

**ANNUAL FINANCIAL REPORT
OF
MARION COUNTY, TENNESSEE
AND
MARION COUNTY SCHOOL DEPARTMENT**

SINGLE AUDIT REPORT



FOR THE YEAR ENDED JUNE 30, 2005

**Comptroller of the Treasury
Department of Audit
Division of County Audit
Nashville, Tennessee**

ANNUAL FINANCIAL REPORT
MARION COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2005

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This financial report is available at www.comptroller.state.tn.us

MARION COUNTY, TENNESSEE

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Audit Highlights

Annual Financial Report
Marion County, Tennessee
For the Year Ended June 30, 2005

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of Marion County as of and for the year ended June 30, 2005.

Results

Our report on Marion County's financial statements expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34.

Our audit resulted in 11 findings and recommendations, which we have reviewed with Marion County management. Detailed findings and recommendations are included in the Single Audit Report.

Findings

The following are summaries of the audit findings:

MARION COUNTY

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.

OFFICE OF COUNTY MAYOR

- ◆ Management did not determine accurate Ambulance Service accounts receivable balances.
 - ◆ In some required instances, the office did not issue purchase orders, and invoices were paid without documentation of the receipt of goods or services. Also, competitive bids were not solicited for the purchase of food for the Marion County Jail.
 - ◆ The office did not maintain inventory records for assets owned by the general county government.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ The execution dockets were not maintained properly.
 - ◆ The office did not develop a disaster recovery plan for its computerized applications.
 - ◆ The office did not enter into a formal hardware and software maintenance contract with the vendor.
-

OFFICE OF SHERIFF

- ◆ Some funds were not deposited to the office bank account within three days of collection as required by state statute.
-

OTHER FINDINGS

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately in the Offices of County Mayor, Highway Superintendent, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.
- ◆ The County Commission had not adopted policies and procedures for travel reimbursements.

*State of Tennessee
Comptroller of the Treasury
Department of Audit
Division of County Audit*

INTRODUCTORY SECTION

Marion County Officials
June 30, 2005

Officials:

Howell Moss, County Mayor
John Graham, Highway Superintendent
David Kirk, Trustee
Carl Blevins, Assessor of Property
Dwight Minter, County Clerk
Evelyn Griffith, Circuit and General Sessions Courts Clerk
Levoy Gudger, Clerk and Master
Winfred Haggard, Register
Ronnie Burnett, Sheriff

Board of County Commissioners:

Mike Killian, Chairman
Louin Campbell
Doug Fitz-Gerald
Connie Griffitts
Robert Eugene Hargis
Charles Hudson
Delmer McNabb
Ralph Pickett

Les Price
Marshall Raines, Sr.
Charles Richardson
Keith Smith
Thomas E. Thompson
Melvin Turner
Glen White

FINANCIAL SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841

INDEPENDENT AUDITOR'S REPORT

October 5, 2005

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Marion County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 30, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Marion County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide

financial statements. The amounts that would be reported in government-wide financial statements for the county's governmental activities, business-type activities, and discretely presented component units are not reasonably determinable.

As described in Note I, Marion County, Tennessee, has prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. These standards require county governments that do not present government-wide financial statements to present fund financial statements in conformity with all the accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements. These standards also require some additional disclosures to be included in the notes to the financial statements, as described in Note I.

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Marion County, Tennessee, as of June 30, 2005, or the changes in its financial position or its cash flows, where applicable for the year then ended.

Also, the financial statements of the Marion County Conservation Commission and the Suck Creek Utility District, enterprise funds representing the entire business-type activities of the county, have not been made available by other auditors as of the date of this report. Accordingly the business-type activities and aggregate remaining fund information of Marion County, Tennessee, referred to above does not include the financial statements of the Marion County Conservation Commission and the Suck Creek Utility District which should be included to conform with accounting principles generally accepted in the United States of America and the Comptroller of the Treasury of the State of Tennessee. The effects on the financial statements are not reasonably determined.

However, in our opinion, except for the effects of the matters discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Marion County, Tennessee, as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated October 5, 2005, on our consideration of Marion County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note IV.B., Marion County has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures which modifies the county's disclosures for custodial credit risk and adds disclosures about other types of risk.

The budgetary comparison information on pages 33 through 37 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marion County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the debt service funds, miscellaneous schedules, and statistical tables 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 debt service funds, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan" with a long horizontal flourish extending to the right.

John G. Morgan
Comptroller of the Treasury

JGM/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Marion County, Tennessee
 Balance Sheet
 Governmental Funds
 June 30, 2005

