
ANNUAL FINANCIAL REPORT McNAIRY COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2014



ANNUAL FINANCIAL REPORT
McNAIRY COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2014

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
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State Auditors

This financial report is available at www.comptroller.tn.gov

McNAIRY COUNTY, TENNESSEE

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Summary of Audit Findings

Annual Financial Report
McNairy County, Tennessee
For the Year Ended June 30, 2014

Scope

We have audited the basic financial statements of McNairy County as of and for the year ended June 30, 2014.

Results

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

Our audit resulted in 12 findings and recommendations, which we have reviewed with McNairy County management. Detailed findings and recommendations are included in the Single Audit section of this report.

Findings

The following are summaries of the audit findings:

OFFICE OF COUNTY MAYOR

- ◆ Expenditures exceeded appropriations.
- ◆ Usernames and passwords were shared by Solid Waste Office employees.

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The School Federal Projects Fund had a cash overdraft of \$97,511 at June 30, 2014.
- ◆ Amounts withheld from contractor payments were not deposited into an escrow account.

OFFICE OF TRUSTEE

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

OFFICE OF GENERAL SESSIONS COURT CLERK

- ◆ The execution docket trial balance 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.
- ◆ The office did not deposit some funds within three days of collection.
- ◆ Duties were not segregated adequately.
- ◆ The sheriff did not obtain a letter of agreement or court decree to authorize deputy hires.

INTRODUCTORY SECTION

McNairy County Officials

June 30, 2014

Officials

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

Board of County Commissioners

Ronnie Brooks, County Mayor, Chairman	Keith Jernigan
Kenneth Amerson	Jeff Lipford
Wilburn Gene Ashe	Kevin Lipford
Steve Browder	David McCullar
Billy Brown	James McNeil
Neal Burks	Troy Moore
Fred Carroll	Jim Rickman
Brenda Cauley	Anthony Smith
Stevie Clark	James Weatherford
Tammy Dillon	Stan Wheeler
Charles Garrison	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
Billy Brown
George Donaldson
Troy Moore
Jim Rickman
Tommy Ross

FINANCIAL 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
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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, 2014, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the McNairy County Airport Authority. 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 Airport Authority, is based solely on the report of the other auditors. We were unable to determine the McNairy County Airport Authority's respective percentage of the assets, net position, and revenues of the aggregate discretely presented component units because the McNairy County Emergency Communications District, a component unit requiring discrete

presentation, was not included in the county's financial statements. 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, 2014, and the respective changes in financial position and the respective budgetary comparisons for the General, Solid Waste/Sanitation, and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As described in Note V.B., McNairy County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* and GASB Statement No. 70, *Accounting and Reporting for Nonexchange Financial Guarantees*, which have an effective date of June 30, 2014. Our opinion is not modified with respect to this matter.

Emphasis of Matter

We draw attention to Note I.D.9. in the financial statements, which describes prior-period adjustments to the beginning balances of the primary government's capital assets and long-term debt totaling \$96,007 and \$79,037, respectively. These adjustments were necessary because in the prior year, four patrol cars and the lease associated with the purchase of the patrol cars had been omitted. As a result of these adjustments, the

beginning net position of the primary government's governmental activities was restated \$16,970. Our opinion is not modified with respect to this matter.

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 72 - 74 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

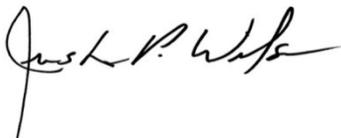
and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards 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 November 24, 2014, 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

November 24, 2014

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

McNairy County, Tennessee
Statement of Net Position
June 30, 2014

	Primary Governmental Activities	Component Units	
		McNairy County School Department	McNairy County Airport Authority
<u>ASSETS</u>			
Cash	\$ 8,969	\$ 0	\$ 234,827
Equity in Pooled Cash and Investments	6,522,488	1,796,165	0
Inventory	0	0	29,683
Accounts Receivable	1,767,117	798	480,369
Allowance for Uncollectibles	(664,990)	0	0
Due from Other Governments	479,653	1,382,413	0
Property Taxes Receivable	4,705,788	4,235,210	0
Allowance for Uncollectible Property Taxes	(244,686)	(220,216)	0
Prepaid Items	1,664	0	9,145
Capital Assets:			
Assets Not Depreciated:			
Land	495,327	396,479	91,331
Construction In Progress	0	521,495	1,231,376
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	3,563,765	9,509,539	139,001
Infrastructure	4,449,987	0	1,905,611
Other Capital Assets	1,428,059	2,066,471	42,568
Total Assets	<u>\$ 22,513,141</u>	<u>\$ 19,688,354</u>	<u>\$ 4,163,911</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 246,257	\$ 0	\$ 537,817
Payroll Deductions Payable	30,845	13,520	0
Cash Overdraft	0	97,511	0
Retainage Payable	0	18,560	0
Accrued Interest Payable	96,064	0	0
Due to State of Tennessee	3,281	0	0
Other Current Liabilities	0	0	39,690
Noncurrent Liabilities:			
Due Within One Year	1,797,976	0	9,891
Due in More Than One Year (net of unamortized premium on debt)	7,235,263	994,282	139,219
Total Liabilities	<u>\$ 9,409,686</u>	<u>\$ 1,123,873</u>	<u>\$ 726,617</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 4,262,623	\$ 3,836,362	\$ 0
Total Deferred Inflows of Resources	<u>\$ 4,262,623</u>	<u>\$ 3,836,362</u>	<u>\$ 0</u>

(Continued)

Exhibit A

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

	Primary Government Governmental Activities	Component Units	
		McNairy County School Department	McNairy County Airport Authority
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 8,239,719	\$ 12,493,984	\$ 3,260,777
Restricted for:			
General Government	14,450	0	0
Administration of Justice	56,790	0	0
Public Safety	304,700	0	0
Public Health and Welfare	13,980	0	0
Social, Cultural, and Recreational Services	4,586	0	0
Agriculture and Natural Resources	4,452	0	0
Highway/Public Works	333,663	0	0
Education	0	92,414	0
Operation of Non-instructional Services	0	728,621	0
Capital Outlay	0	970,085	64,173
Debt Service	3,638,768	0	0
Unrestricted	(3,770,276)	443,015	112,344
Total Net Position	<u>\$ 8,840,832</u>	<u>\$ 14,728,119</u>	<u>\$ 3,437,294</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, 2014

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	McNairy County Airport Authority			
Primary Government:										
Governmental Activities:										
General Government	\$ 1,729,984	268,712	\$ 17,182	\$ 275,370	\$ (1,168,720)	\$ 0	\$ 0	\$ 0	\$ 0	0
Finance	644,845	472,163	0	0	(172,682)	0	0	0	0	0
Administration of Justice	681,315	488,673	9,000	0	(183,642)	0	0	0	0	0
Public Safety	2,598,546	480,345	0	256,725	(1,861,476)	0	0	0	0	0
Public Health and Welfare	1,242,763	1,066,249	482,299	0	305,785	0	0	0	0	0
Social, Cultural, and Recreational Services	158,647	7,894	0	0	(150,753)	0	0	0	0	0
Agriculture and Natural Resources	187,992	0	0	0	(187,992)	0	0	0	0	0
Highways/Public Works	2,883,534	19,167	1,863,812	594,992	(405,563)	0	0	0	0	0
Education	2,200,381	0	0	0	(2,200,381)	0	0	0	0	0
Interest on Long-term Debt	318,871	0	5,258	0	(313,613)	0	0	0	0	0
Total Primary Government	\$ 12,646,878	\$ 2,803,203	\$ 2,377,551	\$ 1,127,087	\$ (6,339,037)	\$ 0	\$ 0	\$ 0	\$ 0	0
Component Units:										
McNairy County School Department	\$ 36,052,059	\$ 728,191	\$ 4,827,418	\$ 2,199,800	\$ 0	\$ (28,296,650)	\$ 0	\$ 0	\$ 0	0
McNairy County Airport Authority	317,736	133,560	71,599	1,100,088	0	0	0	0	0	987,511
Total Component Units	\$ 36,369,795	\$ 861,751	\$ 4,899,017	\$ 3,299,888	\$ 0	\$ (28,296,650)	\$ 0	\$ 0	\$ 0	987,511

(Continued)

Exhibit B

McNairy County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary		
				Total Governmental Activities	McNairy County School Department	McNairy County Airport Authority
	Expenses					
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes				\$ 3,533,778	\$ 3,986,870	\$ 0
Property Taxes Levied for Debt Service				893,221	0	0
Local Option Sales Taxes				186,810	1,906,052	0
Litigation Tax				112,922	0	0
Business Tax				90,033	0	0
Wholesale Beer Tax				30,073	0	0
Other Local Taxes				13,305	2,858	0
Grants and Contributions Not Restricted to Specific Programs				1,177,070	24,097,927	0
Unrestricted Investment Income				18,962	15,888	57
Miscellaneous				45,847	91,044	0
Total General Revenues				\$ 6,102,021	\$ 30,100,639	\$ 57
Change in Net Position				\$ (237,016)	\$ 1,803,989	\$ 987,568
Net Position, July 1, 2013				9,060,878	12,924,130	2,449,726
Prior-period Adjustment - See Note I.D.9.				16,970	0	0
Net Position, June 30, 2014				\$ 8,840,832	\$ 14,728,119	\$ 3,437,294

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

Exhibit C-1

McNairy County, Tennessee
 Balance Sheet
 Governmental Funds
 June 30, 2014

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other	Governmental Funds	
\$	0	0	0	0	0	8,969	\$ 8,969
1,147,911	816,603	392,546	3,942,899	222,529	0	6,522,488	6,522,488
2,166	1,763,633	1,318	0	0	0	1,767,117	1,767,117
0	(664,990)	0	0	0	0	(664,990)	(664,990)
172,928	27,358	279,367	0	0	0	479,653	479,653
19,099	0	0	0	0	0	19,099	19,099
3,379,612	0	385,019	941,157	0	0	4,705,788	4,705,788
(175,728)	0	(20,020)	(48,938)	0	0	(244,686)	(244,686)
1,664	0	0	0	0	0	1,664	1,664
\$ 4,547,652	\$ 1,942,604	\$ 1,038,230	\$ 4,835,118	\$ 231,498	\$ 12,595,102	\$ 12,595,102	

ASSETS

Cash	8,969
Equity in Pooled Cash and Investments	6,522,488
Accounts Receivable	1,767,117
Allowance for Uncollectibles	(664,990)
Due from Other Governments	479,653
Due from Other Funds	19,099
Property Taxes Receivable	4,705,788
Allowance for Uncollectible Property Taxes	(244,686)
Prepaid Items	1,664
Total Assets	12,595,102

LIABILITIES

Accounts Payable	4,217	246,257
Payroll Deductions Payable	40	30,845
Due to Other Funds	9,614	19,099
Due to State of Tennessee	0	3,281
Total Liabilities	13,871	299,482

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes	0	4,262,623
Deferred Delinquent Property Taxes	0	179,332
Other Deferred/Unavailable Revenue	0	1,223,065
Total Deferred Inflows of Resources	0	5,665,020

(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	
Nonspendable:							
Prepaid Items	\$ 1,664	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,664
Restricted:							
Restricted for General Government	12,786	0	0	0	0	0	12,786
Restricted for Administration of Justice	56,790	0	0	0	0	0	56,790
Restricted for Public Safety	175,071	0	0	0	129,629	0	304,700
Restricted for Social, Cultural, and Recreational Services	0	0	0	0	4,586	0	4,586
Restricted for Agriculture and Natural Resources	0	0	0	0	4,452	0	4,452
Restricted for Highways/Public Works	0	0	319,725	0	0	0	319,725
Restricted for Debt Service	0	0	0	3,697,966	0	0	3,697,966
Committed:							
Committed for General Government	0	0	0	0	78,960	0	78,960
Committed for Public Health and Welfare	0	730,352	0	0	0	0	730,352
Committed for Highways/Public Works	0	0	232,480	0	0	0	232,480
Committed for Debt Service	0	0	0	249,633	0	0	249,633
Committed for Capital Projects	195,600	0	0	0	0	0	195,600
Unassigned	740,906	0	0	0	0	0	740,906
Total Fund Balances	\$ 1,182,817	\$ 730,352	\$ 552,205	\$ 3,947,599	\$ 217,627	\$ 6,630,600	
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,547,652	\$ 1,942,604	\$ 1,038,230	\$ 4,835,118	\$ 231,498	\$ 12,595,102	

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, 2014

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)		\$ 6,630,600	
(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	3,563,765		
Add: infrastructure net of accumulated depreciation	4,449,987		
Add: other capital assets net of accumulated depreciation	<u>1,428,059</u>	9,937,138	
(2) Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds.			
Less: notes payable	\$ (2,421,938)		
Less: capital leases payable	(114,518)		
Less: bonds payable	(5,717,975)		
Less: compensated absences payable	(158,625)		
Less: landfill closure/postclosure care costs	(540,977)		
Less: other postemployment benefits liability	(53,441)		
Less: accrued interest on bonds, notes, and capital leases	(96,064)		
Less: other deferred revenue - premium on debt	<u>(25,765)</u>	(9,129,303)	
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>1,402,397</u>
Net position of governmental activities (Exhibit A)			<u>\$ 8,840,832</u>

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

Exhibit C-3

McNairy County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	Major Funds				
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Education Capital Projects
<u>Revenues</u>					
Local Taxes	\$ 3,528,764	\$ 69,607	\$ 372,346	\$ 905,501	\$ 0
Licenses and Permits	17,745	0	0	0	0
Fines, Forfeitures, and Penalties	123,802	0	0	0	0
Charges for Current Services	43,891	825,402	59	0	0
Other Local Revenues	33,545	32,904	51,138	44,162	0
Fees Received from County Officials	883,623	0	0	0	0
State of Tennessee	857,833	441,664	2,462,612	0	0
Federal Government	312,570	110,562	108,963	0	0
Other Governments and Citizens Groups	0	0	17,984	717,350	0
Total Revenues	\$ 5,801,773	\$ 1,480,139	\$ 3,013,102	\$ 1,667,013	\$ 0
<u>Expenditures</u>					
Current:					
General Government	\$ 713,075	0	0	0	0
Finance	505,962	0	0	0	0
Administration of Justice	527,322	0	0	0	0
Public Safety	2,122,281	0	0	0	0
Public Health and Welfare	167,720	1,155,554	0	0	0
Social, Cultural, and Recreational Services	130,119	0	0	0	0
Agriculture and Natural Resources	157,661	0	0	0	0
Other Operations	1,370,614	32,981	0	0	0
Highways	0	266,647	3,066,516	0	0
Debt Service:					
Principal on Debt	39,519	0	25,000	1,255,656	0
Interest on Debt	0	0	3,340	290,456	0
Other Debt Service	0	0	0	19,279	200
Capital Projects	0	0	0	0	2,199,800
Total Expenditures	\$ 5,734,273	\$ 1,455,182	\$ 3,094,856	\$ 1,565,391	\$ 2,200,000

(Continued)

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

	Major Funds					Education Capital Projects
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service		
Excess (Deficiency) of Revenues Over Expenditures	\$ 67,500 \$	24,957 \$	(81,754) \$	101,622 \$	(2,200,000)	
Other Financing Sources (Uses)						
Notes Issued	\$ 0 \$	0 \$	0 \$	0 \$	2,200,000	
Insurance Recovery	1,569	0	4,113	0	0	
Total Other Financing Sources (Uses)	\$ 1,569 \$	0 \$	4,113 \$	0 \$	2,200,000	
Net Change in Fund Balances	\$ 69,069 \$	24,957 \$	(77,641) \$	101,622 \$	0	
Fund Balance, July 1, 2013	1,113,748	705,395	629,846	3,845,977	0	
Fund Balance, June 30, 2014	\$ 1,182,817 \$	730,352 \$	552,205 \$	3,947,599 \$	0	

(Continued)

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

	Nonmajor Funds	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 3,170	\$	\$ 4,879,388
Licenses and Permits	0	17,745	17,745
Fines, Forfeitures, and Penalties	26,678	150,480	150,480
Charges for Current Services	2,000	871,352	871,352
Other Local Revenues	190,271	352,020	352,020
Fees Received from County Officials	0	883,623	883,623
State of Tennessee	0	3,762,109	3,762,109
Federal Government	0	532,095	532,095
Other Governments and Citizens Groups	0	735,334	735,334
Total Revenues	\$ 222,119	\$ 12,184,146	\$ 12,184,146
<u>Expenditures</u>			
Current:			
General Government	\$ 93,334	\$	\$ 806,409
Finance	0	505,962	505,962
Administration of Justice	2,000	529,322	529,322
Public Safety	74,950	2,197,231	2,197,231
Public Health and Welfare	0	1,323,274	1,323,274
Social, Cultural, and Recreational Services	2,831	132,950	132,950
Agriculture and Natural Resources	2,647	160,308	160,308
Other Operations	1,192	1,404,787	1,404,787
Highways	0	3,333,163	3,333,163
Debt Service:			
Principal on Debt	0	1,320,175	1,320,175
Interest on Debt	0	298,796	298,796
Other Debt Service	0	19,479	19,479
Capital Projects	0	2,199,800	2,199,800
Total Expenditures	\$ 176,954	\$ 14,226,656	\$ 14,226,656

(Continued)

