



**ANNUAL FINANCIAL REPORT
McNAIRY COUNTY, TENNESSEE**



FOR THE YEAR ENDED JUNE 30, 2013



ANNUAL FINANCIAL REPORT
McNAIRY COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2013

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

McNAIRY COUNTY, TENNESSEE

TABLE OF CONTENTS

	Exhibit	Page(s)
Audit Highlights		6-7
<u>INTRODUCTORY SECTION</u>		8
McNairy County Officials		9
<u>FINANCIAL SECTION</u>		10
Independent Auditor's Report		11-14
BASIC FINANCIAL STATEMENTS:		15
Government-wide Financial Statements:		
Statement of Net Position	A	16-17
Statement of Activities	B	18-19
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	20-21
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	C-2	22
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	23-24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	25
Statements of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Fund	C-5	26-27
Solid Waste/Sanitation Fund	C-6	28
Highway/Public Works Fund	C-7	29
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	D	30
Index and Notes to the Financial Statements		31-73
REQUIRED SUPPLEMENTARY INFORMATION:		74
Schedule of Funding Progress – Pension Plan – Primary Government and Discretely Presented McNairy County School Department	E-1	75
Schedule of Funding Progress – Pension Plan – Discretely Presented McNairy County Emergency Communications District	E-2	76
Schedule of Funding Progress – Other Postemployment Benefits Plans – Primary Government and Discretely Presented McNairy County School Department	E-3	77
Notes to the Required Supplementary Information		78

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		79
Nonmajor Governmental Funds:		80
Combining Balance Sheet	F-1	81
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	82
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
Law Library Fund	F-3	83
Special Purpose Fund	F-4	84
Drug Control Fund	F-5	85
Major Governmental Fund:		86
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	G	87
Fiduciary Funds:		88
Combining Statement of Fiduciary Assets and Liabilities	H-1	89
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	H-2	90
Component Unit:		
Discretely Presented McNairy County School Department:		91
Statement of Activities	I-1	92
Balance Sheet – Governmental Funds	I-2	93
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	I-3	94
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	I-4	95
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	I-5	96
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Purpose School Fund	I-6	97-98
School Federal Projects Fund	I-7	99
Central Cafeteria Fund	I-8	100

	Exhibit	Page(s)
Miscellaneous Schedules:		101
Schedule of Changes in Long-term Notes, Capital Leases and Bonds	J-1	102
Schedule of Long-term Debt Requirements by Year	J-2	103
Schedule of Transfers – Primary Government and Discretely Presented McNairy County School Department	J-3	104
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented McNairy County School Department	J-4	105
Schedule of Detailed Revenues – All Governmental Fund Types	J-5	106-109
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented McNairy County School Department	J-6	110-111
Schedule of Detailed Expenditures – All Governmental Fund Types	J-7	112-125
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented McNairy County School Department	J-8	126-134
Schedule of Detailed Receipts, Disbursements, and Change in Cash Balance – City Agency Fund	J-9	135
 <u>SINGLE AUDIT SECTION</u>		 136
Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		137-138
Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133		139-141
Schedule of Expenditures of Federal Awards and State Grants		142-143
Schedule of Audit Findings Not Corrected		144-145
Schedule of Findings and Questioned Costs		146-157
Auditee Reporting Responsibilities		158

Audit Highlights

Annual Financial Report
McNairy County, Tennessee
For the Year Ended June 30, 2013

Scope

We have audited the basic financial statements of McNairy County as of and for the year ended June 30, 2013.

Results

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

Our audit resulted in 17 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 Practice

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

OFFICE OF COUNTY MAYOR

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

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ Appropriations exceeded estimated available funding in the School Federal Projects Fund.
 - ◆ The School Federal Projects Fund had a cash overdraft of \$139,080 at June 30, 2013.
 - ◆ The purchasing software used by the central office did not have adequate application controls.
-

OFFICE OF TRUSTEE

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

OFFICE OF ASSESSOR OF PROPERTY

- ◆ The assessor did not maintain an adequate program of sales verification.
-

OFFICE OF COUNTY CLERK

- ◆ Usernames and passwords were accessible to other employees.
-

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.
-

OFFICE OF REGISTER OF DEEDS

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

OFFICE OF SHERIFF

- ◆ The office had accounting deficiencies.
 - ◆ Duties were not segregated adequately.
-

BEST PRACTICE

McNairy County does not have a central system of accounting, budgeting, and purchasing. The Division of Local Government Audit strongly believes that a central system of accounting, budgeting, and purchasing is a best practice that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of McNairy County.

INTRODUCTORY SECTION

McNairy County Officials

June 30, 2013

Officials

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

Board of County Commissioners

Ronnie Brooks, County Mayor, Chairman
Kenneth Amerson
Wilburn Gene Ashe
Steve Browder
Billy Brown
Neal Burks
Fred Carroll
Brenda Cauley
Stevie Clark
Tammy Dillon
Charles Garrison

Keith Jernigan
Jeff Lipford
Kevin Lipford
David McCullar
James McNeil
Troy Moore
Jim Rickman
Anthony Smith
James Weatherford
Stan Wheeler
Carol Ann Woods

Board of Education

Frank Lacey, Chairman
Lynn Baker
Tony Chapman
Jean Jones
Ross Mitchell
Larry Smith
Jarrell Stanfield
Ricky Whitaker

Audit Committee

Wilburn Gene Ashe, Chairman
Billy Brown
Earl Johnson
Troy Moore
Jim Rickman
Tommy Ross

FINANCIAL SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
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JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McNairy County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the McNairy County Emergency Communications District, which represent 4.8 percent, 6.3 percent, and 3.1 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report 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 solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally

accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McNairy County, Tennessee, as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparisons for the General, Solid Waste/Sanitation, and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

We draw attention to Note I.D.9 in the financial statements, which describes a restatement to the beginning net position of the government-wide financial statements totaling \$82,280. This restatement was necessary because prior to July 1, 2012, debt issuance costs were deferred and amortized over the life of the debt; however, with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, debt issuance costs become period costs.

As described in Note V.B., McNairy County has adopted the provisions of GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*, which became effective for the year ended June 30, 2013. McNairy County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities*

and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the schedules of funding progress – pension plans and other postemployment benefits plans on pages 75-78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the McNairy County School Department (a discretely presented component unit), and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements

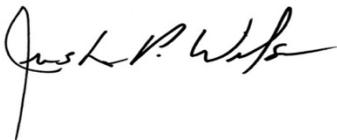
and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the McNairy County School Department (a discretely presented component unit), and miscellaneous schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013, on our consideration of McNairy County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McNairy County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

December 23, 2013

JPW/kp

BASIC FINANCIAL STATEMENTS

Exhibit A

McNairy County, Tennessee
Statement of Net Position
June 30, 2013

	<u>Component Units</u>		
	<u>Primary</u>	<u>McNairy</u>	<u>Emergency</u>
	<u>Governmental</u>	<u>County</u>	<u>Communications</u>
	<u>Governmental</u>	<u>School</u>	<u>District</u>
	<u>Activities</u>	<u>Department</u>	
<u>ASSETS</u>			
Cash	\$ 2,663	\$ 0	\$ 358,534
Equity in Pooled Cash and Investments	6,330,831	1,365,888	0
Accounts Receivable	1,535,146	31,097	9,262
Allowance for Uncollectibles	(643,804)	0	0
Due from Other Governments	381,412	926,429	26,181
Property Taxes Receivable	4,141,492	3,727,342	0
Allowance for Uncollectible Property Taxes	(221,563)	(199,406)	0
Prepaid Items	34,642	0	9,137
Capital Assets:			
Assets Not Depreciated:			
Land	495,327	396,479	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	3,811,810	9,515,595	131,550
Infrastructure	3,950,069	0	0
Other Capital Assets	1,267,730	1,705,005	343,287
Total Assets	<u>\$ 21,085,755</u>	<u>\$ 17,468,429</u>	<u>\$ 877,951</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 189,632	\$ 0	\$ 10,720
Payroll Deductions Payable	5,823	10,857	0
Cash Overdraft	0	139,080	0
Accrued Interest Payable	70,989	0	0
Noncurrent Liabilities:			
Due Within One Year	1,348,325	0	0
Due in More Than One Year (net of unamortized premium on debt)	6,694,111	1,049,965	0
Total Liabilities	<u>\$ 8,308,880</u>	<u>\$ 1,199,902</u>	<u>\$ 10,720</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 3,715,997	\$ 3,344,397	\$ 0
Total Deferred Inflows of Resources	<u>\$ 3,715,997</u>	<u>\$ 3,344,397</u>	<u>\$ 0</u>

(Continued)

Exhibit A

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

	Primary Government <u>Governmental</u> Activities	Component Units	
		<u>McNairy</u> County School Department	<u>Emergency</u> Communications District
<u>NET ASSETS</u>			
Net Investment in Capital Assets	\$ 7,556,519	\$ 11,617,079	\$ 474,837
Restricted for:			
Administration of Justice	48,954	0	0
Public Safety	144,424	0	0
Social, Cultural, and Recreational Services	4,247	0	0
Agriculture and Natural Resources	7,099	0	0
Highway/Public Works	494,387	0	0
Debt Service	3,619,287	0	0
Education	0	165,702	0
Operation of Non-Instruction Services	0	814,848	0
Other Purposes	54,482	0	0
Unrestricted	<u>(2,868,521)</u>	<u>326,501</u>	<u>392,394</u>
Total Net Position	<u>\$ 9,060,878</u>	<u>\$ 12,924,130</u>	<u>\$ 867,231</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, 2013

Functions/Programs	Net (Expense) Revenue and Changes in Net Position														
	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:															
Governmental Activities:															
General Government	\$ 936,484	267,792	\$ 15,164	\$ 22,658	\$ (630,870)	\$ 0	\$ 0	\$ 0							
Finance	635,982	477,014	0	0	(158,968)	0	0	0							
Administration of Justice	648,866	472,049	0	0	(176,817)	0	0	0							
Public Safety	2,873,780	438,870	0	550,438	(1,884,472)	0	0	0							
Public Health and Welfare	1,379,489	926,119	96,892	0	(356,478)	0	0	0							
Social, Cultural, and Recreational Services	192,419	10,076	18,000	0	(164,343)	0	0	0							
Agriculture and Natural Resources	166,113	0	0	0	(166,113)	0	0	0							
Other Operations	616,083	0	0	0	(616,083)	0	0	0							
Highways/Public Works	2,714,551	17,065	1,711,463	79,451	(906,572)	0	0	0							
Interest on Long-term Debt	333,649	0	0	0	(333,649)	0	0	0							
Other Debt Service	26,488	0	5,258	0	(21,230)	0	0	0							
Total Primary Government	\$ 10,523,904	\$ 2,608,985	\$ 1,846,777	\$ 652,547	\$ (5,415,595)	\$ 0	\$ 0	\$ 0							
Component Units:															
McNairy County School Department	\$ 35,676,170	\$ 707,971	\$ 4,313,380	\$ 0	\$ 0	\$ (30,654,819)	\$ 0	\$ 0							
Emergency Communications District	736,829	391,495	270,597	429,972	0	0	355,235	0							
Total Component Units	\$ 36,412,999	\$ 1,099,466	\$ 4,583,977	\$ 429,972	\$ 0	\$ (30,654,819)	\$ 355,235	\$ 0							

(Continued)

Exhibit B

McNairy County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Position									
	Primary Government			Program Revenues			Component Units			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	McNairy County School Department	Emergency Communications District			
General Revenues:										
Taxes:										
Property Taxes Levied for General Purposes					\$ 3,293,539	\$ 3,930,728	\$			0
Property Taxes Levied for Debt Service					1,071,290	0				0
Local Option Sales Taxes					197,865	1,870,291				0
Wheel Tax					359,575	0				0
Litigation Tax					107,478	0				0
Business Tax					45,448	0				0
Wholesale Beer Tax					32,852	0				0
Other Local Taxes					17,003	19,480				0
Grants and Contributions Not Restricted to Specific Programs					1,266,448	23,688,270				0
Unrestricted Investment Income					29,261	17,245				612
Miscellaneous					91,746	111,490				1,515
Total General Revenues					\$ 6,512,505	\$ 29,637,504	\$			2,127
Change in Net Position					\$ 1,096,910	\$ (1,017,315)	\$			357,362
Net Position, July 1, 2012					8,046,248	13,941,445				509,869
Restatement - See Note I.D.9.					(82,280)	0				0
Net Position, June 30, 2013					\$ 9,060,878	\$ 12,924,130	\$			867,231

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

McNairy County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2013

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other	Governmental Funds	
ASSETS							
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,663	\$ 2,663
Equity in Pooled Cash and Investments	1,046,160	746,163	521,462	3,841,804	175,242	6,330,831	6,330,831
Accounts Receivable	0	1,533,742	1,404	0	0	1,535,146	1,535,146
Allowance for Uncollectibles	0	(643,804)	0	0	0	(643,804)	(643,804)
Due from Other Governments	137,810	18,078	225,524	0	0	381,412	381,412
Due from Other Funds	2,993	0	0	0	132	3,125	3,125
Property Taxes Receivable	2,786,095	0	338,849	1,016,548	0	4,141,492	4,141,492
Allowance for Uncollectible Property Taxes	(149,051)	0	(18,128)	(54,384)	0	(221,563)	(221,563)
Prepaid Items	34,642	0	0	0	0	34,642	34,642
Total Assets	\$ 3,858,649	\$ 1,654,179	\$ 1,069,111	\$ 4,803,968	\$ 178,037	\$ 11,563,944	\$ 11,563,944

LIABILITIES

Accounts Payable	\$ 107,062	\$ 79,131	\$ 0	\$ 527	\$ 2,912	\$ 189,632	\$ 189,632
Payroll Deductions Payable	1,948	55	3,820	0	0	5,823	5,823
Due to Other Funds	0	462	0	0	2,663	3,125	3,125
Total Liabilities	\$ 109,010	\$ 79,648	\$ 3,820	\$ 527	\$ 5,575	\$ 198,580	\$ 198,580

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes	\$ 2,499,853	\$ 0	\$ 304,036	\$ 912,108	\$ 0	\$ 3,715,997	\$ 3,715,997
Deferred Delinquent Property Taxes	124,310	0	15,119	45,356	0	184,785	184,785
Other Deferred/Unavailable Revenue	11,728	869,136	116,290	0	0	997,154	997,154
Total Deferred Inflows of Resources	\$ 2,635,891	\$ 869,136	\$ 435,445	\$ 957,464	\$ 0	\$ 4,897,936	\$ 4,897,936

FUND BALANCES

Nonspendable:	\$ 34,642	\$ 0	\$ 0	\$ 0	\$ 0	\$ 34,642	\$ 34,642
Prepaid Items	48,954	0	0	0	0	48,954	48,954
Restricted:	34,049	0	0	0	110,375	144,424	144,424
Restricted for Administration of Justice	0	0	0	0	4,247	4,247	4,247
Restricted for Public Safety	0	0	0	0	7,099	7,099	7,099
Restricted for Social, Cultural, and Recreational Services	0	0	0	0	0	0	0
Restricted for Agriculture and Natural Resources	0	0	459,659	0	0	459,659	459,659
Restricted for Highways/Public Works	0	0	0	3,642,425	0	3,642,425	3,642,425
Restricted for Debt Service	19,840	0	0	0	0	19,840	19,840
Restricted for Other Purposes	0	0	0	0	0	0	0
Committed:	0	0	0	0	50,741	50,741	50,741
Committed for General Government	0	0	0	0	50,741	50,741	50,741

(Continued)

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other	Governmental Funds	
\$	0	705,395	0	0	0	0	705,395
	0	0	170,187	0	0	0	170,187
	0	0	0	203,552	0	0	203,552
	195,600	0	0	0	0	0	195,600
	780,663	0	0	0	0	0	780,663
\$	1,113,748	705,395	629,846	3,845,977	172,462	0	6,467,428
\$	3,858,649	1,654,179	1,069,111	4,803,968	178,037	0	11,563,944

FUND BALANCES (Cont.)