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Rural Debt Service	Funds Other Govern- mental Funds	
<u>ASSETS</u>						
Cash	\$ 300	\$ 0	\$ 0	\$ 0	\$ 78,301	\$ 78,601
Equity in Pooled Cash and Investments	1,622,508	431,886	946,732	1,686,049	172,022	4,859,197
Accounts Receivable	2,347	968	0	0	538	3,853
Due from Other Governments	172,030	438,448	0	0	65,556	676,034
Due from Other Funds	8,898	0	0	0	0	8,898
Property Taxes Receivable	3,455,787	0	473,287	1,276,286	0	5,205,360
Allowance for Uncollectible Property Taxes	(203,257)	0	(27,806)	(74,521)	0	(305,584)
Total Assets	\$ 5,058,613	\$ 871,302	\$ 1,392,213	\$ 2,887,814	\$ 316,417	\$ 10,526,359
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Payroll Deductions Payable	\$ 2,412	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,412
Due to Other Funds	0	0	0	0	8,898	8,898
Due to State of Tennessee	2,031	0	0	0	0	2,031
Deferred Revenue - Current Property Taxes	3,064,440	0	419,786	1,133,415	0	4,617,641
Deferred Revenue - Delinquent Property Taxes	188,090	0	25,695	68,350	0	282,135
Other Deferred Revenues	67,632	152,874	0	0	33,179	253,685
Total Liabilities	\$ 3,324,605	\$ 152,874	\$ 445,481	\$ 1,201,765	\$ 42,077	\$ 5,166,802
<u>Fund Balances</u>						
Reserved for Purchase of Electronic Fingerprint Imaging System	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,792	\$ 4,792
Reserved for Alcohol and Drug Treatment	94,370	0	0	0	0	94,370
Reserved for Computer System - Register	61,206	0	0	0	0	61,206
Unreserved, Reported In:						
General Fund	1,578,432	0	0	0	0	1,578,432
Special Revenue Funds	0	718,428	0	0	269,548	987,976
Debt Service Funds	0	0	946,732	1,686,049	0	2,632,781
Total Fund Balances	\$ 1,734,008	\$ 718,428	\$ 946,732	\$ 1,686,049	\$ 274,340	\$ 5,359,557
Total Liabilities and Fund Balances	\$ 5,058,613	\$ 871,302	\$ 1,392,213	\$ 2,887,814	\$ 316,417	\$ 10,526,359

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

Exhibit B

Marion County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Rural Debt Service	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 3,648,989	\$ 22,293	\$ 444,251	\$ 1,148,088	\$ 266,151	\$ 5,529,772
Licenses and Permits	79,632	0	0	0	0	79,632
Fines, Forfeitures and Penalties	137,346	0	0	0	19,363	156,709
Charges for Current Services	114,806	129,968	0	0	342,870	587,644
Other Local Revenues	184,359	27,018	0	2,331	13,710	227,418
Fees Received from County Officials	1,019,817	0	0	0	0	1,019,817
State of Tennessee	824,736	2,034,468	0	0	117,218	2,976,422
Federal Government	719,900	0	0	0	0	719,900
Other Governments and Citizens Groups	90,224	0	0	852,698	125,983	1,068,905
Total Revenues	\$ 6,819,809	\$ 2,213,747	\$ 444,251	\$ 2,003,117	\$ 885,295	\$ 12,366,219
<u>Expenditures</u>						
Current:						
General Government	\$ 953,187	\$ 0	\$ 0	\$ 0	\$ 10,133	\$ 963,320
Finance	164,341	0	0	0	317,426	481,767
Administration of Justice	624,618	0	0	0	13,650	638,268
Public Safety	2,235,369	0	0	0	15,259	2,250,628
Public Health and Welfare	449,859	0	0	0	589,394	1,039,253
Social, Cultural, and Recreational Services	141,075	0	0	0	0	141,075
Agricultural and Natural Resources	68,291	0	0	0	0	68,291
Other Operations	1,821,209	0	8,778	22,398	3,954	1,856,339
Highways	0	2,325,752	0	0	0	2,325,752
Debt Service:						
Principal	0	0	105,000	705,000	0	810,000
Interest	0	0	240,808	1,080,045	0	1,320,853
Other Debt Service	0	0	378	1,975	0	2,353
Total Expenditures	\$ 6,457,949	\$ 2,325,752	\$ 354,964	\$ 1,809,418	\$ 949,816	\$ 11,897,899
Excess (Deficiency) of Revenues Over Expenditures	\$ 361,860	\$ (112,005)	\$ 89,287	\$ 193,699	\$ (64,521)	\$ 468,320
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0	\$ 10,000	\$ 0	\$ 0	\$ 105,000	\$ 115,000
Transfers Out	(115,000)	0	0	0	0	(115,000)
Total Other Financing Sources (Uses)	\$ (115,000)	\$ 10,000	\$ 0	\$ 0	\$ 105,000	\$ 0

(Continued)

Exhibit B

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

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Rural Debt Service	Other Govern- mental Funds	
Net Change in Fund Balances	\$ 246,860	\$ (102,005)	\$ 89,287	\$ 193,699	\$ 40,479	\$ 468,320
Fund Balance, July 1, 2004	1,487,148	820,433	857,445	1,492,350	233,861	4,891,237
Fund Balance, June 30, 2005	\$ 1,734,008	\$ 718,428	\$ 946,732	\$ 1,686,049	\$ 274,340	\$ 5,359,557

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

Exhibit C

Marion County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2005

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 764,791
Equity in Pooled Cash and Investments	95,748
Due from Other Governments	513,697
Property Taxes Receivable	372,149
Allowance for Uncollectible Property Taxes	<u>(21,303)</u>
Total Assets	<u>\$ 1,725,082</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 877,375
Due to Litigants, Heirs, and Others	764,791
Due to Joint Ventures	<u>82,916</u>
Total Liabilities	<u>\$ 1,725,082</u>

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

MARION COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Marion County's financial statements are not 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.

Marion County has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and discretely presented component units. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement 34 and accounting principles generally accepted in the United States of America. Marion County has elected instead only to implement the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused Marion County's auditor to issue an adverse opinion on the county's financial statements.

Although Marion County's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund statements, including the notes to the financial statements.