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

	Nonmajor Funds	Other Govern- mental Funds	Total Govern- mental Funds
Excess (Deficiency) of Revenues Over Expenditures	\$ 45,165	\$	\$ (2,042,510)
Other Financing Sources (Uses)			
Notes Issued	\$ 0	\$	2,200,000
Insurance Recovery	0	0	5,682
Total Other Financing Sources (Uses)	\$ 0	\$	2,205,682
Net Change in Fund Balances	\$ 45,165	\$	163,172
Fund Balance, July 1, 2013	172,462	172,462	6,467,428
Fund Balance, June 30, 2014	\$ 217,627	\$	6,630,600

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

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, 2014

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)		\$ 163,172
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 1,248,660	
Less: current-year depreciation expense	<u>(925,837)</u>	322,823
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.		
Less: book value of capital assets disposed		(6,628)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2014	\$ 1,402,397	
Less: deferred delinquent property taxes and other deferred June 30, 2013	<u>(1,181,939)</u>	220,458
(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.		
Less: note proceeds	\$ (2,200,000)	
Add: change in premium on debt issuances	5,258	
Add: principal payments on bonds	1,095,745	
Add: principal payments on notes	104,341	
Add: principal payments on capital leases	<u>120,089</u>	(874,567)
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ (25,075)	
Change in compensated absences payable	(34,014)	
Change in other postemployment benefits liability	(4,139)	
Change in landfill closure/postclosure care costs	<u>954</u>	(62,274)
Change in net position of governmental activities (Exhibit B)		<u>\$ (237,016)</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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues				
Local Taxes	\$ 3,528,764	\$ 3,361,400	\$ 3,361,400	\$ 167,364
Licenses and Permits	17,745	16,500	16,500	1,245
Fines, Forfeitures, and Penalties	123,802	197,700	197,700	(73,898)
Charges for Current Services	43,891	52,500	52,500	(8,609)
Other Local Revenues	33,545	73,300	95,936	(62,391)
Fees Received from County Officials	883,623	763,500	763,500	120,123
State of Tennessee	857,833	697,500	917,996	(60,163)
Federal Government	312,570	54,095	341,301	(28,731)
Total Revenues	\$ 5,801,773	\$ 5,216,495	\$ 5,746,833	\$ 54,940
Expenditures				
General Government				
County Commission	\$ 45,208	\$ 52,090	\$ 52,090	\$ 6,882
Board of Equalization	1,320	2,200	2,200	880
Beer Board	400	525	525	125
Budget and Finance Committee	2,250	1,850	1,850	(400)
Other Boards and Committees	2,025	3,500	3,500	1,475
County Mayor/Executive	148,304	148,330	148,330	26
County Attorney	2,400	2,500	2,500	100
Election Commission	109,241	115,729	117,804	8,563
Register of Deeds	121,806	125,793	125,793	3,987
County Buildings	279,490	292,411	292,411	12,921
Preservation of Records	631	550	631	0
Finance				
Property Assessor's Office	141,165	153,745	153,745	12,580
Reappraisal Program	40,613	41,145	41,145	532
County Trustee's Office	142,981	165,154	165,154	22,173
County Clerk's Office	181,203	184,715	184,715	3,512
Administration of Justice				
Circuit Court	152,072	173,219	173,219	21,147
General Sessions Court	198,494	208,314	208,314	9,820
Chancery Court	120,633	127,138	127,138	6,505
Juvenile Court	56,123	56,123	56,123	0
Public Safety				
Sheriff's Department	1,330,907	1,326,582	1,326,610	(4,297)
Jail	354,115	298,728	373,715	19,600
Fire Prevention and Control	110,927	107,564	111,447	520
Rural Fire Protection	34,984	41,632	41,632	6,648
Civil Defense	286,154	46,225	287,265	1,111
Inspection and Regulation	5,194	5,353	5,353	159
Public Health and Welfare				
Local Health Center	159,327	165,450	186,654	27,327
Other Local Health Services	8,393	0	22,752	14,359
Social, Cultural, and Recreational Services				
Libraries	130,119	140,968	140,968	10,849
Agriculture and Natural Resources				
Agricultural Extension Service	101,611	72,813	101,923	312
Soil Conservation	56,050	56,050	56,050	0

(Continued)

Exhibit C-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Other Operations</u>				
Other Economic and Community Development	\$ 222,184	\$ 25,000	\$ 242,942	\$ 20,758
Airport	64,000	64,000	64,000	0
Veterans' Services	14,206	14,005	14,779	573
Other Charges	148,857	100,000	149,112	255
Contributions to Other Agencies	190,039	167,488	189,588	(451)
Employee Benefits	726,145	728,851	838,504	112,359
Miscellaneous	5,183	18,868	18,868	13,685
<u>Principal on Debt</u>				
General Government	39,519	0	39,519	0
Total Expenditures	<u>\$ 5,734,273</u>	<u>\$ 5,234,608</u>	<u>\$ 6,068,868</u>	<u>\$ 334,595</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 67,500	\$ (18,113)	\$ (322,035)	\$ 389,535
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 1,569	\$ 20,000	\$ 20,659	\$ (19,090)
Transfers In	0	25,000	25,000	(25,000)
Total Other Financing Sources	<u>\$ 1,569</u>	<u>\$ 45,000</u>	<u>\$ 45,659</u>	<u>\$ (44,090)</u>
Net Change in Fund Balance	\$ 69,069	\$ 26,887	\$ (276,376)	\$ 345,445
Fund Balance, July 1, 2013	<u>1,113,748</u>	<u>1,419,598</u>	<u>1,419,598</u>	<u>(305,850)</u>
Fund Balance, June 30, 2014	<u>\$ 1,182,817</u>	<u>\$ 1,446,485</u>	<u>\$ 1,143,222</u>	<u>\$ 39,595</u>

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

Exhibit C-6

McNairy County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 69,607	\$ 36,800	\$ 36,800	\$ 32,807
Charges for Current Services	825,402	876,750	876,750	(51,348)
Other Local Revenues	32,904	55,500	55,500	(22,596)
State of Tennessee	441,664	249,400	420,691	20,973
Federal Government	110,562	0	0	110,562
Total Revenues	<u>\$ 1,480,139</u>	<u>\$ 1,218,450</u>	<u>\$ 1,389,741</u>	<u>\$ 90,398</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 840,416	\$ 848,000	\$ 848,000	\$ 7,584
Recycling Center	85,690	19,500	90,500	4,810
Landfill Operation and Maintenance	229,448	223,968	223,968	(5,480)
<u>Other Operations</u>				
Employee Benefits	32,981	49,586	49,966	16,985
<u>Highways</u>				
Litter and Trash Collection	266,647	39,900	225,191	(41,456)
Total Expenditures	<u>\$ 1,455,182</u>	<u>\$ 1,180,954</u>	<u>\$ 1,437,625</u>	<u>\$ (17,557)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 24,957</u>	<u>\$ 37,496</u>	<u>\$ (47,884)</u>	<u>\$ 72,841</u>
Net Change in Fund Balance	\$ 24,957	\$ 37,496	\$ (47,884)	\$ 72,841
Fund Balance, July 1, 2013	<u>705,395</u>	<u>107,080</u>	<u>107,080</u>	<u>598,315</u>
Fund Balance, June 30, 2014	<u>\$ 730,352</u>	<u>\$ 144,576</u>	<u>\$ 59,196</u>	<u>\$ 671,156</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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 372,346	\$ 378,563	\$ 378,563	\$ (6,217)
Charges for Current Services	59	100	100	(41)
Other Local Revenues	51,138	20,500	20,500	30,638
State of Tennessee	2,462,612	2,237,556	2,657,548	(194,936)
Federal Government	108,963	0	108,963	0
Other Governments and Citizens Groups	17,984	20,000	20,000	(2,016)
Total Revenues	<u>\$ 3,013,102</u>	<u>\$ 2,656,719</u>	<u>\$ 3,185,674</u>	<u>\$ (172,572)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 140,945	\$ 154,585	\$ 154,585	\$ 13,640
Highway and Bridge Maintenance	834,923	809,082	849,797	14,874
Operation and Maintenance of Equipment	455,151	396,160	478,288	23,137
Other Charges	73,451	78,000	78,000	4,549
Employee Benefits	411,229	372,000	414,890	3,661
Capital Outlay	1,150,817	922,500	1,289,834	139,017
<u>Principal on Debt</u>				
Highways and Streets	25,000	25,000	25,000	0
<u>Interest on Debt</u>				
Highways and Streets	3,340	4,175	4,175	835
Total Expenditures	<u>\$ 3,094,856</u>	<u>\$ 2,761,502</u>	<u>\$ 3,294,569</u>	<u>\$ 199,713</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (81,754)</u>	<u>\$ (104,783)</u>	<u>\$ (108,895)</u>	<u>\$ 27,141</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 4,113	\$ 0	\$ 4,113	\$ 0
Total Other Financing Sources	<u>\$ 4,113</u>	<u>\$ 0</u>	<u>\$ 4,113</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (77,641)	\$ (104,783)	\$ (104,782)	\$ 27,141
Fund Balance, July 1, 2013	<u>629,846</u>	<u>671,117</u>	<u>671,117</u>	<u>(41,271)</u>
Fund Balance, June 30, 2014	<u>\$ 552,205</u>	<u>\$ 566,334</u>	<u>\$ 566,335</u>	<u>\$ (14,130)</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, 2014

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 783,361
Accounts Receivable	514
Due from Other Governments	282,851
Cash Shortage	<u>6,441</u>
Total Assets	<u>\$ 1,073,167</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 282,851
Due to Litigants, Heirs, and Others	<u>790,316</u>
Total Liabilities	<u>\$ 1,073,167</u>

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

McNAIRY COUNTY, TENNESSEE
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McNAIRY COUNTY, TENNESSEE
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McNAIRY COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

The McNairy County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of McNairy County, and the McNairy County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval. The financial statements of the McNairy County Emergency Communications District 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 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 Emergency Communications District were not available in time for inclusion, as previously mentioned. Complete financial statements of the McNairy County Airport Authority and the McNairy County Emergency Communications District can be obtained from their administrative offices at the following addresses:

Administrative Offices:

McNairy County Airport Authority
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. Net debt issues totaling \$2,199,800 were contributed by the county to the School Department for the year ended June 30, 2014.

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.

Education Capital Projects Fund – This fund accounts for debt issued by McNairy County that is subsequently contributed to the discretely presented McNairy County School Department for construction and renovation projects.

Additionally, McNairy County reports the following fund type:

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 2.79 percent of total taxes levied.

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

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

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

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

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

3. Prepaid Items

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

4. Capital Assets

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

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

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

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

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

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

5. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. 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, 2014, McNairy County had \$5,202,590 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. Prior-period Adjustments

Capital assets and long-term debt of the primary government were restated \$96,007 and \$79,037, respectively, from the prior year because four patrol cars and the lease associated with the purchase of the patrol cars had been omitted. As a result of these adjustments, the beginning net position of the primary government's governmental activities was restated \$16,970.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented McNairy County School Department

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

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

Primary Government

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

Discretely Presented McNairy County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (special revenue fund), which is not budgeted and the capital projects funds, which adopt 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 in the Office of Circuit Court Clerk. A former office employee admitted taking the funds and has restored the \$13,528.19 in missing funds to the office. On June 20, 2008, the former employee pled guilty in Circuit Court to official misconduct, was sentenced to two years in state prison, granted probation immediately, and ordered to pay \$4,405 for restitution to the county for audit expenses. As of June 30, 2014, uncollected restitution for audit expenses totaled \$3,390.50.

The audit of McNairy County for the 2011-12 year reported a cash shortage of \$9,782.36 in the Office of Sheriff. A former employee admitted taking the funds, and on February 14, 2013, was found guilty of theft of property and official misconduct and ordered to pay restitution and court costs. As of June 30, 2014, the uncollected cash shortage totaled \$6,441.38.

C. Cash Overdraft

The discretely presented School Federal Projects Fund had a cash overdraft of \$97,511 at June 30, 2014. 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, 2014.

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 Fund:

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
Budget and Finance Committee	\$ 400
Sheriff's Department	4,297
Contributions to Other Agencies	451

Expenditures exceeded total appropriations in the Solid Waste/Sanitation Fund by \$17,557. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balance.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

McNairy County and the McNairy County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net 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, 2014.

B. Capital Assets

Capital assets activity for the year ended June 30, 2014, was as follows:

Primary Government

	*Restated			
	Balance			Balance
	7-1-13	Increases	Decreases	6-30-14
Capital Assets Not Depreciated:				
Land	\$ 495,327	\$ 0	\$ 0	\$ 495,327
Total Capital Assets Not Depreciated	<u>\$ 495,327</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 495,327</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 10,008,332	\$ 113,488	\$ 115,189	\$ 10,006,631
Infrastructure	5,662,495	749,360	0	6,411,855
Other Capital Assets	5,582,950	385,812	25,580	5,943,182
Total Capital Assets Depreciated	<u>\$ 21,253,777</u>	<u>\$ 1,248,660</u>	<u>\$ 140,769</u>	<u>\$ 22,361,668</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 6,196,522	\$ 354,905	\$ 108,561	\$ 6,442,866
Infrastructure	1,712,426	249,442	0	1,961,868
Other Capital Assets	4,219,213	321,490	25,580	4,515,123
Total Accumulated Depreciation	<u>\$ 12,128,161</u>	<u>\$ 925,837</u>	<u>\$ 134,141</u>	<u>\$ 12,919,857</u>
Total Capital Assets Depreciated, Net	<u>\$ 9,125,616</u>	<u>\$ 322,823</u>	<u>\$ 6,628</u>	<u>\$ 9,441,811</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 9,620,943</u>	<u>\$ 322,823</u>	<u>\$ 6,628</u>	<u>\$ 9,937,138</u>

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

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

Governmental Activities:

General Government	\$ 170,398
Finance	3,195
Administration of Justice	5,087
Public Safety	315,038
Public Health and Welfare	39,798
Other Operations	41,719
Highway/Public Works	<u>350,602</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 925,837</u></u>

Discretely Presented McNairy County School Department

Governmental Activities:

	Balance 7-1-13	Increases	Balance 6-30-14
Capital Assets Not Depreciated:			
Land	\$ 396,479	\$ 0	\$ 396,479
Construction in Progress	0	521,495	521,495
Total Capital Assets Not Depreciated	\$ 396,479	\$ 521,495	\$ 917,974
Capital Assets Depreciated:			
Buildings and Improvements	\$ 25,487,310	\$ 456,519	\$ 25,943,829
Other Capital Assets	6,228,150	763,655	6,991,805
Total Capital Assets Depreciated	\$ 31,715,460	\$ 1,220,174	\$ 32,935,634
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 15,971,715	\$ 462,575	\$ 16,434,290
Other Capital Assets	4,523,145	402,189	4,925,334
Total Accumulated Depreciation	\$ 20,494,860	\$ 864,764	\$ 21,359,624
Total Capital Assets Depreciated, Net	\$ 11,220,600	\$ 355,410	\$ 11,576,010
Governmental Activities Capital Assets, Net	\$ 11,617,079	\$ 876,905	\$ 12,493,984

There were no decreases in capital assets to report during the year ended June 30, 2014. Depreciation expense was charged to functions of the discretely presented McNairy County School Department as follows:

Governmental Activities:

Instruction	\$ 494,973
Support Services	299,849
Operation of Non-instructional Services	<u>69,942</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 864,764</u>

C. Construction Commitments

At June 30, 2014, the School Department had uncompleted construction contracts of approximately \$462,821 for school renovations. Funding has been received for these future expenditures.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2014, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste/Sanitation	\$ 9,485
"	Nonmajor governmental	9,614

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, 2014, consisted of the following amount:

Discretely Presented McNairy County School Department

	<u>Transfer In</u>
	General Purpose School Fund
<u>Transfer Out</u>	
Nonmajor governmental fund	\$ 23,547

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

E. Capital Leases

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

On July 17, 2012, McNairy County entered into a two-year lease-purchase agreement for four patrol cars for the Sheriff's Department. The terms of the agreement require total lease payments of \$118,556. Title to the cars transfers to McNairy County at the end of the lease period. The lease payments are made from the General Fund.

The assets acquired through capital leases are as follows:

Assets	Governmental Activities
Other Capital Assets	\$ 243,556
Less: Accumulated Depreciation	<u>(81,847)</u>
Total Book Value	<u>\$ 161,709</u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2014, were as follows:

Year Ending June 30	Governmental Funds
2015	\$ 67,023
2016	26,670
2017	<u>25,835</u>
Total Minimum Lease Payments	\$ 119,528
Less: Amount Representing Interest	<u>(5,010)</u>
Present Value of Minimum Lease Payments	<u>\$ 114,518</u>

F. Long-term Obligations

Primary Government

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 20 years for bonds and 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, 2014, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, and capital leases outstanding as of June 30, 2014, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-14
General Obligation Bonds	4.75%	6-21-22	\$ 893,250	\$ 367,975
General Obligation Bonds - Refunding	2 to 4.5	6-1-19	16,840,000	5,350,000
Capital Outlay Notes	2.75 to 3.25	11-9-21	2,456,560	2,421,938
Capital Leases	0 to 3.29	10-25-16	243,556	114,518

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2014, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2015	\$ 1,448,224	\$ 235,380	\$ 1,683,604
2016	1,520,994	177,011	1,698,005
2017	1,578,739	115,865	1,694,604
2018	528,739	51,252	579,991
2019	525,350	28,604	553,954
2020-2022	115,929	11,988	127,917
Total	\$ 5,717,975	\$ 620,100	\$ 6,338,075

Year Ending June 30	Notes		
	Principal	Interest	Total
2015	\$ 217,400	\$ 53,068	\$ 270,468
2016	259,206	60,810	320,016
2017	1,393,688	53,650	1,447,338
2018	443,750	15,293	459,043
2019	28,511	3,060	31,571
2020-2022	79,383	4,292	83,675
Total	\$ 2,421,938	\$ 190,173	\$ 2,612,111

There is \$3,947,599 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds, notes, and capital leases totaled \$317, based on the 2010 federal census.