Committed (Cont.):
 Committed for Public Health and Welfare
 Committed for Highways/Public Works
 Committed for Debt Service
 Committed for Capital Projects
 Unassigned
 Total Fund Balances
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances

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

Exhibit C-2

McNairy County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$ 6,467,428	
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	495,327	
Add: buildings and improvements net of accumulated depreciation		3,811,810	
Add: infrastructure net of accumulated depreciation		3,950,069	
Add: other capital assets net of accumulated depreciation		<u>1,267,730</u>	9,524,936
(2) Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds.			
Less: notes payable	\$	(326,279)	
Less: capital leases payable		(155,570)	
Less: bonds payable		(6,813,720)	
Less: compensated absences payable		(124,611)	
Less: landfill closure/postclosure care costs		(541,931)	
Less: other postemployment benefits liability		(49,302)	
Less: accrued interest on bonds, notes, and capital leases		(70,989)	
Less: other deferred revenue - premium on debt		<u>(31,023)</u>	(8,113,425)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>1,181,939</u>
Net position of governmental activities (Exhibit A)			<u>\$ 9,060,878</u>

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

McNairy County, Tennessee
 Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2013

	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	\$ 3,244,441	\$ 79,965	\$ 372,574	\$ 1,429,464	\$ 3,160	\$ 5,129,604	
Licenses and Permits	16,920	0	0	0	0	16,920	
Fines, Forfeitures, and Penalties	123,251	0	0	0	22,139	145,390	
Charges for Current Services	42,116	811,581	39	0	2,050	855,786	
Other Local Revenues	102,854	23,890	42,429	54,461	161,690	385,324	
Fees Received from County Officials	884,716	0	0	0	0	884,716	
State of Tennessee	612,161	312,683	1,836,821	0	0	2,761,665	
Federal Government	580,296	0	0	0	0	580,296	
Other Governments and Citizens Groups	0	0	24,719	782,750	0	807,469	
Total Revenues	\$ 5,606,755	\$ 1,228,119	\$ 2,276,582	\$ 2,266,675	\$ 189,039	\$ 11,567,170	
Expenditures							
Current:							
General Government	\$ 740,526	0	0	0	84,282	824,808	
Finance	498,142	0	0	0	0	498,142	
Administration of Justice	505,593	0	0	0	2,050	507,643	
Public Safety	2,506,716	0	0	0	48,215	2,554,931	
Public Health and Welfare	145,432	1,147,844	0	0	0	1,293,276	
Social, Cultural, and Recreational Services	166,408	0	0	0	2,488	168,896	
Agriculture and Natural Resources	106,000	0	0	0	4,818	110,818	
Other Operations	1,220,348	34,797	0	0	1,157	1,256,302	
Highways	0	50,978	2,472,931	0	0	2,523,909	
Debt Service:							
Principal on Debt	0	0	25,000	1,593,150	0	1,618,150	
Interest on Debt	0	0	4,175	353,359	0	357,534	
Other Debt Service	0	0	0	26,488	0	26,488	
Capital Projects	0	0	0	35,545	0	35,545	
Total Expenditures	\$ 5,889,165	\$ 1,233,619	\$ 2,502,106	\$ 2,008,542	\$ 143,010	\$ 11,776,442	
Excess (Deficiency) of Revenues Over Expenditures	\$ (282,410)	\$ (5,500)	\$ (225,524)	\$ 258,133	\$ 46,029	\$ (209,272)	
Other Financing Sources (Uses)							
Notes Issued	0	0	0	201,560	0	201,560	
Insurance Recovery	47,843	0	10,676	0	0	58,519	
Transfers In	27,706	0	0	0	10,000	37,706	
Transfers Out	(10,000)	0	0	0	(27,706)	(37,706)	
Total Other Financing Sources (Uses)	\$ 65,549	\$ 0	\$ 10,676	\$ 201,560	\$ (17,706)	\$ 260,079	

(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	Governmental Funds	
Net Change in Fund Balances	\$ (216,861)	\$ (5,500)	\$ (214,848)	\$ 459,693	\$ 28,323	\$ 50,807	
Fund Balance, July 1, 2012	1,330,609	710,895	844,694	3,386,284	144,139	6,416,621	
Fund Balance, June 30, 2013	\$ 1,113,748	\$ 705,395	\$ 629,846	\$ 3,845,977	\$ 172,462	\$ 6,467,428	

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, 2013

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)		\$ 50,807
<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	\$ 510,773	
Less: current-year depreciation expense	<u>(960,702)</u>	(449,929)
<p>(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.</p>		
Less: proceeds received from the disposal of capital assets	\$ (8,700)	
Less: loss on disposal of capital assets	<u>(820)</u>	(9,520)
<p>(3) 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, 2013	\$ 1,181,939	
Less: deferred delinquent property taxes and other deferred June 30, 2012	<u>(1,126,353)</u>	55,586
<p>(4) The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items.</p>		
Less: note proceeds	\$ (201,560)	
Add: change in premium on debt issuances	5,258	
Add: principal payments on bonds	1,497,991	
Add: principal payments on notes	81,945	
Add: principal payments on capital leases	<u>38,214</u>	1,421,848
<p>(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Change in accrued interest payable	\$ 23,885	
Change in compensated absences payable	12,019	
Change in other postemployment benefits liability	(6,630)	
Change in landfill closure/postclosure care costs	<u>(1,156)</u>	28,118
Change in net position of governmental activities (Exhibit B)		<u>\$ 1,096,910</u>

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

Exhibit C-5

McNairy County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,244,441	\$ 3,254,160	\$ 3,254,160	\$ (9,719)
Licenses and Permits	16,920	16,500	16,500	420
Fines, Forfeitures, and Penalties	123,251	199,700	199,700	(76,449)
Charges for Current Services	42,116	57,000	57,000	(14,884)
Other Local Revenues	102,854	81,000	81,000	21,854
Fees Received from County Officials	884,716	848,500	848,500	36,216
State of Tennessee	612,161	804,040	804,040	(191,879)
Federal Government	580,296	30,500	569,095	11,201
Total Revenues	\$ 5,606,755	\$ 5,291,400	\$ 5,829,995	\$ (223,240)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 47,898	\$ 48,100	\$ 50,900	\$ 3,002
Board of Equalization	2,200	2,200	2,200	0
Beer Board	250	525	525	275
Budget and Finance Committee	3,250	1,750	3,250	0
Other Boards and Committees	3,500	3,500	3,500	0
County Mayor/Executive	152,695	165,448	165,998	13,303
County Attorney	2,000	2,400	2,400	400
Election Commission	127,650	145,700	145,700	18,050
Register of Deeds	119,303	124,791	124,791	5,488
County Buildings	281,004	267,481	282,181	1,177
Preservation of Records	776	600	850	74
<u>Finance</u>				
Property Assessor's Office	144,879	151,602	151,652	6,773
Reappraisal Program	31,533	40,737	40,737	9,204
County Trustee's Office	149,952	154,516	154,516	4,564
County Clerk's Office	171,778	179,920	179,921	8,143
<u>Administration of Justice</u>				
Circuit Court	144,247	166,813	166,813	22,566
General Sessions Court	194,696	202,752	206,701	12,005
Chancery Court	115,281	117,164	129,664	14,383
Juvenile Court	51,369	52,859	52,859	1,490
<u>Public Safety</u>				
Sheriff's Department	1,359,386	1,318,442	1,418,342	58,956
Jail	394,637	287,780	407,780	13,143
Fire Prevention and Control	128,007	99,184	127,021	(986)
Rural Fire Protection	35,504	41,632	41,632	6,128
Civil Defense	584,090	45,313	590,909	6,819
Inspection and Regulation	5,092	5,353	5,353	261
<u>Public Health and Welfare</u>				
Local Health Center	145,432	158,075	167,428	21,996
<u>Social, Cultural, and Recreational Services</u>				
Libraries	166,408	141,703	171,881	5,473
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	47,106	70,136	71,556	24,450
Soil Conservation	58,894	59,694	59,694	800

(Continued)

Exhibit C-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Other Operations</u>				
Other Economic and Community Development	\$ 47,658	\$ 25,000	\$ 31,000	\$ (16,658)
Airport	152,750	64,000	152,750	0
Veterans' Services	14,745	15,510	15,510	765
Other Charges	110,975	139,000	139,000	28,025
Contributions to Other Agencies	182,077	166,436	178,436	(3,641)
Employee Benefits	678,275	689,500	689,500	11,225
Miscellaneous	33,868	12,000	42,000	8,132
Total Expenditures	\$ 5,889,165	\$ 5,167,616	\$ 6,174,950	\$ 285,785
Excess (Deficiency) of Revenues Over Expenditures	\$ (282,410)	\$ 123,784	\$ (344,955)	\$ 62,545
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 47,843	\$ 15,000	\$ 19,242	\$ 28,601
Transfers In	27,706	20,000	20,000	7,706
Transfers Out	(10,000)	0	(10,000)	0
Total Other Financing Sources	\$ 65,549	\$ 35,000	\$ 29,242	\$ 36,307
Net Change in Fund Balance	\$ (216,861)	\$ 158,784	\$ (315,713)	\$ 98,852
Fund Balance, July 1, 2012	1,330,609	1,260,814	1,260,814	69,795
Fund Balance, June 30, 2013	\$ 1,113,748	\$ 1,419,598	\$ 945,101	\$ 168,647

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

Exhibit C-6

McNairy County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 79,965	\$ 71,500	\$ 71,500	\$ 8,465
Charges for Current Services	811,581	800,000	845,000	(33,419)
Other Local Revenues	23,890	30,000	30,000	(6,110)
State of Tennessee	312,683	232,109	280,009	32,674
Total Revenues	<u>\$ 1,228,119</u>	<u>\$ 1,133,609</u>	<u>\$ 1,226,509</u>	<u>\$ 1,610</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 871,068	\$ 868,000	\$ 868,000	\$ (3,068)
Recycling Center	30,109	15,000	30,000	(109)
Landfill Operation and Maintenance	246,667	218,339	243,439	(3,228)
<u>Other Operations</u>				
Employee Benefits	34,797	45,414	45,414	10,617
<u>Highways</u>				
Litter and Trash Collection	50,978	32,609	56,800	5,822
Total Expenditures	<u>\$ 1,233,619</u>	<u>\$ 1,179,362</u>	<u>\$ 1,243,653</u>	<u>\$ 10,034</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (5,500)</u>	<u>\$ (45,753)</u>	<u>\$ (17,144)</u>	<u>\$ 11,644</u>
Net Change in Fund Balance	\$ (5,500)	\$ (45,753)	\$ (17,144)	\$ 11,644
Fund Balance, July 1, 2012	<u>710,895</u>	<u>152,833</u>	<u>152,833</u>	<u>558,062</u>
Fund Balance, June 30, 2013	<u>\$ 705,395</u>	<u>\$ 107,080</u>	<u>\$ 135,689</u>	<u>\$ 569,706</u>

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

Exhibit C-7

McNairy County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 372,574	\$ 397,165	\$ 397,165	\$ (24,591)
Charges for Current Services	39	100	100	(61)
Other Local Revenues	42,429	30,500	30,500	11,929
State of Tennessee	1,836,821	2,166,925	2,166,925	(330,104)
Other Governments and Citizens Groups	24,719	20,000	20,000	4,719
Total Revenues	<u>\$ 2,276,582</u>	<u>\$ 2,614,690</u>	<u>\$ 2,614,690</u>	<u>\$ (338,108)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 138,189	\$ 150,363	\$ 150,363	\$ 12,174
Highway and Bridge Maintenance	810,475	783,082	836,910	26,435
Operation and Maintenance of Equipment	462,467	393,040	511,040	48,573
Other Charges	76,354	69,500	79,500	3,146
Employee Benefits	379,991	367,000	384,003	4,012
Capital Outlay	605,455	922,500	720,994	115,539
<u>Principal on Debt</u>				
Highways and Streets	25,000	25,000	25,000	0
<u>Interest on Debt</u>				
Highways and Streets	4,175	1,500	4,175	0
Total Expenditures	<u>\$ 2,502,106</u>	<u>\$ 2,711,985</u>	<u>\$ 2,711,985</u>	<u>\$ 209,879</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (225,524)</u>	<u>\$ (97,295)</u>	<u>\$ (97,295)</u>	<u>\$ (128,229)</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 10,676	\$ 0	\$ 0	\$ 10,676
Total Other Financing Sources	<u>\$ 10,676</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,676</u>
Net Change in Fund Balance	\$ (214,848)	\$ (97,295)	\$ (97,295)	\$ (117,553)
Fund Balance, July 1, 2012	844,694	844,694	844,694	0
Fund Balance, June 30, 2013	<u>\$ 629,846</u>	<u>\$ 747,399</u>	<u>\$ 747,399</u>	<u>\$ (117,553)</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, 2013

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 728,148
Accounts Receivable	1,821
Due from Other Governments	285,459
Cash Shortage	<u>9,782</u>
Total Assets	<u>\$ 1,025,210</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 285,459
Due to Litigants, Heirs, and Others	<u>739,751</u>
Total Liabilities	<u>\$ 1,025,210</u>

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

McNAIRY COUNTY, TENNESSEE
Index of Notes to the Financial Statements

Note	Page(s)
I. Summary of Significant Accounting Policies	
A. Reporting Entity	32
B. Government-wide and Fund Financial Statements	33
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	34
D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance	36
1. Deposits and Investments	36
2. Receivables and Payables	37
3. Prepaid Items	38
4. Capital Assets	38
5. Deferred Outflows/Inflows of Resources	39
6. Compensated Absences	39
7. Long-term Obligations	39
8. Net Position and Fund Balance	40
9. Restatement	42
II. Reconciliation of Government-wide and Fund Financial Statements	
A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position	42
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	42
III. Stewardship, Compliance, and Accountability	
A. Budgetary Information	43
B. Cash Shortages - Prior Years	43
C. Cash Overdraft	44
D. Expenditures Exceeded Appropriations	44
E. Appropriations Exceeded Estimated Available Funds	44
IV. Detailed Notes on All Funds	
A. Deposits and Investments	45
B. Capital Assets	46
C. Interfund Receivables, Payables, and Transfers	48
D. Capital Leases	49
E. Long-term Obligations	50
F. On-Behalf Payments	53
V. Other Information	
A. Risk Management	53
B. Accounting Changes	55
C. Subsequent Event	56
D. Contingent Liabilities	56
E. Changes in Administration	56
F. Landfill Closure/Postclosure Care Costs	56
G. Joint Venture	57
H. Jointly Governed Organization	57
I. Retirement Commitments	58
J. Other Postemployment Benefits (OPEB)	60
K. Purchasing Laws	64
VI. Other Notes - Discretely Presented McNairy County Emergency Communications District	64

McNAIRY COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

The McNairy County School Department operates the public school system in the county, and the voters of McNairy County elect its board. The School Department is fiscally dependent on the county because it may not issue debt, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

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

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
2282 Airport Road
Selmer, TN 38375

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

B. Government-wide and Fund Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the

operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

McNairy County issues all debt for the discretely presented McNairy County School Department. There were no debt issues contributed by the county to the School Department for the year ended June 30, 2013.

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

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

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

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

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

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

revenues are available. McNairy County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

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

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

McNairy County reports the following major governmental funds:

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

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

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

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

Additionally, McNairy County reports the following fund types:

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

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received by the state to be forwarded to the various cities in McNairy

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

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

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

Central Cafeteria Fund – This 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.

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

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

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented McNairy County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund. McNairy County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. The State Treasurer's Investment Pool is not registered

with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

Property taxes and solid waste receivables are shown with an allowance for uncollectibles. The solid waste receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 2.72 percent of total taxes levied.

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

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

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

Additional costs attach to delinquent taxes after a court suit has been filed.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure when consumed rather than when purchased. Prepaids are offset in the nonspendable fund balance account in governmental funds.

4. Capital Assets

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

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

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

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

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

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

5. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has no items that qualify for reporting in this category.

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

6. Compensated Absences

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

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

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Debt premiums and discounts are deferred and amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of

resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

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

8. Net Position and Fund Balance

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

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

As of June 30, 2013, McNairy County had \$3,885,170 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 position with no corresponding increase in the county's capital assets.

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

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

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

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

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

Assigned Fund Balance – includes amounts that are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The County Commission has by resolution authorized the county's Budget Committee to make assignments for the general government. The Board of Education makes assignments for the School Department.

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

9. Restatement

Prior to July 1, 2012, debt issuance costs were deferred and amortized over the life of the debt; however, with the implementation of GASB Statement No. 65, debt issuance costs become period costs. An adjustment to beginning net position totaling \$82,280 has been recognized for accumulated debt issuance costs on the government-wide financial statements.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented McNairy County School Department

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

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

Primary Government

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

Discretely Presented McNairy County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

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

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

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

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

B. Cash Shortages – Prior Years

The audit of McNairy County for the 2007-08 year reported a cash shortage of \$13,528.19 from eight bank deposits in the Office of Circuit Court Clerk. A former office employee admitted taking the funds and has restored the \$13,528.19 in missing funds to the office. On June 20, 2008, the former employee pled guilty in Circuit Court to official misconduct, was sentenced to two years in state prison, granted probation immediately, and ordered to pay

\$4,405 for restitution to the county for audit expenses. No restitution was paid during 2012-13. As of June 30, 2013, unpaid restitution totaled \$3,390.50.

The audit of McNairy County for the 2011-2012 year reported a cash shortage of \$9,782.36 in the Office of Sheriff. A former employee admitted taking the funds, and on February 14, 2013, was found guilty of theft of property and official misconduct and ordered to pay restitution (\$9,782.36) and court costs (\$1,190) totaling \$10,971. During the 2012-13 fiscal year, restitution of \$225 was received from the former employee and was applied by the county to court costs. As of June 30, 2013, the cash shortage totaled \$9,782.36.

C. Cash Overdraft

The discretely presented School Federal Projects Fund had a cash overdraft of \$139,080 at June 30, 2013. This cash overdraft resulted from the issuance of warrants exceeding cash on deposit with the county trustee. The cash overdraft was liquidated subsequent to June 30, 2013.

D Expenditures Exceeded Appropriations

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

<u>Fund/Major Appropriation Category</u>	<u>Amount Overspent</u>
General:	
Fire Prevention and Control	\$ 986
Other Economic and Community Development	16,658
Contributions to Other Agencies	3,641
Solid Waste/Sanitation:	
Sanitation Management	3,068
Recycling Center	109
Landfill Operation and Maintenance	3,228

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

E. Appropriations Exceeded Estimated Available Funds

The budget and subsequent amendments approved by the County Commission for the discretely presented School Federal Projects Fund resulted in appropriations exceeding estimated available funds by \$100,778.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase

agreements. Repurchase agreements must be approved by the state Comptroller's Office and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the fair value of the securities on the day of purchase. The county had no pooled and non-pooled investments as of June 30, 2013.