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

A. Reporting Entity

Marion County is a public municipal corporation governed by an elected 15-member board. As required by GAAP, these financial statements present Marion County (the primary government). Although required by GAAP, the financial statements of the Marion County Conservation Commission and the Suck Creek Utility District, enterprise funds, were not available from other auditors in time for inclusion in this report.

Blended Component Units – There are no legally separate component units of Marion County that meet the criteria for being reported as part of the primary government by the blending method.

Excluded Component Units – The following entities meet the criteria for discretely presented component units of the county. Since Marion County is presenting fund financial statements only, the financial information of entities that meet the criteria for discretely presented component units is not included in the fund financial statements, as required by generally accepted accounting principles. These entities would have been presented as separate columns in those statements to emphasize that they are legally separate from the county.

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

The Marion County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Marion County, and the Marion 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 Marion County School Department and the Marion County Emergency Communications District issue separate financial statements from those of the county. The School Department’s financial statements are published as a separate report but under the same cover as the county’s financial statements. Marion County Emergency Communications District’s financial statements are published as a separate report. Complete financial statements of the Marion County Emergency Communications District can be obtained from its administrative office at the following address:

Marion County Emergency Communications District
P.O. Box 818
Kimball, TN 37347

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

Fund financial statements of Marion County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories:

governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category. Marion County reports two proprietary funds, both of which are enterprise funds. However, the financial statements of these enterprise funds, the Marion County Conservation Commission and the Suck Creek Utility District, were not available from other auditors in time for inclusion in this 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. Marion County considers grant 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 debt service funds for payments to be made early in the following year.

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. Property taxes collected within 30 days after year-end are considered to be immaterial for reporting purposes. 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 fund financial statements are reported using the economic resources 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.

Marion 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.

Highway/Public Works Fund – This fund is used to account for transactions of the county’s Highway Department.

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.

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

Additionally, Marion County reports the following fund type:

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers, property taxes levied on residents of Richard City, local sales taxes received by the state to be forwarded to the various cities in Marion County, and state grants and other restricted revenues held for the benefit of the Twelfth Judicial District Drug Task Force. 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.

C. **Assets, Liabilities, and Net Assets or Equity**

1. **Deposits and Investments**

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county’s own legally issued bonds or notes; the State Treasurer’s Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by all Marion County and Marion County School Department funds. Each fund’s portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Fund. Marion County and the Marion County 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. 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

Outstanding balances between funds are reported as due to/from other funds.

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 3.22 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 deferred revenue as of June 30.

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

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

3. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. Marion County does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be

reported in the government-wide statement of net assets; however, as previously noted, Marion County does not present government-wide statements.

4. Compensated Absences

It is the county's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since Marion County does not have a policy to pay any amounts 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. It is Marion County's policy to not pay a separated employee for more than ten days accrued vacation leave.

5. Long-term Obligations

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, claims and judgments, and landfill closure and postclosure care costs are recognized to the extent that the liabilities have matured (come due for payment) each period.

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.

6. Fund Equity

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Expenditures Exceed Appropriations

Expenditures exceeded appropriations approved by the County Commission in the Ambulance/Emergency Medical Services major appropriation category (the legal level of control) of the General Fund by \$14,411. Such overexpenditures are a violation of state statutes. This overexpenditure was funded by greater than expected revenues in the General Fund.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Marion County and the Marion County School Department participate in an internal cash and investment pool through the Office of Trustee. The Marion County School Department meets the criteria for a discretely presented component unit of Marion County. Since Marion County is presenting fund financial statements only, the financial information for the Marion County School Department is not included in these fund financial statements. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected in the fund financial statements represent 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; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; 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 director of Local Finance 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 market value of the securities on the day of purchase.

The county had no pooled and nonpooled investments as of June 30, 2005.

B. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2005, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 8,898

The above balance resulted from the time lag between the 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, 2005, consisted of the following amounts:

<u>Transfers Out</u>	<u>Transfers In</u>	
	<u>Highway/ Public Works Fund</u>	<u>Nonmajor Govern- mental Fund</u>
General Fund	\$ 10,000	\$ 105,000

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

C. Capital Leases

On October 11, 2002, Marion County entered into a three-year lease-purchase agreement for sheriff's vehicles. The terms of the agreement require total

lease payments of \$184,649 plus interest of 4.86 percent. Title to the vehicles transfers to Marion County at the end of the lease period. The lease payments are made by the General Fund.

Since Marion County is presenting fund financial statements only, the present value of minimum lease payments under lease agreements has not been reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in the government-wide financial statements, but Marion County is not presenting government-wide financial statements. Future minimum lease payments and the net present value these minimum lease payments as of June 30, 2005, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2006	\$ 16,509
Total Minimum Lease Payments	\$ 16,509
Less: Amounts Representing Interest	(133)
Present Value of Minimum Lease Payments	<u>\$ 16,376</u>

D. Long-term Debt

Since Marion County is presenting fund financial statements only, long-term debt is not reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in government-wide financial statements, but Marion County is not presenting government-wide financial statements.

General Obligation Bonds and Notes

The county issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund other general obligation bonds. Capital outlay notes are issued to fund 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 25 years for bonds and up to five 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 included in long-term debt as of June 30, 2005, will be retired from the General Debt Service Fund (\$4,630,000) and the Rural Debt Service Fund (\$22,070,000). Outstanding capital outlay notes of \$140,911 will be retired from the Solid Waste/Sanitation Fund.

