene Ashe (6-1-11 through 6-30-11)	Section 8-24-102, TCA	5,943	50,000	"
Highway Commissioner	Section 8-24-102, TCA	67,927	100,000	"
Director of Schools	State Board of Education and County Board of Education	86,372 (1)	150,000	Tennessee Risk Management Trust
Trustee	Section 8-24-102, TCA	61,751	1,014,057	Ohio Casualty Insurance Company
Assessor of Property	Section 8-24-102, TCA	61,751	10,000	West American Insurance Company
County Clerk	Section 8-24-102, TCA	61,751	50,000	Ohio Casualty Insurance Company
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	61,751	50,000	"
Clerk and Master	Section 8-24-102, TCA	61,751 (2)	65,000	"
Register	Section 8-24-102, TCA	61,751	25,000	"
Sheriff:				
Ricky Roten (7-1-10 through 8-31-10)	Section 8-24-102, TCA	13,967	25,000	"
Guy Buck (9-1-10 through 6-30-11)	Section 8-24-102, TCA	56,606	25,000	"
Employee Dishonesty Coverage:				
County Employees			100,000	"
Office of Director of Schools' Employees			150,000	Tennessee Risk Management Trust

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

(2) Does not include special commissioner fees of \$1,405.

Exhibit J-5

McNairy County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2011

	Special Revenue Funds							Debt Service Fund	Total
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works		
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 2,614,299	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 317,953	\$ 958,091	\$ 3,890,343
Trustee's Collections - Prior Year	138,332	0	0	0	0	0	16,321	46,224	200,877
Trustee's Collections - Bankruptcy	1,806	0	0	0	0	0	212	658	2,676
Circuit/Clerk & Master Collections - Prior Years	58,194	0	0	0	0	0	6,968	29,097	94,259
Interest and Penalty	23,389	0	0	0	0	0	2,768	8,527	34,684
Payments in-Lieu-of-Taxes - T.V.A.	2,506	0	0	0	0	0	0	0	2,506
<u>County Local Option Taxes</u>									
Local Option Sales Tax	127,029	0	74,986	0	0	0	0	0	202,015
Wheel Tax	0	0	0	0	0	0	0	470,934	470,934
Litigation Tax - General	106,441	0	0	0	0	0	0	0	106,441
Litigation Tax - Special Purpose	0	2,778	0	0	0	0	0	0	2,778
Mineral Severance Tax	0	0	0	0	0	0	40,243	0	40,243
<u>Statutory Local Taxes</u>									
Bank Excise Tax	11,980	0	0	0	0	0	1,967	2,682	16,629
Wholesale Beer Tax	35,627	0	0	0	0	0	0	0	35,627
Interstate Telecommunications Tax	4	0	1,029	0	0	0	0	0	1,033
Total Local Taxes	\$ 3,119,607	\$ 2,778	\$ 76,015	\$ 0	\$ 0	\$ 0	\$ 386,432	\$ 1,516,213	\$ 5,101,045
<u>Licenses and Permits</u>									
<u>Licenses</u>									
Cable TV Franchise	\$ 14,070	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,070
<u>Permits</u>									
Beer Permits	1,568	0	0	0	0	0	0	0	1,568
Total Licenses and Permits	\$ 15,638	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,638
<u>Fines, Forfeitures, and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 3,974	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,974
Officers Costs	3,632	0	0	0	0	0	0	0	3,632
Drug Court Fees	2,285	0	0	0	0	0	0	0	2,285

(Continued)

Exhibit J-5

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

	Special Revenue Funds							Total
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>								
<u>Circuit Court (Cont.)</u>								
Jail Fees	\$ 1,300	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,300
DUI Treatment Fines	190	0	0	0	0	0	0	190
Data Entry Fee - Circuit Court	715	0	0	0	0	0	0	715
Victims Assistance Assessments	1,023	0	0	0	0	0	0	1,023
<u>Criminal Court</u>								
Drug Control Fines	71	0	0	0	0	0	0	71
<u>General Sessions Court</u>								
Fines	19,395	0	0	0	0	0	0	19,395
Officers Costs	21,345	0	0	0	0	0	0	21,345
Game and Fish Fines	527	0	0	0	0	0	0	527
Drug Control Fines	4,233	0	0	0	859	0	0	5,092
Drug Court Fees	5,060	0	0	0	0	0	0	5,060
Jail Fees	22,011	0	0	0	0	0	0	22,011
DUI Treatment Fines	7,731	0	0	0	0	0	0	7,731
Data Entry Fee - General Sessions Court	6,180	0	0	0	0	0	0	6,180
Courtroom Security Fee	348	0	0	0	0	0	0	348
Victims Assistance Assessments	19,150	0	0	0	0	0	0	19,150
<u>Juvenile Court</u>								
Fines	296	0	0	0	0	0	0	296
<u>Chancery Court</u>								
Officers Costs	295	0	0	0	0	0	0	295
Data Entry Fee - Chancery Court	1,516	0	0	0	0	0	0	1,516
Total Fines, Forfeitures, and Penalties	\$ 121,277	\$ 0	\$ 0	\$ 0	\$ 859	\$ 0	\$ 0	\$ 122,136
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Residential Waste Collection Charge	\$ 0	\$ 0	\$ 643,887	\$ 0	\$ 0	\$ 0	\$ 0	\$ 643,887
Tipping Fees	0	0	178,817	0	0	0	0	178,817
<u>Fees</u>								
Copy Fees	198	0	0	0	0	0	0	198

(Continued)

Exhibit J-5

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

	Special Revenue Funds							Total
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>Charges for Current Services (Cont.)</u>								
<u>Fees (Cont.)</u>								
Library Fees	\$ 12,217	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,217
Telephone Commissions	15,166	0	0	0	0	0	0	15,166
Vending Machine Collections	0	0	0	0	0	0	99	99
Constitutional Officers' Fees and Commissions	0	0	0	0	0	1,405	0	1,405
Special Commissioner Fees/Special Master Fees	11	0	0	0	0	0	0	11
Data Processing Fee - Register	8,634	0	0	0	0	0	0	8,634
Probation Fees	20,187	0	0	0	0	0	0	20,187
Data Processing Fee - Sheriff	1,233	0	0	0	0	0	0	1,233
Sexual Offender Registration Fees - Sheriff	1,532	0	0	0	0	0	0	1,532
Data Processing Fee - County Clerk	1,388	0	0	0	0	0	0	1,388
Total Charges for Current Services	\$ 60,566	\$ 0	\$ 822,704	\$ 0	\$ 0	\$ 1,405	\$ 99	\$ 884,774
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 57,219
Lease/Rentals	1,200	0	0	115,400	0	0	0	25,200
Sale of Materials and Supplies	19,360	0	5,080	0	0	0	1,868	26,308
Commissary Sales	5,595	0	0	0	0	0	0	5,595
Sale of Gasoline	0	0	0	0	0	0	9,325	9,325
Miscellaneous Refunds	132,971	0	3,200	0	0	0	161	3,439
<u>Nonrecurring Items</u>								
Contributions and Gifts	23,500	0	0	0	0	0	0	23,500
<u>Other Local Revenues</u>								
Other Local Revenues	0	0	8,280	115,400	44,777	0	0	85,858
Total Other Local Revenues	\$ 182,626	\$ 0	\$ 8,280	\$ 115,400	\$ 44,777	\$ 0	\$ 11,354	\$ 448,295
<u>Fees Received from County Officials</u>								
<u>Excess Fees</u>								
Juvenile Court Clerk	\$ 4,034	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,034

(Continued)