B. Capital Assets

Capital assets activity for the year ended June 30, 2013, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	\$ 491,232	\$ 4,095	\$ 0	\$ 495,327
Total Capital Assets Not Depreciated	\$ 491,232	\$ 4,095	\$ 0	\$ 495,327
Capital Assets Depreciated:				
Buildings and Improvements	\$ 9,983,177	\$ 25,155	\$ 0	\$ 10,008,332
Infrastructure	5,628,622	33,873	0	5,662,495
Other Capital Assets	5,092,680	447,650	75,936	5,464,394
Total Capital Assets Depreciated	\$ 20,704,479	\$ 506,678	\$ 75,936	\$ 21,135,221
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 5,843,589	\$ 352,933	\$ 0	\$ 6,196,522
Infrastructure	1,484,119	228,307	0	1,712,426
Other Capital Assets	3,883,618	379,462	66,416	4,196,664
Total Accumulated Depreciation	\$ 11,211,326	\$ 960,702	\$ 66,416	\$ 12,105,612
Total Capital Assets Depreciated, Net	\$ 9,493,153	\$ (454,024)	\$ 9,520	\$ 9,029,609
Governmental Activities				
Capital Assets, Net	\$ 9,984,385	\$ (449,929)	\$ 9,520	\$ 9,524,936

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

Governmental Activities:

General Government	\$	168,959
Finance		2,849
Administration of Justice		5,087
Public Safety		386,284
Public Health and Welfare		33,766
Other Operations		44,461
Highways		<u>319,296</u>

Total Depreciation Expense - Governmental Activities \$ 960,702

Discretely Presented McNairy County School Department

Governmental Activities:

	Balance				Balance
	7-1-12	Increases	Decreases		6-30-13
Capital Assets Not Depreciated:					
Land	\$ 375,479	\$ 21,000	\$ 0	\$	396,479
Total Capital Assets Not Depreciated	<u>\$ 375,479</u>	<u>\$ 21,000</u>	<u>\$ 0</u>	<u>\$</u>	<u>396,479</u>
Capital Assets Depreciated:					
Buildings and Improvements	\$ 25,487,310	\$ 0	\$ 0	\$	25,487,310
Other Capital Assets	6,419,260	215,068	406,178		6,228,150
Total Capital Assets Depreciated	<u>\$ 31,906,570</u>	<u>\$ 215,068</u>	<u>\$ 406,178</u>	<u>\$</u>	<u>31,715,460</u>
Less Accumulated Depreciation For:					
Buildings and Improvements	\$ 15,514,727	\$ 456,988	\$ 0	\$	15,971,715
Other Capital Assets	4,532,284	397,039	406,178		4,523,145
Total Accumulated Depreciation	<u>\$ 20,047,011</u>	<u>\$ 854,027</u>	<u>\$ 406,178</u>	<u>\$</u>	<u>20,494,860</u>
Total Capital Assets Depreciated, Net	<u>\$ 11,859,559</u>	<u>\$ (638,959)</u>	<u>\$ 0</u>	<u>\$</u>	<u>11,220,600</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,235,038</u>	<u>\$ (617,959)</u>	<u>\$ 0</u>	<u>\$</u>	<u>11,617,079</u>

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

Governmental Activities:

Instruction	\$ 457,327
Support Services	321,470
Operation of Non-Instructional Services	<u>75,230</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 854,027</u></u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2013, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste/Sanitation	\$ 330
"	Nonmajor governmental	2,663
Nonmajor governmental	Solid Waste/Sanitation	132

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

Interfund Transfers:

Interfund transfers for the year ended June 30, 2013, consisted of the following amounts:

Primary Government:

<u>Transfers Out</u>	<u>Transfers In</u>	
	General Fund	Nonmajor Govern- mental Fund
General Fund	\$ 0	\$ 10,000
Nonmajor governmental fund	<u>27,706</u>	<u>0</u>
Total	<u><u>\$ 27,706</u></u>	<u><u>\$ 10,000</u></u>

Discretely Presented McNairy County School Department

Transfer Out	Transfer In General Purpose School Fund
Nonmajor governmental fund	\$ 19,885

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

D. Capital Leases

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

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

The assets acquired through capital leases are as follows:

Assets	Governmental Activities
Machinery and Equipment	\$ 230,700
Less: Accumulated Depreciation	<u>(139,705)</u>
Total Book Value	<u><u>\$ 90,995</u></u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2013, were as follows:

Year Ending June 30	Governmental Funds
2014	\$ 86,063
2015	27,505
2016	26,670
2017	<u>25,835</u>
Total Minimum Lease Payments	\$ 166,073
Less: Amount Representing Interest	<u>(10,503)</u>
Present Value of Minimum Lease Payments	<u>\$ 155,570</u>

E. Long-term Obligations

Primary Government

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 20 years for bonds and nine years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2013, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, and capital leases outstanding as of June 30, 2013, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-13
General Obligation Bonds	4.75%	6-21-22	\$ 893,250	\$ 423,720
General Obligation Bonds - Refunding	2 to 4.5	6-1-19	16,840,000	6,390,000
Capital Outlay Notes	2.75 to 4.43	11-9-21	711,560	326,279
Capital Leases	3.29 to 3.59	10-25-16	230,700	155,570

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2013, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2014	\$ 1,095,580	\$ 279,625	\$ 1,375,205
2015	1,448,224	235,380	1,683,604
2016	1,520,994	177,011	1,698,005
2017	1,579,151	115,453	1,694,604
2018	528,739	51,252	579,991
2019-2022	641,032	40,839	681,871
Total	\$ 6,813,720	\$ 899,560	\$ 7,713,280

Year Ending June 30	Notes		
	Principal	Interest	Total
2014	\$ 104,341	\$ 8,859	\$ 113,200
2015	28,511	6,318	34,829
2016	28,511	5,504	34,015
2017	28,511	4,689	33,200
2018	28,511	3,874	32,385
2019-2022	107,894	7,352	115,246
Total	\$ 326,279	\$ 36,596	\$ 362,875

There is \$3,845,977 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds, notes, and capital leases totaled \$280, based on the 2010 federal census.

Changes in Long-term Obligations

Long-term obligation activity for the year ended June 30, 2013, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2012	\$ 8,311,711	\$ 206,664	\$ 193,784
Additions	0	201,560	0
Reductions	(1,497,991)	(81,945)	(38,214)
Balance, June 30, 2013	<u>\$ 6,813,720</u>	<u>\$ 326,279</u>	<u>\$ 155,570</u>
Balance Due Within One Year	<u>\$ 1,095,580</u>	<u>\$ 104,341</u>	<u>\$ 80,570</u>

	Compensated Absences	Landfill Closure/ Postclosure Care Costs	Other Postemployment Benefits
Balance, July 1, 2012	\$ 136,630	\$ 540,775	\$ 42,672
Additions	121,781	10,105	8,895
Reductions	(133,800)	(8,949)	(2,265)
Balance, June 30, 2013	<u>\$ 124,611</u>	<u>\$ 541,931</u>	<u>\$ 49,302</u>
Balance Due Within One Year	<u>\$ 58,885</u>	<u>\$ 8,949</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 8,011,413
Less: Balance Due Within One Year	(1,348,325)
Add: Unamortized Premium on Debt	<u>31,023</u>

Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 6,694,111</u>
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Compensated absences will be paid from the employing funds, primarily the General and Highway/Public Works funds. Landfill closure/postclosure care costs will be paid from the Solid Waste/Sanitation Fund. Other postemployment benefits will be paid from the Highway/Public Works Fund.

Discretely Presented McNairy County School Department

Changes in Long-term Obligations

Long-term obligation activity for the year ended June 30, 2013, was as follows:

	<u>Other Postemployment Benefits</u>
Balance, July 1, 2012	\$ 872,039
Additions	460,856
Reductions	<u>(282,930)</u>
Balance, June 30, 2013	<u>\$ 1,049,965</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, 2013, were \$79,693 and \$38,697, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

Primary Government

McNairy County is exposed to various risks related to general liability, property, and casualty losses. The county participates in the Local Government Property and Casualty Fund (LGPCF), which is a public entity risk pool established by the Tennessee County Services Association, an

association of member counties. The county pays an annual premium to the LGPCF for its general liability, property, and casualty insurance coverage. The creation of the LGPCF provides for it to be self-sustaining through member premiums. The LGPCF reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

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

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

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

Discretely Presented McNairy County School Department

Liability, Property, Casualty, and Workers' Compensation Insurance

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

Employee Health Insurance

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

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. McNairy County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

GASB Statement No. 60 provides accounting and financial reporting guidance related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The standard establishes criteria for determining whether a SCA exists, how to account for SCAs, and requires certain disclosures associated with a SCA.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66 resolves conflicting guidance by removing the provision that limits fund based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. Under Statement No. 66 decisions about fund type classifications are based on the nature of the activity to be reported as required by Statements No. 54 and No. 34. This statement also modifies guidance on operating lease payments, purchased loans, and servicing fees related to mortgage loans.

C. Subsequent Event

On August 16, 2013, McNairy County issued capital outlay notes totaling \$1,700,000 for school improvements.

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, 2012, Wilburn Gene Ashe left the Office of County Mayor and was succeeded by Ronnie Brooks, and Ronnie Brooks left the Office of Circuit and General Sessions Courts Clerk and was succeeded by Jackie Cox.

On November 30, 2012, Jackie Cox left the Office of Circuit and General Sessions Courts Clerk and was succeeded by Byron Maxedon.

F. Landfill Closure/Postclosure Car ve 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 \$541,931 reported as postclosure care liability at June 30, 2013, represents amounts based on what it would cost to perform all postclosure care in 2013. 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. Jointly Governed Organization

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

I. 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, 2013, was 5.11 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, 2013, McNairy County's annual pension cost of \$372,519 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include

(a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected three percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), and (d) projected 3.5 percent annual increase in the Social Security wage base. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The county's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was four years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-13	\$372,519	100%	\$0
6-30-12	374,071	100	0
6-30-11	357,232	100	0

Funded Status and Funding Progress

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

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

SCHOOL TEACHERS

Plan Description

The McNairy County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the

member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

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, 2013, was 8.88 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, 2013, 2012, and 2011, were \$1,490,560, \$1,522,931, and \$1,522,931, respectively, equal to the required contributions for each year.

J. Other Postemployment Benefits (OPEB)

Plan Description

The McNairy County Highway Department and the McNairy County School Department participate in the state-administered Local Government Group Insurance Plan and the Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-207, *Tennessee Code Annotated (TCA)*, for local governments and Section 8-27-302, *TCA*, for local education employees. Prior to reaching the age of 65, all members have the option of

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

Funding Policy

The premium requirements of the plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. The School Department makes a contribution toward the health insurance premium of the group medical plan for certified employees who retire with at least ten years of service, participate in the Tennessee Consolidated Retirement System, and have been covered under the group medical plan prior to retirement. Currently, 53 school retirees meet those eligibility requirements but only 51 chose to participate during the fiscal year. The School Department contributes from 11 to 15 percent of the premium for each eligible retiree and their dependents based on a value calculated from the retiree's years of service and a percentage of the premium. The calculated annual amount is allocated to each eligible retiree and used to pay the health insurance premium monthly until the amount is exhausted, the retiree reaches Medicare eligibility, or is deceased. Retirees' contributions vary depending on which option they select. During the year ended June 30, 2013, the McNairy County Highway Department and the discretely presented School Department contributed \$2,265 and \$282,930, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 463,000	\$ 9,000
Interest on the NOPEBO	34,882	1,707
Adjustment to the ARC	(37,026)	(1,812)
Annual OPEB cost	\$ 460,856	\$ 8,895
Less: Amount of contribution	(282,930)	(2,265)
Increase/decrease in NOPEBO	\$ 177,926	\$ 6,630
Net OPEB obligation, 7-1-12	872,039	42,672
Net OPEB obligation, 6-30-13	\$ 1,049,965	\$ 49,302

Ended Plans	Cost	Contributed	at Year End
6-30-11 Local Education Group	\$ 503,995	53%	\$ 655,151
6-30-12 "	456,389	52	872,039
6-30-13 "	460,856	61	1,049,965
6-30-11 Local Government Group	14,061	27	35,877
6-30-12 "	8,912	24	42,672
6-30-13 "	8,895	25	49,302

Funded Status and Funding Progress

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

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2011, actuarial valuation for the Local Education Group and the Local Government Group plans, the projected unit credit actuarial cost method was used and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.75 percent for fiscal year 2013. The trend will decrease to 8.25 percent in fiscal year 2014 and then be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2007.

K. 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 Information

Component Unit

McNairy County Emergency Communications District provides 911 emergency assistance to persons living in McNairy County. 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. McNairy County and the cities of Selmer, Adamsville, and Bethel Springs provide funding for the dispatchers' salaries in exchange for dispatching services provided by the district.

B. Summary of Significant Accounting Policies

1. Basis of Presentation

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

Proprietary Funds

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

2. Measurement Focus and Basis of Accounting

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

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

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

Cash and Cash Equivalents

Cash and cash equivalents, as used in the Statement of Cash Flows, includes demand deposit accounts and certificates of deposit with

maturities of three months or less when purchased, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 9.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Balances reported at year-end include telephone wireless fees due from phone companies, dispatching revenue due from the county and the city, and wireless charges due from the State of Tennessee.

Capital Assets

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

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.

Operating Revenues and Expenses

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources

(expense/expenditure) until then. The district does not have any items that qualify for reporting in this category as of June 30, 2013.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The district does not have any items that qualify for reporting in this category as of June 30, 2013.

Net Position Flow Assumption

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

Net Position

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

Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation.

Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that does not meet the definition of restricted or net investment in capital assets.

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. 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, 2013, was 3.55 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, 2013, the district's annual pension cost of \$8,322 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, 2011, which established contribution rates effective July 1, 2012.

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 97.53 percent funded. The actuarial accrued liability for benefits was \$32 million, and the actuarial value of assets was \$.31 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.01 million. The covered payroll (annual payroll of active employees covered by the plan) was \$.19 million, and the ratio of the UAAL to the covered payroll was 4.19 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.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-13	\$ 8,322	100%	\$ 0
6-30-12	6,843	100	0
6-30-11	5,216	100	0

F. Capital Assets

Capital assets activity for the year ended June 30, 2013, was as follows:

Description	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Depreciated:				
Equipment	\$ 315,282	\$ 239,653	\$ 136,911	\$ 418,024
Improvements	108,903	134,923	108,903	134,923
Maps	179,985	0	124,590	55,395
Total Capital Assets Depreciated	<u>\$ 604,170</u>	<u>\$ 374,576</u>	<u>\$ 370,404</u>	<u>\$ 608,342</u>
Less Accumulated Depreciation For:				
Equipment	\$ 216,241	\$ 23,500	\$ 130,844	\$ 108,897
Improvements	13,614	4,734	14,975	3,373
Maps	129,754	13,579	122,098	21,235
Total Capital Assets				
Total Accumulated Depreciation	<u>\$ 359,609</u>	<u>\$ 41,813</u>	<u>\$ 267,917</u>	<u>\$ 133,505</u>
Total Capital Assets, Net	<u>\$ 244,561</u>	<u>\$ 332,763</u>	<u>\$ 102,487</u>	<u>\$ 474,837</u>

Depreciation expense of \$41,813 was recorded by the district.

In the current year, the district had a loss on disposal of property of \$102,487 and an expense for small equipment purchases of \$65,658. These expenses were incurred due to the physical relocation of the district. The loss on disposal was due to the district's forfeiting leasehold improvement upon moving. Additionally, small equipment and improvements were purchased to relocate to a new facility.

G. Stewardship, Compliance, and Accountability

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

1. Deposits and Investments 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, 2013, 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 depository insurance and pledged collateral.