General obligation bonds, capital outlay notes, and capital leases outstanding as of June 30, 2005, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
General Obligation Bonds	1.2 to 6%	\$ 28,615,000	\$ 11,860,000
General Obligation Bonds - Refunding	4 to 5	15,385,000	14,840,000
Capital Outlay Notes	5.2	550,000	140,911
Capital Leases	4.86	184,649	16,376

The annual requirements to amortize the general obligation bonds and notes outstanding as of June 30, 2005, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2006	\$ 845,000	\$ 1,283,197	\$ 120,919	\$ 4,464
2007	885,000	1,243,455	19,992	2
2008	925,000	1,202,155	0	0
2009	970,000	1,159,010	0	0
2010	1,020,000	1,113,058	0	0
2011-2015	5,860,000	4,823,295	0	0
2016-2020	7,375,000	3,339,040	0	0
2021-2025	7,630,000	1,357,245	0	0
2026-2029	1,190,000	167,750	0	0
Total	<u>\$ 26,700,000</u>	<u>\$ 15,688,205</u>	<u>\$ 140,911</u>	<u>\$ 4,466</u>

There is \$2,632,781 available in the debt service funds to service general long-term debt. General bonded debt per capita amounted to \$961, based on the 2000 federal census. Total debt per capita, including bonds, notes, capital leases, and landfill closure/post closure cost amounted to \$977, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

Governmental Activities:

	Bonds	Notes
Balance, July 1, 2004	\$ 27,510,000	\$ 255,671
Deductions	(810,000)	(114,760)
Balance, June 30, 2005	<u>\$ 26,700,000</u>	<u>\$ 140,911</u>
Balance Due Within One Year	<u>\$ 845,000</u>	<u>\$ 120,919</u>

	Capital Lease	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2004	\$ 79,896	\$ 256,073
Additions	0	38,034
Deductions	(63,520)	(7,300)
Balance, June 30, 2005	<u>\$ 16,376</u>	<u>\$ 286,807</u>
Balance Due Within One Year	<u>\$ 16,376</u>	<u>\$ 7,300</u>

E. Short-term Debt

Marion County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund. These notes were necessary because funds were not available to meet current obligations before current tax collections. Short-term debt activity for the year ended June 30, 2005, was as follows:

	Balance 7-1-04	Issued	Redeemed	Balance 6-30-05
Tax Anticipation Notes	\$ 0	\$ 400,000	\$ (400,000)	\$ 0

IV. OTHER INFORMATION

A. Risk Management

Marion County general government's risks of loss relating to general liability, property, and casualty are covered by commercial insurance. Settled claims have not exceeded commercial coverage in any of the past three years. Workers' compensation is covered by the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association. Annual premiums are paid to

the TSB-RMT for the risk coverage noted above. The creation of this pool provides for it to be self-sustaining through member premiums.

Marion County Highway Department's risks of loss relating to general liability, property, casualty, and workers' compensation are covered by commercial insurance. Settled claims have not exceeded commercial coverage in any of the past three years.

Marion County provides health insurance coverage to its employees through the Local Government Group Insurance (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 were established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual 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.

B. Accounting Change

During the year, Marion County adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the county's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

C. Subsequent Event

On July 1, 2005, Marion County issued \$4,460,000 and \$2,560,000 in general obligation refunding bonds.

D. Contingent Liabilities

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

E. Landfill Closure/Postclosure Care Costs

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Marion County has contracted with Solid Waste Disposal, Inc., a nonprofit corporation, to operate the county's landfill. The corporation has agreed to

pay landfill closure costs estimated to \$650,000 for Area I and \$1,271,667 for Area II – Phase I and is currently setting aside a portion of its revenues for that purpose. However, Marion County is contingently liable for these costs. The contingent liability is based on the use of 100 percent of Area I of the landfill and approximately 13 percent of the estimated capacity of Area II – Phase I of the landfill. As of the balance sheet date, the contingent liability would be estimated at \$650,000 for Area I and \$165,317 (\$1,271,667 x 13 percent) for Area II – Phase I. Marion County is responsible for all landfill postclosure care costs, which are estimated at \$204,400 for Area I and \$633,900 for Area II – Phase I. Postclosure care costs will be paid only after the date that the landfill stops accepting waste. The \$286,807 reported as landfill postclosure care liability at June 30, 2005, represents the cumulative amount reported to date based on the use of 100 percent of Area I (\$204,400) of the landfill and approximately 13 percent of the estimated capacity of Area II – Phase I (\$82,407) of the landfill. The county will recognize the remaining estimated cost of postclosure care of \$551,493 for Area II – Phase I of the landfill as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2005. Actual costs may vary from these estimates due to inflation, changes in technology, or changes in regulations.

F. Joint Venture

The Twelfth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between district attorney general of the 12th Judicial District; Bledsoe, Franklin, Grundy, Marion, Rhea, and Sequatchie 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. Marion County made no contributions to the DTF for the year ended June 30, 2005, and does not have any equity interest in the joint venture. Complete financial statements for the DTF can be obtained from their administrative office at the following address:

District Attorney General's Office
12th Judicial District
375 Church Street, Suite 300
Dayton, TN 37321

G. Jointly Governed Organization

The Marion County Railroad Authority is jointly operated by the county and the cities of Jasper, Kimball, and South Pittsburg. The Marion County Railroad Authority's board comprises of the Marion County Mayor, Marion County Highway Superintendent, and the mayors of the three cities;

however, the county and cities do not have any ongoing financial interest in or responsibility for the entity.