Exhibit J-5

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

	Special Revenue Funds							Total
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>Fees Received from County Officials (Cont.)</u>								
<u>Fees in-Lieu-of-Salary</u>								
County Clerk	\$ 209,853	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 209,853
Circuit Court Clerk	41,498	0	0	0	0	0	0	41,498
General Sessions Court Clerk	181,934	0	0	0	0	0	0	181,934
Clerk and Master	76,172	0	0	0	0	0	0	76,172
Register	88,742	0	0	0	0	0	0	88,742
Sheriff	1,392	0	0	0	0	0	0	1,392
Trustee	286,859	0	0	0	0	0	0	286,859
Total Fees Received from County Officials	\$ 890,484	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 890,484
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
Health and Welfare Grants	266,000	0	0	0	0	0	0	266,000
Other Health and Welfare Grants	27,171	0	0	0	0	0	0	27,171
<u>Public Works Grants</u>								
State Aid Program	0	0	0	0	0	0	697	697
Litter Program	0	0	19,815	0	0	0	0	19,815
<u>Other State Revenues</u>								
Income Tax	25,422	0	0	0	0	0	0	25,422
Beer Tax	18,724	0	0	0	0	0	0	18,724
Alcoholic Beverage Tax	52,599	0	0	0	0	0	0	52,599
Mixed Drink Tax	1,159	0	0	0	0	0	0	1,159
State Revenue Sharing - T.V.A.	0	0	241,519	0	0	0	0	241,519
Contracted Prisoner Boarding	216,965	0	0	0	0	0	0	216,965
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	1,811,763	1,811,763
Petroleum Special Tax	0	0	0	0	0	0	19,799	19,799
Registrar's Salary Supplement	6,000	0	0	0	0	0	0	6,000
Other State Grants	41,700	0	0	0	0	0	0	41,700
Other State Revenues	56,092	0	0	0	0	0	0	56,092
Total State of Tennessee	\$ 720,832	\$ 0	\$ 261,334	\$ 0	\$ 0	\$ 0	\$ 1,832,259	\$ 2,814,425

(Continued)

Exhibit J-5

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

	Special Revenue Funds										Debt Service Fund	
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Total			
<u>Federal Government</u>												
<u>Federal Through State</u>												
Community Development	\$ 2,196	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,196
Civil Defense Reimbursement	32,953	0	0	0	0	0	0	0	0	0	0	32,953
Disaster Relief	35,700	0	253,522	0	0	0	769,863	0	0	0	0	1,059,085
<u>Direct Federal Revenue</u>												
ARRA Grant No. 10	100,000	0	0	0	0	0	0	0	0	0	0	100,000
Total Federal Government	\$ 170,849	\$ 0	\$ 253,522	\$ 0	\$ 0	\$ 0	\$ 769,863	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,194,234
<u>Other Governments and Citizens Groups</u>												
<u>Other Governments</u>												
Paving and Maintenance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,602	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,602
Contributions	0	0	0	0	0	0	0	0	0	0	0	872,275
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,602	\$ 0	\$ 0	\$ 0	\$ 0	\$ 872,275
Total	\$ 5,281,879	\$ 2,778	\$ 1,421,855	\$ 115,400	\$ 45,636	\$ 1,405	\$ 3,003,609	\$ 2,474,346	\$ 12,346,908			

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, 2011

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 3,497,507	\$ 0	\$ 0	\$ 3,497,507
Trustee's Collections - Prior Year	185,493	0	0	185,493
Trustee's Collections - Bankruptcy	2,422	0	0	2,422
Circuit/Clerk & Master Collections - Prior Years	80,831	0	0	80,831
Interest and Penalty	31,359	0	0	31,359
<u>County Local Option Taxes</u>				
Local Option Sales Tax	1,793,890	0	0	1,793,890
<u>Statutory Local Taxes</u>				
Bank Excise Tax	22,708	0	0	22,708
Interstate Telecommunications Tax	1,871	0	0	1,871
Total Local Taxes	\$ 5,616,081	\$ 0	\$ 0	\$ 5,616,081
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 5,073	\$ 0	\$ 0	\$ 5,073
Total Licenses and Permits	\$ 5,073	\$ 0	\$ 0	\$ 5,073
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Other	\$ 23,075	\$ 0	\$ 0	\$ 23,075
Lunch Payments - Children	0	0	259,424	259,424
Lunch Payments - Adults	0	0	66,340	66,340
Income from Breakfast	0	0	27,878	27,878
A la carte Sales	0	0	327,322	327,322
Receipts from Individual Schools	20,315	0	0	20,315
<u>Other Charges for Services</u>				
Other Charges for Services	405	0	10,386	10,791
Total Charges for Current Services	\$ 43,795	\$ 0	\$ 691,350	\$ 735,145
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 21,194	\$ 21,194
Lease/Rentals	39,975	0	0	39,975
Miscellaneous Refunds	10,061	0	37,414	47,475
<u>Nonrecurring Items</u>				
Contributions and Gifts	4,500	0	0	4,500
<u>Other Local Revenues</u>				
Other Local Revenues	5,738	0	0	5,738
Total Other Local Revenues	\$ 60,274	\$ 0	\$ 58,608	\$ 118,882
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 144,781	\$ 0	\$ 0	\$ 144,781
<u>State Education Funds</u>				
Basic Education Program	18,602,685	0	0	18,602,685
Basic Education Program - ARRA	2,167,859	0	0	2,167,859

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
Early Childhood Education	\$ 718,052	\$ 0	\$ 0	\$ 718,052
School Food Service	23,006	0	0	23,006
Driver Education	13,024	0	0	13,024
Other State Education Funds	86,105	0	0	86,105
Coordinated School Health - ARRA	89,598	0	0	89,598
Internet Connectivity - ARRA	13,047	0	0	13,047
Family Resource Centers - ARRA	46,680	0	0	46,680
Statewide Student Management System (SSMS) - ARRA	11,101	0	0	11,101
Career Ladder Program	259,239	0	0	259,239
Career Ladder - Extended Contract	106,656	0	0	106,656
Career Ladder - Extended Contract - ARRA	700	0	0	700
<u>Other State Revenues</u>				
Mixed Drink Tax	1,159	0	0	1,159
State Revenue Sharing - T.V.A.	448,535	0	0	448,535
Other State Grants	84,933	0	0	84,933
Safe Schools - ARRA	25,900	0	0	25,900
Other State Revenues	150,000	0	0	150,000
Total State of Tennessee	\$ 22,993,060	\$ 0	\$ 0	\$ 22,993,060
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 996,540	\$ 996,540
USDA - Commodities	0	0	146,443	146,443
Breakfast	0	0	295,119	295,119
USDA - Other	0	0	53,583	53,583
Adult Education State Grant Program	140,488	0	0	140,488
Vocational Education - Basic Grants to States	0	77,539	0	77,539
Other Vocational	0	6,354	0	6,354
Title I Grants to Local Education Agencies	0	1,359,498	0	1,359,498
Special Education - Grants to States	0	1,302,268	0	1,302,268
Special Education Preschool Grants	0	36,359	0	36,359
Rural Education	0	96,187	0	96,187
Eisenhower Professional Development State Grants	0	241,237	0	241,237
Race-to-the-Top - ARRA	0	352,851	0	352,851
Other Federal through State	147,578	458,420	0	605,998
Total Federal Government	\$ 288,066	\$ 3,930,713	\$ 1,491,685	\$ 5,710,464
Total	\$ 29,006,349	\$ 3,930,713	\$ 2,241,643	\$ 35,178,705

Exhibit J-7

McNairy County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2011

General FundGeneral GovernmentCounty Commission

Board and Committee Members Fees	\$	12,988	
Audit Services		18,226	
Dues and Memberships		1,650	
Legal Services		10,059	
Periodicals		1,804	
Other Charges		372	
Total County Commission			\$ 45,099