2. Budget Appropriations

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

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

3. Travel Policy

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

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

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

H. Estimates and Assumptions

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

I. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. The district early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which has an effective date of June 30, 2014.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organization for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets

and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

J. Operating Lease

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

McNairy County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented McNairy County School Department
June 30, 2013

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Frozen Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-11	\$ 11,298	\$ 11,820	\$ 522	95.58 %	\$ 6,886	7.58 %
7-1-09	8,920	10,359	1,440	86.10	6,324	22.76
7-1-07	8,121	8,121	0	100.00	5,270	0

Exhibit E-2

McNairy County, Tennessee
Schedule of Funding Progress – Pension Plan
Discretely Presented McNairy County Emergency Communications District
June 30, 2013

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Frozen Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-11	\$ 316	\$ 324	\$ 8	97.53 %	\$ 191	4.19 %
7-1-09	257	265	8	96.73	145	5.99
7-1-07	221	230	9	96.09	141	6.38

Exhibit E-3

McNairy County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented McNairy County School Department
June 30, 2013

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Projected Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>PRIMARY GOVERNMENT</u>							
Local Government Group	7-1-09	\$ 0	66	66	0%	\$ 584	11%
"	7-1-10	0	71	71	0	587	12
"	7-1-11	0	53	53	0	589	9
<u>DISCRETELY PRESENTED McNAIRY COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-09	0	3,410	3,410	0	19,336	18
"	7-1-10	0	5,269	5,269	0	19,990	26
"	7-1-11	0	4,186	4,186	0	20,804	20
"							

McNAIRY COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2013

BUDGETARY INFORMATION

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

**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, 2013

	Special Revenue Funds				Capital Projects Fund		Total Nonmajor Governmental Funds
	Law Library	Special Purpose	Drug Control	Constitutional Officers - Fees	Community Development/Industrial Park		
Cash	\$ 0	\$ 0	\$ 0	\$ 2,663	\$ 0	\$ 0	\$ 2,663
Equity in Pooled Cash and Investments	4,247	53,521	110,375	0	168,143	7,099	175,242
Due from Other Funds	0	132	0	0	132	0	132
Total Assets	\$ 4,247	\$ 53,653	\$ 110,375	\$ 2,663	\$ 170,938	\$ 7,099	\$ 178,037
LIABILITIES							
Accounts Payable	\$ 0	\$ 2,912	\$ 0	\$ 0	\$ 2,912	\$ 0	\$ 2,912
Due to Other Funds	0	0	0	2,663	2,663	0	2,663
Total Liabilities	\$ 0	\$ 2,912	\$ 0	\$ 2,663	\$ 5,575	\$ 0	\$ 5,575
FUND BALANCES							
Restricted:	\$ 0	\$ 0	\$ 110,375	\$ 0	\$ 110,375	\$ 0	\$ 110,375
Restricted for Public Safety	0	0	0	0	0	0	0
Restricted for Social, Cultural, and Recreational Services	4,247	0	0	0	4,247	0	4,247
Restricted for Agriculture and Natural Resources	0	0	0	0	0	7,099	7,099
Committed:	0	50,741	0	0	50,741	0	50,741
Committed for General Government	4,247	50,741	110,375	0	165,363	7,099	172,462
Total Fund Balances	\$ 4,247	\$ 53,653	\$ 110,375	\$ 2,663	\$ 170,938	\$ 7,099	\$ 178,037

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, 2013

	Special Revenue Funds					Capital Projects Fund		Total Nonmajor Governmental Funds
	Law Library	Special Purpose	Drug Control	Constitutional Officers - Fees	Total	Community Development/Industrial Park		
Revenues								
Local Taxes	\$ 3,160	\$ 0	\$ 0	\$ 0	\$ 3,160	\$ 0	\$ 3,160	
Fines, Forfeitures, and Penalties	0	0	22,139	0	22,139	0	22,139	
Charges for Current Services	0	0	0	2,050	2,050	0	2,050	
Other Local Revenues	0	120,233	41,457	0	161,690	0	161,690	
Total Revenues	\$ 3,160	\$ 120,233	\$ 63,596	\$ 2,050	\$ 189,039	\$ 0	\$ 189,039	
Expenditures								
Current:								
General Government	0	84,282	0	0	84,282	0	84,282	
Administration of Justice	0	0	0	2,050	2,050	0	2,050	
Public Safety	0	0	48,215	0	48,215	0	48,215	
Social, Cultural, and Recreational Services	2,488	0	0	0	2,488	0	2,488	
Agriculture and Natural Resources	0	0	0	0	0	4,818	4,818	
Other Operations	0	1,157	0	0	1,157	0	1,157	
Total Expenditures	\$ 2,488	\$ 85,439	\$ 48,215	\$ 2,050	\$ 138,192	\$ 4,818	\$ 143,010	
Excess (Deficiency) of Revenues Over Expenditures	\$ 672	\$ 34,794	\$ 15,381	\$ 0	\$ 50,847	\$ (4,818)	\$ 46,029	
Other Financing Sources (Uses)								
Transfers In	0	0	0	0	0	10,000	10,000	
Transfers Out	0	(27,706)	0	0	(27,706)	0	(27,706)	
Total Other Financing Sources (Uses)	\$ 0	\$ (27,706)	\$ 0	\$ 0	\$ (27,706)	\$ 10,000	\$ (17,706)	
Net Change in Fund Balances	\$ 672	\$ 7,088	\$ 15,381	\$ 0	\$ 23,141	\$ 5,182	\$ 28,323	
Fund Balance, July 1, 2012	3,575	43,653	94,994	0	142,222	1,917	144,139	
Fund Balance, June 30, 2013	\$ 4,247	\$ 50,741	\$ 110,375	\$ 0	\$ 165,363	\$ 7,099	\$ 172,462	

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,160	\$ 3,400	\$ 3,400	\$ (240)
Total Revenues	\$ 3,160	\$ 3,400	\$ 3,400	\$ (240)
<u>Expenditures</u>				
<u>Social, Cultural, and Recreational Services</u>				
Libraries	\$ 2,488	\$ 3,340	\$ 3,340	\$ 852
Total Expenditures	\$ 2,488	\$ 3,340	\$ 3,340	\$ 852
Excess (Deficiency) of Revenues Over Expenditures	\$ 672	\$ 60	\$ 60	\$ 612
Net Change in Fund Balance	\$ 672	\$ 60	\$ 60	\$ 612
Fund Balance, July 1, 2012	3,575	2,108	2,018	1,557
Fund Balance, June 30, 2013	\$ 4,247	\$ 2,168	\$ 2,078	\$ 2,169

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 120,233	\$ 119,413	\$ 119,413	\$ 820
Total Revenues	\$ 120,233	\$ 119,413	\$ 119,413	\$ 820
<u>Expenditures</u>				
<u>General Government</u>				
Other Facilities	\$ 84,282	\$ 75,969	\$ 86,219	\$ 1,937
<u>Other Operations</u>				
Employee Benefits	1,157	6,467	6,217	5,060
Total Expenditures	\$ 85,439	\$ 82,436	\$ 92,436	\$ 6,997
Excess (Deficiency) of Revenues Over Expenditures	\$ 34,794	\$ 36,977	\$ 26,977	\$ 7,817
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (27,706)	\$ (41,000)	\$ (41,000)	\$ 13,294
Total Other Financing Sources	\$ (27,706)	\$ (41,000)	\$ (41,000)	\$ 13,294
Net Change in Fund Balance	\$ 7,088	\$ (4,023)	\$ (14,023)	\$ 21,111
Fund Balance, July 1, 2012	43,653	87,330	87,330	(43,677)
Fund Balance, June 30, 2013	\$ 50,741	\$ 83,307	\$ 73,307	\$ (22,566)

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 22,139	\$ 60,000	\$ 60,000	\$ (37,861)
Other Local Revenues	41,457	3,000	3,000	38,457
Total Revenues	\$ 63,596	\$ 63,000	\$ 63,000	\$ 596
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 48,215	\$ 56,500	\$ 56,500	\$ 8,285
Total Expenditures	\$ 48,215	\$ 56,500	\$ 56,500	\$ 8,285
Excess (Deficiency) of Revenues Over Expenditures	\$ 15,381	\$ 6,500	\$ 6,500	\$ 8,881
Net Change in Fund Balance	\$ 15,381	\$ 6,500	\$ 6,500	\$ 8,881
Fund Balance, July 1, 2012	94,994	62,210	62,210	32,784
Fund Balance, June 30, 2013	\$ 110,375	\$ 68,710	\$ 68,710	\$ 41,665

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,429,464	\$ 1,456,225	\$ 1,556,225	\$ (126,761)
Other Local Revenues	54,461	85,000	85,000	(30,539)
Other Governments and Citizens Groups	782,750	0	785,750	(3,000)
Total Revenues	<u>\$ 2,266,675</u>	<u>\$ 1,541,225</u>	<u>\$ 2,426,975</u>	<u>\$ (160,300)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 631,052	\$ 563,544	\$ 638,891	\$ 7,839
Highways and Streets	126,918	91,558	126,918	0
Education	835,180	835,000	835,180	0
<u>Interest on Debt</u>				
General Government	94,631	115,675	95,298	667
Highways and Streets	69,635	6,719	71,315	1,680
Education	189,093	200,750	189,093	0
<u>Other Debt Service</u>				
General Government	25,535	700	26,573	1,038
Highways and Streets	375	0	375	0
Education	578	0	578	0
<u>Capital Projects</u>				
Public Safety Projects	35,545	0	35,545	0
Total Expenditures	<u>\$ 2,008,542</u>	<u>\$ 1,813,946</u>	<u>\$ 2,019,766</u>	<u>\$ 11,224</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 258,133</u>	<u>\$ (272,721)</u>	<u>\$ 407,209</u>	<u>\$ (149,076)</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 201,560	\$ 0	\$ 70,275	\$ 131,285
Transfers In	0	785,750	0	0
Total Other Financing Sources	<u>\$ 201,560</u>	<u>\$ 785,750</u>	<u>\$ 70,275</u>	<u>\$ 131,285</u>
Net Change in Fund Balance	\$ 459,693	\$ 513,029	\$ 477,484	\$ (17,791)
Fund Balance, July 1, 2012	3,386,284	2,573,259	2,573,259	813,025
Fund Balance, June 30, 2013	<u>\$ 3,845,977</u>	<u>\$ 3,086,288</u>	<u>\$ 3,050,743</u>	<u>\$ 795,234</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, 2013

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 728,148	\$ 728,148
Accounts Receivable	0	1,821	1,821
Due from Other Governments	285,459	0	285,459
Cash Shortage	0	9,782	9,782
Total Assets	<u>\$ 285,459</u>	<u>\$ 739,751</u>	<u>\$ 1,025,210</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 285,459	\$ 0	\$ 285,459
Due to Litigants, Heirs, and Others	0	739,751	739,751
Total Liabilities	<u>\$ 285,459</u>	<u>\$ 739,751</u>	<u>\$ 1,025,210</u>

Exhibit H-2

McNairy County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2013

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,654,575	\$ 1,654,575	\$ 0
Due from Other Governments	273,120	285,459	273,120	285,459
Total Assets	\$ 273,120	\$ 1,940,034	\$ 1,927,695	\$ 285,459
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 273,120	\$ 1,940,034	\$ 1,927,695	\$ 285,459
Total Liabilities	\$ 273,120	\$ 1,940,034	\$ 1,927,695	\$ 285,459
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 634,576	\$ 4,291,905	\$ 4,198,333	\$ 728,148
Accounts Receivable	1,824	1,821	1,824	1,821
Cash Shortage	9,782	0	0	9,782
Total Assets	\$ 646,182	\$ 4,293,726	\$ 4,200,157	\$ 739,751
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 646,182	\$ 4,293,726	\$ 4,200,157	\$ 739,751
Total Liabilities	\$ 646,182	\$ 4,293,726	\$ 4,200,157	\$ 739,751
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 634,576	\$ 4,291,905	\$ 4,198,333	\$ 728,148
Equity in Pooled Cash and Investments	0	1,654,575	1,654,575	0
Accounts Receivable	1,824	1,821	1,824	1,821
Due from Other Governments	273,120	285,459	273,120	285,459
Cash Shortage	9,782	0	0	9,782
Total Assets	\$ 919,302	\$ 6,233,760	\$ 6,127,852	\$ 1,025,210
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 273,120	\$ 1,940,034	\$ 1,927,695	\$ 285,459
Due to Litigants, Heirs, and Others	646,182	4,293,726	4,200,157	739,751
Total Liabilities	\$ 919,302	\$ 6,233,760	\$ 6,127,852	\$ 1,025,210

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, 2013

Functions/Programs	Program Revenues		Expenses	Net (Expense) Revenue and Changes in Net Position
	Charges for Services	Operating Grants and Contributions		
Governmental Activities:				
Instruction	\$ 22,825,315	\$ 647,668	\$ 2,065,238	\$ (20,112,409)
Support Services	8,514,781	60,303	674,383	(7,780,095)
Operation of Non-Instructional Services	3,553,324	0	1,573,759	(1,979,565)
Other Debt Service	782,750	0	0	(782,750)
Total Governmental Activities	\$ 35,676,170	\$ 707,971	\$ 4,313,380	\$ (30,654,819)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 3,930,728
Local Option Sales Taxes				1,870,291
Other Local Taxes				19,480
Grants and Contributions Not Restricted to Specific Programs				23,688,270
Unrestricted Investment Income				17,245
Miscellaneous				111,490
Total General Revenues				\$ 29,637,504
Change in Net Position				\$ (1,017,315)
Net Position, July 1, 2012				13,941,445
Net Position, June 30, 2013				\$ 12,924,130

McNairy County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented McNairy County School Department
June 30, 2013

	Major Funds		Nonmajor	Total Governmental Funds
	General Purpose School	Central Cafeteria	School Federal Projects	
ASSETS				
Equity in Pooled Cash and Investments	\$ 540,183	\$ 825,705	\$ 0	\$ 1,365,888
Accounts Receivable	31,097	0	0	31,097
Due from Other Governments	610,159	0	316,270	926,429
Property Taxes Receivable	3,727,342	0	0	3,727,342
Allowance for Uncollectible Property Taxes	(199,406)	0	0	(199,406)
Total Assets	\$ 4,709,375	\$ 825,705	\$ 316,270	\$ 5,851,350
LIABILITIES				
Payroll Deductions Payable	\$ 0	\$ 10,857	\$ 0	\$ 10,857
Cash Overdraft	0	0	139,080	139,080
Total Liabilities	\$ 0	\$ 10,857	\$ 139,080	\$ 149,937
DEFERRED INFLOWS OF RESOURCES				
Deferred Current Property Taxes	\$ 3,344,397	\$ 0	\$ 0	\$ 3,344,397
Deferred Delinquent Property Taxes	166,306	0	0	166,306
Other Deferred/Unavailable Revenue	141,243	0	0	141,243
Total Deferred Inflows of Resources	\$ 3,651,946	\$ 0	\$ 0	\$ 3,651,946
FUND BALANCES				
Restricted:				
Restricted for Education	\$ 23,512	\$ 0	\$ 142,190	\$ 165,702
Restricted for Operation of Non-Instructional Services	0	814,848	0	814,848
Assigned:				
Assigned for Education	0	0	35,000	35,000
Unassigned	1,033,917	0	0	1,033,917
Total Fund Balances	\$ 1,057,429	\$ 814,848	\$ 177,190	\$ 2,049,467
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,709,375	\$ 825,705	\$ 316,270	\$ 5,851,350

Exhibit I-3

McNairy County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
Discretely Presented McNairy County School Department
June 30, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$	2,049,467
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	396,479	
Add: buildings and improvements net of accumulated depreciation		9,515,595	
Add: other capital assets net of accumulated depreciation		<u>1,705,005</u>	11,617,079
(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			(1,049,965)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			
			<u>307,549</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>12,924,130</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, 2013

	Major Funds		Nonmajor	Total
	General Purpose School	Central Cafeteria	Fund School Federal Projects	
<u>Revenues</u>				
Local Taxes	\$ 5,815,624	\$ 0	\$ 0	\$ 5,815,624
Licenses and Permits	3,220	0	0	3,220
Charges for Current Services	43,268	632,121	0	675,389
Other Local Revenues	141,007	54,400	0	195,407
State of Tennessee	22,954,253	22,615	60,034	23,036,902
Federal Government	152,011	1,495,735	3,281,718	4,929,464
Total Revenues	\$ 29,109,383	\$ 2,204,871	\$ 3,341,752	\$ 34,656,006
<u>Expenditures</u>				
Current:				
Instruction	\$ 20,043,706	\$ 0	\$ 2,063,195	\$ 22,106,901
Support Services	7,938,440	0	620,693	8,559,133
Operation of Non-Instructional Services	713,366	2,269,901	533,909	3,517,176
Capital Outlay	21,000	0	0	21,000
Debt Service:				
Other Debt Service	782,750	0	0	782,750
Total Expenditures	\$ 29,499,262	\$ 2,269,901	\$ 3,217,797	\$ 34,986,960
Excess (Deficiency) of Revenues Over Expenditures	\$ (389,879)	\$ (65,030)	\$ 123,955	\$ (330,954)
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 106,675	\$ 0	\$ 0	\$ 106,675
Transfers In	19,885	0	0	19,885
Transfers Out	0	0	(19,885)	(19,885)
Total Other Financing Sources (Uses)	\$ 126,560	\$ 0	\$ (19,885)	\$ 106,675
Net Change in Fund Balances	\$ (263,319)	\$ (65,030)	\$ 104,070	\$ (224,279)
Fund Balance, July 1, 2012	1,320,748	879,878	73,120	2,273,746
Fund Balance, June 30, 2013	\$ 1,057,429	\$ 814,848	\$ 177,190	\$ 2,049,467

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, 2013

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)		\$	(224,279)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$	236,068	
Less: current-year depreciation expense		<u>(854,027)</u>	(617,959)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2013	\$	307,549	
Less: deferred delinquent property taxes and other deferred June 30, 2012		<u>(304,700)</u>	2,849
(3) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in other postemployment benefits liability			<u>(177,926)</u>
Change in net position of governmental activities (Exhibit B)		\$	<u><u>(1,017,315)</u></u>

Exhibit I-6

McNairy County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented McNairy County School Department
General Purpose School Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 5,815,624	\$ 5,880,415	\$ 5,880,415	\$ (64,791)
Licenses and Permits	3,220	5,000	5,000	(1,780)
Charges for Current Services	43,268	46,500	51,825	(8,557)
Other Local Revenues	141,007	65,000	111,186	29,821
State of Tennessee	22,954,253	22,836,433	23,084,801	(130,548)
Federal Government	152,011	125,532	181,767	(29,756)
Total Revenues	\$ 29,109,383	\$ 28,958,880	\$ 29,314,994	\$ (205,611)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 16,746,106	\$ 16,698,614	\$ 16,984,776	\$ 238,670
Special Education Program	2,246,383	1,989,711	2,284,516	38,133
Vocational Education Program	923,170	933,556	935,856	12,686
Adult Education Program	128,047	140,664	140,664	12,617
<u>Support Services</u>				
Attendance	65,885	64,946	66,210	325
Health Services	325,452	332,692	328,702	3,250
Other Student Support	430,570	438,591	435,091	4,521
Regular Instruction Program	719,904	747,732	730,864	10,960
Special Education Program	235,915	238,434	240,401	4,486
Vocational Education Program	81,122	80,918	81,162	40
Adult Programs	61,114	84,811	61,197	83
Other Programs	118,390	0	118,390	0
Board of Education	411,395	407,990	425,923	14,528
Director of Schools	159,944	163,556	163,372	3,428
Office of the Principal	1,149,535	1,183,367	1,173,367	23,832
Fiscal Services	112,775	120,398	113,504	729
Operation of Plant	2,089,510	1,982,583	2,107,083	17,573
Maintenance of Plant	425,580	309,054	438,554	12,974
Transportation	1,507,745	1,510,087	1,541,394	33,649
Central and Other	43,604	43,338	43,648	44
<u>Operation of Non-Instructional Services</u>				
Early Childhood Education	713,366	702,088	713,817	451
<u>Capital Outlay</u>				
Regular Capital Outlay	21,000	0	21,000	0
<u>Other Debt Service</u>				
Education	782,750	0	782,750	0
Total Expenditures	\$ 29,499,262	\$ 28,173,130	\$ 29,932,241	\$ 432,979
Excess (Deficiency) of Revenues Over Expenditures	\$ (389,879)	\$ 785,750	\$ (617,247)	\$ 227,368
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 106,675	\$ 0	\$ 106,675	\$ 0
Transfers In	19,885	0	0	19,885
Transfers Out	0	(785,750)	0	0
Total Other Financing Sources	\$ 126,560	\$ (785,750)	\$ 106,675	\$ 19,885