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2014, was as follows:

Governmental Activities:	Bonds	Notes	*Restated Capital Leases
Balance, July 1, 2013	\$ 6,813,720	\$ 326,279	\$ 234,607
Additions	0	2,200,000	0
Reductions	(1,095,745)	(104,341)	(120,089)
Balance, June 30, 2014	<u>\$ 5,717,975</u>	<u>\$ 2,421,938</u>	<u>\$ 114,518</u>
Balance Due Within One Year	<u>\$ 1,448,224</u>	<u>\$ 217,400</u>	<u>\$ 64,518</u>
	Compensated Absences	Landfill Closure/ Postclosure Care Costs	Other Postemployment Benefits
Balance, July 1, 2013	\$ 124,611	\$ 541,931	\$ 49,302
Additions	129,487	7,995	5,051
Reductions	(95,473)	(8,949)	(912)
Balance, June 30, 2014	<u>\$ 158,625</u>	<u>\$ 540,977</u>	<u>\$ 53,441</u>
Balance Due Within One Year	<u>\$ 58,885</u>	<u>\$ 8,949</u>	<u>\$ 0</u>

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

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2014	\$ 9,007,474
Less: Balance Due Within One Year	(1,797,976)
Add: Unamortized Premium on Debt	<u>25,765</u>
 Noncurrent Liabilities - Due in More Than One Year - Exhibit A	 <u>\$ 7,235,263</u>

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

Discretely Presented McNairy County School Department

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2014, was as follows:

	<u>Other Postemployment Benefits</u>
Balance, July 1, 2013	\$ 1,049,965
Additions	274,082
Reductions	<u>(329,765)</u>
 Balance, June 30, 2014	 <u>\$ 994,282</u>
 Balance Due Within One Year	 <u>\$ 0</u>

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

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the McNairy County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group

Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2014, were \$85,502 and \$38,117, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

H. Short-term Debt

During the year, McNairy County borrowed \$300,000 from the General Debt Service Fund to provide temporary operating funds for the General Fund. This loan was retired prior to June 30, 2014, as required by state statutes, and therefore has not been reflected in the financial statements of this report. Short-term debt activity for the year ended June 30, 2014, was as follows:

	Balance 7-1-13	Issued	Paid	Balance 6-30-14
Tax Anticipation Note \$	0	\$ 300,000	\$ (300,000)	\$ 0

V. OTHER INFORMATION

A. Risk Management

Primary Government

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

McNairy County participates in the Local Government Workers' Compensation Fund (LWCF), 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 LWCF for its workers' compensation insurance coverage. The LWCF is to be self-sustaining through member premiums. The LWCF 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. 67, *Financial Reporting for Pension Plans* and Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* became effective for the year ended June 30, 2014.

GASB Statement No. 67 replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts or equivalent arrangements.

GASB Statement No. 70 relates to accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

C. Contingent Liabilities

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

D. Change in Administration

On December 31, 2013, Charlie Miskelly left the Office of Director of Schools and was succeeded by John Prince.

E. Landfill Closure/Postclosure Care Costs

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

State and federal laws and regulations require the county to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. McNairy County closed its sanitary landfill in 1998. The \$540,977 reported as postclosure care liability at June 30, 2014, represents amounts based on what it would cost to perform all postclosure care in 2014. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. Joint Venture

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

district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. McNairy County made no contributions to the DTF during the year ended June 30, 2014.

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

Administrative Office:

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

G. 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.

H. Retirement Commitments

Plan Description

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

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

Funding Policy

McNairy County requires employees to contribute five percent of their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2014, 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, 2014, McNairy County’s annual pension cost of \$380,365 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>
6-30-14	\$380,365	100%	\$0
6-30-13	372,519	100	0
6-30-12	374,071	100	0

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 98.55 percent funded. The actuarial accrued liability for benefits was \$13.49 million, and the actuarial value of assets was \$13.29 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$7 million, and the ratio of the UAAL to the covered payroll was 2.8 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, 2014, 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, 2014, 2013, and 2012, were \$1,495,882, \$1,490,560, and \$1,509,280, respectively, equal to the required contributions for each year.

I. Other Postemployment Benefits (OPEB)

Plan Description

The McNairy County Highway Department and the McNairy County School Department participate in the state-administered Local Government Group Insurance Plan and 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 their own 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, 59 school retirees meet those eligibility requirements, and all chose to participate during the fiscal year. The School Department contributes from 11 to 15 percent of the premium for each eligible retiree and their dependents based on a value calculated from the retiree's years of service and a percentage of the premium. The calculated annual amount is allocated to each eligible retiree and used to pay the health insurance premium monthly until the amount is exhausted, the retiree reaches Medicare eligibility, or is deceased. Retirees' contributions vary depending on which option they select. During the year ended June 30, 2014, the McNairy County Highway Department and the discretely presented School Department contributed \$912 and \$329,765, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 273,000	\$ 5,000
Interest on the NOPEBO	41,999	1,972
Adjustment to the ARC	(40,917)	(1,921)
Annual OPEB cost	\$ 274,082	\$ 5,051
Less: Amount of contribution	(329,765)	(912)
Increase/decrease in NOPEBO	\$ (55,683)	\$ 4,139
Net OPEB obligation, 7-1-13	1,049,965	49,302
Net OPEB obligation, 6-30-14	\$ 994,282	\$ 53,441

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-12	Local Education Group	\$ 456,389	52%	\$ 872,039
6-30-13	"	460,856	61	1,049,965
6-30-14	"	274,082	120	994,282
6-30-12	Local Government Group	8,912	24	42,672
6-30-13	"	8,895	25	49,302
6-30-14	"	5,051	18	53,441

Funded Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

In the July 1, 2013, actuarial valuation for the Local 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 7.5 percent for fiscal year 2014. The trend rate will decrease to seven percent in fiscal year 2015 and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. Both rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007.

J. Purchasing Laws

Office of County Mayor

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

Office of Highway Commissioner

Section 54-7-113, *TCA*, (Uniform Road Law), governs purchasing procedures for the Highway Department. This statute requires all purchases exceeding \$10,000 to be made on the basis of publicly advertised competitive bids.

Office of Director of Schools

Purchasing procedures for the discretely presented McNairy County School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, *TCA*, which provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires that competitive bids be solicited through newspaper advertisement on all purchases estimated to exceed \$10,000.

VI. OTHER NOTES – DISCRETELY PRESENTED McNAIRY COUNTY AIRPORT AUTHORITY

A. General Information

1. GASB Conformity

The McNairy County Airport Authority complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

2. Financial Reporting Entity

The authority is a component unit of McNairy County, Tennessee, and is governed by a board of directors appointed by the county government. The authority is responsible for financing, developing, and operating McNairy County's public airport. The McNairy County

Commission approves the operating budget of the authority and has provided regular operating subsidies to the authority in the past.

3. Fund Accounting

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

Proprietary Funds

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

B. Summary of Significant Accounting Policies

1. Basis of Accounting

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

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

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

2. Capital Assets

All capital assets of the authority are recorded at original cost. Expenses that materially increase values or capacities, or extend useful lives of these assets, are capitalized while expenses for maintenance

and repairs are charged to operations as incurred. Gains and losses from the sale of capital assets are reflected in operations, and the asset accounts and related allowances for depreciation are reduced. These depreciable capital assets are being depreciated over various estimated useful lives on a straight-line basis. Any interest incurred in preparing or acquiring a capital asset for use is included in its cost.

3. Cash Equivalents

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

4. Inventory

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

C. Cash and Investments

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

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

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the authority's deposits may not be returned to it. The authority requires any bank deposits to be insured by the Federal Deposit Insurance Corporation (FDIC), and any deposit in excess of FDIC coverage shall be collateralized by acceptable securities pledged for said purpose and an agreement between the bank of deposit and the authority shall be executed. As of June 30, 2014, the authority's bank balances were not exposed to custodial credit risk because they were insured and collateralized.

The authority also has \$64,173 in an escrow account with the State of Tennessee.

D. Capital Assets

Capital assets activity for the year ended June 30, 2014, was as follows:

Description	Balance 7-1-13	Increases	Balance 6-30-14
Capital Assets Not Depreciated:			
Land	\$ 91,331	\$ 0	\$ 91,331
Construction in Progress	71,610	1,159,766	1,231,376
Total Capital Assets Not Depreciated	\$ 162,941	\$ 1,159,766	\$ 1,322,707
Capital Assets Depreciated:			
Airport	\$ 3,531,806	\$ 0	\$ 3,531,806
Building	196,238	0	196,238
Equipment	216,104	0	216,104
Vehicles	14,880	0	14,880
Total Capital Assets Depreciated	\$ 3,959,028	\$ 0	\$ 3,959,028
Less Accumulated Depreciation For:			
Airport	\$ 1,491,767	\$ 134,428	\$ 1,626,195
Building	52,331	4,906	57,237
Equipment	161,211	12,325	173,536
Vehicles	14,880	0	14,880
Total Accumulated Depreciation	\$ 1,720,189	\$ 151,659	\$ 1,871,848
Total Capital Assets, Net	\$ 2,401,780	\$ 1,008,107	\$ 3,409,887

E. Long-term Debt

1. Description of Individual Debt Outstanding

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

	Amount Outstanding 6-30-14	Interest Rate	Current Principal Requirement 6-30-14
Capital Outlay Note	\$ 149,110	6.38%	\$ 9,891

2. Summary of Principal and Interest Requirements – All Debt

Year Ending June 30	Principal	Interest	Total
2015	\$ 9,891	\$ 8,285	\$ 18,176
2016	12,710	8,505	21,215
2017	13,541	7,675	21,216
2018	14,426	6,790	21,216
2019	15,368	5,847	21,215
2020-2024	83,174	12,898	96,072
Total	\$ 149,110	\$ 50,000	\$ 199,110
Less:			
Payable Within One Year	<u>(9,891)</u>	<u>(8,284)</u>	<u>(18,175)</u>
Due After One Year	<u>\$ 139,219</u>	<u>\$ 41,716</u>	<u>\$ 180,935</u>

3. Changes in Outstanding Debt

	Balance 7-1-13	Reductions	Balance 6-30-14
Capital Outlay Note	\$ 162,349	\$ (13,239)	\$ 149,110

F. Risk Management

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

G. Net Position Flow Assumption

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

Net position is displayed in three components:

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are

attributable to the acquisition, construction, or improvements of those assets.

2. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – All other net position that does not meet the definition of restricted or net investment in capital assets.

H. Unearned Revenues – Rent

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

I. Construction and Other Significant Commitments

The authority has significant commitments on three construction projects.

The first is a runway maintenance overlay project that was in progress at year-end. This project has estimated costs of \$1,375,000. As of June 30, 2014, the remaining cost on this project is approximately \$300,000 with 95 percent funding coming from state grant funds and the remaining five percent from the authority's local share, which is in an escrow account with the state. The authority had \$1,075,901 recorded as construction in progress for this project at June 30, 2014.

The second is a fuel farm project. This project has estimated costs of \$570,000. It is to be funded with \$541,500 from grant funds and \$28,500 from the authority's local share, which is in an escrow account with the state as of June 30, 2014. The authority had \$104,227 recorded as construction in progress for this project at June 30, 2014.

The third is an updated ALP and Property Map project. This project has estimated costs of \$98,000. It is to be funded with \$93,100 from grant funds and \$4,900 from the authority's local share, which is in an escrow account with the state as of June 30, 2014. The authority had \$51,248 recorded as construction in progress for this project at June 30, 2014.

**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, 2014

(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)
7-1-13	\$ 13,291	\$ 13,487	\$ 196	98.55 %	\$ 7,003	2.80 %
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

Exhibit E-2

McNairy County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented McNairy County School Department
June 30, 2014

(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	7-1-10	\$ 0	71 \$	71	0%	\$ 587	12%
"	7-1-11	0	53	53	0	589	9
"	7-1-13	0	32	32	0	682	5
<u>DISCRETELY PRESENTED McNAIRY COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-10	0	5,269	5,269	0	19,990	26
"	7-1-11	0	4,186	4,186	0	20,804	20
"	7-1-13	0	2,432	2,432	0	20,862	12

McNAIRY COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2014

NONE

**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 of deeds, 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, 2014

	Special Revenue Funds				Total
	Law Library	Special Purpose	Drug Control	Constitutional Officers - Fees	
Cash	\$ 0	\$ 0	\$ 0	\$ 8,969	\$ 8,969
Equity in Pooled Cash and Investments	4,667	83,231	130,179	0	218,077
Total Assets	\$ 4,667	\$ 83,231	\$ 130,179	\$ 8,969	\$ 227,046
<u>ASSETS</u>					
Accounts Payable	\$ 81	\$ 3,586	\$ 550	\$ 0	\$ 4,217
Payroll Deductions Payable	0	40	0	0	40
Due to Other Funds	0	645	0	8,969	9,614
Total Liabilities	\$ 81	\$ 4,271	\$ 550	\$ 8,969	\$ 13,871
<u>FUND BALANCES</u>					
Restricted:					
Restricted for Public Safety	\$ 0	\$ 0	\$ 129,629	\$ 0	\$ 129,629
Restricted for Social, Cultural, and Recreational Services	4,586	0	0	0	4,586
Restricted for Agriculture and Natural Resources	0	0	0	0	0
Committed:					
Committed for General Government	0	78,960	0	0	78,960
Total Fund Balances	\$ 4,586	\$ 78,960	\$ 129,629	\$ 0	\$ 213,175
Total Liabilities and Fund Balances	\$ 4,667	\$ 83,231	\$ 130,179	\$ 8,969	\$ 227,046

(Continued)

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

	Capital Projects Fund	Total Nonmajor Governmental Funds
	Community Development/ Industrial Park	
<u>ASSETS</u>		
Cash	0 \$	8,969
Equity in Pooled Cash and Investments	4,452	222,529
Total Assets	<u>4,452 \$</u>	<u>231,498</u>
<u>LIABILITIES</u>		
Accounts Payable	0 \$	4,217
Payroll Deductions Payable	0	40
Due to Other Funds	0	9,614
Total Liabilities	<u>0 \$</u>	<u>13,871</u>
<u>FUND BALANCES</u>		
Restricted:		
Restricted for Public Safety	0 \$	129,629
Restricted for Social, Cultural, and Recreational Services	0	4,586
Restricted for Agriculture and Natural Resources	4,452	4,452
Committed:		
Committed for General Government	0	78,960
Total Fund Balances	<u>4,452 \$</u>	<u>217,627</u>
Total Liabilities and Fund Balances	<u>4,452 \$</u>	<u>231,498</u>

McNairy County, Tennessee
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2014

	Special Revenue Funds					Total
	Law Library	Special Purpose	Drug Control	Constitu- tional Officers - Fees		
<u>Revenues</u>						
Local Taxes	\$ 3,170	\$ 0	\$ 0	\$ 0	\$ 0	3,170
Fines, Forfeitures, and Penalties	0	0	26,678	0	0	26,678
Charges for Current Services	0	0	0	2,000	0	2,000
Other Local Revenues	0	122,745	67,526	0	0	190,271
Total Revenues	\$ 3,170	\$ 122,745	\$ 94,204	\$ 2,000	\$ 0	\$ 222,119
<u>Expenditures</u>						
Current:						
General Government	\$ 0	\$ 93,334	\$ 0	\$ 0	\$ 0	\$ 93,334
Administration of Justice	0	0	0	2,000	0	2,000
Public Safety	0	0	74,950	0	0	74,950
Social, Cultural, and Recreational Services	2,831	0	0	0	0	2,831
Agriculture and Natural Resources	0	0	0	0	0	0
Other Operations	0	1,192	0	0	0	1,192
Total Expenditures	\$ 2,831	\$ 94,526	\$ 74,950	\$ 2,000	\$ 0	\$ 174,307
Excess (Deficiency) of Revenues Over Expenditures	\$ 339	\$ 28,219	\$ 19,254	\$ 0	\$ 0	\$ 47,812
Net Change in Fund Balances Fund Balance, July 1, 2013	\$ 339	\$ 28,219	\$ 19,254	\$ 0	\$ 0	\$ 47,812
	4,247	50,741	110,375	0	0	165,363
Fund Balance, June 30, 2014	\$ 4,586	\$ 78,960	\$ 129,629	\$ 0	\$ 0	\$ 213,175

(Continued)