Board of Equalization

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

Budget and Finance Committee

Board and Committee Members Fees	\$	1,300	
Total Budget and Finance Committee			1,300

Other Boards and Committees

Board and Committee Members Fees	\$	1,538	
Total Other Boards and Committees			1,538

County Mayor/Executive

County Official/Administrative Officer	\$	71,322	
Accountants/Bookkeepers		21,250	
Secretary(ies)		20,480	
Communication		4,180	
Dues and Memberships		1,450	
Maintenance Agreements		1,331	
Maintenance and Repair Services - Office Equipment		536	
Postal Charges		2,325	
Printing, Stationery, and Forms		1,227	
Travel		1,205	
Other Contracted Services		8,869	
Office Supplies		1,370	
Premiums on Corporate Surety Bonds		397	
Other Charges		1,339	
Data Processing Equipment		355	
Office Equipment		387	
Total County Mayor/Executive			138,023

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Attorney

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

Election Commission

County Official/Administrative Officer	\$ 55,576	
Other Salaries and Wages	8,156	
Election Commission	4,861	
Election Workers	21,930	
In-Service Training	250	
Communication	1,580	
Maintenance and Repair Services - Equipment	1,917	
Postal Charges	1,725	
Printing, Stationery, and Forms	3,897	
Rentals	1,020	
Travel	1,784	
Other Contracted Services	19,279	
Office Supplies	1,317	
Periodicals	1,829	
Total Election Commission		125,121

Register of Deeds

County Official/Administrative Officer	\$ 61,751	
Deputy(ies)	23,131	
Secretary(ies)	17,332	
Communication	1,261	
Data Processing Services	6,901	
Dues and Memberships	426	
Maintenance Agreements	836	
Postal Charges	1,128	
Printing, Stationery, and Forms	1,895	
Travel	563	
Office Supplies	825	
Premiums on Corporate Surety Bonds	325	
Total Register of Deeds		116,374

County Buildings

Custodial Personnel	\$ 29,337
Maintenance and Repair Services - Buildings	8,100
Maintenance and Repair Services - Vehicles	159
Pest Control	350

(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.)

Postal Charges	\$	4,164	
Custodial Supplies		2,003	
Electricity		111,841	
Gasoline		1,470	
Natural Gas		19,346	
Periodicals		224	
Water and Sewer		15,549	
Other Supplies and Materials		11,230	
Building and Contents Insurance		31,520	
Premiums on Corporate Surety Bonds		560	
Other Charges		10,938	
Total County Buildings			\$ 246,791

Preservation of Records

Part-time Personnel	\$	5,315	
Postal Charges		40	
Other Supplies and Materials		185	
Total Preservation of Records			5,540

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	61,751	
Assistant(s)		22,602	
Deputy(ies)		31,582	
Communication		2,395	
Contracts with Private Agencies		7,660	
Dues and Memberships		1,141	
Maintenance Agreements		1,180	
Maintenance and Repair Services - Office Equipment		249	
Postal Charges		1,434	
Printing, Stationery, and Forms		780	
Travel		483	
Other Supplies and Materials		135	
Total Property Assessor's Office			131,392

Reappraisal Program

Part-time Personnel	\$	19,032	
Data Processing Services		13,700	
Gasoline		1,021	
Total Reappraisal Program			33,753

(Continued)

Exhibit J-7

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

General Fund (Cont.)Finance (Cont.)County Trustee's Office

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		23,131	
Clerical Personnel		17,332	
Part-time Personnel		7,388	
Communication		1,261	
Data Processing Services		5,909	
Dues and Memberships		426	
Maintenance Agreements		679	
Postal Charges		5,831	
Printing, Stationery, and Forms		865	
Travel		575	
Office Supplies		293	
Periodicals		729	
Premiums on Corporate Surety Bonds		5,067	
Data Processing Equipment		1,637	
Office Equipment		950	
Total County Trustee's Office			\$ 133,824

County Clerk's Office

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		22,476	
Secretary(ies)		35,219	
Clerical Personnel		24,855	
Communication		1,261	
Dues and Memberships		426	
Postal Charges		4,723	
Printing, Stationery, and Forms		1,505	
Premiums on Corporate Surety Bonds		397	
Data Processing Equipment		10,000	
Total County Clerk's Office			162,613

Administration of JusticeCircuit Court

County Official/Administrative Officer	\$	61,751
Deputy(ies)		34,607
Part-time Personnel		6,580
Jury and Witness Expense		10,959
Other Per Diem and Fees		4,470
Audit Services		416
Communication		3,088

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Contracts with Government Agencies	\$	5,532	
Dues and Memberships		521	
Maintenance Agreements		4,882	
Maintenance and Repair Services - Office Equipment		225	
Postal Charges		3,707	
Printing, Stationery, and Forms		1,503	
Office Supplies		2,313	
Periodicals		87	
Premiums on Corporate Surety Bonds		397	
Other Charges		1,956	
Other Equipment		764	
Total Circuit Court			\$ 143,758

General Sessions Court

Judge(s)	\$	100,737	
Deputy(ies)		31,471	
Accountants/Bookkeepers		18,919	
Secretary(ies)		15,555	
Other Per Diem and Fees		5,573	
Communication		1,819	
Contracts with Government Agencies		2,592	
Postal Charges		292	
Printing, Stationery, and Forms		427	
Travel		1,271	
Office Supplies		797	
Other Charges		157	
Total General Sessions Court			179,610

Chancery Court

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		19,273	
Clerical Personnel		15,300	
Communication		1,261	
Data Processing Services		5,338	
Dues and Memberships		521	
Maintenance Agreements		1,235	
Postal Charges		993	
Printing, Stationery, and Forms		586	
Office Supplies		1,345	
Premiums on Corporate Surety Bonds		600	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Data Processing Equipment	\$ 5,367	
Total Chancery Court		\$ 113,570

Juvenile Court

Youth Service Officer(s)	\$ 27,878	
Clerical Personnel	15,198	
Communication	295	
Maintenance Agreements	1,800	
Postal Charges	3	
Travel	308	
Office Supplies	194	
Other Charges	1,639	
Total Juvenile Court		47,315

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 67,927
Deputy(ies)	398,657
Accountants/Bookkeepers	19,818
Salary Supplements	41,883
Guards	297,485
Secretary(ies)	18,866
Part-time Personnel	19,272
In-Service Training	12,536
Communication	17,603
Dues and Memberships	1,500
Maintenance Agreements	25
Maintenance and Repair Services - Equipment	165
Maintenance and Repair Services - Office Equipment	710
Maintenance and Repair Services - Vehicles	26,267
Postal Charges	1,367
Printing, Stationery, and Forms	917
Tow-in Services	4,098
Travel	2,197
Gasoline	96,705
Office Supplies	4,541
Periodicals	1,426
Tires and Tubes	2,751
Uniforms	4,688
Other Supplies and Materials	18,297

(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.)