(Continued)

Exhibit I-6

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Net Change in Fund Balance	\$ (263,319)	\$ 0	\$ (510,572)	\$ 247,253
Fund Balance, July 1, 2012	1,320,748	1,270,657	1,270,657	50,091
Fund Balance, June 30, 2013	\$ 1,057,429	\$ 1,270,657	\$ 760,085	\$ 297,344

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
State of Tennessee	\$ 60,034	\$ 0	\$ 73,175	\$ (13,141)
Federal Government	3,281,718	2,474,854	3,316,894	(35,176)
Total Revenues	\$ 3,341,752	\$ 2,474,854	\$ 3,390,069	\$ (48,317)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,323,688	\$ 1,178,034	\$ 1,385,236	\$ 61,548
Special Education Program	684,633	743,153	746,933	62,300
Vocational Education Program	54,874	0	65,081	10,207
<u>Support Services</u>				
Other Student Support	209,922	145,400	239,804	29,882
Regular Instruction Program	289,850	267,055	411,493	121,643
Special Education Program	92,827	118,772	118,773	25,946
Vocational Education Program	2,244	0	2,245	1
Transportation	25,850	30,788	29,021	3,171
<u>Operation of Non-Instructional Services</u>				
Community Services	533,909	0	541,506	7,597
Total Expenditures	\$ 3,217,797	\$ 2,483,202	\$ 3,540,092	\$ 322,295
Excess (Deficiency) of Revenues Over Expenditures	\$ 123,955	\$ (8,348)	\$ (150,023)	\$ 273,978
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (19,885)	\$ (21,557)	\$ (23,875)	\$ 3,990
Total Other Financing Sources	\$ (19,885)	\$ (21,557)	\$ (23,875)	\$ 3,990
Net Change in Fund Balance	\$ 104,070	\$ (29,905)	\$ (173,898)	\$ 277,968
Fund Balance, July 1, 2012	73,120	73,120	73,120	0
Fund Balance, June 30, 2013	\$ 177,190	\$ 43,215	\$ (100,778)	\$ 277,968

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 632,121	\$ 754,000	\$ 754,000	\$ (121,879)
Other Local Revenues	54,400	50,000	50,000	4,400
State of Tennessee	22,615	20,000	20,000	2,615
Federal Government	1,495,735	1,442,000	1,566,112	(70,377)
Total Revenues	<u>\$ 2,204,871</u>	<u>\$ 2,266,000</u>	<u>\$ 2,390,112</u>	<u>\$ (185,241)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 2,269,901	\$ 2,266,000	\$ 2,415,112	\$ 145,211
Total Expenditures	<u>\$ 2,269,901</u>	<u>\$ 2,266,000</u>	<u>\$ 2,415,112</u>	<u>\$ 145,211</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (65,030)</u>	<u>\$ 0</u>	<u>\$ (25,000)</u>	<u>\$ (40,030)</u>
Net Change in Fund Balance	\$ (65,030)	\$ 0	\$ (25,000)	\$ (40,030)
Fund Balance, July 1, 2012	<u>879,878</u>	<u>886,657</u>	<u>886,657</u>	<u>(6,779)</u>
Fund Balance, June 30, 2013	<u>\$ 814,848</u>	<u>\$ 886,657</u>	<u>\$ 861,657</u>	<u>\$ (46,809)</u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

McNairy County, Tennessee
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds
For the Year Ended June 30, 2013

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-12	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-13
NOTES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Highway Equipment	\$ 455,000	4.43 %	11-7-07	11-7-13	\$ 151,664	0 \$	75,834 \$	75,830
911 Building and Storage	55,000	3.25	4-13-12	4-13-21	55,000	0	6,111	48,889
Latta Building/Welcome Center	201,560	2.75	11-9-12	11-9-21	0	201,560	0	201,560
Total Notes Payable					\$ 206,664	201,560 \$	81,945 \$	326,279
CAPITAL LEASES								
<u>Payable through Highway/Public Works Fund</u>								
Dump Truck	125,000	3.29	10-20-11	10-25-16	\$ 125,000	0 \$	25,000 \$	100,000
<u>Payable through General Debt Service Fund</u>								
Highway Equipment	105,700	3.59	11-18-08	12-25-13	68,784	0	13,214	55,570
Total Capital Leases					\$ 193,784	0 \$	38,214 \$	155,570
BONDS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
USDA Rural Development Bonds	350,500	4.75	11-13-01	11-13-16	\$ 145,330	0 \$	26,678 \$	118,652
USDA Rural Development Bonds	217,750	4.75	5-1-02	5-1-22	134,208	0	11,378	122,830
USDA Rural Development Bonds	325,000	4.75	6-21-02	6-21-22	198,373	0	16,135	182,238
Refunding Bonds, Series 2003	3,035,000	3 to 5	3-11-03	9-1-12	360,000	0	360,000	0
School Refunding Bonds, Series 2003	10,305,000	2 to 4	4-22-03	3-1-17	4,515,000	0	830,000	3,685,000
Refunding Bonds, Series 2008	6,535,000	3.5 to 4.5	12-10-08	6-1-19	2,775,000	0	70,000	2,705,000
USDA GO Bonds	183,800	4.5	6-30-10	11-14-12	183,800	0	183,800	0
Total Bonds Payable					\$ 8,311,711	0 \$	1,497,991 \$	6,813,720

Exhibit J-2

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

Year Ending June 30	Notes		Total
	Principal	Interest	
2014	\$ 104,341	\$ 8,859	\$ 113,200
2015	28,511	6,318	34,829
2016	28,511	5,504	34,015
2017	28,511	4,689	33,200
2018	28,511	3,874	32,385
2019	28,511	3,060	31,571
2020	28,511	2,245	30,756
2021	28,512	1,431	29,943
2022	22,360	616	22,976
Total	\$ 326,279	\$ 36,596	\$ 362,875

Year Ending June 30	Capital Leases		Total
	Principal	Interest	
2014	\$ 80,570	\$ 5,493	\$ 86,063
2015	25,000	2,505	27,505
2016	25,000	1,670	26,670
2017	25,000	835	25,835
Total	\$ 155,570	\$ 10,503	\$ 166,073

Year Ending June 30	Bonds		Total
	Principal	Interest	
2014	\$ 1,095,580	\$ 279,625	\$ 1,375,205
2015	1,448,224	235,380	1,683,604
2016	1,520,994	177,011	1,698,005
2017	1,579,151	115,453	1,694,604
2018	528,739	51,252	579,991
2019	525,350	28,604	553,954
2020	37,027	5,612	42,639
2021	38,789	3,850	42,639
2022	39,866	2,773	42,639
Total	\$ 6,813,720	\$ 899,560	\$ 7,713,280

Exhibit J-3

McNairy County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented McNairy County School Department
For the Year Ended June 30, 2013

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General Special Purpose	Community Development/Industrial Park General	Operations Excess funds	\$ 10,000 27,706
Total Transfers Primary Government			\$ 37,706
<u>DISCRETELY PRESENTED McNAIRY COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 19,885
Total Transfers Discretely Presented McNairy County School Department			\$ 19,885

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, 2013

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor:				
Wilburn Gene Ashe (7-1-12 through 8-31-12)	Section 8-24-102, TCA	\$ 12,077	\$ 50,000	Ohio Casualty Insurance Company
Ronnie Brooks (9-1-12 through 6-30-13)	Section 8-24-102, TCA	60,386	50,000	"
Highway Commissioner	Section 8-24-102, TCA	69,013	100,000	"
Director of Schools	State Board of Education and County Board of Education	89,942 (1)	150,000	Tennessee Risk Management Trust
Trustee	Section 8-24-102, TCA	62,739	1,014,057	Ohio Casualty Insurance Company
Assessor of Property	Section 8-24-102, TCA	62,739	10,000	"
County Clerk	Section 8-24-102, TCA	62,739	50,000	"
Circuit and General Sessions Courts Clerk:				
Ronnie Brooks (7-1-12 through 8-31-12)	Section 8-24-102, TCA	10,456	50,000	"
Jackie Cox (9-1-12 through 11-30-12)	Section 8-24-102, TCA	15,685		
Byron Maxedon (12-1-12 through 6-30-13)	Section 8-24-102, TCA	36,598	50,000	"
Clerk and Master	Section 8-24-102, TCA and Chancery Court Judge	62,739 (2)	65,000	"
Register of Deeds	Section 8-24-102, TCA	62,739	25,000	"
Sheriff	Section 8-24-102, TCA	69,013 (3)	25,000	"
Employee Dishonesty Coverage:				
County Employees			150,000	Local Government Property and Casualty Fund
Office of Director of Schools' Employees			150,000	Tennessee Risk Management Trust

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

(2) Does not include \$2,050 in special commissioner fees.

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

Exhibit J-5

McNairy County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2013

	Special Revenue Funds						Debt Service Fund		Total
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
Local Taxes									
County Property Taxes									
Current Property Tax	\$ 2,693,568	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 327,595	\$ 982,790	\$ 4,003,953
Trustee's Collections - Prior Year	127,562	0	0	0	0	0	15,729	46,543	189,834
Trustee's Collections - Bankruptcy	79	0	0	0	0	0	10	29	118
Circuit/Clerk & Master Collections - Prior Years	85,993	0	0	0	0	0	10,459	31,376	127,828
Interest and Penalty	20,130	0	0	0	0	0	2,558	7,346	30,034
Payments in-Lieu-of Taxes - T.V.A.	2,506	0	0	0	0	0	0	0	2,506
County Local Option Taxes									
Local Option Sales Tax	123,923	0	77,925	0	0	0	0	0	201,848
Wheel Tax	0	0	0	0	0	0	0	359,575	359,575
Litigation Tax - General	104,318	0	0	0	0	0	0	0	104,318
Litigation Tax - Special Purpose	0	3,160	0	0	0	0	0	0	3,160
Business Tax	27,996	0	0	0	0	0	0	0	27,996
Mineral Severance Tax	0	0	0	0	0	0	14,899	0	14,899
Statutory Local Taxes									
Bank Excise Tax	8,062	0	0	0	0	0	1,324	1,805	11,191
Wholesale Beer Tax	32,852	0	0	0	0	0	0	0	32,852
Interstate Telecommunications Tax	0	0	2,040	0	0	0	0	0	2,040
City Local Option Taxes									
Business Tax	17,452	0	0	0	0	0	0	0	17,452
Total Local Taxes	\$ 3,244,441	\$ 3,160	\$ 79,965	\$ 0	\$ 0	\$ 0	\$ 372,574	\$ 1,429,464	\$ 5,129,604
Licenses and Permits									
Licenses									
Cable TV Franchise	\$ 15,780	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,780
Permits									
Beer Permits	1,140	0	0	0	0	0	0	0	1,140
Total Licenses and Permits	\$ 16,920	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 16,920
Fines, Forfeitures, and Penalties									
Circuit Court									
Fines	\$ 4,665	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,665
Officers Costs	4,656	0	0	0	0	0	0	0	4,656
Drug Control Fines	0	0	0	0	10,853	0	0	0	10,853
Drug Court Fees	2,868	0	0	0	0	0	0	0	2,868
Jail Fees	994	0	0	0	0	0	0	0	994
Data Entry Fee - Circuit Court	431	0	0	0	0	0	0	0	431
Victims Assistance Assessments	2,177	0	0	0	0	0	0	0	2,177

(Continued)

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

	Special Revenue Funds						Debt Service Fund		Total
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers Fees	Highway / Public Works	General Debt Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>									
<u>Criminal Court</u>									
DUI Treatment Fines	\$ 808	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 808
<u>General Sessions Court</u>									
Fines	17,012	0	0	0	0	0	0	0	17,012
Officers Costs	20,035	0	0	0	0	0	0	0	20,035
Game and Fish Fines	591	0	0	0	0	0	0	0	591
Drug Control Fines	1,518	0	0	0	11,286	0	0	0	12,804
Drug Court Fees	5,152	0	0	0	0	0	0	0	5,152
Jail Fees	22,249	0	0	0	0	0	0	0	22,249
DUI Treatment Fines	6,027	0	0	0	0	0	0	0	6,027
Data Entry Fee - General Sessions Court	9,944	0	0	0	0	0	0	0	9,944
Courtroom Security Fee	80	0	0	0	0	0	0	0	80
Victims Assistance Assessments	20,322	0	0	0	0	0	0	0	20,322
<u>Juvenile Court</u>									
Fines	653	0	0	0	0	0	0	0	653
<u>Chancery Court</u>									
Officers Costs	245	0	0	0	0	0	0	0	245
Data Entry Fee - Chancery Court	2,824	0	0	0	0	0	0	0	2,824
Total Fines, Forfeitures, and Penalties	\$ 123,251	\$ 0	\$ 0	\$ 0	\$ 22,139	\$ 0	\$ 0	\$ 0	\$ 145,390
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Residential Waste Collection Charge	\$ 0	\$ 0	\$ 673,855	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 673,855
Tipping Fees	0	0	137,726	0	0	0	0	0	137,726
<u>Fees</u>									
Copy Fees	84	0	0	0	0	0	0	0	84
Library Fees	10,076	0	0	0	0	0	0	0	10,076
Telephone Commissions	5,009	0	0	0	0	0	0	0	5,009
Vending Machine Collections	0	0	0	0	0	0	39	0	39
Constitutional Officers' Fees and Commissions	0	0	0	0	0	2,050	0	0	2,050
Data Processing Fee - Register	5,018	0	0	0	0	0	0	0	5,018
Probation Fees	18,473	0	0	0	0	0	0	0	18,473
Data Processing Fee - Sheriff	2,214	0	0	0	0	0	0	0	2,214
Sexual Offender Registration Fees - Sheriff	1,050	0	0	0	0	0	0	0	1,050
Data Processing Fee - County Clerk	192	0	0	0	0	0	0	0	192
Total Charges for Current Services	\$ 42,116	\$ 0	\$ 811,581	\$ 0	\$ 0	\$ 2,050	\$ 39	\$ 0	\$ 855,786

(Continued)

Exhibit J-5

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

	Special Revenue Funds							Debt Service Fund		Total
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt	Service	
<u>Other Local Revenues</u>										
<u>Recurring Items</u>										
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 29,261	\$ 0	\$ 29,261
Lease/Rentals	1,100	0	0	120,233	0	0	0	25,200	0	146,533
Sale of Materials and Supplies	589	0	23,890	0	0	0	2,467	0	0	26,946
Sale of Gasoline	0	0	0	0	0	0	14,598	0	0	14,598
Miscellaneous Refunds	55,584	0	0	0	0	0	9,885	0	0	65,469
<u>Nonrecurring Items</u>										
Sale of Equipment	0	0	0	0	0	0	15,467	0	0	15,467
Sale of Property	10,810	0	0	0	0	0	0	0	0	10,810
Contributions and Gifts	13,500	0	0	0	0	0	0	0	0	13,500
<u>Other Local Revenues</u>										
Other Local Revenues	21,271	0	0	0	41,457	0	12	0	0	62,740
Total Other Local Revenues	\$ 102,854	\$ 0	\$ 23,890	\$ 120,233	\$ 41,457	\$ 0	\$ 42,429	\$ 54,461	\$ 0	\$ 385,324
<u>Fees Received from County Officials</u>										
<u>Excess Fees</u>										
Juvenile Court Clerk	\$ 4,102	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,102
<u>Fees in Lieu of Salary</u>										
County Clerk	196,302	0	0	0	0	0	0	0	0	196,302
Circuit Court Clerk	30,999	0	0	0	0	0	0	0	0	30,999
General Sessions Court Clerk	179,542	0	0	0	0	0	0	0	0	179,542
Clerk and Master	89,691	0	0	0	0	0	0	0	0	89,691
Register	98,732	0	0	0	0	0	0	0	0	98,732
Sheriff	4,912	0	0	0	0	0	0	0	0	4,912
Trustee	280,436	0	0	0	0	0	0	0	0	280,436
Total Fees Received from County Officials	\$ 884,716	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 884,716
<u>State of Tennessee</u>										
<u>General Government Grants</u>										
Solid Waste Grants	\$ 0	\$ 0	\$ 13,331	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,331
Health and Welfare Grants	55,486	0	0	0	0	0	0	0	0	55,486
Health Department Programs	0	0	0	0	0	0	79,451	0	0	79,451
Public Works Grants	0	0	28,075	0	0	0	0	0	0	28,075
State Aid Program	0	0	0	0	0	0	0	0	0	0
Litter Program	0	0	0	0	0	0	0	0	0	0
<u>Other State Revenues</u>										
Income Tax	42,858	0	0	0	0	0	0	0	0	42,858

(Continued)