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

	Capital Projects Fund	Total Nonmajor Governmental Funds
	Community Development/ Industrial Park	
<u>Revenues</u>		
Local Taxes	0 \$	3,170
Fines, Forfeitures, and Penalties	0	26,678
Charges for Current Services	0	2,000
Other Local Revenues	0	190,271
Total Revenues	<u>0 \$</u>	<u>222,119</u>
<u>Expenditures</u>		
Current:		
General Government	0 \$	93,334
Administration of Justice	0	2,000
Public Safety	0	74,950
Social, Cultural, and Recreational Services	0	2,831
Agriculture and Natural Resources	2,647	2,647
Other Operations	0	1,192
Total Expenditures	<u>2,647 \$</u>	<u>176,954</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,647) \$</u>	<u>45,165</u>
Net Change in Fund Balances Fund Balance, July 1, 2013	<u>(2,647) \$</u> 7,099	<u>45,165</u> 172,462
Fund Balance, June 30, 2014	<u>4,452 \$</u>	<u>217,627</u>

Exhibit F-3

McNairy County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Law Library Fund
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,170	\$ 3,400	\$ 3,400	\$ (230)
Total Revenues	\$ 3,170	\$ 3,400	\$ 3,400	\$ (230)
<u>Expenditures</u>				
<u>Social, Cultural, and Recreational Services</u>				
Libraries	\$ 2,831	\$ 3,340	\$ 3,340	\$ 509
Total Expenditures	\$ 2,831	\$ 3,340	\$ 3,340	\$ 509
Excess (Deficiency) of Revenues Over Expenditures	\$ 339	\$ 60	\$ 60	\$ 279
Net Change in Fund Balance	\$ 339	\$ 60	\$ 60	\$ 279
Fund Balance, July 1, 2013	4,247	2,078	2,078	2,169
Fund Balance, June 30, 2014	\$ 4,586	\$ 2,138	\$ 2,138	\$ 2,448

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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 122,745	\$ 121,500	\$ 121,500	\$ 1,245
Total Revenues	\$ 122,745	\$ 121,500	\$ 121,500	\$ 1,245
<u>Expenditures</u>				
<u>General Government</u>				
Other Facilities	\$ 93,334	\$ 76,978	\$ 102,207	\$ 8,873
<u>Other Operations</u>				
Employee Benefits	1,192	6,467	6,467	5,275
Total Expenditures	\$ 94,526	\$ 83,445	\$ 108,674	\$ 14,148
Excess (Deficiency) of Revenues Over Expenditures	\$ 28,219	\$ 38,055	\$ 12,826	\$ 15,393
Net Change in Fund Balance	\$ 28,219	\$ 38,055	\$ 12,826	\$ 15,393
Fund Balance, July 1, 2013	50,741	73,307	73,307	(22,566)
Fund Balance, June 30, 2014	\$ 78,960	\$ 111,362	\$ 86,133	\$ (7,173)

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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 26,678	\$ 30,000	\$ 30,000	\$ (3,322)
Other Local Revenues	67,526	3,000	3,000	64,526
Total Revenues	<u>\$ 94,204</u>	<u>\$ 33,000</u>	<u>\$ 33,000</u>	<u>\$ 61,204</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 74,950	\$ 21,500	\$ 79,866	\$ 4,916
Total Expenditures	<u>\$ 74,950</u>	<u>\$ 21,500</u>	<u>\$ 79,866</u>	<u>\$ 4,916</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 19,254</u>	<u>\$ 11,500</u>	<u>\$ (46,866)</u>	<u>\$ 66,120</u>
Net Change in Fund Balance	\$ 19,254	\$ 11,500	\$ (46,866)	\$ 66,120
Fund Balance, July 1, 2013	110,375	68,710	68,710	41,665
Fund Balance, June 30, 2014	<u>\$ 129,629</u>	<u>\$ 80,210</u>	<u>\$ 21,844</u>	<u>\$ 107,785</u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit G

McNairy County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 905,501	\$ 871,050	\$ 871,050	\$ 34,451
Other Local Revenues	44,162	85,000	85,000	(40,838)
Other Governments and Citizens Groups	717,350	0	1,146,539	(429,189)
Total Revenues	<u>\$ 1,667,013</u>	<u>\$ 956,050</u>	<u>\$ 2,102,589</u>	<u>\$ (435,576)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 149,706	\$ 254,826	\$ 247,255	\$ 97,549
Highways and Streets	223,370	133,554	223,370	0
Education	882,580	900,000	882,580	0
<u>Interest on Debt</u>				
General Government	70,328	126,823	70,336	8
Highways and Streets	64,443	3,359	66,085	1,642
Education	155,685	167,350	155,685	0
<u>Other Debt Service</u>				
General Government	18,316	265,775	205,413	187,097
Highways and Streets	382	0	382	0
Education	581	0	581	0
Total Expenditures	<u>\$ 1,565,391</u>	<u>\$ 1,851,687</u>	<u>\$ 1,851,687</u>	<u>\$ 286,296</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 101,622</u>	<u>\$ (895,637)</u>	<u>\$ 250,902</u>	<u>\$ (149,280)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 1,146,539	\$ 0	\$ 0
Total Other Financing Sources	<u>\$ 0</u>	<u>\$ 1,146,539</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 101,622	\$ 250,902	\$ 250,902	\$ (149,280)
Fund Balance, July 1, 2013	<u>3,845,977</u>	<u>3,086,288</u>	<u>3,086,288</u>	<u>759,689</u>
Fund Balance, June 30, 2014	<u>\$ 3,947,599</u>	<u>\$ 3,337,190</u>	<u>\$ 3,337,190</u>	<u>\$ 610,409</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 of deeds, and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Exhibit H-1

McNairy County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2014

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 783,361	\$ 783,361
Accounts Receivable	0	514	514
Due from Other Governments	282,851	0	282,851
Cash Shortage	0	6,441	6,441
Total Assets	<u>\$ 282,851</u>	<u>\$ 790,316</u>	<u>\$ 1,073,167</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 282,851	\$ 0	\$ 282,851
Due to Litigants, Heirs, and Others	0	790,316	790,316
Total Liabilities	<u>\$ 282,851</u>	<u>\$ 790,316</u>	<u>\$ 1,073,167</u>

Exhibit H-2

McNairy County, TennesseeCombining Statement of Changes in Assets and Liabilities - All Agency FundsFor the Year Ended June 30, 2014

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,725,947	\$ 1,725,947	\$ 0
Due from Other Governments	285,459	282,851	285,459	282,851
Total Assets	<u>\$ 285,459</u>	<u>\$ 2,008,798</u>	<u>\$ 2,011,406</u>	<u>\$ 282,851</u>
<u>Liabilities</u>				
Due to Other Taxing Units	<u>\$ 285,459</u>	<u>\$ 2,008,798</u>	<u>\$ 2,011,406</u>	<u>\$ 282,851</u>
Total Liabilities	<u>\$ 285,459</u>	<u>\$ 2,008,798</u>	<u>\$ 2,011,406</u>	<u>\$ 282,851</u>
 <u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 728,148	\$ 3,947,070	\$ 3,891,857	\$ 783,361
Accounts Receivable	1,821	514	1,821	514
Cash Shortage	9,782	0	3,341	6,441
Total Assets	<u>\$ 739,751</u>	<u>\$ 3,947,584</u>	<u>\$ 3,897,019</u>	<u>\$ 790,316</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	<u>\$ 739,751</u>	<u>\$ 3,947,584</u>	<u>\$ 3,897,019</u>	<u>\$ 790,316</u>
Total Liabilities	<u>\$ 739,751</u>	<u>\$ 3,947,584</u>	<u>\$ 3,897,019</u>	<u>\$ 790,316</u>
 <u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 728,148	\$ 3,947,070	\$ 3,891,857	\$ 783,361
Equity in Pooled Cash and Investments	0	1,725,947	1,725,947	0
Accounts Receivable	1,821	514	1,821	514
Due from Other Governments	285,459	282,851	285,459	282,851
Cash Shortage	9,782	0	3,341	6,441
Total Assets	<u>\$ 1,025,210</u>	<u>\$ 5,956,382</u>	<u>\$ 5,908,425</u>	<u>\$ 1,073,167</u>
<u>Liabilities</u>				
Due to Other Taxing Units	<u>\$ 285,459</u>	<u>\$ 2,008,798</u>	<u>\$ 2,011,406</u>	<u>\$ 282,851</u>
Due to Litigants, Heirs, and Others	<u>739,751</u>	<u>3,947,584</u>	<u>3,897,019</u>	<u>790,316</u>
Total Liabilities	<u>\$ 1,025,210</u>	<u>\$ 5,956,382</u>	<u>\$ 5,908,425</u>	<u>\$ 1,073,167</u>

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, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:				
Instruction	\$ 23,702,365	\$ 2,314,172	\$ 1,700,000	\$ (19,032,358)
Support Services	8,621,598	947,415	499,800	(7,113,522)
Operation of Non-instructional Services	3,728,096	1,565,831	0	(2,150,770)
Total Governmental Activities	\$ 36,052,059	\$ 4,827,418	\$ 2,199,800	\$ (28,296,650)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 3,986,870
Local Option Sales Taxes				1,906,052
Other Local Taxes				2,858
Grants and Contributions Not Restricted to Specific Programs				24,097,927
Unrestricted Investment Income				15,888
Miscellaneous				91,044
Total General Revenues				\$ 30,100,639
Change in Net Position				\$ 1,803,989
Net Position, July 1, 2013				12,924,130
Net Position, June 30, 2014				\$ 14,728,119

McNairy County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented McNairy County School Department
June 30, 2014

	Major Funds			Nonmajor Fund		Total Governmental Funds
	General Purpose School	Central Cafeteria		School Federal Projects		
\$	1,054,024	\$ 742,141	\$	0	\$	1,796,165
	798	0		0		798
	1,218,656	0		163,757		1,382,413
	4,235,210	0		0		4,235,210
	(220,216)	0		0		(220,216)
\$	6,288,472	\$ 742,141	\$	163,757	\$	7,194,370

ASSETS

Equity in Pooled Cash and Investments
Accounts Receivable
Due from Other Governments
Property Taxes Receivable
Allowance for Uncollectible Property Taxes

Total Assets

LIABILITIES

Payroll Deductions Payable
Cash Overdraft
Retainage Payable
Total Liabilities

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes
Deferred Delinquent Property Taxes
Other Deferred/Unavailable Revenue
Total Deferred Inflows of Resources

(Continued)

McNairy County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented McNairy County School Department (Cont.)

	Major Funds			Nonmajor Fund		Total Governmental Funds
	General Purpose School	Central Cafeteria		School Federal Projects		
Restricted:						
Restricted for Education	\$ 61,168	\$ 0	\$ 0	\$ 31,246	\$ 92,414	
Restricted for Operation of Non-instructional Services	0	728,621	0	0	728,621	
Restricted for Capital Outlay	970,085	0	0	0	970,085	
Assigned:						
Assigned for Education	0	0	0	35,000	35,000	
Unassigned	1,084,701	0	0	0	1,084,701	
Total Fund Balances	\$ 2,115,954	\$ 728,621	\$ 0	\$ 66,246	\$ 2,910,821	
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,288,472	\$ 742,141	\$ 163,757	\$ 7,194,370		

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, 2014

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)		\$	2,910,821
(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: construction in progress		521,495	
Add: buildings and improvements net of accumulated depreciation		9,509,539	
Add: other capital assets net of accumulated depreciation		<u>2,066,471</u>	12,493,984
(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			(994,282)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			
			<u>317,596</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>14,728,119</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, 2014

	Major Funds		Nonmajor	Total
	General Purpose School	Central Cafeteria	Fund School Federal Projects	
<u>Revenues</u>				
Local Taxes	\$ 5,901,984	\$ 0	\$ 0	\$ 5,901,984
Licenses and Permits	3,287	0	0	3,287
Charges for Current Services	51,083	637,055	0	688,138
Other Local Revenues	100,617	46,993	0	147,610
State of Tennessee	23,699,227	20,683	117,708	23,837,618
Federal Government	38,222	1,545,148	3,484,194	5,067,564
Other Governments and Citizens Groups	2,199,800	0	0	2,199,800
Total Revenues	<u>\$ 31,994,220</u>	<u>\$ 2,249,879</u>	<u>\$ 3,601,902</u>	<u>\$ 37,846,001</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 20,174,698	\$ 0	\$ 2,365,487	\$ 22,540,185
Support Services	8,157,904	0	706,219	8,864,123
Operation of Non-instructional Services	713,814	2,336,106	617,593	3,667,513
Capital Outlay	1,229,715	0	0	1,229,715
Debt Service:				
Other Debt Service	717,350	0	0	717,350
Total Expenditures	<u>\$ 30,993,481</u>	<u>\$ 2,336,106</u>	<u>\$ 3,689,299</u>	<u>\$ 37,018,886</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>\$ 1,000,739</u>	<u>\$ (86,227)</u>	<u>\$ (87,397)</u>	<u>\$ 827,115</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 34,239	\$ 0	\$ 0	\$ 34,239
Transfers In	23,547	0	0	23,547
Transfers Out	\$ 0	\$ 0	\$ (23,547)	\$ (23,547)
Total Other Financing Sources (Uses)	<u>\$ 57,786</u>	<u>\$ 0</u>	<u>\$ (23,547)</u>	<u>\$ 34,239</u>
Net Change in Fund Balances	\$ 1,058,525	\$ (86,227)	\$ (110,944)	\$ 861,354
Fund Balance, July 1, 2013	1,057,429	814,848	177,190	2,049,467
Fund Balance, June 30, 2014	<u>\$ 2,115,954</u>	<u>\$ 728,621</u>	<u>\$ 66,246</u>	<u>\$ 2,910,821</u>

Exhibit I-5

McNairy County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented McNairy County School Department
For the Year Ended June 30, 2014

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)		\$ 861,354
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 1,741,669	
Less: current-year depreciation expense	<u>(864,764)</u>	876,905
(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, 2014	\$ 317,596	
Less: deferred delinquent property taxes and other deferred June 30, 2013	<u>(307,549)</u>	10,047
(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>55,683</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 1,803,989</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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 5,901,984	\$ 5,954,459	\$ 5,954,459	\$ (52,475)
Licenses and Permits	3,287	5,000	5,000	(1,713)
Charges for Current Services	51,083	51,500	51,500	(417)
Other Local Revenues	100,617	70,000	81,049	19,568
State of Tennessee	23,699,227	23,254,160	23,891,700	(192,473)
Federal Government	38,222	0	38,222	0
Other Governments and Citizens Groups	2,199,800	0	2,050,000	149,800
Total Revenues	\$ 31,994,220	\$ 29,335,119	\$ 32,071,930	\$ (77,710)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 17,164,959	\$ 16,920,733	\$ 17,396,594	\$ 231,635
Special Education Program	2,056,308	2,117,166	2,072,194	15,886
Vocational Education Program	923,848	912,931	930,725	6,877
Adult Education Program	29,583	0	29,612	29
<u>Support Services</u>				
Attendance	68,466	67,507	68,996	530
Health Services	323,388	338,133	326,800	3,412
Other Student Support	461,973	391,839	467,241	5,268
Regular Instruction Program	722,650	736,881	729,746	7,096
Special Education Program	253,478	239,210	256,633	3,155
Vocational Education Program	82,274	82,416	82,446	172
Other Programs	123,619	0	123,619	0
Board of Education	427,746	442,489	440,805	13,059
Director of Schools	175,942	163,685	177,043	1,101
Office of the Principal	1,216,755	1,097,869	1,226,667	9,912
Fiscal Services	122,699	121,238	122,755	56
Operation of Plant	2,110,562	1,991,338	2,119,708	9,146
Maintenance of Plant	319,098	257,032	368,027	48,929
Transportation	1,705,300	1,629,831	1,732,443	27,143
Central and Other	43,954	44,106	44,101	147
<u>Operation of Non-instructional Services</u>				
Early Childhood Education	713,814	713,815	713,814	0
<u>Capital Outlay</u>				
Regular Capital Outlay	1,229,715	0	1,700,000	470,285
<u>Other Debt Service</u>				
Education	717,350	0	1,067,350	350,000
Total Expenditures	\$ 30,993,481	\$ 28,268,219	\$ 32,197,319	\$ 1,203,838
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,000,739	\$ 1,066,900	\$ (125,389)	\$ 1,126,128
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 34,239	\$ 0	\$ 0	\$ 34,239
Transfers In	23,547	0	0	23,547
Transfers Out	0	(1,066,900)	0	0
Total Other Financing Sources	\$ 57,786	\$ (1,066,900)	\$ 0	\$ 57,786
Net Change in Fund Balance	\$ 1,058,525	\$ 0	\$ (125,389)	\$ 1,183,914
Fund Balance, July 1, 2013	1,057,429	760,085	760,085	297,344
Fund Balance, June 30, 2014	\$ 2,115,954	\$ 760,085	\$ 634,696	\$ 1,481,258