H. Retirement Commitments

Plan Description

Employees of Marion 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 Marion 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 www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

Funding Policy

Marion County requires employees to contribute five percent of earnable compensation. The County is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 2.92 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Marion County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2005, Marion County's annual pension cost of \$189,110 to TCRS was equal to the county's required and actual

contributions. The required contribution was determined as part of the July 1, 2003, 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 salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Marion 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, 2003, was 12 years.

Trend Information

Fiscal Year Ended	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	\$189,110	100%	\$0
6-30-04	71,379	100	0
6-30-03	74,081	100	0

Required Supplementary Information

Schedule of Funding Progress for Marion County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
6-30-03	\$13,052	\$13,052	\$0	100%	\$6,108	0%
6-30-01	12,101	12,101	0	100	5,622	0
6-30-99	10,684	10,684	0	100	5,085	0

I. Purchasing Laws

Office of County Mayor

Purchasing procedures for the Office of County Mayor are governed by County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated (TCA), which provide for all purchases exceeding \$5,000 to be made after public advertisement and solicitation of competitive bids. The County Commission has adopted a resolution which requires the county mayor to approve all purchases exceeding \$500.

Office of Highway Superintendent

Purchasing procedures for the Highway Department are governed by Chapter 788, Private Acts of 1933, and provisions of the Uniform Road Law, Section 54-7-133, TCA. Provisions of the Private Act provide for the highway superintendent and county mayor to jointly approve all machinery purchases. Provisions of the County Uniform Road Law require that competitive bids be solicited through public advertisement on all purchases exceeding \$10,000.

J. Other Matters

Marion County transferred the assets and liabilities of the Suck Creek Utility District, an enterprise fund, to Tennessee American Water Company, a privately owned utility, on December 31, 2004.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit D-1

Marion County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,648,989	\$ 3,351,763	\$ 3,351,763	\$ 297,226
Licenses and Permits	79,632	81,600	81,600	(1,968)
Fines, Forfeitures and Penalties	137,346	121,350	121,350	15,996
Charges for Current Services	114,806	86,075	86,075	28,731
Other Local Revenues	184,359	198,000	198,000	(13,641)
Fees Received from County Officials	1,019,817	814,000	814,000	205,817
State of Tennessee	824,736	1,103,455	1,113,455	(288,719)
Federal Government	719,900	326,620	752,610	(32,710)
Other Governments and Citizens Groups	90,224	34,996	34,996	55,228
Total Revenues	\$ 6,819,809	\$ 6,117,859	\$ 6,553,849	\$ 265,960
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 93,346	\$ 65,000	\$ 97,000	\$ 3,654
Board of Equalization	3,160	1,500	3,160	0
Beer Board	1,800	2,000	2,000	200
Budget and Finance Committee	2,250	3,000	3,000	750
County Mayor	124,826	128,013	128,013	3,187
Election Commission (Including Voter Registration)	146,993	147,434	147,434	441
Register of Deeds	133,150	138,877	138,877	5,727
Development	20,000	20,000	20,000	0
Building	85,123	85,261	85,261	138
County Buildings	310,707	435,348	330,899	20,192
Other General Administration	31,832	30,450	32,245	413
<u>Finance</u>				
Property Assessor's Office	126,354	157,096	138,096	11,742
Reappraisal Program	37,987	39,484	39,484	1,497
<u>Administration of Justice</u>				
Circuit Court	320,348	316,815	323,615	3,267
General Sessions Court	75,475	76,055	76,055	580
Chancery Court	98,187	98,187	98,187	0
Juvenile Court	130,608	137,287	137,287	6,679
<u>Public Safety</u>				
Sheriff's Department	1,127,038	1,087,662	1,169,721	42,683
Drug Enforcement	106,756	0	329,800	223,044
Jail	640,223	694,141	682,082	41,859
Fire Prevention and Control	193,862	200,862	193,863	1
Civil Defense	153,190	57,000	153,190	0
Rescue Squad	14,300	10,000	14,300	0
<u>Public Health and Welfare</u>				
Local Health Center	180,242	327,000	331,159	150,917
Ambulance/Emergency Medical Services	120,000	170,000	105,589	(14,411)
Alcohol and Drug Programs	5,523	6,400	6,400	877

(Continued)

Exhibit D-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare (Cont.)</u>				
Other Local Health Services	\$ 85,466	\$ 100,516	\$ 90,516	\$ 5,050
Regional Mental Health Center	12,430	12,430	12,430	0
General Welfare Assistance	2,500	2,500	2,500	0
Sanitation Education/Information	43,698	46,264	46,264	2,566
<u>Social, Cultural and Recreational Services</u>				
Libraries	115,730	115,730	115,730	0
Parks and Fair Boards	14,345	14,345	14,345	0
Other Social, Cultural and Recreational	11,000	11,000	11,000	0
<u>Agriculture & Natural Resources</u>				
Agriculture Extension Service	44,343	44,588	44,588	245
Soil Conservation	23,948	25,534	25,534	1,586
<u>Other Operations</u>				
Industrial Development	8,583	8,000	8,583	0
Other Economic and Community Development	596,424	400,293	726,238	129,814
Airport	155,010	539,342	539,742	384,732
Veterans' Services	5,487	6,128	6,128	641
Other Charges	619,249	759,000	628,151	8,902
Employee Benefits	414,662	455,000	455,000	40,338
Miscellaneous	21,794	28,196	23,796	2,002
Total Expenditures	\$ 6,457,949	\$ 7,003,738	\$ 7,537,262	\$ 1,079,313
Excess (Deficiency) of Revenues Over Expenditures	\$ 361,860	\$ (885,879)	\$ (983,413)	\$ 1,345,273
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (115,000)	\$ (80,000)	\$ (115,000)	\$ 0
Total Other Financing Sources (Uses)	\$ (115,000)	\$ (80,000)	\$ (115,000)	\$ 0
Net Change in Fund Balance	\$ 246,860	\$ (965,879)	\$ (1,098,413)	\$ 1,345,273
Fund Balance, July 1, 2004	1,487,148	1,396,248	1,396,248	90,900
Fund Balance, June 30, 2005	\$ 1,734,008	\$ 430,369	\$ 297,835	\$ 1,436,173