Exhibit J-5

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

	Special Revenue Funds						Debt Service Fund		Total
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>State of Tennessee (Cont.)</u>									
<u>Other State Revenues (Cont.)</u>									
Beer Tax	\$ 18,586	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,586
Alcoholic Beverage Tax	56,638	0	0	0	0	0	0	0	56,638
Mixed Drink Tax	2,102	0	0	0	0	0	0	0	2,102
State Revenue Sharing - T.V.A.	0	0	253,277	0	0	0	0	0	253,277
Contracted Prisoner Boarding	400,927	0	0	0	0	0	0	0	400,927
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	1,738,556	0	1,738,556
Petroleum Special Tax	0	0	0	0	0	0	18,814	0	18,814
Registrar's Salary Supplement	15,164	0	0	0	0	0	0	0	15,164
Other State Grants	0	0	18,000	0	0	0	0	0	18,000
Other State Revenues	20,400	0	0	0	0	0	0	0	20,400
Total State of Tennessee	\$ 612,161	\$ 0	\$ 312,683	\$ 0	\$ 0	\$ 0	\$ 1,836,821	\$ 0	\$ 2,761,665
<u>Federal Government</u>									
<u>Federal Through State</u>									
Community Development	\$ 22,658	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,658
Civil Defense Reimbursement	47,287	0	0	0	0	0	0	0	47,287
Other Federal through State	510,351	0	0	0	0	0	0	0	510,351
Total Federal Government	\$ 580,296	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 580,296
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Paving and Maintenance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,719	\$ 0	\$ 24,719
Contributions	0	0	0	0	0	0	0	782,750	782,750
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,719	\$ 782,750	\$ 807,469
Total	\$ 5,606,755	\$ 3,160	\$ 1,228,119	\$ 120,233	\$ 63,596	\$ 2,050	\$ 2,276,582	\$ 2,266,675	\$ 11,567,170

McNairy County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented McNairy County School Department
For the Year Ended June 30, 2013

	General Purpose School	Special Revenue Funds		Total
		School Federal Projects	Central Cafeteria	
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 3,603,557	\$ 0	\$ 0	\$ 3,603,557
Trustee's Collections - Prior Year	173,029	0	0	173,029
Trustee's Collections - Bankruptcy	106	0	0	106
Circuit/Clerk & Master Collections - Prior Years	115,045	0	0	115,045
Interest and Penalty	27,235	0	0	27,235
<u>County Local Option Taxes</u>				
Local Option Sales Tax	1,879,198	0	0	1,879,198
<u>Statutory Local Taxes</u>				
Bank Excise Tax	15,281	0	0	15,281
Interstate Telecommunications Tax	2,173	0	0	2,173
Total Local Taxes	\$ 5,815,624	\$ 0	\$ 0	\$ 5,815,624
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 3,220	\$ 0	\$ 0	\$ 3,220
Total Licenses and Permits	\$ 3,220	\$ 0	\$ 0	\$ 3,220
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Other	\$ 27,125	\$ 0	\$ 0	\$ 27,125
Lunch Payments - Children	0	0	221,929	221,929
Lunch Payments - Adults	0	0	59,726	59,726
Income from Breakfast	0	0	31,435	31,435
A la carte Sales	0	0	307,453	307,453
Receipts from Individual Schools	15,963	0	0	15,963
<u>Other Charges for Services</u>				
Other Charges for Services	180	0	11,578	11,758
Total Charges for Current Services	\$ 43,268	\$ 0	\$ 632,121	\$ 675,389
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 17,245	\$ 17,245
Lease/Rentals	32,582	0	0	32,582
Refund of Telecommunication & Internet Fees (E-Rate)	5,802	0	0	5,802
Miscellaneous Refunds	0	0	37,155	37,155
<u>Nonrecurring Items</u>				
Contributions and Gifts	34,090	0	0	34,090
<u>Other Local Revenues</u>				
Other Local Revenues	68,533	0	0	68,533
Total Other Local Revenues	\$ 141,007	\$ 0	\$ 54,400	\$ 195,407
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 118,390	\$ 0	\$ 0	\$ 118,390
<u>State Education Funds</u>				
Basic Education Program	21,119,160	0	0	21,119,160
Early Childhood Education	713,365	0	0	713,365
School Food Service	0	0	22,615	22,615
Energy Efficient School Initiative	55,409	0	0	55,409
Driver Education	12,224	0	0	12,224
Other State Education Funds	145,077	0	0	145,077
Career Ladder Program	218,788	0	0	218,788
Career Ladder - Extended Contract	77,800	0	0	77,800
Other Vocational	0	3,293	0	3,293

(Continued)

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

	General Purpose School	Special Revenue Funds		Total
		School Federal Projects	Central Cafeteria	
<u>State of Tennessee (Cont.)</u>				
<u>Other State Revenues</u>				
Mixed Drink Tax	\$ 2,026	\$ 0	\$ 0	\$ 2,026
State Revenue Sharing - T.V.A.	470,372	0	0	470,372
Other State Grants	1,200	0	0	1,200
Other State Revenues	20,442	56,741	0	77,183
Total State of Tennessee	\$ 22,954,253	\$ 60,034	\$ 22,615	\$ 23,036,902
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,015,090	\$ 1,015,090
USDA - Commodities	0	0	124,112	124,112
Breakfast	0	0	300,151	300,151
USDA - Other	0	0	56,382	56,382
Adult Education State Grant Program	95,776	0	0	95,776
Vocational Education - Basic Grants to States	0	72,049	0	72,049
Title I Grants to Local Education Agencies	0	1,348,063	0	1,348,063
Special Education - Grants to States	56,235	856,707	0	912,942
Special Education Preschool Grants	0	24,393	0	24,393
Rural Education	0	93,088	0	93,088
Eisenhower Professional Development State Grants	0	219,598	0	219,598
Race-to-the-Top - ARRA	0	185,940	0	185,940
Other Federal through State	0	481,880	0	481,880
Total Federal Government	\$ 152,011	\$ 3,281,718	\$ 1,495,735	\$ 4,929,464
Total	\$ 29,109,383	\$ 3,341,752	\$ 2,204,871	\$ 34,656,006

Exhibit J-7

McNairy County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2013

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	10,300	
Accounting Services		13,150	
Audit Services		7,823	
Dues and Memberships		3,090	
Legal Services		11,862	
Periodicals		1,585	
Other Charges		88	
Total County Commission			\$ 47,898

Board of Equalization

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

Beer Board

Board and Committee Members Fees	\$	250	
Total Beer Board			250

Budget and Finance Committee

Board and Committee Members Fees	\$	3,250	
Total Budget and Finance Committee			3,250

Other Boards and Committees

Board and Committee Members Fees	\$	3,500	
Total Other Boards and Committees			3,500

County Mayor/Executive

County Official/Administrative Officer	\$	72,463	
Accountants/Bookkeepers		21,027	
Salary Supplements		538	
Secretary(ies)		21,728	
Communication		6,269	
Dues and Memberships		1,650	
Maintenance Agreements		1,435	
Postal Charges		1,905	
Printing, Stationery, and Forms		912	
Travel		840	
Office Supplies		1,728	
Premiums on Corporate Surety Bonds		306	
Other Charges		1,033	
Data Processing Equipment		20,861	
Total County Mayor/Executive			152,695

County Attorney

County Official/Administrative Officer	\$	2,000	
Total County Attorney			2,000

Election Commission

County Official/Administrative Officer	\$	56,464	
Other Salaries and Wages		6,734	
Election Commission		4,686	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Election Workers	\$	23,074	
In-Service Training		900	
Communication		963	
Dues and Memberships		159	
Legal Notices, Recording, and Court Costs		2,160	
Maintenance and Repair Services - Equipment		23,991	
Postal Charges		2,096	
Printing, Stationery, and Forms		857	
Rentals		1,658	
Travel		974	
Other Contracted Services		177	
Office Supplies		1,667	
Periodicals		234	
Office Equipment		856	
Total Election Commission			\$ 127,650

Register of Deeds

County Official/Administrative Officer	\$	62,739	
Deputy(ies)		24,539	
Secretary(ies)		18,387	
Communication		311	
Data Processing Services		9,833	
Dues and Memberships		688	
Maintenance Agreements		900	
Postal Charges		491	
Printing, Stationery, and Forms		859	
Travel		454	
Office Supplies		102	
Total Register of Deeds			119,303

County Buildings

Custodial Personnel	\$	27,328	
Maintenance and Repair Services - Buildings		25,641	
Maintenance and Repair Services - Office Equipment		304	
Maintenance and Repair Services - Vehicles		24	
Pest Control		360	
Postal Charges		5,806	
Custodial Supplies		2,599	
Electricity		121,565	
Gasoline		2,543	
Natural Gas		21,746	
Periodicals		925	
Water and Sewer		21,350	
Other Supplies and Materials		986	
Building and Contents Insurance		42,787	
Other Charges		7,040	
Total County Buildings			281,004

Preservation of Records

Postal Charges	\$	72	
Other Supplies and Materials		704	
Total Preservation of Records			776

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	62,739	
Assistant(s)		23,979	
Deputy(ies)		33,530	
Communication		311	
Contracts with Private Agencies		15,747	
Dues and Memberships		1,650	
Maintenance Agreements		4,210	
Postal Charges		672	
Printing, Stationery, and Forms		432	
Travel		395	
Periodicals		40	
Other Supplies and Materials		1,174	
Total Property Assessor's Office			\$ 144,879

Reappraisal Program

Part-time Personnel	\$	20,191	
Data Processing Services		10,770	
Travel		34	
Gasoline		494	
Other Charges		44	
Total Reappraisal Program			31,533

County Trustee's Office

County Official/Administrative Officer	\$	62,739	
Deputy(ies)		24,540	
Clerical Personnel		18,388	
Part-time Personnel		7,838	
Communication		311	
Data Processing Services		6,039	
Dues and Memberships		703	
Maintenance Agreements		676	
Maintenance and Repair Services - Office Equipment		11,478	
Postal Charges		8,260	
Printing, Stationery, and Forms		7,185	
Travel		186	
Office Supplies		351	
Periodicals		978	
Furniture and Fixtures		280	
Total County Trustee's Office			149,952

County Clerk's Office

County Official/Administrative Officer	\$	62,739	
Deputy(ies)		23,845	
Secretary(ies)		37,364	
Clerical Personnel		27,213	
Communication		311	
Dues and Memberships		478	
Postal Charges		4,464	
Printing, Stationery, and Forms		1,937	
Periodicals		66	
Data Processing Equipment		13,361	
Total County Clerk's Office			171,778

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	62,739	
Deputy(ies)		30,132	
Part-time Personnel		6,980	
Jury and Witness Expense		10,036	
Other Per Diem and Fees		3,640	
Communication		3,539	
Contracts with Government Agencies		6,108	
Dues and Memberships		573	
Maintenance Agreements		4,202	
Postal Charges		5,500	
Printing, Stationery, and Forms		1,059	
Travel		798	
Office Supplies		2,249	
Periodicals		624	
Premiums on Corporate Surety Bonds		475	
Other Charges		2,264	
Data Processing Equipment		2,740	
Other Equipment		589	
Total Circuit Court			\$ 144,247

General Sessions Court

Judge(s)	\$	107,236	
Deputy(ies)		32,636	
Accountants/Bookkeepers		22,300	
Salary Supplements		1,068	
Secretary(ies)		16,517	
Longevity Pay		125	
Other Per Diem and Fees		5,756	
Communication		2,866	
Contracts with Government Agencies		2,862	
Postal Charges		1,063	
Travel		1,507	
Office Supplies		760	
Total General Sessions Court			194,696

Chancery Court

County Official/Administrative Officer	\$	62,739	
Deputy(ies)		31,594	
Salary Supplements		499	
Clerical Personnel		3,267	
Communication		311	
Data Processing Services		6,753	
Dues and Memberships		573	
Maintenance Agreements		1,180	
Postal Charges		4,891	
Printing, Stationery, and Forms		81	
Office Supplies		2,743	
Premiums on Corporate Surety Bonds		650	
Total Chancery Court			115,281

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court

Youth Service Officer(s)	\$	29,575	
Clerical Personnel		16,124	
Communication		691	
Maintenance Agreements		2,100	
Travel		555	
Office Supplies		800	
Other Charges		1,524	
Total Juvenile Court			\$ 51,369

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	69,013	
Deputy(ies)		429,287	
Accountants/Bookkeepers		22,660	
Salary Supplements		51,322	
Guards		354,060	
Secretary(ies)		7,083	
Part-time Personnel		16,852	
Longevity Pay		400	
Overtime Pay		2,361	
In-Service Training		20,880	
Communication		31,619	
Dues and Memberships		3,105	
Maintenance Agreements		5,500	
Maintenance and Repair Services - Equipment		1,636	
Maintenance and Repair Services - Office Equipment		20	
Maintenance and Repair Services - Vehicles		47,171	
Postal Charges		616	
Printing, Stationery, and Forms		721	
Towing Services		7,140	
Travel		2,694	
Other Contracted Services		300	
Gasoline		109,844	
Office Supplies		5,652	
Periodicals		1,485	
Tires and Tubes		2,032	
Uniforms		11,643	
Other Supplies and Materials		6,347	
Vehicle and Equipment Insurance		66,840	
Workers' Compensation Insurance		37,120	
Law Enforcement Equipment		3,441	
Motor Vehicles		40,542	
Total Sheriff's Department			1,359,386

Jail

Custodial Personnel	\$	46,577
In-Service Training		1,348
Maintenance Agreements		3,484
Maintenance and Repair Services - Buildings		31,284
Maintenance and Repair Services - Equipment		1,687

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Maintenance and Repair Services - Vehicles	\$	1,368	
Medical and Dental Services		155,677	
Travel		713	
Custodial Supplies		19,792	
Drugs and Medical Supplies		629	
Food Supplies		116,883	
Office Supplies		1,224	
Other Supplies and Materials		11,232	
Law Enforcement Equipment		2,739	
Total Jail			\$ 394,637

Fire Prevention and Control

Supervisor/Director	\$	21,484	
Communication		283	
Maintenance and Repair Services - Buildings		1,250	
Maintenance and Repair Services - Equipment		8,553	
Maintenance and Repair Services - Vehicles		6,319	
Postal Charges		3	
Gasoline		8,403	
Office Supplies		742	
Tires and Tubes		547	
Other Supplies and Materials		3,536	
Liability Insurance		24,363	
Workers' Compensation Insurance		22,198	
Other Equipment		30,326	
Total Fire Prevention and Control			128,007

Rural Fire Protection

Contracts with Government Agencies	\$	35,504	
Total Rural Fire Protection			35,504

Civil Defense

Supervisor/Director	\$	40,779	
Communication		1,107	
Dues and Memberships		65	
Maintenance and Repair Services - Vehicles		78	
Postal Charges		27	
Travel		116	
Office Supplies		1,093	
Other Supplies and Materials		540,825	
Total Civil Defense			584,090

Inspection and Regulation

Supervisor/Director	\$	5,092	
Total Inspection and Regulation			5,092

Public Health and Welfare

Local Health Center

Social Workers	\$	37,728	
Clerical Personnel		20,227	

(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.)

Custodial Personnel	\$	5,150	
Communication		5,226	
Contracts with Government Agencies		36,300	
Maintenance and Repair Services - Buildings		14,496	
Maintenance and Repair Services - Equipment		362	
Pest Control		360	
Postal Charges		255	
Travel		4,868	
Other Contracted Services		145	
Custodial Supplies		269	
Drugs and Medical Supplies		513	
Electricity		12,110	
Natural Gas		3,137	
Office Supplies		2,283	
Periodicals		46	
Water and Sewer		1,957	
Total Local Health Center			\$ 145,432

Social, Cultural, and Recreational Services

Libraries

County Official/Administrative Officer	\$	42,761	
Salary Supplements		1,148	
Custodial Personnel		1,700	
Other Salaries and Wages		55,649	
Communication		6,903	
Maintenance and Repair Services - Buildings		1,840	
Pest Control		70	
Postal Charges		303	
Travel		249	
Custodial Supplies		483	
Electricity		11,266	
Natural Gas		660	
Office Supplies		1,711	
Periodicals		163	
Water and Sewer		1,364	
Other Supplies and Materials		11,725	
Building Improvements		24,666	
Data Processing Equipment		3,747	
Total Libraries			166,408

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	39,344	
Communication		1,413	
Maintenance Agreements		1,838	
Travel		525	
Other Supplies and Materials		2,032	
Office Equipment		1,954	
Total Agriculture Extension Service			47,106

(Continued)

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Soil Conservation

County Official/Administrative Officer	\$	37,080	
Secretary(ies)		21,814	
Total Soil Conservation			\$ 58,894

Other Operations

Other Economic and Community Development

Contracts for Development Costs	\$	22,658	
Other Charges		25,000	
Total Other Economic and Community Development			47,658

Airport

Other Charges	\$	152,750	
Total Airport			152,750

Veterans' Services

Supervisor/Director	\$	10,815	
Communication		156	
Dues and Memberships		25	
Postal Charges		166	
Travel		580	
Office Supplies		669	
Periodicals		399	
Data Processing Equipment		1,089	
Furniture and Fixtures		846	
Total Veterans' Services			14,745

Other Charges

Liability Insurance	\$	44,612	
Trustee's Commission		66,363	
Total Other Charges			110,975

Contributions to Other Agencies

Contributions	\$	182,077	
Total Contributions to Other Agencies			182,077

Employee Benefits

Longevity Pay	\$	5,750	
Social Security		151,417	
State Retirement		112,158	
Life Insurance		9,641	
Medical Insurance		333,812	
Dental Insurance		24	
Unemployment Compensation		18,013	
Employer Medicare		35,412	
Workers' Compensation Insurance		12,048	
Total Employee Benefits			678,275

Miscellaneous

Judgments	\$	7,500	
Other Charges		26,368	
Total Miscellaneous			33,868

Total General Fund			\$	5,889,165
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(Continued)

Exhibit J-7

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

Law Library Fund

Social, Cultural, and Recreational Services

Libraries

Clerical Personnel	\$	1,800	
Library Books/Media		656	
Trustee's Commission		32	
Total Libraries			\$ 2,488

Total Law Library Fund \$ 2,488

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Contracts with Private Agencies	\$	833,514	
Legal Services		10,558	
Other Contracted Services		13,494	
Building and Contents Insurance		1,783	
Trustee's Commission		3,322	
Vehicle and Equipment Insurance		8,397	
Total Sanitation Management			\$ 871,068

Recycling Center

Part-time Personnel	\$	14,998	
Advertising		448	
Maintenance and Repair Services - Vehicles		313	
Postal Charges		475	
Gasoline		3,753	
Periodicals		921	
Small Tools		611	
Tires and Tubes		16	
Water and Sewer		264	
Other Charges		8,310	
Total Recycling Center			30,109

Landfill Operation and Maintenance

Supervisor/Director	\$	29,447	
Data Processing Personnel		19,526	
Salary Supplements		280	
Foremen		22,790	
Equipment Operators		19,122	
Overtime Pay		1,687	
Communication		1,346	
Contracts with Government Agencies		75	
Contracts with Private Agencies		23,907	
Dues and Memberships		425	
Evaluation and Testing		8,874	
Maintenance and Repair Services - Buildings		159	
Maintenance and Repair Services - Equipment		47,520	
Postal Charges		18,857	
Travel		2,060	
Diesel Fuel		13,361	
Electricity		1,226	
Fertilizer, Lime, and Seed		275	

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Landfill Operation and Maintenance (Cont.)