Premiums on Corporate Surety Bonds	\$	325	
Vehicle and Equipment Insurance		38,112	
Workers' Compensation Insurance		35,050	
Law Enforcement Equipment		3,780	
Motor Vehicles		34,750	
Office Equipment		78	
Other Equipment		1,694	
Total Sheriff's Department			\$ 1,173,490

Jail

Medical Personnel	\$	8,775	
Salary Supplements		386	
Custodial Personnel		47,693	
In-Service Training		977	
Contracts with Private Agencies		176	
Maintenance Agreements		2,155	
Maintenance and Repair Services - Buildings		18,896	
Maintenance and Repair Services - Vehicles		969	
Medical and Dental Services		325,236	
Pest Control		400	
Travel		1,740	
Custodial Supplies		6,619	
Drugs and Medical Supplies		19,428	
Food Preparation Supplies		29,955	
Food Supplies		57,808	
Office Supplies		1,033	
Prisoners Clothing		2,444	
Other Supplies and Materials		12,740	
Total Jail			537,430

Fire Prevention and Control

Supervisor/Director	\$	20,250	
Contracts with Government Agencies		20	
Maintenance and Repair Services - Buildings		45	
Maintenance and Repair Services - Equipment		5,564	
Maintenance and Repair Services - Vehicles		5,362	
Travel		138	
Gasoline		5,511	
Natural Gas		7	
Other Supplies and Materials		89	

(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	\$	16,909	
Workers' Compensation Insurance		13,480	
Other Equipment		14,706	
Total Fire Prevention and Control			\$ 82,081

Rural Fire Protection

Contracts with Government Agencies	\$	35,571	
Maintenance and Repair Services - Equipment		375	
Total Rural Fire Protection			35,946

Civil Defense

Supervisor/Director	\$	38,438	
Communication		1,879	
Dues and Memberships		130	
Maintenance and Repair Services - Vehicles		53	
Postal Charges		316	
Travel		348	
Office Supplies		315	
Other Supplies and Materials		50,650	
Total Civil Defense			92,129

Inspection and Regulation

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

Public Health and Welfare

Local Health Center

Social Workers	\$	33,054	
Clerical Personnel		16,321	
Custodial Personnel		8,350	
Communication		4,069	
Contracts with Government Agencies		31,484	
Maintenance and Repair Services - Buildings		7,685	
Maintenance and Repair Services - Equipment		874	
Maintenance and Repair Services - Office Equipment		30	
Pest Control		608	
Postal Charges		255	
Travel		4,138	
Other Contracted Services		925	
Custodial Supplies		311	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Drugs and Medical Supplies	\$	697	
Electricity		12,477	
Natural Gas		3,738	
Office Supplies		2,131	
Periodicals		113	
Water and Sewer		1,904	
Building Improvements		414,477	
Total Local Health Center			\$ 543,641

Social, Cultural, and Recreational Services

Libraries

County Official/Administrative Officer	\$	42,417	
Custodial Personnel		866	
Other Salaries and Wages		41,365	
Communication		5,101	
Maintenance and Repair Services - Buildings		5,669	
Postal Charges		328	
Travel		281	
Custodial Supplies		534	
Electricity		12,764	
Library Books/Media		206	
Natural Gas		1,193	
Office Supplies		1,814	
Water and Sewer		1,541	
Other Supplies and Materials		9,475	
Data Processing Equipment		3,251	
Total Libraries			126,805

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	59,334	
Communication		670	
Maintenance Agreements		1,902	
Travel		1,053	
Other Supplies and Materials		7,242	
Office Equipment		2,401	
Total Agriculture Extension Service			72,602

Soil Conservation

County Official/Administrative Officer	\$	34,875	
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(Continued)

Exhibit J-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Soil Conservation (Cont.)

Secretary(ies)	\$	20,591	
Contributions		<u>800</u>	
Total Soil Conservation	\$		56,266

Other Operations

Other Economic and Community Development

Other Charges	\$	<u>20,000</u>	
Total Other Economic and Community Development			20,000

Airport

Other Charges	\$	<u>64,000</u>	
Total Airport			64,000

Veterans' Services

Supervisor/Director	\$	10,149	
Communication		631	
Dues and Memberships		25	
Postal Charges		190	
Travel		575	
Office Supplies		794	
Periodicals		<u>213</u>	
Total Veterans' Services			12,577

Other Charges

Liability Insurance	\$	71,368	
Trustee's Commission		<u>65,640</u>	
Total Other Charges			137,008

Contributions to Other Agencies

Contributions	\$	<u>190,033</u>	
Total Contributions to Other Agencies			190,033

Employee Benefits

Longevity Pay	\$	5,525	
Social Security		144,544	
State Retirement		109,764	
Life Insurance		742	
Medical Insurance		283,651	
Unemployment Compensation		13,126	
Employer Medicare		33,281	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits (Cont.)

Workers' Compensation Insurance	\$ 11,186	
Total Employee Benefits		\$ 601,819

Miscellaneous

Other Charges	\$ 101,015	
Site Development	92,311	
Total Miscellaneous		193,326

Principal on Debt

General Government

Principal on Notes	\$ 12,662	
Total General Government		12,662

Interest on Debt

General Government

Interest on Notes	\$ 1,471	
Total General Government		1,471

Total General Fund		\$ 5,588,307
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Law Library Fund

Social, Cultural, and Recreational Services

Libraries

Clerical Personnel	\$ 1,800	
Library Books/Media	428	
Trustee's Commission	28	
Total Libraries		\$ 2,256

Total Law Library Fund		2,256
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Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Contracts with Private Agencies	\$ 781,296	
Legal Services	6,658	
Other Contracted Services	96,463	
Building and Contents Insurance	5,511	
Trustee's Commission	3,163	
Vehicle and Equipment Insurance	4,316	
Total Sanitation Management		\$ 897,407

(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.)

Recycling Center

Advertising	\$	16	
Periodicals		315	
Other Charges		<u>2,873</u>	
Total Recycling Center			\$ 3,204

Landfill Operation and Maintenance

Supervisor/Director	\$	26,500	
Data Processing Personnel		18,054	
Foremen		20,000	
Equipment Operators		17,986	
Temporary Personnel		11,574	
Overtime Pay		4,960	
Communication		413	
Contracts with Private Agencies		34,455	
Dues and Memberships		175	
Evaluation and Testing		10,684	
Maintenance and Repair Services - Buildings		438	
Maintenance and Repair Services - Equipment		26,146	
Postal Charges		5,576	
Travel		389	
Diesel Fuel		12,678	
Electricity		998	
Fertilizer, Lime, and Seed		340	
Lubricants		731	
Office Supplies		3,084	
Periodicals		394	
Small Tools		724	
Tires and Tubes		2,228	
Water and Sewer		916	
Gravel and Chert		1,921	
Other Supplies and Materials		979	
Refunds		85	
Other Equipment		<u>104,885</u>	
Total Landfill Operation and Maintenance			307,313

Other Operations

Employee Benefits

Longevity Pay	\$	275	
Social Security		7,063	
State Retirement		3,862	

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Other Operations (Cont.)

Employee Benefits (Cont.)

Life Insurance	\$	28	
Medical Insurance		16,699	
Employer Medicare		1,637	
Workers' Compensation Insurance		7,398	
Total Employee Benefits			\$ 36,962

Highways

Litter and Trash Collection

Part-time Personnel	\$	19,512	
Maintenance and Repair Services - Buildings		52	
Maintenance and Repair Services - Vehicles		650	
Travel		322	
Gasoline		2,311	
Instructional Supplies and Materials		3,657	
Periodicals		971	
Other Supplies and Materials		5,117	
Total Litter and Trash Collection			32,592

Total Solid Waste/Sanitation Fund \$ 1,277,478

Special Purpose Fund

General Government

County Buildings

Communication	\$	134	
Total County Buildings			\$ 134

Other Facilities

Custodial Personnel	\$	8,925	
Communication		1,175	
Maintenance and Repair Services - Buildings		8,034	
Pest Control		270	
Other Contracted Services		2,038	
Custodial Supplies		1,366	
Electricity		34,389	
Gasoline		97	
Natural Gas		3,698	
Water and Sewer		2,408	
Building and Contents Insurance		5,239	
Other Charges		24,792	
Total Other Facilities			92,431

(Continued)

Exhibit J-7

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

Special Purpose Fund (Cont.)