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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
State of Tennessee	\$ 117,708	\$ 122,284	\$ 122,284	\$ (4,576)
Federal Government	3,484,194	3,994,105	3,994,105	(509,911)
Total Revenues	\$ 3,601,902	\$ 4,116,389	\$ 4,116,389	\$ (514,487)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,351,278	\$ 1,118,871	\$ 1,384,567	\$ 33,289
Special Education Program	778,505	803,378	788,609	10,104
Vocational Education Program	235,704	234,797	235,704	0
<u>Support Services</u>				
Other Student Support	241,039	164,847	281,900	40,861
Regular Instruction Program	277,072	251,142	341,242	64,170
Special Education Program	157,172	157,724	179,560	22,388
Vocational Education Program	2,692	3,250	2,692	0
Transportation	28,244	32,174	29,001	757
<u>Operation of Non-instructional Services</u>				
Community Services	617,593	0	623,294	5,701
Total Expenditures	\$ 3,689,299	\$ 2,766,183	\$ 3,866,569	\$ 177,270
Excess (Deficiency) of Revenues Over Expenditures	\$ (87,397)	\$ 1,350,206	\$ 249,820	\$ (337,217)
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (23,547)	\$ (20,094)	\$ (25,043)	\$ 1,496
Total Other Financing Sources	\$ (23,547)	\$ (20,094)	\$ (25,043)	\$ 1,496
Net Change in Fund Balance	\$ (110,944)	\$ 1,330,112	\$ 224,777	\$ (335,721)
Fund Balance, July 1, 2013	177,190	(100,778)	(100,778)	277,968
Fund Balance, June 30, 2014	\$ 66,246	\$ 1,229,334	\$ 123,999	\$ (57,753)

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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 637,055	\$ 756,000	\$ 756,000	\$ (118,945)
Other Local Revenues	46,993	57,000	57,000	(10,007)
State of Tennessee	20,683	23,000	23,000	(2,317)
Federal Government	1,545,148	1,443,000	1,593,207	(48,059)
Total Revenues	\$ 2,249,879	\$ 2,279,000	\$ 2,429,207	\$ (179,328)
<u>Expenditures</u>				
<u>Operation of Non-instructional Services</u>				
Food Service	\$ 2,336,106	\$ 2,279,000	\$ 2,429,207	\$ 93,101
Total Expenditures	\$ 2,336,106	\$ 2,279,000	\$ 2,429,207	\$ 93,101
Excess (Deficiency) of Revenues Over Expenditures	\$ (86,227)	\$ 0	\$ 0	\$ (86,227)
Net Change in Fund Balance	\$ (86,227)	\$ 0	\$ 0	\$ (86,227)
Fund Balance, July 1, 2013	814,848	824,650	824,650	(9,802)
Fund Balance, June 30, 2014	\$ 728,621	\$ 824,650	\$ 824,650	\$ (96,029)

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, 2014

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-13	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-14
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Highway Equipment	\$ 455,000	4.43	% 11-7-07	11-7-13	\$ 75,830	0 \$	75,830 \$	0
911 Building and Storage	55,000	3.25	4-13-12	4-13-21	48,889	0	6,111	42,778
Latta Building/Welome Center	201,560	2.75	11-9-12	11-9-21	201,560	0	22,400	179,160
School Improvement Project	1,700,000	2.75	8-16-13	8-16-16	0	1,700,000	0	1,700,000
School Roof Repair	500,000	2.75	6-19-14	8-16-17	0	500,000	0	500,000
Total Notes Payable					\$ 326,279	2,200,000 \$	104,341 \$	2,421,938
<u>CAPITAL LEASES</u>								
<u>Payable through General Fund</u>								
Patrol Cars	118,556	0	7-17-12	7-17-14	\$ 79,037	0 \$	39,519 \$	39,518
<u>Payable through Highway/Public Works Fund</u>								
Dump Truck	125,000	3.29	10-20-11	10-25-16	100,000	0	25,000	75,000
<u>Payable through General Debt Service Fund</u>								
Highway Equipment	105,700	3.59	11-18-08	12-25-13	55,570	0	55,570	0
Total Capital Leases					\$ 234,607	0 \$	120,089 \$	114,518
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
USDA Rural Development Bonds	350,500	4.75	11-13-01	11-13-16	\$ 118,652	0 \$	27,983 \$	90,669
USDA Rural Development Bonds	217,750	4.75	5-1-02	5-1-22	122,830	0	11,241	111,589
USDA Rural Development Bonds	325,000	4.75	6-21-02	6-21-22	182,238	0	16,521	165,717
School Refunding Bonds, Series 2003	10,305,000	2 to 4	4-22-03	3-1-17	3,685,000	0	870,000	2,815,000
Refunding Bonds, Series 2008	6,535,000	3.5 to 4.5	12-10-08	6-1-19	2,705,000	0	170,000	2,535,000
Total Bonds Payable					\$ 6,813,720	0 \$	1,095,745 \$	5,717,975

Exhibit J-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2015	\$ 217,400	\$ 53,068	\$ 270,468
2016	259,206	60,810	320,016
2017	1,393,688	53,650	1,447,338
2018	443,750	15,293	459,043
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	\$ 2,421,938	\$ 190,173	\$ 2,612,111
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Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2015	\$ 64,518	\$ 2,505	\$ 67,023
2016	25,000	1,670	26,670
2017	25,000	835	25,835

Total	\$ 114,518	\$ 5,010	\$ 119,528
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Year Ending June 30	Bonds		
	Principal	Interest	Total
2015	\$ 1,448,224	\$ 235,380	\$ 1,683,604
2016	1,520,994	177,011	1,698,005
2017	1,578,739	115,865	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	40,113	2,526	42,639

Total	\$ 5,717,975	\$ 620,100	\$ 6,338,075
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Exhibit J-3

McNairy County, Tennessee
Schedule of Transfers
Discretely Presented McNairy County School Department
For the Year Ended June 30, 2014

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	\$ 23,547
Total Transfers Discretely Presented McNairy County School Department			\$ <u>23,547</u>

Exhibit J-4

McNairy County, Tennessee
 Schedule of Salaries and Official Bonds of Principal Officials
 Primary Government and Discretely Presented McNairy County School Department
 For the Year Ended June 30, 2014

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 75,804	\$ 50,000	Ohio Casualty Insurance Company
Highway Commissioner	Section 8-24-102, TCA	72,195	100,000	"
Director of Schools:				
Charlie Miskelly (7-1-13 through 12-31-13)	State Board of Education and County Board of Education	53,893 (1)	150,000	Tennessee Risk Management Trust
John Prince (1-1-14 through 6-30-14)	State Board of Education and County Board of Education	42,750 (2)	150,000	"
Trustee	Section 8-24-102, TCA	65,632	1,014,057	Ohio Casualty Insurance Company
Assessor of Property	Section 8-24-102, TCA	65,632	10,000	"
County Clerk	Section 8-24-102, TCA	65,632	50,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	65,632	50,000	"
Clerk and Master	Section 8-24-102, TCA			
Register of Deeds	and Chancery Court Judge	65,632 (3)	65,000	"
Sheriff	Section 8-24-102, TCA	65,632	25,000	"
	Section 8-24-102, TCA	72,195 (4)	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 a chief executive officer training supplement of \$487.
- (3) Does not include \$2,000 in special commissioner fees.
- (4) Does not include a law enforcement training supplement of \$600.

McNairy County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2014

	Special Revenue Funds				
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 2,932,080	\$ 0	\$ 0	\$ 0	0
Trustee's Collections - Prior Year	136,976	0	0	0	0
Trustee's Collections - Bankruptcy	84	0	0	0	0
Circuit/Clerk and Master Collections - Prior Years	95,058	0	0	0	0
Interest and Penalty	3,422	0	0	0	0
Payments in-Lieu-of Taxes - T.V.A.	2,506	0	0	0	0
Payments in-Lieu-of Taxes - Other	775	0	0	0	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	117,434	0	67,995	0	0
Litigation Tax - General	109,752	0	0	0	0
Litigation Tax - Special Purpose	0	3,170	0	0	0
Business Tax	1,880	0	0	0	0
Mixed Drink Tax	1,998	0	0	0	0
Mineral Severance Tax	0	0	0	0	0
<u>Statutory Local Taxes</u>					
Bank Excise Tax	8,573	0	0	0	0
Wholesale Beer Tax	30,073	0	0	0	0
Interstate Telecommunications Tax	0	0	1,612	0	0
<u>City Local Option Taxes</u>					
Business Tax	88,153	0	0	0	0
Total Local Taxes	\$ 3,528,764	\$ 3,170	\$ 69,607	\$ 0	0
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Cable TV Franchise	\$ 16,700	\$ 0	\$ 0	\$ 0	0

(Continued)

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

		Special Revenue Funds				
		General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control
<u>Licenses and Permits (Cont.)</u>						
<u>Permits</u>						
Beer Permits		1,045	0	0	0	0
Total Licenses and Permits		17,745	0	0	0	0
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines		3,412	0	0	0	0
Officers Costs		5,738	0	0	0	0
Drug Control Fines		0	0	0	0	14,732
Drug Court Fees		3,461	0	0	0	0
Jail Fees		1,278	0	0	0	0
Data Entry Fee - Circuit Court		773	0	0	0	0
Victims Assistance Assessments		3,106	0	0	0	0
<u>Criminal Court</u>						
DUI Treatment Fines		1,045	0	0	0	0
<u>General Sessions Court</u>						
Fines		19,511	0	0	0	0
Fines for Littering		24	0	0	0	0
Officers Costs		17,025	0	0	0	0
Game and Fish Fines		198	0	0	0	0
Drug Control Fines		0	0	0	0	11,946
Drug Court Fees		6,331	0	0	0	0
Jail Fees		22,739	0	0	0	0
DUI Treatment Fines		6,946	0	0	0	0
Data Entry Fee - General Sessions Court		10,619	0	0	0	0
Courtroom Security Fee		198	0	0	0	0
Victims Assistance Assessments		16,917	0	0	0	0

(Continued)

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

Special Revenue Funds						
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Juvenile Court</u>						
Fines	488 \$	0 \$	0 \$	0 \$	0 \$	0
<u>Chancery Court</u>						
Officers Costs	235	0	0	0	0	0
Data Entry Fee - Chancery Court	3,758	0	0	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 123,802 \$	0 \$	0 \$	0 \$	0 \$	26,678
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Residential Waste Collection Charge	0 \$	0 \$	712,816 \$	0 \$	0 \$	0
Tipping Fees	0	0	112,586	0	0	0
<u>Fees</u>						
Copy Fees	428	0	0	0	0	0
Library Fees	7,894	0	0	0	0	0
Telephone Commissions	11,167	0	0	0	0	0
Vending Machine Collections	0	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	0	0
Data Processing Fee - Register	7,771	0	0	0	0	0
Probation Fees	13,097	0	0	0	0	0
Data Processing Fee - Sheriff	2,078	0	0	0	0	0
Sexual Offender Registration Fee - Sheriff	1,200	0	0	0	0	0
Data Processing Fee - County Clerk	256	0	0	0	0	0
Total Charges for Current Services	\$ 43,891 \$	0 \$	825,402 \$	0 \$	0 \$	0

(Continued)

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

	Special Revenue Funds				
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	78	0	0	122,745	0
Sale of Materials and Supplies	2,714	0	32,904	0	0
Sale of Gasoline	0	0	0	0	0
Miscellaneous Refunds	12,064	0	0	0	0
<u>Nonrecurring Items</u>					
Sale of Equipment	1,860	0	0	0	0
Contributions and Gifts	16,550	0	0	0	0
<u>Other Local Revenues</u>					
Other Local Revenues	279	0	0	0	67,526
Total Other Local Revenues	\$ 33,545	\$ 0	\$ 32,904	\$ 122,745	\$ 67,526
<u>Fees Received from County Officials</u>					
<u>Fees in-Lieu-of Salary</u>					
County Clerk	\$ 197,299	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	48,960	0	0	0	0
General Sessions Court Clerk	172,565	0	0	0	0
Clerk and Master	95,097	0	0	0	0
Register	92,424	0	0	0	0
Sheriff	2,895	0	0	0	0
Trustee	274,383	0	0	0	0
Total Fees Received from County Officials	\$ 883,623	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

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

Special Revenue Funds						
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control	
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	9,000 \$	0 \$	0 \$	0 \$	0 \$	0
Solid Waste Grants	0	0	9,488	0	0	0
Other General Government Grants	1,540	0	0	0	0	0
<u>Health and Welfare Grants</u>						
Health Department Programs	97,640	0	0	0	0	0
<u>Public Works Grants</u>						
Bridge Program	0	0	0	0	0	0
Litter Program	0	0	51,041	0	0	0
<u>Other State Revenues</u>						
Income Tax	14,316	0	0	0	0	0
Beer Tax	17,806	0	0	0	0	0
Alcoholic Beverage Tax	59,056	0	0	0	0	0
State Revenue Sharing - T.V.A.	0	0	245,985	0	0	0
Contracted Prisoner Boarding	444,962	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	0
Petroleum Special Tax	0	0	0	0	0	0
Registrar's Salary Supplement	9,600	0	0	0	0	0
Other State Grants	182,632	0	135,150	0	0	0
Other State Revenues	21,281	0	0	0	0	0
Total State of Tennessee	\$ 857,833 \$	0 \$	441,664 \$	0 \$	0 \$	0
<u>Federal Government</u>						
<u>Federal Through State</u>						
Community Development	275,370 \$	0 \$	0 \$	0 \$	0 \$	0
Civil Defense Reimbursement	37,200	0	0	0	0	0

(Continued)

Exhibit J-5

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

Special Revenue Funds					
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control
<u>Federal Government (Cont.)</u>					
<u>Federal Through State (Cont.)</u>					
Disaster Relief	0 \$	0 \$	110,562 \$	0 \$	0
Total Federal Government	\$ 312,570	\$ 0	\$ 110,562	\$ 0	\$ 0
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Paving and Maintenance	0 \$	0 \$	0 \$	0 \$	0
Contributions	0	0	0	0	0
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total	\$ 5,801,773	\$ 3,170	\$ 1,480,139	\$ 122,745	\$ 94,204

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

	Special Revenue Funds (Cont.)			Debt Service Fund		Total
	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service			
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 0	\$ 332,565	\$ 812,939	\$ 4,077,584		
Trustee's Collections - Prior Year	0	18,222	54,677	209,875		
Trustee's Collections - Bankruptcy	0	9	31	124		
Circuit/Clerk and Master Collections - Prior Years	0	10,110	34,684	139,852		
Interest and Penalty	0	344	1,251	5,017		
Payments in-Lieu-of Taxes - T.V.A.	0	0	0	2,506		
Payments in-Lieu-of Taxes - Other	0	0	0	775		
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	185,429		
Litigation Tax - General	0	0	0	109,752		
Litigation Tax - Special Purpose	0	0	0	3,170		
Business Tax	0	0	0	1,880		
Mixed Drink Tax	0	0	0	1,998		
Mineral Severance Tax	0	9,688	0	9,688		
<u>Statutory Local Taxes</u>						
Bank Excise Tax	0	1,408	1,919	11,900		
Wholesale Beer Tax	0	0	0	30,073		
Interstate Telecommunications Tax	0	0	0	1,612		
<u>City Local Option Taxes</u>						
Business Tax	0	0	0	88,153		
Total Local Taxes	\$ 0	\$ 372,346	\$ 905,501	\$ 4,879,388		
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$ 16,700		

(Continued)

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

	Special Revenue Funds (Cont.)			Debt Service Fund		Total
	Constitu- tional Officers - Fees	Highway / Public Works				
<u>Licenses and Permits (Cont.)</u>						
<u>Permits</u>						
Beer Permits	0 \$	0 \$	0 \$	0 \$	0 \$	1,045
Total Licenses and Permits	0 \$	0 \$	0 \$	0 \$	0 \$	17,745
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	0 \$	0 \$	0 \$	0 \$	0 \$	3,412
Officers Costs	0	0	0	0	0	5,788
Drug Control Fines	0	0	0	0	0	14,732
Drug Court Fees	0	0	0	0	0	3,461
Jail Fees	0	0	0	0	0	1,278
Data Entry Fee - Circuit Court	0	0	0	0	0	773
Victims Assistance Assessments	0	0	0	0	0	3,106
<u>Criminal Court</u>						
DUI Treatment Fines	0	0	0	0	0	1,045
<u>General Sessions Court</u>						
Fines	0	0	0	0	0	19,511
Fines for Littering	0	0	0	0	0	24
Officers Costs	0	0	0	0	0	17,025
Game and Fish Fines	0	0	0	0	0	198
Drug Control Fines	0	0	0	0	0	11,946
Drug Court Fees	0	0	0	0	0	6,331
Jail Fees	0	0	0	0	0	22,739
DUI Treatment Fines	0	0	0	0	0	6,946
Data Entry Fee - General Sessions Court	0	0	0	0	0	10,619
Courtroom Security Fee	0	0	0	0	0	198
Victims Assistance Assessments	0	0	0	0	0	16,917

(Continued)

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

	Special Revenue Funds (Cont.)			Debt Service Fund	Total
	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Juvenile Court</u>					
Fines	\$ 0 \$	0 \$	0 \$	0 \$	488
<u>Chancery Court</u>					
Officers Costs	0	0	0	0	235
Data Entry Fee - Chancery Court	0	0	0	0	3,758
Total Fines, Forfeitures, and Penalties	\$ 0 \$	0 \$	0 \$	0 \$	150,480
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Residential Waste Collection Charge	\$ 0 \$	0 \$	0 \$	0 \$	712,816
Tippling Fees	0	0	0	0	112,586
<u>Fees</u>					
Copy Fees	0	0	0	0	428
Library Fees	0	0	0	0	7,894
Telephone Commissions	0	0	0	0	11,167
Vending Machine Collections	0	59	0	0	59
Constitutional Officers' Fees and Commissions	2,000	0	0	0	2,000
Data Processing Fee - Register	0	0	0	0	7,771
Probation Fees	0	0	0	0	13,097
Data Processing Fee - Sheriff	0	0	0	0	2,078
Sexual Offender Registration Fee - Sheriff	0	0	0	0	1,200
Data Processing Fee - County Clerk	0	0	0	0	256
Total Charges for Current Services	\$ 2,000 \$	59 \$	0 \$	0 \$	871,352