Exhibit D-2

Marion County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 22,293	\$ 42,000	\$ 24,299	\$ (2,006)
Charges for Current Services	129,968	125,000	133,773	(3,805)
Other Local Revenues	27,018	3,000	26,989	29
State of Tennessee	2,034,468	2,347,334	2,006,991	27,477
Total Revenues	<u>\$ 2,213,747</u>	<u>\$ 2,517,334</u>	<u>\$ 2,192,052</u>	<u>\$ 21,695</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 225,737	\$ 214,205	\$ 227,266	\$ 1,529
Highway and Bridge Maintenance	907,269	942,600	965,034	57,765
Operation and Maintenance of Equipment	284,714	235,000	286,133	1,419
Other Charges	70,838	74,877	75,073	4,235
Employee Benefits	320,193	363,400	334,706	14,513
Capital Outlay	517,001	904,113	520,701	3,700
Total Expenditures	<u>\$ 2,325,752</u>	<u>\$ 2,734,195</u>	<u>\$ 2,408,913</u>	<u>\$ 83,161</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (112,005)</u>	<u>\$ (216,861)</u>	<u>\$ (216,861)</u>	<u>\$ 104,856</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 10,000	\$ 10,000	\$ 10,000	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (102,005)	(206,861)	(206,861)	\$ 104,856
Fund Balance, July 1, 2004	820,433	831,204	831,204	(10,771)
Fund Balance, June 30, 2005	<u>\$ 718,428</u>	<u>\$ 624,343</u>	<u>\$ 624,343</u>	<u>\$ 94,085</u>

MARION COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2005

A. BUDGETARY INFORMATION

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

The budgetary level of control is at the major category level established by the State 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, County Mayor, County Attorney, etc.). Management may make revisions within major categories, but only the governing body may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

B. EXPENDITURES EXCEEDED APPROPRIATIONS

Expenditures exceeded appropriations approved by the County Commission in the Ambulance/Emergency Medical Services major appropriation category (the legal level of control) of the General Fund by \$14,411. Such overexpenditures are a violation of state statutes. This overexpenditure was funded by greater than anticipated revenues in the General Fund.

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

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

Courthouse and Jail Maintenance Fund – The Courthouse and Jail Maintenance Fund is used to account for a special tax levied by private act on litigation and the recording of certain instruments. The proceeds of the tax must be used to pay for improvements or maintenance on the courthouse and jail.

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for transactions involving solid waste disposal.

Health Department Fund – The Health Department Fund is used to account for savings realized through contracted services with the state. These funds will be used in local health department programs.

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 transactions of the fee and commission accounts of the trustee, clerks, register, and sheriff. Revenues from fees and commissions earned by these officials are transferred to the county's General Fund.

Exhibit E-1

Marion County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2005

	Special Revenue Funds					
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control	Constitu - tional Officers - Fees	Total Nonmajor Governmental Funds
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 78,301	\$ 78,301
Equity in Pooled Cash and Investments	27,432	21,629	63,606	59,355	0	172,022
Accounts Receivable	0	0	0	0	538	538
Due from Other Governments	0	57,336	0	8,220	0	65,556
Total Assets	\$ 27,432	\$ 78,965	\$ 63,606	\$ 67,575	\$ 78,839	\$ 316,417
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Due to Other Funds	\$ 0	\$ 0	\$ 0	\$ 8,220	\$ 678	\$ 8,898
Other Deferred Revenues	0	33,179	0	0	0	33,179
Total Liabilities	\$ 0	\$ 33,179	\$ 0	\$ 8,220	\$ 678	\$ 42,077
<u>Fund Balances</u>						
Reserved for Purchase of Electronic Fingerprint Imaging System	\$ 0	\$ 0	\$ 0	\$ 4,792	\$ 0	\$ 4,792
Unreserved	27,432	45,786	63,606	54,563	78,161	269,548
Total Fund Balances	\$ 27,432	\$ 45,786	\$ 63,606	\$ 59,355	\$ 78,161	\$ 274,340
Total Liabilities and Fund Balances	\$ 27,432	\$ 78,965	\$ 63,606	\$ 67,575	\$ 78,839	\$ 316,417