Other Operations

Employee Benefits

Social Security	\$	574	
State Retirement		471	
Life Insurance		7	
Medical Insurance		5,599	
Employer Medicare		129	
Total Employee Benefits			\$ 6,780

Total Special Purpose Fund \$ 99,345

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	3,000	
Other Supplies and Materials		5,968	
Other Equipment		27,224	
Total Drug Enforcement			\$ 36,192

Total Drug Control Fund 36,192

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$	1,405	
Total Chancery Court			\$ 1,405

Total Constitutional Officers - Fees Fund 1,405

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	67,927	
Accountants/Bookkeepers		28,070	
Clerical Personnel		7,909	
Board and Committee Members Fees		925	
Communication		4,314	
Dues and Memberships		2,874	
Legal Services		350	
Maintenance and Repair Services - Buildings		8,797	
Postal Charges		252	
Printing, Stationery, and Forms		780	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Travel	\$	2,419	
Electricity		9,988	
Office Supplies		1,051	
Water and Sewer		545	
Office Equipment		5,003	
Total Administration			\$ 141,204

Highway and Bridge Maintenance

Foremen	\$	30,152	
Equipment Operators		116,074	
Truck Drivers		129,984	
Laborers		153,100	
Other Contracted Services		159,305	
Concrete		5,376	
Crushed Stone		195,574	
Pipe - Metal		84,943	
Road Signs		10,287	
Chemicals		35,638	
Total Highway and Bridge Maintenance			920,433

Operation and Maintenance of Equipment

Mechanic(s)	\$	63,510	
Licenses		88	
Diesel Fuel		108,264	
Equipment and Machinery Parts		102,689	
Garage Supplies		11,268	
Gasoline		42,467	
Lubricants		7,146	
Propane Gas		670	
Tires and Tubes		20,275	
Total Operation and Maintenance of Equipment			356,377

Other Charges

Other Contracted Services	\$	420	
Building and Contents Insurance		2,341	
Trustee's Commission		25,760	
Vehicle and Equipment Insurance		31,751	
Total Other Charges			60,272

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits

Social Security	\$	45,029	
State Retirement		29,543	
Employee and Dependent Insurance		187,676	
Unemployment Compensation		7,644	
Workers' Compensation Insurance		61,907	
Total Employee Benefits			\$ 331,799

Capital Outlay

Bridge Construction	\$	50,847	
Highway Construction		281,916	
Highway Equipment		132,417	
State Aid Projects		147,696	
Total Capital Outlay			612,876

Principal on Debt

Highways and Streets

Principal on Notes	\$	17,500	
Principal on Capital Leases		8,262	
Total Highways and Streets			25,762

Interest on Debt

Highways and Streets

Interest on Notes	\$	96	
Interest on Capital Leases		1,577	
Total Highways and Streets			1,673

Total Highway/Public Works Fund \$ 2,450,396

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	897,430	
Total General Government			\$ 897,430

Highways and Streets

Principal on Bonds	\$	695,185	
Principal on Notes		75,834	
Principal on Capital Leases		12,300	
Total Highways and Streets			783,319

(Continued)

Exhibit J-7

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Principal on Debt (Cont.)</u>		
<u>Education</u>		
Principal on Bonds	\$ 865,090	
Total Education		\$ 865,090
 <u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Bonds	\$ 132,835	
Total General Government		132,835
 <u>Highways and Streets</u>		
Interest on Bonds	\$ 87,716	
Interest on Notes	11,917	
Interest on Capital Leases	<u>3,425</u>	
Total Highways and Streets		103,058
 <u>Education</u>		
Interest on Bonds	\$ 251,548	
Total Education		251,548
 <u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 26,202	
Other Debt Service	<u>488</u>	
Total General Government		26,690
 <u>Highways and Streets</u>		
Other Debt Service	\$ 965	
Total Highways and Streets		965
 <u>Education</u>		
Other Debt Service	\$ 483	
Total Education		<u>483</u>
Total General Debt Service Fund		\$ 3,061,418
 <u>Community Development/Industrial Park Fund</u>		
<u>Agriculture and Natural Resources</u>		
<u>Other Agriculture and Natural Resources</u>		
Other Charges	\$ 5,317	
Total Other Agriculture and Natural Resources		<u>\$ 5,317</u>
Total Community Development/Industrial Park Fund		<u>5,317</u>
Total Governmental Funds - Primary Government		<u>\$ 12,522,114</u>

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, 2011

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 11,539,282	
Career Ladder Program	163,861	
Career Ladder Extended Contracts	124,516	
Educational Assistants	349,182	
Certified Substitute Teachers	32,472	
Non-certified Substitute Teachers	103,530	
Social Security	670,181	
State Retirement	1,055,857	
Medical Insurance	1,529,637	
Dental Insurance	88,049	
Unemployment Compensation	6,719	
Employer Medicare	158,350	
Travel	10,279	
Instructional Supplies and Materials	157,477	
Kindergarten Textbooks	44,521	
Textbooks	42,578	
Other Supplies and Materials	1,424	
Other Charges	500	
Regular Instruction Equipment	78,061	
Other Equipment	197,946	
Total Regular Instruction Program		\$ 16,354,422

Special Education Program

Teachers	\$ 1,123,177
Career Ladder Program	14,000
Clerical Personnel	20,081
Educational Assistants	195,907
Certified Substitute Teachers	1,800
Non-certified Substitute Teachers	15,624
Social Security	86,028
State Retirement	114,838
Medical Insurance	331,864
Dental Insurance	8,600
Unemployment Compensation	1,200
Employer Medicare	20,118
Contracts with Other Public Agencies	15,789
Contracts with Private Agencies	17,827
Travel	77
Other Contracted Services	32,244

(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.)

Special Education Program (Cont.)

Instructional Supplies and Materials	\$	2,876	
Other Supplies and Materials		1,351	
Other Charges		16,428	
Total Special Education Program			\$ 2,019,829

Vocational Education Program

Teachers	\$	789,716	
Career Ladder Program		4,550	
Certified Substitute Teachers		690	
Non-certified Substitute Teachers		3,000	
Social Security		50,052	
State Retirement		71,881	
Medical Insurance		88,257	
Unemployment Compensation		600	
Employer Medicare		11,900	
Travel		1,497	
Instructional Supplies and Materials		30,780	
Total Vocational Education Program			1,052,923

Adult Education Program

Teachers	\$	162,787	
Social Security		9,680	
State Retirement		10,564	
Medical Insurance		22,486	
Unemployment Compensation		180	
Employer Medicare		2,330	
Communication		1,299	
Postal Charges		200	
Travel		7,905	
Instructional Supplies and Materials		25,732	
Other Supplies and Materials		199	
Other Charges		7,779	
Total Adult Education Program			251,141

Support Services

Attendance

Supervisor/Director	\$	42,259	
Social Security		2,820	
State Retirement		3,824	

(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.)

Attendance (Cont.)