Lubricants	\$	1,346	
Office Supplies		3,421	
Periodicals		986	
Small Tools		355	
Tires and Tubes		2,399	
Water and Sewer		923	
Gravel and Chert		700	
Other Supplies and Materials		1,543	
Refunds		594	
Data Processing Equipment		17,957	
Other Equipment		5,506	
Total Landfill Operation and Maintenance			\$ 246,667

Other Operations

Employee Benefits

Longevity Pay	\$	375	
Social Security		7,967	
State Retirement		3,890	
Life Insurance		374	
Medical Insurance		20,258	
Employer Medicare		1,863	
Workers' Compensation Insurance		70	
Total Employee Benefits			34,797

Highways

Litter and Trash Collection

Part-time Personnel	\$	20,860	
Overtime Pay		1,405	
Maintenance and Repair Services - Vehicles		5,578	
Travel		2,570	
Gasoline		3,180	
Instructional Supplies and Materials		11,940	
Periodicals		1,974	
Other Supplies and Materials		3,386	
Litter Enforcement Awards		85	
Total Litter and Trash Collection			50,978

Total Solid Waste/Sanitation Fund \$ 1,233,619

Special Purpose Fund

General Government

Other Facilities

Custodial Personnel	\$	9,469	
Longevity Pay		250	
Communication		2,205	
Maintenance Agreements		112	
Maintenance and Repair Services - Buildings		8,071	
Other Contracted Services		2,615	
Custodial Supplies		3,941	
Electricity		30,810	

(Continued)

Exhibit J-7

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

Special Purpose Fund (Cont.)

General Government (Cont.)

Other Facilities (Cont.)

Natural Gas	\$	2,388	
Water and Sewer		2,047	
Building and Contents Insurance		4,727	
Other Charges		17,647	
Total Other Facilities			\$ 84,282

Other Operations

Employee Benefits

Social Security	\$	603	
State Retirement		405	
Life Insurance		8	
Employer Medicare		141	
Total Employee Benefits			1,157

Total Special Purpose Fund \$ 85,439

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	7,000	
Travel		95	
Veterinary Services		1,528	
Other Supplies and Materials		12,511	
Motor Vehicles		21,124	
Other Equipment		5,957	
Total Drug Enforcement			\$ 48,215

Total Drug Control Fund 48,215

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$	2,050	
Total Chancery Court			\$ 2,050

Total Constitutional Officers - Fees Fund 2,050

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	69,013	
Accountants/Bookkeepers		30,150	
Clerical Personnel		3,830	
Board and Committee Members Fees		775	
Communication		5,175	
Dues and Memberships		3,374	
Legal Services		504	
Maintenance and Repair Services - Buildings		3,591	
Postal Charges		234	
Printing, Stationery, and Forms		2,111	

(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	\$	678	
Electricity		8,752	
Office Supplies		876	
Water and Sewer		711	
Office Equipment		8,415	
Total Administration			\$ 138,189

Highway and Bridge Maintenance

Foremen	\$	32,182	
Equipment Operators		141,814	
Truck Drivers		149,956	
Laborers		181,248	
Other Contracted Services		23,783	
Concrete		2,833	
Crushed Stone		169,813	
Pipe - Metal		49,839	
Road Signs		8,225	
Chemicals		50,782	
Total Highway and Bridge Maintenance			810,475

Operation and Maintenance of Equipment

Mechanic(s)	\$	77,798	
Licenses		52	
Diesel Fuel		129,060	
Equipment and Machinery Parts		158,032	
Garage Supplies		13,632	
Gasoline		53,010	
Lubricants		8,482	
Propane Gas		360	
Tires and Tubes		22,041	
Total Operation and Maintenance of Equipment			462,467

Other Charges

Other Contracted Services	\$	525	
Building and Contents Insurance		1,912	
Trustee's Commission		25,479	
Vehicle and Equipment Insurance		48,438	
Total Other Charges			76,354

Employee Benefits

Social Security	\$	51,395	
State Retirement		34,356	
Employee and Dependent Insurance		217,782	
Unemployment Compensation		7,850	
Workers' Compensation Insurance		68,608	
Total Employee Benefits			379,991

Capital Outlay

Bridge Construction	\$	98,070	
Highway Construction		289,242	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay (Cont.)

Highway Equipment	\$ 116,056	
State Aid Projects	102,087	
Total Capital Outlay		\$ 605,455

Principal on Debt

Highways and Streets

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

Interest on Debt

Highways and Streets

Interest on Capital Leases	\$ 4,175	
Total Highways and Streets		4,175

Total Highway/Public Works Fund \$ 2,502,106

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 624,941	
Principal on Notes	6,111	
Total General Government		\$ 631,052

Highways and Streets

Principal on Bonds	\$ 37,870	
Principal on Notes	75,834	
Principal on Capital Leases	13,214	
Total Highways and Streets		126,918

Education

Principal on Bonds	\$ 835,180	
Total Education		835,180

Interest on Debt

General Government

Interest on Bonds	\$ 92,843	
Interest on Notes	1,788	
Total General Government		94,631

Highways and Streets

Interest on Bonds	\$ 62,086	
Interest on Notes	5,039	
Interest on Capital Leases	2,510	
Total Highways and Streets		69,635

Education

Interest on Bonds	\$ 189,093	
Total Education		189,093

(Continued)

Exhibit J-7

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 25,135	
Other Debt Service	<u>400</u>	
Total General Government		\$ 25,535
 <u>Highways and Streets</u>		
Other Debt Service	\$ <u>375</u>	
Total Highways and Streets		375
 <u>Education</u>		
Other Debt Service	\$ <u>578</u>	
Total Education		578
 <u>Capital Projects</u>		
<u>Public Safety Projects</u>		
Building Improvements	\$ <u>35,545</u>	
Total Public Safety Projects		<u>35,545</u>
Total General Debt Service Fund		\$ 2,008,542
 <u>Community Development/Industrial Park Fund</u>		
<u>Agriculture and Natural Resources</u>		
<u>Other Agriculture and Natural Resources</u>		
Other Charges	\$ <u>4,818</u>	
Total Other Agriculture and Natural Resources		\$ <u>4,818</u>
Total Community Development/Industrial Park Fund		<u>4,818</u>
Total Governmental Funds - Primary Government		<u>\$ 11,776,442</u>

McNairy County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented McNairy County School Department
For the Year Ended June 30, 2013

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 11,797,703	
Career Ladder Program	141,572	
Career Ladder Extended Contracts	42,500	
Educational Assistants	372,064	
Certified Substitute Teachers	47,748	
Non-certified Substitute Teachers	99,336	
Social Security	705,321	
State Retirement	1,049,985	
Medical Insurance	1,695,832	
Dental Insurance	89,974	
Unemployment Compensation	12,969	
Employer Medicare	166,949	
Travel	14,679	
Instructional Supplies and Materials	150,292	
Textbooks	140,120	
Other Supplies and Materials	1,068	
Other Charges	500	
Regular Instruction Equipment	955	
Special Education Equipment	11,362	
Other Equipment	205,177	
Total Regular Instruction Program		\$ 16,746,106

Special Education Program

Teachers	\$ 1,207,954	
Career Ladder Program	17,535	
Educational Assistants	298,000	
Certified Substitute Teachers	3,540	
Non-certified Substitute Teachers	8,838	
Social Security	87,825	
State Retirement	123,964	
Medical Insurance	398,728	
Dental Insurance	8,219	
Unemployment Compensation	1,149	
Employer Medicare	19,400	
Contracts with Private Agencies	49,797	
Other Contracted Services	20,434	
Other Charges	1,000	
Total Special Education Program		2,246,383

Vocational Education Program

Teachers	\$ 700,830
Career Ladder Program	2,000
Certified Substitute Teachers	240
Non-certified Substitute Teachers	1,272
Social Security	41,477
State Retirement	62,411
Medical Insurance	75,421
Employer Medicare	9,702
Travel	1,389

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Instructional Supplies and Materials	\$	26,908	
Vocational Instruction Equipment		1,520	
Total Vocational Education Program			\$ 923,170

Adult Education Program

Teachers	\$	96,925	
Social Security		5,907	
State Retirement		5,372	
Medical Insurance		4,926	
Employer Medicare		1,381	
Travel		6,856	
Instructional Supplies and Materials		4,802	
Other Charges		1,878	
Total Adult Education Program			128,047

Support Services

Attendance

Supervisor/Director	\$	46,365	
Social Security		2,560	
State Retirement		4,117	
Medical Insurance		10,097	
Employer Medicare		599	
Travel		2,147	
Total Attendance			65,885

Health Services

Medical Personnel	\$	54,956	
Other Salaries and Wages		161,679	
Social Security		11,540	
State Retirement		14,374	
Medical Insurance		49,924	
Dental Insurance		52	
Employer Medicare		2,698	
Communication		850	
Postal Charges		50	
Travel		10,196	
Other Contracted Services		250	
Instructional Supplies and Materials		1,000	
Other Supplies and Materials		14,383	
Other Charges		3,500	
Total Health Services			325,452

Other Student Support

Career Ladder Program	\$	2,990	
Guidance Personnel		316,076	
Social Security		17,656	
State Retirement		28,676	
Medical Insurance		29,710	
Employer Medicare		4,462	
Evaluation and Testing		31,000	
Total Other Student Support			430,570

(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

Supervisor/Director	\$	63,649	
Career Ladder Program		4,000	
Librarians		315,813	
Materials Supervisor		9,882	
Instructional Computer Personnel		95,046	
Secretary(ies)		18,717	
Social Security		29,222	
State Retirement		42,193	
Medical Insurance		72,910	
Employer Medicare		7,047	
Communication		1,288	
Travel		28,942	
Other Contracted Services		4,000	
Library Books/Media		11,059	
In Service/Staff Development		12,672	
Other Charges		3,464	
Total Regular Instruction Program			\$ 719,904

Special Education Program

Supervisor/Director	\$	69,290	
Career Ladder Program		2,000	
Psychological Personnel		28,650	
Assessment Personnel		49,133	
Secretary(ies)		22,322	
Social Security		8,273	
State Retirement		11,834	
Medical Insurance		18,340	
Dental Insurance		517	
Employer Medicare		1,935	
Travel		12,288	
Other Charges		11,333	
Total Special Education Program			235,915

Vocational Education Program

Supervisor/Director	\$	63,834	
Career Ladder Program		2,000	
Social Security		3,965	
State Retirement		5,831	
Medical Insurance		4,565	
Employer Medicare		927	
Total Vocational Education Program			81,122

Adult Programs

Supervisor/Director	\$	39,835	
Career Ladder Program		3,000	
Social Security		3,867	
State Retirement		5,935	
Medical Insurance		7,573	
Employer Medicare		904	
Total Adult Programs			61,114

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Programs

On-Behalf Payments to OPEB	\$ 118,390	
Total Other Programs		\$ 118,390

Board of Education

Board and Committee Members Fees	\$ 6,000	
Social Security	372	
Employer Medicare	87	
Audit Services	19,000	
Dues and Memberships	20,455	
Legal Services	59	
Travel	8,000	
Other Contracted Services	6,067	
Premiums on Corporate Surety Bonds	1,330	
Trustee's Commission	146,415	
Workers' Compensation Insurance	202,908	
Other Charges	702	
Total Board of Education		411,395

Director of Schools

County Official/Administrative Officer	\$ 88,942	
Career Ladder Program	1,000	
Secretary(ies)	29,870	
Social Security	7,506	
State Retirement	9,513	
Medical Insurance	6,300	
Employer Medicare	1,755	
Communication	4,526	
Travel	3,000	
Office Supplies	5,211	
Other Charges	2,321	
Total Director of Schools		159,944

Office of the Principal

Principals	\$ 499,800	
Career Ladder Program	9,000	
Secretary(ies)	383,897	
Social Security	51,589	
State Retirement	64,798	
Medical Insurance	123,270	
Employer Medicare	12,065	
Communication	5,116	
Total Office of the Principal		1,149,535

Fiscal Services

Accountants/Bookkeepers	\$ 64,043	
Secretary(ies)	22,051	
Social Security	6,032	
State Retirement	4,608	
Medical Insurance	4,565	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Employer Medicare	\$	1,411	
Travel		148	
Other Contracted Services		7,000	
Office Supplies		2,222	
Administration Equipment		695	
Total Fiscal Services			\$ 112,775

Operation of Plant

Custodial Personnel	\$	486,929	
Other Salaries and Wages		2,500	
Social Security		27,052	
State Retirement		24,598	
Medical Insurance		90,114	
Employer Medicare		6,327	
Communication		512	
Custodial Supplies		78,380	
Electricity		801,513	
Natural Gas		198,646	
Water and Sewer		114,999	
Building and Contents Insurance		257,940	
Total Operation of Plant			2,089,510

Maintenance of Plant

Maintenance Personnel	\$	99,462	
Other Salaries and Wages		4,753	
Social Security		6,000	
State Retirement		5,086	
Medical Insurance		13,167	
Employer Medicare		1,403	
Communication		4,598	
Maintenance and Repair Services - Buildings		171,860	
Maintenance and Repair Services - Equipment		13,116	
Maintenance and Repair Services - Vehicles		711	
Other Contracted Services		36,285	
Other Supplies and Materials		39,952	
Other Charges		1,587	
Administration Equipment		27,600	
Total Maintenance of Plant			425,580

Transportation

Supervisor/Director	\$	41,340	
Mechanic(s)		65,621	
Bus Drivers		494,865	
Clerical Personnel		22,593	
Other Salaries and Wages		69,658	
Social Security		41,044	
State Retirement		35,871	
Medical Insurance		22,234	
Employer Medicare		9,872	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Communication	\$	22,847	
Maintenance and Repair Services - Vehicles		106,651	
Medical and Dental Services		5,100	
Diesel Fuel		297,557	
Gasoline		21,000	
Lubricants		14,220	
Tires and Tubes		50,876	
Other Supplies and Materials		4,500	
Other Charges		1,964	
Transportation Equipment		179,932	
Total Transportation			\$ 1,507,745

Central and Other

Data Processing Personnel	\$	34,607	
Social Security		2,040	
State Retirement		1,769	
Medical Insurance		4,711	
Employer Medicare		477	
Total Central and Other			43,604

Operation of Non-Instructional Services

Early Childhood Education

Teachers	\$	255,379	
Educational Assistants		87,994	
Other Salaries and Wages		170,885	
Certified Substitute Teachers		480	
Non-certified Substitute Teachers		6,900	
Social Security		24,068	
State Retirement		33,350	
Medical Insurance		83,210	
Dental Insurance		1,784	
Employer Medicare		5,931	
Communication		5,201	
Maintenance and Repair Services - Buildings		3,127	
Postal Charges		69	
Travel		6,550	
Instructional Supplies and Materials		25,434	
Other Charges		3,004	
Total Early Childhood Education			713,366

Capital Outlay

Regular Capital Outlay

Land	\$	21,000	
Total Regular Capital Outlay			21,000

Other Debt Service

Education

Contributions	\$	782,750	
Total Education			782,750

Total General Purpose School Fund \$ 29,499,262

(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

Instruction

Regular Instruction Program

Teachers	\$	716,631	
Educational Assistants		106,402	
Certified Substitute Teachers		2,250	
Non-certified Substitute Teachers		6,816	
Social Security		47,851	
State Retirement		70,158	
Medical Insurance		111,637	
Dental Insurance		5,118	
Employer Medicare		11,203	
Maintenance and Repair Services - Equipment		1,717	
Instructional Supplies and Materials		167,417	
Regular Instruction Equipment		76,488	
Total Regular Instruction Program			\$ 1,323,688

Special Education Program

Educational Assistants	\$	584,352	
Social Security		32,174	
State Retirement		29,842	
Employer Medicare		7,524	
Contracts with Private Agencies		16,622	
Other Contracted Services		8,896	
Instructional Supplies and Materials		4,084	
Other Charges		139	
Special Education Equipment		1,000	
Total Special Education Program			684,633

Vocational Education Program

Instructional Supplies and Materials	\$	21,911	
In Service/Staff Development		3,293	
Other Charges		4,156	
Vocational Instruction Equipment		25,514	
Total Vocational Education Program			54,874

Support Services

Other Student Support

Social Workers	\$	83,234	
Assessment Personnel		27,332	
Clerical Personnel		28,562	
Other Salaries and Wages		2,340	
Social Security		8,080	
State Retirement		12,354	
Medical Insurance		16,201	
Dental Insurance		595	
Employer Medicare		1,890	
Travel		18,908	
Other Supplies and Materials		283	
In Service/Staff Development		493	
Other Charges		9,650	
Total Other Student Support			209,922

(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	\$	60,308	
Secretary(ies)		17,447	
Certified Substitute Teachers		630	
In-Service Training		4,861	
Non-certified Substitute Teachers		1,896	
Social Security		6,252	
State Retirement		6,604	
Medical Insurance		14,515	
Dental Insurance		310	
Employer Medicare		1,462	
Communication		460	
Consultants		27,319	
Operating Lease Payments		1,197	
Postal Charges		99	
Travel		26,998	
Library Books/Media		35,734	
Other Supplies and Materials		6,737	
In Service/Staff Development		71,383	
Other Charges		1,389	
Other Equipment		4,249	
Total Regular Instruction Program			\$ 289,850

Special Education Program

Other Salaries and Wages	\$	5,573	
Travel		10,733	
Other Contracted Services		76,253	
Other Supplies and Materials		268	
Total Special Education Program			92,827

Vocational Education Program

Travel	\$	2,244	
Total Vocational Education Program			2,244

Transportation

Bus Drivers	\$	22,926	
Social Security		1,421	
State Retirement		1,171	
Employer Medicare		332	
Total Transportation			25,850

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	849	
Teachers		260,406	
Clerical Personnel		21,699	
Part-time Personnel		86,121	
Social Security		21,472	
State Retirement		21,751	
Medical Insurance		4,401	

(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 (Cont.)