(Continued)

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

	Special Revenue Funds (Cont.)			Debt Service Fund		Total
	Constitu- tional Officers - Fees	Highway / Public Works		General Debt Service		
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 0	\$ 18,962	\$ 18,962	
Lease/Rentals	0	0	0	25,200	148,023	
Sale of Materials and Supplies	0	5,161	0	0	40,779	
Sale of Gasoline	0	14,006	0	0	14,006	
Miscellaneous Refunds	0	12,123	0	0	24,187	
<u>Nonrecurring Items</u>						
Sale of Equipment	0	19,800	0	0	21,660	
Contributions and Gifts	0	0	0	0	16,550	
<u>Other Local Revenues</u>						
Other Local Revenues	0	48	0	0	67,853	
Total Other Local Revenues	\$ 0	\$ 51,138	\$ 44,162	\$ 44,162	\$ 352,020	
<u>Fees Received from County Officials</u>						
<u>Fees in-Lieu-of Salary</u>						
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 197,299	
Circuit Court Clerk	0	0	0	0	48,960	
General Sessions Court Clerk	0	0	0	0	172,565	
Clerk and Master	0	0	0	0	95,097	
Register	0	0	0	0	92,424	
Sheriff	0	0	0	0	2,895	
Trustee	0	0	0	0	274,383	
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 883,623	

(Continued)

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

	Special Revenue Funds (Cont.)			Debt Service Fund		Total
	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service			
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	9,000
Solid Waste Grants	0	0	0	0	0	9,488
Other General Government Grants	0	0	0	0	0	1,540
<u>Health and Welfare Grants</u>						
Health Department Programs	0	0	0	0	0	97,640
<u>Public Works Grants</u>						
Bridge Program	0	594,992	0	0	0	594,992
Litter Program	0	0	0	0	0	51,041
<u>Other State Revenues</u>						
Income Tax	0	0	0	0	0	14,316
Beer Tax	0	0	0	0	0	17,806
Alcoholic Beverage Tax	0	0	0	0	0	59,056
State Revenue Sharing - T.V.A.	0	0	0	0	0	245,985
Contracted Prisoner Boarding	0	0	0	0	0	444,962
Gasoline and Motor Fuel Tax	0	1,848,806	0	0	0	1,848,806
Petroleum Special Tax	0	18,814	0	0	0	18,814
Registrar's Salary Supplement	0	0	0	0	0	9,600
Other State Grants	0	0	0	0	0	317,782
Other State Revenues	0	0	0	0	0	21,281
Total State of Tennessee	\$ 0	\$ 2,462,612	\$ 0	\$ 0	\$ 0	3,762,109
<u>Federal Government</u>						
<u>Federal Through State</u>						
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	275,370
Civil Defense Reimbursement	0	0	0	0	0	37,200

(Continued)

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

	Special Revenue Funds (Cont.)			Debt Service Fund		Total
	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service			
<u>Federal Government (Cont.)</u>						
<u>Federal Through State (Cont.)</u>						
Disaster Relief	\$ 0	\$ 108,963	\$ 0	\$ 0	\$ 0	\$ 219,525
Total Federal Government	\$ 0	\$ 108,963	\$ 0	\$ 0	\$ 0	\$ 532,095
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Paving and Maintenance	\$ 0	\$ 17,984	\$ 0	\$ 0	\$ 0	\$ 17,984
Contributions	0	0	717,350	717,350	717,350	717,350
Total Other Governments and Citizens Groups	\$ 0	\$ 17,984	\$ 717,350	\$ 717,350	\$ 717,350	\$ 735,334
Total	\$ 2,000	\$ 3,013,102	\$ 1,667,013	\$ 1,667,013	\$ 1,667,013	\$ 12,184,146

Exhibit J-6

McNairy County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented McNairy County School Department
For the Year Ended June 30, 2014

	General Purpose School	Special Revenue Funds		Total
		School Federal Projects	Central Cafeteria	
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 3,658,232	\$ 0	\$ 0	\$ 3,658,232
Trustee's Collections - Prior Year	217,647	0	0	217,647
Trustee's Collections - Bankruptcy	112	0	0	112
Circuit/Clerk and Master Collections - Prior Years	111,208	0	0	111,208
Interest and Penalty	4,578	0	0	4,578
<u>County Local Option Taxes</u>				
Local Option Sales Tax	1,891,098	0	0	1,891,098
<u>Statutory Local Taxes</u>				
Bank Excise Tax	16,251	0	0	16,251
Interstate Telecommunications Tax	2,858	0	0	2,858
Total Local Taxes	\$ 5,901,984	\$ 0	\$ 0	\$ 5,901,984
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 3,287	\$ 0	\$ 0	\$ 3,287
Total Licenses and Permits	\$ 3,287	\$ 0	\$ 0	\$ 3,287
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Other	\$ 30,275	\$ 0	\$ 0	\$ 30,275
Lunch Payments - Children	0	0	215,951	215,951
Lunch Payments - Adults	0	0	60,434	60,434
Income from Breakfast	0	0	34,095	34,095
A la carte Sales	0	0	315,080	315,080
Receipts from Individual Schools	20,503	0	0	20,503
<u>Other Charges for Services</u>				
Other Charges for Services	\$ 305	\$ 0	\$ 11,495	\$ 11,800
Total Charges for Current Services	\$ 51,083	\$ 0	\$ 637,055	\$ 688,138
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 15,888	\$ 15,888
Lease/Rentals	40,053	0	0	40,053
E-Rate Funding	7,083	0	0	7,083
Miscellaneous Refunds	11,049	0	31,105	42,154
<u>Nonrecurring Items</u>				
Contributions and Gifts	625	0	0	625
<u>Other Local Revenues</u>				
Other Local Revenues	41,807	0	0	41,807
Total Other Local Revenues	\$ 100,617	\$ 0	\$ 46,993	\$ 147,610

(Continued)

Exhibit J-6

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

	General Purpose School	Special Revenue Funds		Total
		School Federal Projects	Central Cafeteria	
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-behalf Contributions for OPEB	\$ 123,619	\$ 0	\$ 0	\$ 123,619
<u>State Education Funds</u>				
Basic Education Program	21,556,000	0	0	21,556,000
Early Childhood Education	713,815	0	0	713,815
School Food Service	0	0	20,683	20,683
Driver Education	10,200	0	0	10,200
Other State Education Funds	179,981	0	0	179,981
Career Ladder Program	189,783	0	0	189,783
Career Ladder - Extended Contract	61,420	0	0	61,420
<u>Other State Revenues</u>				
Mixed Drink Tax	2,184	0	0	2,184
State Revenue Sharing - T.V.A.	456,829	0	0	456,829
Other State Grants	26,330	0	0	26,330
Other State Revenues	379,066	117,708	0	496,774
Total State of Tennessee	\$ 23,699,227	\$ 117,708	\$ 20,683	\$ 23,837,618
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,027,575	\$ 1,027,575
USDA - Commodities	0	0	150,207	150,207
Breakfast	0	0	312,460	312,460
USDA - Other	0	0	54,906	54,906
Vocational Education - Basic Grants to States	0	65,097	0	65,097
Other Vocational	0	190,000	0	190,000
Title I Grants to Local Education Agencies	0	1,348,936	0	1,348,936
Special Education - Grants to States	38,222	868,305	0	906,527
Special Education Preschool Grants	0	31,573	0	31,573
Rural Education	0	74,302	0	74,302
Eisenhower Professional Development State Grants	0	180,948	0	180,948
Race-to-the-Top - ARRA	0	219,225	0	219,225
Other Federal through State	0	505,808	0	505,808
Total Federal Government	\$ 38,222	\$ 3,484,194	\$ 1,545,148	\$ 5,067,564
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 2,199,800	\$ 0	\$ 0	\$ 2,199,800
Total Other Governments and Citizens Groups	\$ 2,199,800	\$ 0	\$ 0	\$ 2,199,800
Total	\$ 31,994,220	\$ 3,601,902	\$ 2,249,879	\$ 37,846,001

Exhibit J-7

McNairy County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2014

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	10,325	
Accounting Services		12,650	
Audit Services		7,823	
Dues and Memberships		3,090	
Legal Services		9,912	
Periodicals		1,408	
Total County Commission	\$		45,208

Board of Equalization

Board and Committee Members Fees	\$	1,320	
Total Board of Equalization			1,320

Beer Board

Board and Committee Members Fees	\$	400	
Total Beer Board			400

Budget and Finance Committee

Board and Committee Members Fees	\$	2,250	
Total Budget and Finance Committee			2,250

Other Boards and Committees

Board and Committee Members Fees	\$	2,025	
Total Other Boards and Committees			2,025

County Mayor/Executive

County Official/Administrative Officer	\$	75,804	
Accountants/Bookkeepers		19,890	
Secretary(ies)		22,163	
Communication		9,500	
Dues and Memberships		1,900	
Maintenance Agreements		1,428	
Postal Charges		1,630	
Printing, Stationery, and Forms		1,769	
Travel		1,001	
Other Contracted Services		10,635	
Office Supplies		1,016	
Other Charges		1,468	
Office Equipment		100	
Total County Mayor/Executive			148,304

County Attorney

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

Election Commission

County Official/Administrative Officer	\$	59,068	
Other Salaries and Wages		9,919	

(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 Commission	\$	5,718	
Election Workers		2,365	
In-service Training		725	
Communication		1,624	
Dues and Memberships		175	
Legal Notices, Recording, and Court Costs		230	
Maintenance and Repair Services - Equipment		14,879	
Postal Charges		1,037	
Printing, Stationery, and Forms		537	
Travel		897	
Other Contracted Services		7,203	
Office Supplies		1,491	
Periodicals		17	
Office Equipment		<u>3,356</u>	
Total Election Commission			\$ 109,241

Register of Deeds

County Official/Administrative Officer	\$	65,632	
Deputy(ies)		25,030	
Secretary(ies)		18,755	
Communication		926	
Data Processing Services		8,093	
Dues and Memberships		804	
Maintenance Agreements		900	
Postal Charges		420	
Printing, Stationery, and Forms		599	
Travel		220	
Office Supplies		<u>427</u>	
Total Register of Deeds			121,806

County Buildings

Custodial Personnel	\$	26,314	
Maintenance and Repair Services - Buildings		29,119	
Maintenance and Repair Services - Office Equipment		376	
Maintenance and Repair Services - Vehicles		459	
Pest Control		1,340	
Postal Charges		3,468	
Custodial Supplies		2,902	
Electricity		109,426	
Gasoline		5,739	
Natural Gas		22,785	
Periodicals		108	
Water and Sewer		22,334	
Other Supplies and Materials		8,328	
Building and Contents Insurance		43,239	
Other Charges		3,063	
Building Improvements		<u>490</u>	
Total County Buildings			279,490

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Preservation of Records

Postal Charges	\$	70	
Other Supplies and Materials		561	
Total Preservation of Records			\$ 631

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	65,632	
Assistant(s)		24,459	
Deputy(ies)		34,197	
Communication		899	
Contracts with Private Agencies		9,191	
Dues and Memberships		1,975	
Maintenance Agreements		2,929	
Postal Charges		612	
Printing, Stationery, and Forms		217	
Travel		612	
Periodicals		32	
Other Supplies and Materials		204	
Office Equipment		206	
Total Property Assessor's Office			141,165

Reappraisal Program

Part-time Personnel	\$	20,595	
Data Processing Services		13,939	
Travel		90	
Gasoline		601	
Other Charges		188	
Motor Vehicles		5,200	
Total Reappraisal Program			40,613

County Trustee's Office

County Official/Administrative Officer	\$	65,632	
Deputy(ies)		25,031	
Clerical Personnel		18,756	
Part-time Personnel		7,995	
Communication		899	
Data Processing Services		8,191	
Dues and Memberships		478	
Maintenance Agreements		691	
Maintenance and Repair Services - Office Equipment		150	
Postal Charges		6,682	
Printing, Stationery, and Forms		6,485	
Travel		565	
Office Supplies		406	
Periodicals		664	
Data Processing Equipment		356	
Total County Trustee's Office			142,981

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office

County Official/Administrative Officer	\$	65,632	
Deputy(ies)		24,322	
Secretary(ies)		38,111	
Clerical Personnel		28,173	
Communication		899	
Dues and Memberships		478	
Maintenance and Repair Services - Office Equipment		508	
Postal Charges		4,745	
Printing, Stationery, and Forms		2,380	
Travel		204	
Data Processing Equipment		15,751	
Total County Clerk's Office			\$ 181,203

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	65,632	
Deputy(ies)		38,927	
Part-time Personnel		6,980	
Jury and Witness Expense		9,200	
Other Per Diem and Fees		3,815	
Communication		4,117	
Contracts with Government Agencies		6,362	
Dues and Memberships		573	
Maintenance Agreements		7,509	
Maintenance and Repair Services - Office Equipment		215	
Postal Charges		3,931	
Printing, Stationery, and Forms		1,438	
Travel		34	
Office Supplies		1,822	
Periodicals		498	
Premiums on Corporate Surety Bonds		150	
Other Charges		869	
Total Circuit Court			152,072

General Sessions Court

Judge(s)	\$	107,411	
Deputy(ies)		32,569	
Accountants/Bookkeepers		22,491	
Secretary(ies)		16,888	
Part-time Personnel		2,400	
Other Per Diem and Fees		5,367	
Communication		1,994	
Contracts with Government Agencies		2,981	
Printing, Stationery, and Forms		236	
Travel		557	
Office Supplies		938	
Other Charges		839	
Data Processing Equipment		3,823	
Total General Sessions Court			198,494

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court

County Official/Administrative Officer	\$	65,632	
Deputy(ies)		20,876	
Clerical Personnel		16,557	
Longevity Pay		150	
Communication		1,175	
Data Processing Services		6,455	
Dues and Memberships		573	
Maintenance Agreements		1,307	
Postal Charges		4,501	
Printing, Stationery, and Forms		398	
Travel		545	
Office Supplies		1,071	
Periodicals		693	
Premiums on Corporate Surety Bonds		700	
Total Chancery Court			\$ 120,633

Juvenile Court

Youth Service Officer(s)	\$	30,167	
Clerical Personnel		16,446	
Communication		1,270	
Maintenance Agreements		2,250	
Travel		1,292	
Other Charges		1,615	
Data Processing Equipment		3,083	
Total Juvenile Court			56,123

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	72,195	
Deputy(ies)		467,475	
Accountants/Bookkeepers		23,015	
Salary Supplements		40,629	
Guards		326,818	
Secretary(ies)		19,263	
Part-time Personnel		32,197	
Longevity Pay		1,100	
In-service Training		4,190	
Communication		25,902	
Dues and Memberships		2,400	
Maintenance Agreements		7,790	
Maintenance and Repair Services - Equipment		646	
Maintenance and Repair Services - Office Equipment		422	
Maintenance and Repair Services - Vehicles		25,663	
Postal Charges		757	
Printing, Stationery, and Forms		889	
Towing Services		4,105	
Travel		814	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Gasoline	\$	112,263	
Office Supplies		5,087	
Periodicals		1,373	
Tires and Tubes		11,236	
Uniforms		9,498	
Other Supplies and Materials		19,041	
Vehicle and Equipment Insurance		66,840	
Workers' Compensation Insurance		45,847	
Law Enforcement Equipment		2,838	
Office Equipment		614	
Total Sheriff's Department			\$ 1,330,907

Jail

Salary Supplements	\$	431	
Custodial Personnel		47,517	
Longevity Pay		125	
In-service Training		631	
Maintenance Agreements		3,244	
Maintenance and Repair Services - Buildings		21,055	
Maintenance and Repair Services - Equipment		2,234	
Maintenance and Repair Services - Vehicles		775	
Medical and Dental Services		142,038	
Travel		1,134	
Custodial Supplies		14,826	
Food Supplies		108,210	
Office Supplies		2,450	
Prisoners Clothing		1,495	
Other Supplies and Materials		7,950	
Total Jail			354,115

Fire Prevention and Control

Supervisor/Director	\$	21,914	
Communication		2,432	
Maintenance and Repair Services - Buildings		1,159	
Maintenance and Repair Services - Equipment		5,897	
Maintenance and Repair Services - Vehicles		7,303	
Postal Charges		2	
Gasoline		4,779	
Office Supplies		189	
Tires and Tubes		115	
Other Supplies and Materials		1,910	
Liability Insurance		29,579	
Workers' Compensation Insurance		30,890	
Other Equipment		4,758	
Total Fire Prevention and Control			110,927

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Rural Fire Protection

Contracts with Government Agencies	\$ 34,984	
Total Rural Fire Protection		\$ 34,984

Civil Defense

Supervisor/Director	\$ 41,595	
Communication	1,689	
Dues and Memberships	50	
Maintenance and Repair Services - Equipment	347	
Maintenance and Repair Services - Vehicles	168	
Postal Charges	29	
Travel	272	
Office Supplies	342	
Other Supplies and Materials	241,662	
Total Civil Defense		286,154

Inspection and Regulation

Supervisor/Director	\$ 5,194	
Total Inspection and Regulation		5,194

Public Health and Welfare

Local Health Center

Social Workers	\$ 52,035	
Salary Supplements	558	
Clerical Personnel	16,910	
Custodial Personnel	9,000	
Communication	4,785	
Contracts with Government Agencies	32,928	
Maintenance and Repair Services - Buildings	18,256	
Pest Control	225	
Travel	5,630	
Other Contracted Services	48	
Custodial Supplies	315	
Drugs and Medical Supplies	159	
Electricity	10,458	
Natural Gas	3,278	
Office Supplies	2,677	
Water and Sewer	2,065	
Total Local Health Center		159,327

Other Local Health Services

Clerical Personnel	\$ 2,520	
In-service Training	2,472	
Travel	116	
Other Supplies and Materials	3,285	
Total Other Local Health Services		8,393

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services

Libraries

County Official/Administrative Officer	\$	44,549	
Custodial Personnel		2,539	
Other Salaries and Wages		52,426	
Communication		3,106	
Maintenance and Repair Services - Buildings		358	
Pest Control		75	
Postal Charges		233	
Travel		497	
Custodial Supplies		445	
Electricity		12,305	
Library Books/Media		281	
Natural Gas		1,314	
Office Supplies		2,224	
Water and Sewer		1,451	
Other Supplies and Materials		4,471	
Data Processing Equipment		3,845	
Total Libraries			\$ 130,119

Agriculture and Natural Resources

Agricultural Extension Service

Salary Supplements	\$	95,648	
Communication		1,992	
Maintenance Agreements		492	
Other Supplies and Materials		2,130	
Office Equipment		1,349	
Total Agricultural Extension Service			101,611

Soil Conservation

County Official/Administrative Officer	\$	33,000	
Secretary(ies)		22,250	
Contributions		800	
Total Soil Conservation			56,050

Other Operations

Other Economic and Community Development

Contracts for Development Costs	\$	217,942	
Other Charges		4,242	
Total Other Economic and Community Development			222,184

Airport

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

Veterans' Services

Supervisor/Director	\$	11,031	
Communication		450	
Dues and Memberships		25	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services (Cont.)