Medical Insurance	\$	4,194	
Unemployment Compensation		25	
Employer Medicare		660	
Travel		2,553	
Total Attendance			\$ 56,335

Health Services

Medical Personnel	\$	56,450	
Other Salaries and Wages		119,397	
Social Security		10,921	
State Retirement		12,506	
Medical Insurance		44,072	
Dental Insurance		310	
Unemployment Compensation		135	
Employer Medicare		2,555	
Communication		800	
Postal Charges		50	
Travel		8,221	
Other Contracted Services		500	
Instructional Supplies and Materials		1,500	
Other Supplies and Materials		14,857	
Other Charges		3,500	
Total Health Services			275,774

Other Student Support

Career Ladder Program	\$	4,000	
Guidance Personnel		314,622	
Social Security		19,783	
State Retirement		28,836	
Medical Insurance		39,886	
Unemployment Compensation		165	
Employer Medicare		4,627	
Evaluation and Testing		22,941	
Total Other Student Support			434,860

Regular Instruction Program

Supervisor/Director	\$	70,398
Career Ladder Program		6,000
Librarians		334,624

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Materials Supervisor	\$	9,689	
Instructional Computer Personnel		109,532	
Secretary(ies)		20,521	
Social Security		33,945	
State Retirement		51,526	
Medical Insurance		79,966	
Unemployment Compensation		380	
Employer Medicare		7,947	
Communication		2,127	
Travel		29,039	
Other Contracted Services		4,836	
Library Books/Media		11,066	
In Service/Staff Development		9,841	
Other Charges		2,157	
Total Regular Instruction Program			\$ 783,594

Special Education Program

Supervisor/Director	\$	68,198	
Career Ladder Program		2,000	
Psychological Personnel		25,840	
Assessment Personnel		48,225	
Secretary(ies)		21,884	
Social Security		8,700	
State Retirement		11,848	
Medical Insurance		15,134	
Dental Insurance		1,000	
Unemployment Compensation		150	
Employer Medicare		2,035	
Travel		12,831	
Other Charges		25,816	
Total Special Education Program			243,661

Vocational Education Program

Supervisor/Director	\$	62,869	
Career Ladder Program		2,000	
Social Security		4,022	
State Retirement		5,389	
Medical Insurance		4,194	
Employer Medicare		941	
Total Vocational Education Program			79,415

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs

Supervisor/Director	\$	51,110	
Career Ladder Program		3,000	
Social Security		4,084	
State Retirement		5,962	
Medical Insurance		4,056	
Employer Medicare		956	
Total Adult Programs			\$ 69,168

Other Programs

On-Behalf Payments to OPEB	\$	144,781	
Total Other Programs			144,781

Board of Education

Board and Committee Members Fees	\$	5,550	
Social Security		344	
Employer Medicare		80	
Audit Services		19,000	
Dues and Memberships		19,402	
Legal Services		2,598	
Travel		8,106	
Other Contracted Services		2,830	
Premiums on Corporate Surety Bonds		1,480	
Trustee's Commission		143,922	
Workers' Compensation Insurance		163,702	
Other Charges		3,433	
Total Board of Education			370,447

Director of Schools

County Official/Administrative Officer	\$	85,372	
Career Ladder Program		1,000	
Secretary(ies)		30,123	
Social Security		7,224	
State Retirement		9,375	
Medical Insurance		6,000	
Unemployment Compensation		50	
Employer Medicare		1,690	
Communication		2,725	
Office Supplies		8,550	
Other Charges		2,341	
Total Director of Schools			154,450

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal

Principals	\$	502,788	
Career Ladder Program		12,000	
Secretary(ies)		361,091	
Social Security		54,479	
State Retirement		65,258	
Medical Insurance		116,105	
Unemployment Compensation		900	
Employer Medicare		12,728	
Communication		4,624	
Total Office of the Principal			\$ 1,129,973

Fiscal Services

Accountants/Bookkeepers	\$	69,165	
Secretary(ies)		22,150	
Social Security		5,871	
State Retirement		4,844	
Medical Insurance		4,194	
Unemployment Compensation		72	
Employer Medicare		1,374	
Travel		96	
Other Contracted Services		6,322	
Office Supplies		1,250	
Total Fiscal Services			115,338

Operation of Plant

Custodial Personnel	\$	475,410	
Other Salaries and Wages		1,229	
Social Security		30,510	
State Retirement		24,478	
Medical Insurance		74,155	
Unemployment Compensation		660	
Employer Medicare		7,136	
Custodial Supplies		74,563	
Electricity		742,878	
Natural Gas		218,590	
Water and Sewer		98,670	
Building and Contents Insurance		217,427	
Total Operation of Plant			1,965,706

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant

Maintenance Personnel	\$	124,958	
Other Salaries and Wages		9,653	
Social Security		9,539	
State Retirement		6,688	
Medical Insurance		21,704	
Unemployment Compensation		140	
Employer Medicare		2,231	
Communication		24,523	
Maintenance and Repair Services - Buildings		188,103	
Maintenance and Repair Services - Equipment		39,595	
Maintenance and Repair Services - Vehicles		250	
Other Contracted Services		81,641	
Other Supplies and Materials		58,227	
Other Charges		5,339	
Administration Equipment		29,888	
Maintenance Equipment		24,450	
Total Maintenance of Plant			\$ 626,929

Transportation

Supervisor/Director	\$	40,529	
Mechanic(s)		63,844	
Bus Drivers		470,731	
Clerical Personnel		22,150	
Other Salaries and Wages		56,495	
Social Security		40,532	
State Retirement		33,303	
Medical Insurance		21,191	
Unemployment Compensation		900	
Employer Medicare		9,479	
Communication		2,110	
Maintenance and Repair Services - Vehicles		64,905	
Medical and Dental Services		4,905	
Diesel Fuel		226,108	
Gasoline		26,394	
Lubricants		8,281	
Tires and Tubes		36,186	
Other Supplies and Materials		6,218	
Other Charges		378	
Transportation Equipment		196,312	
Total Transportation			1,330,951

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Central and Other

Data Processing Personnel	\$	33,929	
Social Security		2,104	
State Retirement		1,754	
Medical Insurance		4,425	
Unemployment Compensation		24	
Employer Medicare		492	
Total Central and Other			\$ 42,728

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	37,471	
Social Security		2,325	
State Retirement		1,939	
Medical Insurance		8,053	
Employer Medicare		544	
Other Charges		2,299	
Total Food Service			52,631

Community Services

Teachers	\$	38,233	
Educational Assistants		11,705	
Part-time Personnel		14,072	
Social Security		2,999	
State Retirement		4,292	
Employer Medicare		920	
Travel		506	
Other Contracted Services		1,640	
Instructional Supplies and Materials		27,090	
Other Supplies and Materials		17,323	
Other Charges		118	
Total Community Services			118,898

Early Childhood Education

Teachers	\$	239,857
Educational Assistants		88,010
Other Salaries and Wages		88,968
Certified Substitute Teachers		810
Non-certified Substitute Teachers		6,624
Social Security		26,940

(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.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

State Retirement	\$	29,580	
Medical Insurance		71,226	
Dental Insurance		5,000	
Employer Medicare		6,301	
Communication		7,936	
Maintenance and Repair Services - Buildings		1,105	
Postal Charges		1,496	
Travel		9,850	
Instructional Supplies and Materials		101,716	
Other Charges		<u>1,788</u>	
Total Early Childhood Education	\$		687,207

Capital Outlay

Regular Capital Outlay

Architects	\$	287,122	
Other Contracted Services		9,500	
Building Construction		<u>28,000</u>	
Total Regular Capital Outlay			324,622

Other Debt Service

Education

Contributions	\$	<u>872,275</u>	
Total Education			<u>872,275</u>

Total General Purpose School Fund \$ 29,558,058

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	873,370	
Educational Assistants		104,523	
Certified Substitute Teachers		1,572	
Non-certified Substitute Teachers		4,182	
Social Security		59,434	
State Retirement		88,501	
Medical Insurance		112,379	
Dental Insurance		4,971	
Unemployment Compensation		560	
Employer Medicare		13,900	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Maintenance and Repair Services - Equipment	\$	899	
Instructional Supplies and Materials		332,544	
Other Charges		9,709	
Regular Instruction Equipment		46,149	
Total Regular Instruction Program			\$ 1,652,693

Special Education Program

Teachers	\$	6,767	
Educational Assistants		624,240	
Speech Pathologist		15,000	
Social Security		38,954	
State Retirement		33,814	
Unemployment Compensation		1,288	
Employer Medicare		9,026	
Contracts with Private Agencies		163,443	
Other Contracted Services		1,585	
Instructional Supplies and Materials		18,180	
Other Supplies and Materials		1,000	
Other Charges		12,119	
Special Education Equipment		22,048	
Total Special Education Program			947,464