Community Services (Cont.)

Employer Medicare	\$	5,208	
Travel		8,326	
Other Contracted Services		11,578	
Other Supplies and Materials		86,987	
Other Charges		5,111	
Total Community Services			\$ 533,909

Total School Federal Projects Fund \$ 3,217,797

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	38,220	
Accountants/Bookkeepers		25,282	
Clerical Personnel		16,508	
Cafeteria Personnel		691,879	
Maintenance Personnel		25,000	
Other Salaries and Wages		19,582	
Social Security		46,187	
State Retirement		37,100	
Medical Insurance		170,624	
Unemployment Compensation		435	
Employer Medicare		10,802	
Communication		3,112	
Maintenance and Repair Services - Equipment		14,970	
Transportation - Other than Students		12,885	
Travel		907	
Other Contracted Services		32,655	
Food Supplies		901,421	
Office Supplies		1,999	
Uniforms		8,713	
USDA - Commodities		124,112	
Other Supplies and Materials		62,156	
Other Charges		2,262	
Food Service Equipment		23,090	
Total Food Service			\$ 2,269,901

Total Central Cafeteria Fund 2,269,901

Total Governmental Funds - McNairy County School Department \$ 34,986,960

Exhibit J-9

McNairy County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Change in Cash Balance - City Agency Fund
For the Year Ended June 30, 2013

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 1,654,575
Total Cash Receipts	<u>\$ 1,654,575</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,638,029
Trustee's Commission	16,546
Total Cash Disbursements	<u>\$ 1,654,575</u>
 Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2012	<u>0</u>
 Cash Balance, June 30, 2013	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



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

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McNairy County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise McNairy County's basic financial statements, and have issued our report thereon dated December 23, 2013. Our report includes a reference to other auditors who audited the financial statements of the McNairy County Emergency Communications District, as described in our report on McNairy County's financial statements. This report does not include the results of the other auditors testing of internal controls over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 2013-002, 2013-003, 2013-004, 2013-005, 2013-006, 2013-007, 2013-008, 2013-009, 2013-011, 2013-014, 2013-015, 2013-016(A,B), and 2013-017.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McNairy County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items: 2013-001, 2013-010, 2013-012, 2013-013, and 2013-016(C).

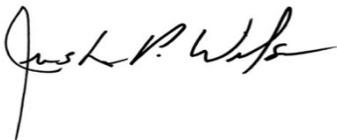
McNairy County's Responses to Findings

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

Purpose of this Report

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

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

December 23, 2013

JPW/kp



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

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

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited McNairy County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of McNairy County's major federal programs for the year ended June 30, 2013. McNairy County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of McNairy County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and*

Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about McNairy County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of McNairy County's compliance.

Opinion on Each Major Federal Program

In our opinion, McNairy County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of McNairy County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered McNairy County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of McNairy County's internal control over compliance.

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

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

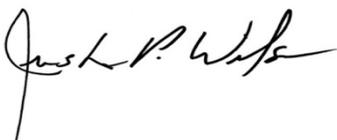
consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of McNairy County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise McNairy County's basic financial statements. We issued our report thereon December 23, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

December 23, 2013

JPW/kp

McNairy County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2013

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	\$ 300,151
National School Lunch Program	10.555	N/A	1,015,090 (3)
Summer Food Service Program for Children	10.559	N/A	56,382
Passed-through State Department of Agriculture:			
National School Lunch Program - (Commodities - Noncash Assistance)	10.555	N/A	124,112 (3)
Total U.S. Department of Agriculture			<u>\$ 1,495,735</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grant/State's Program	14.228	GG-10-33115-00	\$ 533,009
Total U.S. Department of Housing and Urban Development			<u>\$ 533,009</u>
U.S. Department of Labor:			
Passed-through State Department of Labor and Workforce Development:			
WIA Youth Activities	17.259	(2)	\$ 20,442
Total U.S. Department of Labor			<u>\$ 20,442</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	N/A	\$ 95,776
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	1,329,787
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	833,211
Special Education - Preschool Grants	84.173	N/A	33,848
Career and Technical Education - Basic Grants to States	84.048	N/A	72,049
Twenty-first Century Community Learning Centers	84.287	N/A	481,042
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	N/A	56,741
Rural Education	84.358	N/A	93,271
English Language Acquisition State Grants	84.365	N/A	837
Improving Teacher Quality State Grants	84.367	N/A	207,430
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	182,406
Total U.S. Department of Education			<u>\$ 3,386,398</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	(2)	\$ 47,287
Total U.S. Department of Homeland Security			<u>\$ 47,287</u>
Total Expenditures of Federal Awards			<u>\$ 5,482,871</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Litter Program - State Department of Transportation	N/A	(2)	\$ 28,075
Waste Tire Option Grant Program - State Department of Environment and Conservation	N/A	(2)	13,331
Recycling Equipment Grant - State Department of Environment and Conservation	N/A	(2)	18,000
Family Preservation and Support Services (Family Resource Center) - State Department of Education	N/A	(2)	29,546
Early Childhood Education - State Department of Education	N/A	(2)	713,365
Statewide System Management System - State Department of Education	N/A	(2)	11,362
Coordinated School Health Initiative - State Department of Education	N/A	(2)	90,000
Energy Efficient Schools Initiative Grant - State Department of Education	N/A	(2)	55,409
ConnecTenn - State Department of Education	N/A	(2)	<u>14,169</u>
 Total State Grants			 <u>\$ 973,257</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 \$1,139,202.

McNairy County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2013

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, 2012, which have not been corrected.

OFFICE OF COUNTY MAYOR

Finding Number	Page Number	Subject
12.01	141	Expenditures exceeded appropriations
12.02	142	The billing/accounts receivable software used by the Solid Waste Office did not have adequate application controls
12.03	143	The billing/accounts receivable software used by the Solid Waste Office did not identify the user who processed transactions

OFFICE OF TRUSTEE

Finding Number	Page Number	Subject
12.04	143	Usernames and passwords were shared by employees
12.05	144	The office did not review its software audit logs

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

Finding Number	Page Number	Subject
12.08	145	The office did not deposit some funds within three days of collection
12.09	145	Execution docket trial balances did not reconcile with cash journal accounts

OFFICE OF SHERIFF

Finding Number	Page Number	Subject
12.10	146	Duties were not segregated adequately
12.14	148 (C,E)	The office had accounting deficiencies in the commissary account

OFFICE OF REGISTER OF DEEDS

Finding Number	Page Number	Subject
12.11	146	Multiple employees operated from the same cash drawer
12.12	147	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, 2013

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of McNairy County is unmodified.
2. The audit of the financial statements of McNairy County disclosed significant deficiencies in internal control. 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 unmodified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children (CFDA Nos. 10.553, 10.555, and 10.559); Community Development Block Grant/State's Program (CFDA No. 14.228); and the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) 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 and the annual monitoring of assessors of property by the state Division of Property Assessments, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The solid waste director provided written responses on certain findings, which are paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

OFFICE OF COUNTY MAYOR

FINDING 2013-001

EXPENDITURES EXCEEDED APPROPRIATIONS

(Noncompliance Under *Government Auditing Standards*)

Expenditures exceeded appropriations approved by the County Commission in three of 36 major appropriation categories (the legal level of control) of the General Fund and in three of five major appropriation categories of the Solid Waste/Sanitation Fund. These amounts are reflected in the following table:

<u>Fund/Major Appropriation Category</u>	<u>Amount Overspent</u>
General:	
Fire Prevention and Control	\$ 986
Other Economic and Community Development	16,658
Contributions to Other Agencies	3,641
Solid Waste/Sanitation:	
Sanitation Management	3,068
Recycling Center	109
Landfill Operation and Maintenance	3,228

Section 5-9-401, *Tennessee Code Annotated*, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.” These deficiencies exist because management failed to hold spending to the limits authorized by the County Commission, which results in unauthorized expenditures. Also, this deficiency is the result of management’s failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

FINDING 2013-002

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 control deficiencies related to the software were identified:

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

Sound business practices dictate that proper application controls be implemented. Because the vendor did not design the system with proper controls, inappropriate system activity could occur. This deficiency is also a result of management's failure to correct the finding noted in the prior-year audit report. In August 2013, the office upgraded to a software application that corrected the above deficiencies.

MANAGEMENT'S RESPONSE – SOLID WASTE DIRECTOR

We concur with the finding. These deficiencies have been corrected.

FINDING 2013-003

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

Although each employee had been assigned a unique username and password for accessing the office's accounting software, the software did not record the user who processed each transaction. Since the vendor did not design the system with these controls, the employee responsible for this activity would not be easily identified if inappropriate activity were to occur. Sound business practices dictate that each transaction be identified to the individual creating the transaction. This deficiency is a result of management's failure to correct the finding noted in the prior-year audit report. In August 2013, the office upgraded to a software application that identifies the user who processes each transaction.

MANAGEMENT'S RESPONSE – SOLID WASTE DIRECTOR

We concur with the finding. This deficiency has been corrected.

FINDING 2013-004

USERNAMES AND PASSWORDS WERE SHARED BY SOLID WASTE OFFICE EMPLOYEES

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

Although each employee had been assigned a unique username and password for accessing the office's accounting software, this information was shared with other employees. Employees also processed transactions using other users' logins. If inappropriate activity were to occur, the employee responsible for this activity would not be easily identified because employees had access to each other's username and password and sometimes used the shared user account. Sound business practices dictate that each transaction be identified to the individual creating the transaction. This deficiency was the result of a lack of management oversight.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – SOLID WASTE DIRECTOR

We are researching a solution to correct this issue.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 2013-005

APPROPRIATIONS EXCEEDED ESTIMATED AVAILABLE FUNDING IN THE SCHOOL FEDERAL PROJECTS FUND

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

The budget and subsequent amendments submitted to and approved by the County Commission for the School Federal Projects Fund resulted in appropriations exceeding estimated available funding by \$100,778. Sound budgetary principles dictate that appropriations be held within estimated available funding. The budget deficiency resulted from a lack of management oversight.

RECOMMENDATION

Appropriations that exceed estimated available funding should not be submitted to the County Commission, and the County Commission should not approve such appropriations.

FINDING 2013-006

THE SCHOOL FEDERAL PROJECTS FUND HAD A CASH OVERDRAFT OF \$139,080 AT JUNE 30, 2013
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

At June 30, 2013, the School Federal Projects Fund had a cash overdraft of \$139,080. This overdraft resulted from the issuance of warrants exceeding cash on deposit with the county trustee. Sound business practices dictate that expenditures be held within available funds. The cash overdraft was liquidated subsequent to June 30, 2013.

RECOMMENDATION

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

FINDING 2013-007

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

Prior to posting to the general ledger but after printing checks, users could delete check information. An audit trail of deletions was not maintained. 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 to request that the ability to perform deletions involving check information be removed from the application. Removing this capability would help to ensure the reliability and integrity of the information maintained by the system.

OFFICE OF TRUSTEE

FINDING 2013-008

USERNAMES AND PASSWORDS WERE SHARED BY EMPLOYEES

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

Although each employee had been assigned a unique username for accessing the office’s accounting software, all employees used the same password. Employees also processed transactions using other users’ logins. If inappropriate activity were to occur, the employee responsible for this activity would not be easily identified because employees had access to each other’s username and password. Sound business practices dictate that each transaction be identified to the individual creating the transaction. This deficiency was the result of a lack of management oversight and management’s failure to correct the finding noted in the prior-year audit report. This deficiency was corrected after it was again brought to management’s attention in March 2013.

RECOMMENDATION

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

FINDING 2013-009

THE OFFICE DID NOT REVIEW ITS SOFTWARE AUDIT LOGS

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

The software application used by the office generated a log that displayed changes made by users. This log provided the only audit trail of these changes and should be reviewed for inappropriate activity. Although the official was aware of the importance of this log, it was not reviewed. This deficiency is also a result of management’s failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

OFFICE OF ASSESSOR OF PROPERTY

FINDING 2013-010

THE ASSESSOR DID NOT MAINTAIN AN ADEQUATE PROGRAM OF SALES VERIFICATION

(Noncompliance Under *Government Auditing Standards*)

The assessor did not maintain an adequate program of sales verification. Section 67-5-1601, *Tennessee Code Annotated*, requires the assessor to maintain an adequate program of real property sales verifications in accordance with procedures and rules established by the state Board of Equalization. This deficiency can be attributed to the failure of management to maintain adequate records of sales and rejections in analyzing reappraisals, sales ratio studies, current value update programs, and other reporting services. This resulted in a lack of sufficient documentation to verify sales during reappraisals, sales ratio studies, and current value update programs.

RECOMMENDATION

The assessor should maintain an adequate program of sales verifications as required by state statute.

OFFICE OF COUNTY CLERK

FINDING 2013-011

USERNAMES AND PASSWORDS WERE ACCESSIBLE TO OTHER EMPLOYEES

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

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

RECOMMENDATION

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

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 2013-012

**THE OFFICE DID NOT DEPOSIT SOME FUNDS
WITHIN THREE DAYS OF COLLECTION**

(Noncompliance Under *Government Auditing Standards*)

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

RECOMMENDATION

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

FINDING 2013-013

**EXECUTION DOCKET TRIAL BALANCES DID NOT
RECONCILE WITH CASH JOURNAL ACCOUNTS**

(Noncompliance Under *Government Auditing Standards*)

At June 30, 2013, the circuit and general sessions courts clerk had prepared trial balances of execution docket cause balances as required by Section 18-2-103, *Tennessee Code Annotated (TCA)*. However, these trial balances did not reconcile with cash journal accounts. The clerk held unidentified funds of \$11,878 in Circuit Court and \$2,497 in General Sessions Court, some of which were carried forward from a 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.

OFFICE OF REGISTER OF DEEDS

FINDING 2013-014

MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER

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

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

RECOMMENDATION

The register should assign each employee their own cash drawer.

FINDING 2013-015

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

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

Our examination disclosed that the register 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 2013-016

THE OFFICE HAD ACCOUNTING DEFICIENCIES

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

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

- A. The annual financial report did not properly reflect the operations of the office. Receipts (\$21,552) and disbursements (\$21,552) for cash bond collections were not included on the annual financial report. These amounts were determined by alternative auditing procedures and have been included in the financial statements of this report.
- B. Bank statements for the commissary account had not been reconciled. Sound business practices require the reconciliation of bank statements with general ledger accounts to ensure that all cash collections and disbursements are recorded in the accounting records accurately. The failure to reconcile bank statements with the general ledger allows errors to remain undiscovered and uncorrected.
- C. The office has not remitted commissary profits to the county trustee since June 2012. These profits had accumulated to \$23,304 at June 30, 2013. The state attorney general opined in November 1989 (Attorney General Opinion U89-143) that profits earned from commissary operations are local revenues and should be administered as any other local revenue. Section 8-24-103, *Tennessee Code Annotated*, provides that all funds earned by the Sheriff's Department should be reported to the county monthly.

RECOMMENDATION

The annual financial report should accurately reflect all operations of the Sheriff's Department. Bank statements should be reconciled with the general ledger monthly, and any errors discovered should be corrected promptly. Profits generated from the operation of the jail commissary should be remitted to the county monthly.

FINDING 2013-017

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

RECOMMENDATION

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

BEST PRACTICE

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. The Division of Local Government Audit strongly believes that the adoption of a central system of accounting, budgeting, and purchasing is a best practice that would significantly improve accountability and the quality of services provided to the citizens of McNairy County. Therefore, we recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

**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, 2013

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