Postal Charges	\$	187	
Travel		816	
Office Supplies		1,061	
Periodicals		399	
Data Processing Equipment		237	
Total Veterans' Services			\$ 14,206

Other Charges

Liability Insurance	\$	52,511	
Trustee's Commission		77,234	
Other Charges		19,112	
Total Other Charges			148,857

Contributions to Other Agencies

Contributions	\$	190,039	
Total Contributions to Other Agencies			190,039

Employee Benefits

Longevity Pay	\$	7,000	
Social Security		155,516	
State Retirement		115,901	
Life Insurance		8,036	
Medical Insurance		369,178	
Unemployment Compensation		17,182	
Employer Medicare		36,370	
Workers' Compensation Insurance		16,962	
Total Employee Benefits			726,145

Miscellaneous

Other Supplies and Materials	\$	300	
Site Development		4,883	
Total Miscellaneous			5,183

Principal on Debt

General Government

Principal on Capital Leases	\$	39,519	
Total General Government			39,519

Total General Fund \$ 5,734,273

Law Library Fund

Social, Cultural, and Recreational Services

Libraries

Clerical Personnel	\$	1,800	
Library Books/Media		999	
Trustee's Commission		32	
Total Libraries			\$ 2,831

Total Law Library Fund 2,831

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Contracts with Private Agencies	\$	807,374	
Legal Services		7,873	
Other Contracted Services		11,014	
Building and Contents Insurance		1,925	
Trustee's Commission		3,141	
Vehicle and Equipment Insurance		9,089	
Total Sanitation Management			\$ 840,416

Recycling Center

Laborers	\$	7,231	
Part-time Personnel		23,449	
Overtime Pay		786	
Maintenance and Repair Services - Equipment		609	
Maintenance and Repair Services - Vehicles		786	
Electricity		1,543	
Gasoline		2,849	
Small Tools		156	
Tires and Tubes		31	
Water and Sewer		200	
Other Charges		48,050	
Total Recycling Center			85,690

Landfill Operation and Maintenance

Supervisor/Director	\$	31,374	
Data Processing Personnel		20,307	
Foremen		26,483	
Equipment Operators		17,261	
Overtime Pay		1,353	
Communication		2,006	
Contracts with Government Agencies		75	
Contracts with Private Agencies		37,237	
Dues and Memberships		100	
Evaluation and Testing		8,874	
Maintenance and Repair Services - Buildings		2,792	
Maintenance and Repair Services - Equipment		34,410	
Postal Charges		11,896	
Travel		1,809	
Diesel Fuel		15,001	
Electricity		1,193	
Fertilizer, Lime, and Seed		350	
Lubricants		3,774	
Office Supplies		3,417	
Periodicals		995	
Small Tools		502	
Tires and Tubes		2,076	
Water and Sewer		924	
Gravel and Chert		1,275	

(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.)

Other Supplies and Materials	\$	1,125	
Refunds		40	
Data Processing Equipment		786	
Other Equipment		2,013	
Total Landfill Operation and Maintenance			\$ 229,448

Other Operations

Employee Benefits

Longevity Pay	\$	425	
Social Security		10,037	
State Retirement		4,039	
Life Insurance		343	
Medical Insurance		14,967	
Employer Medicare		2,347	
Workers' Compensation Insurance		823	
Total Employee Benefits			32,981

Highways

Litter and Trash Collection

Part-time Personnel	\$	31,439	
Overtime Pay		2,808	
Maintenance and Repair Services - Vehicles		1,617	
Travel		2,840	
Gasoline		2,136	
Instructional Supplies and Materials		6,790	
Periodicals		2,028	
Other Supplies and Materials		3,326	
Litter Enforcement Awards		213,663	
Total Litter and Trash Collection			266,647

Total Solid Waste/Sanitation Fund \$ 1,455,182

Special Purpose Fund

General Government

Other Facilities

Custodial Personnel	\$	9,658	
Communication		2,575	
Maintenance and Repair Services - Buildings		8,987	
Pest Control		180	
Other Contracted Services		1,575	
Custodial Supplies		3,007	
Electricity		30,082	
Natural Gas		3,288	
Water and Sewer		2,302	
Building and Contents Insurance		4,890	
Other Charges		26,790	
Total Other Facilities			\$ 93,334

(Continued)

Exhibit J-7

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

Special Purpose Fund (Cont.)

Other Operations

Employee Benefits

Social Security	\$	599	
State Retirement		453	
Employer Medicare		140	
Total Employee Benefits			\$ 1,192

Total Special Purpose Fund \$ 94,526

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	5,000	
Travel		990	
Veterinary Services		806	
Other Supplies and Materials		14,684	
Motor Vehicles		36,320	
Other Equipment		17,150	
Total Drug Enforcement			\$ 74,950

Total Drug Control Fund 74,950

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$	2,000	
Total Chancery Court			\$ 2,000

Total Constitutional Officers - Fees Fund 2,000

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	72,195	
Accountants/Bookkeepers		31,190	
Clerical Personnel		3,282	
Board and Committee Members Fees		775	
Communication		4,630	
Dues and Memberships		2,969	
Legal Services		500	
Maintenance and Repair Services - Buildings		4,643	
Postal Charges		375	
Printing, Stationery, and Forms		1,592	
Travel		355	
Electricity		8,667	
Office Supplies		1,280	
Water and Sewer		667	
Office Equipment		7,825	
Total Administration			\$ 140,945

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance

Foremen	\$	33,307	
Equipment Operators		169,749	
Truck Drivers		163,404	
Laborers		202,511	
Other Contracted Services		10,544	
Concrete		3,707	
Crushed Stone		144,946	
Pipe - Metal		41,139	
Road Signs		7,888	
Chemicals		57,728	
Total Highway and Bridge Maintenance			\$ 834,923

Operation and Maintenance of Equipment

Mechanic(s)	\$	70,388	
Licenses		52	
Diesel Fuel		136,899	
Equipment and Machinery Parts		136,007	
Garage Supplies		16,669	
Gasoline		53,945	
Lubricants		7,094	
Propane Gas		152	
Tires and Tubes		33,945	
Total Operation and Maintenance of Equipment			455,151

Other Charges

Other Contracted Services	\$	280	
Building and Contents Insurance		2,206	
Trustee's Commission		25,490	
Vehicle and Equipment Insurance		45,475	
Total Other Charges			73,451

Employee Benefits

Social Security	\$	55,923	
State Retirement		36,965	
Employee and Dependent Insurance		228,002	
Unemployment Compensation		8,528	
Workers' Compensation Insurance		81,811	
Total Employee Benefits			411,229

Capital Outlay

Bridge Construction	\$	129,767	
Highway Construction		356,216	
Highway Equipment		69,842	
State Aid Projects		594,992	
Total Capital Outlay			1,150,817

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

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	\$ 3,340	
Total Highways and Streets		<u>3,340</u>

Total Highway/Public Works Fund		\$ 3,094,856
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General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 121,195	
Principal on Notes	<u>28,511</u>	
Total General Government		\$ 149,706

Highways and Streets

Principal on Bonds	\$ 91,970	
Principal on Notes	75,830	
Principal on Capital Leases	<u>55,570</u>	
Total Highways and Streets		223,370

Education

Principal on Bonds	\$ 882,580	
Total Education		882,580

Interest on Debt

General Government

Interest on Bonds	\$ 63,203	
Interest on Notes	<u>7,125</u>	
Total General Government		70,328

Highways and Streets

Interest on Bonds	\$ 60,572	
Interest on Notes	1,717	
Interest on Capital Leases	<u>2,154</u>	
Total Highways and Streets		64,443

Education

Interest on Bonds	\$ 155,685	
Total Education		155,685

Other Debt Service

General Government

Trustee's Commission	\$ 18,044	
Other Debt Service	<u>272</u>	
Total General Government		18,316

(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 (Cont.)</u>		
<u>Highways and Streets</u>		
Other Debt Service	\$ 382	
Total Highways and Streets		\$ 382
 <u>Education</u>		
Other Debt Service	\$ 581	
Total Education		<u>581</u>
Total General Debt Service Fund		\$ 1,565,391
 <u>Community Development/Industrial Park Fund</u>		
<u>Agriculture and Natural Resources</u>		
<u>Other Agriculture and Natural Resources</u>		
Other Charges	\$ 2,647	
Total Other Agriculture and Natural Resources		<u>\$ 2,647</u>
Total Community Development/Industrial Park Fund		2,647
 <u>Education Capital Projects Fund</u>		
<u>Other Debt Service</u>		
<u>Education</u>		
Other Debt Issuance Charges	\$ 200	
Total Education		\$ 200
 <u>Capital Projects</u>		
<u>Education Capital Projects</u>		
Contributions	\$ 2,199,800	
Total Education Capital Projects		<u>2,199,800</u>
Total Education Capital Projects Fund		<u>2,200,000</u>
Total Governmental Funds - Primary Government		<u><u>\$ 14,226,656</u></u>

Exhibit J-8

McNairy County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented McNairy County School Department
For the Year Ended June 30, 2014

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 11,766,385	
Career Ladder Program	128,528	
Career Ladder Extended Contracts	20,000	
Educational Assistants	333,069	
Certified Substitute Teachers	51,393	
Non-certified Substitute Teachers	92,184	
Social Security	706,046	
State Retirement	1,051,467	
Medical Insurance	1,809,245	
Dental Insurance	87,566	
Unemployment Compensation	12,119	
Employer Medicare	166,745	
Travel	12,923	
Other Contracted Services	2,500	
Instructional Supplies and Materials	143,735	
Textbooks	234,169	
Other Supplies and Materials	539	
Other Charges	1,370	
Data Processing Equipment	164,783	
Regular Instruction Equipment	18,366	
Special Education Equipment	11,195	
Other Equipment	350,632	
Total Regular Instruction Program		\$ 17,164,959

Special Education Program

Teachers	\$ 1,112,288	
Career Ladder Program	12,727	
Educational Assistants	254,234	
Certified Substitute Teachers	1,830	
Non-certified Substitute Teachers	15,816	
Social Security	78,635	
State Retirement	112,893	
Medical Insurance	411,279	
Dental Insurance	8,686	
Employer Medicare	18,404	
Contracts with Other Public Agencies	6,870	
Contracts with Private Agencies	12,993	
Other Contracted Services	9,388	
Instructional Supplies and Materials	165	
Other Charges	100	
Total Special Education Program		2,056,308

Vocational Education Program

Teachers	\$ 711,473
Career Ladder Program	2,000
Certified Substitute Teachers	390

(Continued)

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.)

Non-certified Substitute Teachers	\$	1,296	
Social Security		42,350	
State Retirement		63,342	
Medical Insurance		69,167	
Employer Medicare		9,909	
Travel		226	
Instructional Supplies and Materials		20,840	
Vocational Instruction Equipment		2,855	
Total Vocational Education Program	\$		923,848

Adult Education Program

Teachers	\$	22,956	
Social Security		1,200	
State Retirement		920	
Employer Medicare		400	
Travel		1,224	
Instructional Supplies and Materials		439	
Other Charges		2,444	
Total Adult Education Program			29,583

Support Services

Attendance

Supervisor/Director	\$	47,253	
Social Security		2,589	
State Retirement		4,196	
Medical Insurance		10,806	
Employer Medicare		605	
Travel		3,017	
Total Attendance			68,466

Health Services

Medical Personnel	\$	58,034	
Other Salaries and Wages		158,063	
Social Security		11,614	
State Retirement		14,701	
Medical Insurance		46,678	
Employer Medicare		2,716	
Communication		542	
Postal Charges		50	
Travel		5,451	
Other Contracted Services		350	
Instructional Supplies and Materials		1,000	
Other Supplies and Materials		19,293	
Other Charges		4,896	
Total Health Services			323,388

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support

Career Ladder Program	\$	2,000	
Guidance Personnel		330,753	
Social Security		17,685	
State Retirement		29,549	
Medical Insurance		46,479	
Employer Medicare		4,473	
Evaluation and Testing		31,034	
Total Other Student Support	\$		461,973

Regular Instruction Program

Supervisor/Director	\$	65,920	
Career Ladder Program		4,000	
Librarians		320,209	
Materials Supervisor		9,882	
Instructional Computer Personnel		95,763	
Secretary(ies)		18,717	
Social Security		29,123	
State Retirement		44,129	
Medical Insurance		84,142	
Employer Medicare		7,023	
Communication		286	
Travel		18,684	
Other Contracted Services		2,000	
Library Books/Media		8,765	
In Service/Staff Development		12,615	
Other Charges		1,392	
Total Regular Instruction Program			722,650

Special Education Program

Supervisor/Director	\$	70,101	
Career Ladder Program		2,000	
Psychological Personnel		32,850	
Assessment Personnel		49,809	
Secretary(ies)		22,322	
Social Security		8,223	
State Retirement		11,966	
Medical Insurance		21,631	
Dental Insurance		620	
Employer Medicare		1,923	
Travel		15,943	
Other Charges		16,090	
Total Special Education Program			253,478

Vocational Education Program

Supervisor/Director	\$	64,551	
Career Ladder Program		2,000	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program (Cont.)

Social Security	\$	3,993	
State Retirement		5,910	
Medical Insurance		4,886	
Employer Medicare		934	
Total Vocational Education Program			\$ 82,274

Other Programs

On-behalf Payments to OPEB	\$	123,619	
Total Other Programs			123,619

Board of Education

Board and Committee Members Fees	\$	7,900	
Social Security		490	
Employer Medicare		115	
Audit Services		19,000	
Dues and Memberships		22,396	
Travel		5,070	
Other Contracted Services		6,150	
Premiums on Corporate Surety Bonds		1,680	
Trustee's Commission		148,323	
Workers' Compensation Insurance		216,530	
Other Charges		92	
Total Board of Education			427,746

Director of Schools

County Official/Administrative Officer	\$	95,643	
Career Ladder Program		1,000	
Secretary(ies)		31,125	
Social Security		7,922	
State Retirement		10,172	
Medical Insurance		6,825	
Employer Medicare		1,853	
Communication		5,501	
Travel		6,015	
Office Supplies		5,636	
Other Charges		4,250	
Total Director of Schools			175,942

Office of the Principal

Principals	\$	516,811	
Career Ladder Program		9,000	
Secretary(ies)		404,208	
Social Security		52,511	
State Retirement		67,347	
Medical Insurance		149,589	
Unemployment Compensation		12,281	
Communication		5,008	
Total Office of the Principal			1,216,755

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services

Accountants/Bookkeepers	\$	73,425	
Secretary(ies)		22,993	
Social Security		6,335	
State Retirement		5,336	
Medical Insurance		4,885	
Employer Medicare		1,481	
Travel		103	
Other Contracted Services		6,088	
Office Supplies		2,053	
Total Fiscal Services	\$		122,699

Operation of Plant

Custodial Personnel	\$	508,075	
Other Salaries and Wages		5,395	
Social Security		28,696	
State Retirement		25,683	
Medical Insurance		105,409	
Employer Medicare		6,711	
Custodial Supplies		77,140	
Electricity		727,806	
Natural Gas		226,980	
Water and Sewer		117,344	
Building and Contents Insurance		281,323	
Total Operation of Plant			2,110,562

Maintenance of Plant

Maintenance Personnel	\$	95,784	
Other Salaries and Wages		8,574	
Social Security		5,613	
State Retirement		4,895	
Medical Insurance		24,341	
Employer Medicare		1,313	
Communication		3,727	
Maintenance and Repair Services - Buildings		73,205	
Maintenance and Repair Services - Equipment		7,313	
Other Contracted Services		3,559	
Other Supplies and Materials		60,614	
Other Charges		30,160	
Total Maintenance of Plant			319,098

Transportation

Supervisor/Director	\$	41,340	
Mechanic(s)		65,621	
Bus Drivers		527,092	
Clerical Personnel		27,254	
Other Salaries and Wages		43,619	

(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.)