Vocational Education Program

Instructional Supplies and Materials	\$	19,039	
In Service/Staff Development		14,000	
Other Charges		3,000	
Vocational Instruction Equipment		85,000	
Total Vocational Education Program			121,039

Support Services

Other Student Support

Social Workers	\$	75,779	
Social Security		4,653	
State Retirement		6,792	
Medical Insurance		4,310	
Dental Insurance		207	
Unemployment Compensation		48	
Employer Medicare		1,088	
Travel		17,497	
Total Other Student Support			110,374

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program

Supervisor/Director	\$	64,589	
Secretary(ies)		14,967	
Other Salaries and Wages		4,698	
Social Security		5,199	
State Retirement		7,238	
Medical Insurance		11,578	
Dental Insurance		705	
Unemployment Compensation		94	
Employer Medicare		1,216	
Postal Charges		67	
Travel		5,173	
Other Contracted Services		1,361	
Library Books/Media		31,261	
Other Supplies and Materials		1,867	
In Service/Staff Development		151,097	
Other Charges		<u>3,526</u>	
Total Regular Instruction Program			\$ 304,636

Special Education Program

Other Salaries and Wages	\$	4,184	
Communication		3,000	
Travel		21,606	
Other Contracted Services		33,973	
Other Supplies and Materials		3,686	
In Service/Staff Development		<u>9,516</u>	
Total Special Education Program			75,965

Vocational Education Program

Travel	\$	<u>3,500</u>	
Total Vocational Education Program			3,500

Transportation

Bus Drivers	\$	22,860	
Social Security		1,417	
State Retirement		1,181	
Unemployment Compensation		29	
Employer Medicare		303	
Transportation Equipment		<u>108,000</u>	
Total Transportation			133,790

(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

Supervisor/Director	\$	12,258	
Teachers		165,677	
Clerical Personnel		21,873	
Part-time Personnel		106,561	
Social Security		14,600	
State Retirement		16,446	
Employer Medicare		4,248	
Travel		1,075	
Other Contracted Services		9,344	
Other Supplies and Materials		20,052	
Other Charges		1,896	
Total Community Services			\$ 374,030

Total School Federal Projects Fund \$ 3,723,491

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Accountants/Bookkeepers	\$	24,786	
Clerical Personnel		16,184	
Cafeteria Personnel		686,414	
Other Salaries and Wages		21,053	
Social Security		42,877	
State Retirement		33,073	
Medical Insurance		140,722	
Unemployment Compensation		1,173	
Employer Medicare		10,028	
Communication		3,296	
Maintenance and Repair Services - Equipment		9,585	
Transportation - Other than Students		16,546	
Travel		1,206	
Other Contracted Services		28,936	
Food Supplies		869,424	
Office Supplies		2,017	
Uniforms		8,809	
USDA - Commodities		146,443	
Other Supplies and Materials		61,709	
Food Service Equipment		154,885	
Total Food Service			\$ 2,279,166

Total Central Cafeteria Fund 2,279,166

Total Governmental Funds - McNairy County School Department \$ 35,560,715

Exhibit J-9

McNairy County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2011

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 1,592,842
Total Cash Receipts	<u>\$ 1,592,842</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,576,914
Trustee's Commission	<u>15,928</u>
Total Cash Disbursements	<u>\$ 1,592,842</u>
 Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2010	<u>0</u>
 Cash Balance, June 30, 2011	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



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

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

March 2, 2012

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McNairy County, Tennessee, as of and for the year ended June 30, 2011, which collectively comprise McNairy County's basic financial statements and have issued our report thereon dated March 2, 2012. Our report on the aggregate discretely presented component units financial statements was qualified due to not including the financial statements of the McNairy County Airport Authority, which were not available from other auditors as of the date of this report. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the McNairy County Emergency Communications District, a discretely presented component unit, as described in our report on McNairy County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered McNairy County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of McNairy County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of McNairy County's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting: 11.02, 11.04, 11.05, 11.08, 11.09, and 11.10. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

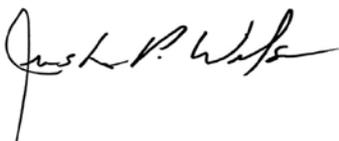
As part of obtaining reasonable assurance about whether McNairy County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items 11.01, 11.03, 11.06, and 11.07.

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

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

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

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury

JPW/sb



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

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

March 2, 2012

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of McNairy County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. McNairy County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of McNairy County's management. Our responsibility is to express an opinion on McNairy County's compliance based on our audit.

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

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

In our opinion, McNairy County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

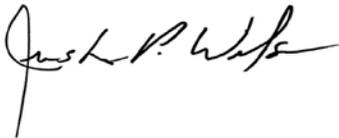
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McNairy County as of and for the year ended June 30, 2011, and have issued our report thereon dated March 2, 2012. Our report on the aggregate discretely presented component units financial statements was qualified due to not including the financial statements of the McNairy County Airport Authority, which were not available from other auditors as of the date of this report. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly

to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

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

Very truly yours,

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

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

McNairy County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2011

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	\$ 295,119
National School Lunch Program	10.555	N/A	996,540 (3)
Summer Food Service Program for Children	10.559	N/A	53,583
Passed-through State Department of Agriculture:			
National School Lunch Program - (Commodities - Noncash Assistance)	10.555	N/A	146,443 (3)
Rural Business Enterprise Grants	10.769	N/A	50,000
Total U.S. Department of Agriculture			<u>\$ 1,541,685</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-09-29574-00	\$ 27,171
Total U.S. Department of Housing and Urban Development			<u>\$ 27,171</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(2)	\$ 9,000
Total U.S. Department of Justice			<u>\$ 9,000</u>
U.S. Department of Energy:			
Passed-through State Department of Economic and Community Development:			
Energy Efficiency and Conservation Block Grant Program (EECBG), Recovery Act	81.128	GG1133174	\$ 100,000
Total U.S. Department of Energy			<u>\$ 100,000</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Adult Education - Basic Grants to States	84.002	N/A	\$ 140,488
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	N/A	993,875
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	350,437
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	812,732
Special Education - Preschool Grants	84.173	N/A	26,925
Special Education Grants to States, Recovery Act	84.391	N/A	318,766
Special Education - Preschool Grants, Recovery Act	84.392	N/A	8,729
Career and Technical Education - Basic Grants to States	84.048	N/A	91,539
Even Start - State Educational Agencies	84.213	(2)	102,699
Twenty-first Century Community Learning Centers	84.287	N/A	381,125
Educational Technology State Grants Cluster:			
Educational Technology State Grants	84.318	N/A	8,329
Educational Technology State Grants, Recovery Act	84.386	N/A	19,294
Rural Education	84.358	N/A	96,084
English Language Acquisition Grants	84.365	N/A	4,290
Improving Teacher Quality State Grants	84.367	N/A	9,318

(Continued)

McNairy County, Tennessee

Schedule of Expenditures of Federal Awards and State Grants (1) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Education (Cont.):			
State Fiscal Stabilization Fund Cluster:			
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	N/A	\$ 2,167,859
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	N/A	187,026
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	352,214
Project Help - WIA	84.XXX	N/A	235,932
Total U.S. Department of Education			<u>\$ 6,307,661</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Education:			
ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	93.714	(2)	\$ 44,487
Total U.S. Department of Health and Human Services			<u>\$ 44,487</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(2)	\$ 1,059,085
Homeland Security Grant Program	97.067	HSGP-Z-2573	32,953
Total U.S. Department of Homeland Security			<u>\$ 1,092,038</u>
Total Expenditures of Federal Awards			<u>\$ 9,122,042</u>

State Grants		Contract Number	
Rural Library Computer Grant - Tennessee Secretary of State	N/A	(2)	\$ 29,068
Litter Program - State Department of Transportation	N/A	(2)	19,815
School to Work - State Department of Education	N/A	(2)	44,886
Out of School Youth - State Department of Education	N/A	(2)	40,047
Early Childhood - State Department of Education	N/A	(2)	718,052
ACT/Explore - State Department of Education	N/A	(2)	4,860
ConnecTenn - State Department of Education	N/A	(2)	2,393
L.E.A.P.S. Grant - State Department of Education	N/A	(2)	78,852
Total State Grants			<u>\$ 937,973</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 \$1,142,983.