Exhibit E-2

Marion County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control	Constitu - tional Officers - Fees	
<u>Revenues</u>						
Local Taxes	\$ 16,393	\$ 249,758	\$ 0	\$ 0	\$ 0	\$ 266,151
Fines, Forfeitures and Penalties	0	0	0	19,363	0	19,363
Charges for Current Services	0	8,845	0	0	334,025	342,870
Other Local Revenues	0	0	448	13,262	0	13,710
State of Tennessee	0	117,218	0	0	0	117,218
Other Governments and Citizens Groups	0	125,383	0	600	0	125,983
Total Revenues	<u>\$ 16,393</u>	<u>\$ 501,204</u>	<u>\$ 448</u>	<u>\$ 33,225</u>	<u>\$ 334,025</u>	<u>\$ 885,295</u>
<u>Expenditures</u>						
Current:						
General Government	\$ 10,133	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,133
Finance	0	0	0	0	317,426	317,426
Administration of Justice	0	0	0	0	13,650	13,650
Public Safety	0	0	0	15,259	0	15,259
Public Health and Welfare	0	589,394	0	0	0	589,394
Other Operations	159	3,586	4	205	0	3,954
Total Expenditures	<u>\$ 10,292</u>	<u>\$ 592,980</u>	<u>\$ 4</u>	<u>\$ 15,464</u>	<u>\$ 331,076</u>	<u>\$ 949,816</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 6,101</u>	<u>\$ (91,776)</u>	<u>\$ 444</u>	<u>\$ 17,761</u>	<u>\$ 2,949</u>	<u>\$ (64,521)</u>
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0	\$ 105,000	\$ 0	\$ 0	\$ 0	\$ 105,000
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 105,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 105,000</u>
Net Change in Fund Balances	\$ 6,101	\$ 13,224	\$ 444	\$ 17,761	\$ 2,949	\$ 40,479
Fund Balance, July 1, 2004	21,331	32,562	63,162	41,594	75,212	233,861
Fund Balance, June 30, 2005	<u>\$ 27,432</u>	<u>\$ 45,786</u>	<u>\$ 63,606</u>	<u>\$ 59,355</u>	<u>\$ 78,161</u>	<u>\$ 274,340</u>

Exhibit E-3

Marion County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Courthouse & Jail Maintenance Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 16,393	\$ 12,500	\$ 13,100	\$ 3,293
Total Revenues	\$ 16,393	\$ 12,500	\$ 13,100	\$ 3,293
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 10,133	\$ 9,700	\$ 10,300	\$ 167
<u>Other Operations</u>				
Other Charges	159	200	200	41
Total Expenditures	\$ 10,292	\$ 9,900	\$ 10,500	\$ 208
Excess (Deficiency) of Revenues Over Expenditures	\$ 6,101	\$ 2,600	\$ 2,600	\$ 3,501
Net Change in Fund Balance	\$ 6,101	\$ 2,600	\$ 2,600	\$ 3,501
Fund Balance, July 1, 2004	21,331	21,302	21,302	29
Fund Balance, June 30, 2005	\$ 27,432	\$ 23,902	\$ 23,902	\$ 3,530

Exhibit E-4

Marion County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 249,758	\$ 300,000	\$ 300,000	\$ (50,242)
Charges for Current Services	8,845	9,000	9,000	(155)
State of Tennessee	117,218	116,312	116,312	906
Other Governments and Citizens Groups	125,383	125,383	125,383	0
Total Revenues	<u>\$ 501,204</u>	<u>\$ 550,695</u>	<u>\$ 550,695</u>	<u>\$ (49,491)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Convenience Centers	\$ 575,281	\$ 600,001	\$ 600,001	\$ 24,720
Other Waste Collection	14,113	21,312	21,312	7,199
<u>Other Operations</u>				
Other Charges	3,586	4,500	4,500	914
Total Expenditures	<u>\$ 592,980</u>	<u>\$ 625,813</u>	<u>\$ 625,813</u>	<u>\$ 32,833</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (91,776)</u>	<u>\$ (75,118)</u>	<u>\$ (75,118)</u>	<u>\$ (16,658)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 105,000	\$ 70,000	\$ 70,000	\$ 35,000
Total Other Financing Sources (Uses)	<u>\$ 105,000</u>	<u>\$ 70,000</u>	<u>\$ 70,000</u>	<u>\$ 35,000</u>
Net Change in Fund Balance	\$ 13,224	\$ (5,118)	\$ (5,118)	\$ 18,342
Fund Balance, July 1, 2004	<u>32,562</u>	<u>28,476</u>	<u>28,476</u>	<u>4,086</u>
Fund Balance, June 30, 2005	<u>\$ 45,786</u>	<u>\$ 23,358</u>	<u>\$ 23,358</u>	<u>\$ 22,428</u>

Exhibit E-5

Marion County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Health Department Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 448	\$ 1,000	\$ 1,000	\$ (552)
Total Revenues	\$ 448	\$ 1,000	\$ 1,000	\$ (552)
<u>Expenditures</u>				
<u>Other Operations</u>				
Other Charges	\$ 4	\$ 20	\$ 20	\$ 16
Total Expenditures	\$ 4	\$ 20	\$ 20	\$ 16
Excess (Deficiency) of Revenues Over Expenditures	\$ 444	\$ 980	\$ 980	\$ (536)
Net Change in Fund Balance	\$ 444	\$ 980	\$ 980	\$ (536)
Fund Balance, July 1, 2004	63,162	63,162	63,162	0
Fund Balance, June 30, 2005	\$ 63,606	\$ 64,142	\$ 64,142	\$ (536)