Social Security	\$	41,425	
State Retirement		36,018	
Medical Insurance		24,781	
Employer Medicare		9,985	
Communication		2,522	
Maintenance and Repair Services - Vehicles		95,570	
Medical and Dental Services		5,730	
Diesel Fuel		331,535	
Gasoline		21,930	
Lubricants		10,076	
Tires and Tubes		59,898	
Other Supplies and Materials		35,122	
Other Charges		1,782	
Transportation Equipment		324,000	
Total Transportation			\$ 1,705,300

Central and Other

Data Processing Personnel	\$	34,607	
Social Security		2,033	
State Retirement		1,768	
Medical Insurance		5,071	
Employer Medicare		475	
Total Central and Other			43,954

Operation of Non-instructional Services

Early Childhood Education

Teachers	\$	262,681	
Educational Assistants		90,434	
Other Salaries and Wages		166,960	
Certified Substitute Teachers		540	
Non-certified Substitute Teachers		4,086	
Social Security		23,046	
State Retirement		42,308	
Medical Insurance		89,006	
Dental Insurance		1,990	
Employer Medicare		5,949	
Communication		6,000	
Maintenance and Repair Services - Buildings		1,200	
Postal Charges		200	
Travel		5,900	
Instructional Supplies and Materials		11,884	
Other Charges		1,630	
Total Early Childhood Education			713,814

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Capital Outlay

Regular Capital Outlay

Building Improvements	\$ 1,229,715	
Total Regular Capital Outlay		\$ 1,229,715

Other Debt Service

Education

Contributions	\$ 717,350	
Total Education		<u>717,350</u>

Total General Purpose School Fund \$ 30,993,481

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 820,941	
Educational Assistants	117,134	
Certified Substitute Teachers	1,440	
Non-certified Substitute Teachers	5,502	
Social Security	54,375	
State Retirement	78,722	
Medical Insurance	126,596	
Dental Insurance	5,273	
Employer Medicare	12,462	
Maintenance and Repair Services - Equipment	2,696	
Instructional Supplies and Materials	68,180	
Regular Instruction Equipment	<u>57,957</u>	
Total Regular Instruction Program		\$ 1,351,278

Special Education Program

Educational Assistants	\$ 602,606	
Social Security	34,734	
State Retirement	30,733	
Employer Medicare	8,123	
Contracts with Private Agencies	45,000	
Evaluation and Testing	20,000	
Other Contracted Services	5,000	
Instructional Supplies and Materials	2,573	
Other Charges	6,000	
Special Education Equipment	<u>23,736</u>	
Total Special Education Program		778,505

Vocational Education Program

Instructional Supplies and Materials	\$ 15,586	
Other Charges	2,244	
Vocational Instruction Equipment	<u>217,874</u>	
Total Vocational Education Program		235,704

(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

Other Student Support

Social Workers	\$	85,586	
Assessment Personnel		41,602	
Clerical Personnel		43,581	
Other Salaries and Wages		1,065	
Social Security		9,989	
State Retirement		15,259	
Medical Insurance		15,215	
Dental Insurance		620	
Employer Medicare		2,336	
Travel		17,718	
In Service/Staff Development		868	
Other Charges		7,200	
Total Other Student Support			\$ 241,039

Regular Instruction Program

Supervisor/Director	\$	60,983	
Secretary(ies)		17,447	
Other Salaries and Wages		750	
In-service Training		15,599	
Social Security		5,034	
State Retirement		7,360	
Medical Insurance		14,767	
Dental Insurance		310	
Employer Medicare		1,177	
Communication		780	
Consultants		17,195	
Operating Lease Payments		2,177	
Postal Charges		24	
Travel		26,778	
Library Books/Media		22,029	
Other Supplies and Materials		24,895	
In Service/Staff Development		41,617	
Other Equipment		18,150	
Total Regular Instruction Program			277,072

Special Education Program

Travel	\$	10,871	
Other Contracted Services		143,746	
Other Supplies and Materials		2,555	
Total Special Education Program			157,172

Vocational Education Program

Travel	\$	2,692	
Total Vocational Education Program			2,692

(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.)

Transportation

Bus Drivers	\$	25,048	
Social Security		1,553	
State Retirement		1,280	
Employer Medicare		363	
Total Transportation			\$ 28,244

Operation of Non-instructional Services

Community Services

Supervisor/Director	\$	4,450	
Teachers		288,414	
Clerical Personnel		21,699	
Part-time Personnel		74,756	
Social Security		22,680	
State Retirement		24,415	
Medical Insurance		10,016	
Employer Medicare		5,376	
Travel		12,995	
Other Contracted Services		11,628	
Other Supplies and Materials		136,490	
Other Charges		4,674	
Total Community Services			617,593

Total School Federal Projects Fund \$ 3,689,299

Central Cafeteria Fund

Operation of Non-instructional Services

Food Service

Supervisor/Director	\$	38,221	
Accountants/Bookkeepers		25,282	
Clerical Personnel		16,508	
Cafeteria Personnel		663,132	
Maintenance Personnel		28,408	
Other Salaries and Wages		20,046	
Social Security		43,914	
State Retirement		37,337	
Medical Insurance		191,777	
Unemployment Compensation		68	
Employer Medicare		10,270	
Communication		2,612	
Maintenance and Repair Services - Equipment		18,555	
Transportation - Other than Students		16,381	
Travel		1,283	
Other Contracted Services		31,241	
Food Supplies		932,900	
Office Supplies		1,994	
Uniforms		8,576	

(Continued)

Exhibit J-8

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

<u>Central Cafeteria Fund (Cont.)</u>		
<u>Operation of Non-instructional Services (Cont.)</u>		
<u>Food Service (Cont.)</u>		
USDA - Commodities	\$ 150,207	
Other Supplies and Materials	66,024	
Other Charges	2,071	
Food Service Equipment	<u>29,299</u>	
Total Food Service		<u>\$ 2,336,106</u>
Total Central Cafeteria Fund		<u>\$ 2,336,106</u>
Total Governmental Funds - McNairy County School Department		<u><u>\$ 37,018,886</u></u>

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, 2014

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 1,725,947
Total Cash Receipts	<u>\$ 1,725,947</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,708,688
Trustee's Commission	17,259
Total Cash Disbursements	<u>\$ 1,725,947</u>
 Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2013	<u>0</u>
 Cash Balance, June 30, 2014	<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, 2014, and the related notes to the financial statements, which collectively comprise McNairy County's basic financial statements, and have issued our report thereon dated November 24, 2014. Our report includes a reference to other auditors who audited the financial statements of the McNairy County Airport Authority, 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. 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: 2014-002, 2014-003, 2014-005, 2014-007, 2014-008, 2014-009(A,B,C), and 2014-011.

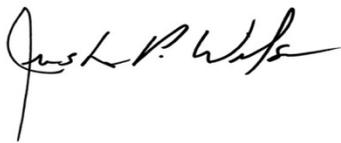
Compliance and Other Matters

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: 2014-001, 2014-004, 2014-006, 2014-009(D), 2014-010, and 2014-012.

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

November 24, 2014

JPW/sb



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

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

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited McNairy County's compliance with the types of compliance requirements described in the *OMB 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, 2014. 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, 2014.

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.

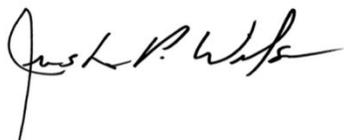
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any 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, 2014, and the related notes to the financial statements, which collectively comprise McNairy County's basic financial statements. We issued our report thereon dated November 24, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

November 24, 2014

JPW/sb

McNairy County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2014

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	\$ 312,460
National School Lunch Program	10.555	N/A	1,027,575 (3)
Summer Food Service Program for Children	10.559	N/A	54,906
Passed-through State Department of Agriculture:			
National School Lunch Program - (Commodities - Noncash Assistance)	10.555	N/A	150,207 (3)
Total U.S. Department of Agriculture			<u>\$ 1,545,148</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	GG-10-33115-00	\$ 275,370
Total U.S. Department of Housing and Urban Development			<u>\$ 275,370</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(2)	\$ 9,000
Total U.S. Department of Justice			<u>\$ 9,000</u>
U.S. Department of Labor:			
Passed-through State Department of Labor and Workforce Development:			
WIA Youth Activities	17.259	(2)	\$ 28,434
Total U.S. Department of Labor			<u>\$ 28,434</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,372,713
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	879,807
Special Education - Preschool Grants	84.173	N/A	130,215
Career and Technical Education - Basic Grants to States	84.048	N/A	255,097
Fund for the Improvement of Education	84.215	N/A	12,000
Twenty-first Century Community Learning Centers	84.287	N/A	504,403
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	N/A	117,708
Rural Education	84.358	N/A	72,001
English Language Acquisition State Grants	84.365	N/A	1,405
Improving Teacher Quality State Grants	84.367	N/A	194,961
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	222,759
Total U.S. Department of Education			<u>\$ 3,763,069</u>
U.S. Election Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	(2)	\$ 7,582
Total U.S. Election Assistance Commission			<u>\$ 7,582</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(2)	\$ 219,525
Emergency Management Performance Grants	97.042	(2)	37,200
Total U.S. Department of Homeland Security			<u>\$ 256,725</u>
Total Expenditures of Federal Awards			<u>\$ 5,885,328</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)	\$ 51,041
Governor's Highway Safety Grant - State Department of Transportation	N/A	(2)	50
Waste Tire Option Grant Program - State Department of Environment and Conservation	N/A	(2)	9,488
Hub and Spoke Grant - State Department of Environment and Conservation	N/A	(2)	135,150
Rebuild and Recover Grant - Tennessee Housing Development Agency	N/A	(2)	175,000
ACT/Explore - State Department of Education	N/A	(2)	10,657
Family Preservation and Support Services (Family Resource Center) - State Department of Education	N/A	(2)	29,583
Early Childhood Education - State Department of Education	N/A	(2)	713,815
Statewide Student Management System - State Department of Education	N/A	(2)	11,195
Coordinated School Health - State Department of Education	N/A	(2)	90,000
Art Ticket Student Subsidy - State Department of Education	N/A	(2)	930
Safe Schools Act - State Department of Education	N/A	(2)	26,200
ConnecTenn - State Department of Education	N/A	(2)	<u>12,346</u>
Total State Grants			<u>\$ 1,265,455</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 \$1,177,782.

McNairy County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2014

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, 2013, which have not been corrected.

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-001	147	Expenditures exceeded appropriations
2013-004	149	Usernames and passwords were shared by Solid Waste Office employees

OFFICE OF DIRECTOR OF SCHOOLS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-006	150	The School Federal Projects Fund had a cash overdraft at June 30, 2013

OFFICE OF TRUSTEE

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-009	151	The office did not review its software audit logs

OFFICE OF GENERAL SESSIONS COURT CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-013	153	Execution docket trial balances did not reconcile with cash journal accounts

OFFICE OF REGISTER OF DEEDS

Finding Number	Page Number	Subject
2013-014	154	Multiple employees operated from the same cash drawer
2013-015	154	The register of deeds allowed individuals unsupervised access to the office after business hours

OFFICE OF SHERIFF

Finding Number	Page Number	Subject
2013-016	155	The office had accounting deficiencies
2013-017	156	Duties were not segregated adequately

McNAIRY COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2014

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); Title I Grants to Local Educational Agencies (CFDA No. 84.010); Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173); and Twenty-first Century Community Learning Centers (CFDA No. 84.287) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. McNairy County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response; however, management did not provide responses for inclusion in this report.

OFFICE OF COUNTY MAYOR

FINDING 2014-001

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

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

- A. Expenditures exceeded appropriations approved by the County Commission in three of 38 major appropriation categories (the legal level of control) of the General Fund as reflected in the following table:

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
Budget and Finance Committee	\$ 400
Sheriff's Department	4,297
Contributions to Other Agencies	451

- B. Expenditures exceeded total appropriations approved by the County Commission in the Solid Waste/Sanitation Fund by \$17,557.
- C. Salaries exceeded appropriations in six of 72 salary line-items of the General Fund by amounts ranging from \$43 to \$2,432 and in four of 11 salary line-items in the Solid Waste/Sanitation Fund by amounts ranging from \$231 to \$666. The budget resolution approved by the County Commission states that the salary, wages, or enumeration of each official, employee, or agent of the county will not exceed appropriations that accompany this resolution. Therefore, salaries that exceeded line-item appropriations were expenditures not approved by the County Commission.

Section 5-9-401, *Tennessee Code Annotated*, states that "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies." These deficiencies exist because management failed to hold spending to the limits authorized by the County Commission, which results in unauthorized expenditures. Also, these deficiencies are 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 2014-002

**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' accounts. If inappropriate activity were to occur, the employee responsible for this activity would not be easily identified because employees had access to other users' accounts. 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.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 2014-003

**THE SCHOOL FEDERAL PROJECTS FUND HAD A
CASH OVERDRAFT OF \$97,511 AT JUNE 30, 2014**

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

At June 30, 2014, the School Federal Projects Fund had a cash overdraft of \$97,511. 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, 2014.

RECOMMENDATION

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

FINDING 2014-004

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

(Noncompliance Under *Government Auditing Standards*)

The School Department did not deposit amounts withheld from contractor payments into an escrow account related to an \$834,012 construction contract for a new roof for McNairy Central High School. Section 66-34-104, *Tennessee Code Annotated*, requires that funds withheld from contractor payments be deposited into an escrow account with a third party for contracts of \$500,000 or more. This deficiency was the result of a lack of management oversight that could result in the loss of interest earnings for the contractor.

RECOMMENDATION

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

OFFICE OF TRUSTEE

FINDING 2014-005

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 exists due to the failure of management 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 GENERAL SESSIONS COURT CLERK

FINDING 2014-006

THE EXECUTION DOCKET TRIAL BALANCE DID NOT RECONCILE WITH CASH JOURNAL ACCOUNTS

(Noncompliance Under *Government Auditing Standards*)

At June 30, 2014, the general sessions court clerk had prepared a trial balance of execution docket cause balances as required by Section 18-2-103, *Tennessee Code Annotated (TCA)*. However, the trial balance did not reconcile with cash journal accounts by \$2,783.

Therefore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-110, *TCA*. This statute provides that any funds held by the court for 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 2014-007

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 2014-008

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

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

Our examination disclosed that the register of deeds did not adequately control access to the office. Individuals who were not office employees had unsupervised access to the office after business hours. Sound business practices dictate that unsupervised access to the office

after business hours weakens internal controls over assets. This deficiency is the result of management's decision to allow 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 2014-009

THE OFFICE HAD ACCOUNTING DEFICIENCIES

(A., B., and C. – Internal Control – Significant Deficiency Under *Government Auditing Standards*; D. – 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 cash journal was not properly maintained. Transactions were posted to the cash journal only once per week and were dated the day of posting instead of the actual date of the transaction. The official cash journal is the primary cash control record of the office that summarizes financial operations; therefore, the proper maintenance of the cash journal on a current basis is necessary for the official to determine the financial position of the office. The failure to properly maintain accounting records also increases the risks of fraud and abuse.
- B. The office did not maintain any accounting records for transactions of the commissary. The cash journal and annual financial report did not include the commissary account, and the office was unable to provide any subsidiary reports from the commissary software. We have included commissary receipts (\$106,857) and disbursements (\$68,268) in the financial statements of this report based on amounts we summarized from available bank statements. The failure to properly maintain records of commissary transactions allows errors to occur and not be detected and increases the risks of fraud and abuse.
- C. Bank statements for the primary and commissary accounts 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.

- D. The office did not remit commissary profits to the county trustee. 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

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

FINDING 2014-010

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

(Noncompliance Under *Government Auditing Standards*)

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

RECOMMENDATION

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

FINDING 2014-011

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.

FINDING 2014-012

THE SHERIFF DID NOT OBTAIN A LETTER OF AGREEMENT OR COURT DECREE TO AUTHORIZE DEPUTY HIRES

(Noncompliance Under *Government Auditing Standards*)

The county mayor had prepared a letter of agreement authorizing the number of Sheriff's Department deputies and their salaries; however, the agreement was never signed by the sheriff. Section 8-20-101, *Tennessee Code Annotated*, requires the sheriff to enter into a letter of agreement with the county mayor concerning the number and the salaries of deputies or to file suit in Circuit Court. This noncompliance is the result of the sheriff and county mayor not reaching a formal agreement on the salaries of deputies.

RECOMMENDATION

The sheriff should obtain a letter of agreement with the county mayor or petition Circuit Court for the number and salaries of deputies as required by state statute.

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

There were no findings and questioned costs for federal awards.

BEST PRACTICE

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

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

MCNAIRY COUNTY SHOULD ADOPT A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING

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

McNAIRY COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2014

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