McNairy County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2011

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, 2010, which have not been corrected.

OFFICE OF COUNTY MAYOR

Finding Number	Page Number	Subject
10.01	151	The office had deficiencies in budget operations

OFFICE OF TRUSTEE

Finding Number	Page Number	Subject
10.09	155	The office did not review its software audit logs

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

Finding Number	Page Number	Subject
10.11	156	Execution docket trial balances did not reconcile with cash journal accounts

OFFICE OF REGISTER

Finding Number	Page Number	Subject
10.13	157	The register allowed individuals unsupervised access to the office after business hours

McNAIRY COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2011

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of McNairy County disclosed significant deficiencies in internal control. None of these deficiencies was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that are material to the financial statements of McNairy County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Title I Cluster: Title I Grants to Local Educational Agencies and Title I Grants to Local Educational Agencies, Recovery Act (CFDA Nos. 84.010 and 84.389); the Special Education Cluster: Special Education – Grants to States, Special Education – Preschool Grants, Special Education Grants to States, Recovery Act, and Special Education – Preschool Grants, Recovery Act (CFDA Nos. 84.027, 84.173, 84.391, and 84.392); Twenty-First Century Community Learning Centers (CFDA No. 84.287); the State Fiscal Stabilization Cluster: State Fiscal Stabilization Funds (SFSF) – Education State Grants, Recovery Act and State Fiscal Stabilization Funds (SFSF) – Government Services, Recovery Act (CFDA Nos. 84.394 and 84.397); State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395); and Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. McNairy County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The solid waste director and highway commissioner provided written responses on certain findings, which are paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

OFFICE OF COUNTY MAYOR

FINDING 11.01 **EXPENDITURES EXCEEDED APPROPRIATIONS** (Noncompliance Under *Government Auditing Standards*)

Expenditures exceeded appropriations approved by the County Commission in the Miscellaneous major appropriation category (the legal level of control) in the General Fund by \$65,604. Section 5-9-401, *Tennessee Code Annotated*, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

This deficiency exists because management failed to hold spending to the limits authorized by the County Commission, which resulted in unauthorized expenditures. Also, this deficiency is the result of management’s failure to correct the finding noted in the prior-year audit.

RECOMMENDATION

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

FINDING 11.02 **THE BILLING/ACCOUNTS RECEIVABLE SOFTWARE USED BY THE SOLID WASTE OFFICE DID NOT HAVE ADEQUATE APPLICATION CONTROLS** (Internal Control – Significant Deficiency Under *Government Auditing Standards*)

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

- A. Users had the ability to alter receipts before batches were processed, which would leave no audit trail of the original transaction.
- B. Gaps in the receipt number sequence were possible given users’ ability to delete credit entries and discard receipt numbers before batches were processed. An audit trail of the deletions was not maintained. The ability to delete receipts and discard receipt numbers was later removed by the vendor.

- C. The application did not produce a report listing receipts in sequential order. Batch reports were presented in receipt number order, but after processing batches, the reports cannot be recalled.

Sound business practices dictate that proper application controls be implemented. Because the vendor did not design the system with proper controls, inappropriate system activity could occur.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – SOLID WASTE DIRECTOR

The Solid Waste Office has contacted the vendor in reference to this finding. The vendor is working on the issues.

OFFICE OF HIGHWAY COMMISSIONER

FINDING 11.03 **THE OFFICE DID NOT FILE A REPORT ON DEBT OBLIGATION WITH THE STATE COMPTROLLER'S OFFICE
(Noncompliance Under *Government Auditing Standards*)**

The office did not file a Report on Debt Obligation with the state Comptroller's Office for a \$31,111 capital lease issued on August 24, 2010. Section 9-21-151, *Tennessee Code Annotated*, requires that within 45 days following the issuance of debt, a county must provide to the state Comptroller's Office certain information, such as a description of the purchase for which the debt is issued, a description of the debt obligation, and an itemized description of the cost of issuance. This deficiency was the result of a lack of management oversight. The Report on Debt Obligation was filed with the state Comptroller's Office subsequent to June 30, 2011.

RECOMMENDATION

The office should file a Report on Debt Obligation with the state Comptroller's Office within 45 days following the issuance of any debt.

MANAGEMENT'S RESPONSE – HIGHWAY COMMISSIONER

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

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 11.04 **THE SOFTWARE USED BY THE CENTRAL OFFICE DID NOT HAVE ADEQUATE APPLICATION CONTROLS**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

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

- A. Users had the ability to delete general ledger accounts that had balances. Users also had the ability to purge expenditure, revenue, and balance sheet activity. There were options to undo deleted activity and to purge receipts as well.
- B. Users had the ability to purge vendors and vendor payment history.
- C. Users had the ability to delete employees and payroll earnings history.

Sound business practices dictate that proper application controls be implemented. Because the vendor did not design the system with proper controls, inappropriate system activity could occur. After these deficiencies were brought to the attention of the official, they were resolved.

OFFICE OF TRUSTEE

FINDING 11.05 **THE OFFICE DID NOT REVIEW ITS SOFTWARE AUDIT LOGS**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

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

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 11.06 **THE OFFICE DID NOT DEPOSIT SOME FUNDS WITHIN THREE DAYS OF COLLECTION**
(Noncompliance Under *Government Auditing Standards*)

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

RECOMMENDATION

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

FINDING 11.07 **EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH CASH JOURNAL ACCOUNTS**
(Noncompliance Under *Government Auditing Standards*)

At June 30, 2011, the circuit and general sessions courts clerk had prepared trial balances of execution docket cause balances as required by Section 18-2-103, *Tennessee Code Annotated (TCA)*. However, these trial balances did not reconcile with cash journal accounts by substantial amounts. The clerk held unidentified funds of \$5,899 in Circuit Court and \$51,389 in General Sessions Court, some of which were carried forward from the former clerk who left office August 31, 2002. Therefore, we were unable to determine if the clerk had complied with the provisions of the Unclaimed Property Act, Section 66-29-110, *TCA*. This statute provides that any funds held by the court for more than one year and unclaimed by the owner are considered abandoned. Section 66-29-113, *TCA*, further requires these funds to be reported and paid to the state Treasurer's Office. This deficiency exists because management failed to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

OFFICES OF CLERK AND MASTER AND REGISTER

FINDING 11.08 **MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER**

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

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

RECOMMENDATION

Officials should assign each employee their own cash drawer.

OFFICE OF REGISTER

FINDING 11.09 **THE REGISTER ALLOWED INDIVIDUALS UNSUPERVISED ACCESS TO THE OFFICE AFTER BUSINESS HOURS**

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

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

RECOMMENDATION

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

OFFICE OF SHERIFF

FINDING 11.10

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. Accounting standards provide that internal controls be designed to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions.

RECOMMENDATION

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

BEST PRACTICES

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

ITEM 1. McNAIRY COUNTY SHOULD ADOPT A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING

McNairy County does not have a central system of accounting, budgeting, and purchasing. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort. We recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

ITEM 2. McNAIRY COUNTY SHOULD ESTABLISH AN AUDIT COMMITTEE

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

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

There were no findings and questioned costs for federal awards.

McNAIRY COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2011

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