Exhibit E-6

Marion County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures and Penalties	\$ 19,363	\$ 31,000	\$ 31,000	\$ (11,637)
Other Local Revenues	13,262	200	200	13,062
State of Tennessee	0	25,000	25,000	(25,000)
Other Governments and Citizens Groups	600	250	250	350
Total Revenues	<u>\$ 33,225</u>	<u>\$ 56,450</u>	<u>\$ 56,450</u>	<u>\$ (23,225)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 15,259	\$ 39,840	\$ 39,840	\$ 24,581
<u>Other Operations</u>				
Other Charges	205	400	400	195
Total Expenditures	<u>\$ 15,464</u>	<u>\$ 40,240</u>	<u>\$ 40,240</u>	<u>\$ 24,776</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 17,761</u>	<u>\$ 16,210</u>	<u>\$ 16,210</u>	<u>\$ 1,551</u>
Net Change in Fund Balance	\$ 17,761	\$ 16,210	\$ 16,210	\$ 1,551
Fund Balance, July 1, 2004	41,594	35,313	35,313	6,281
Fund Balance, June 30, 2005	<u>\$ 59,355</u>	<u>\$ 51,523</u>	<u>\$ 51,523</u>	<u>\$ 7,832</u>

Major Governmental Funds

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

General Debt Service Fund – The General Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

Rural Debt Service Fund – The Rural Debt Service Fund is used to account for the accumulation of resources for, and the payment of, rural school long-term debt principal, interest, and related costs.

Exhibit F-1

Marion County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 444,251	\$ 427,250	\$ 427,750	\$ 16,501
Total Revenues	\$ 444,251	\$ 427,250	\$ 427,750	\$ 16,501
<u>Expenditures</u>				
<u>Other Operations</u>				
Other Charges	\$ 8,778	\$ 9,000	\$ 9,000	\$ 222
<u>Principal</u>				
General Government	105,000	105,000	105,000	0
<u>Interest</u>				
General Government	240,808	240,808	240,808	0
<u>Other Debt Service</u>				
General Government	378	0	500	122
Total Expenditures	\$ 354,964	\$ 354,808	\$ 355,308	\$ 344
Excess (Deficiency) of Revenues Over Expenditures	\$ 89,287	\$ 72,442	\$ 72,442	\$ 16,845
Net Change in Fund Balance	\$ 89,287	\$ 72,442	\$ 72,442	\$ 16,845
Fund Balance, July 1, 2004	857,445	857,078	857,078	367
Fund Balance, June 30, 2005	\$ 946,732	\$ 929,520	\$ 929,520	\$ 17,212

Exhibit F-2

Marion County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Rural Debt Service Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,148,088	\$ 1,085,500	\$ 1,087,000	\$ 61,088
Other Local Revenues	2,331	0	0	2,331
Other Governments and Citizens Groups	852,698	0	852,700	(2)
Total Revenues	<u>\$ 2,003,117</u>	<u>\$ 1,085,500</u>	<u>\$ 1,939,700</u>	<u>\$ 63,417</u>
<u>Expenditures</u>				
<u>Other Operations</u>				
Other Charges	\$ 22,398	\$ 23,000	\$ 24,500	\$ 2,102
<u>Principal</u>				
Education	705,000	705,000	705,000	0
<u>Interest</u>				
Education	1,080,045	1,080,045	1,080,045	0
<u>Other Debt Service</u>				
Education	1,975	2,100	2,100	125
Total Expenditures	<u>\$ 1,809,418</u>	<u>\$ 1,810,145</u>	<u>\$ 1,811,645</u>	<u>\$ 2,227</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 193,699	\$ (724,645)	\$ 128,055	\$ 65,644
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 852,700	\$ 0	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 852,700</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 193,699	\$ 128,055	\$ 128,055	\$ 65,644
Fund Balance, July 1, 2004	1,492,350	1,463,554	1,463,554	28,796
Fund Balance, June 30, 2005	<u>\$ 1,686,049</u>	<u>\$ 1,591,609</u>	<u>\$ 1,591,609</u>	<u>\$ 94,440</u>

Agency 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.

Special School District Fund – The Special School District Fund is used to account for the property tax levied on residents of Richard City. These property taxes are remitted to the Richard City Schools.

City School ADA - Richard City Fund – The City School ADA - Richard City Fund is used to account for the Richard City Schools' share of education revenues collected by the county which must be apportioned between the school systems on an average daily attendance basis. These collections are remitted to the Richard City Schools.

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, general sessions, and juvenile courts clerk; clerk and master; register; and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Judicial District Drug Fund – The Judicial District Drug Fund is used to account for state grants and other restricted revenues which are held in trust for the benefit of the Judicial District Drug Fund.

Exhibit G-1

Marion County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2005

	Agency Funds					
	Cities- Sales Tax	Special School District	City School ADA - Richard City	Constitutional Officers- Agency	Judicial District Drug	Total
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 764,791	\$ 0	\$ 764,791
Equity in Pooled Cash and Investments	0	7,559	5,273	0	82,916	95,748
Due from Other Governments	473,596	0	40,101	0	0	513,697
Property Taxes Receivable	0	21,772	350,377	0	0	372,149
Allowance for Uncollectible Property Taxes	0	(701)	(20,602)	0	0	(21,303)
Total Assets	<u>\$ 473,596</u>	<u>\$ 28,630</u>	<u>\$ 375,149</u>	<u>\$ 764,791</u>	<u>\$ 82,916</u>	<u>\$ 1,725,082</u>
<u>LIABILITIES</u>						
<u>Liabilities</u>						
Due to Other Taxing Units	\$ 473,596	\$ 28,630	\$ 375,149	\$ 0	\$ 0	\$ 877,375
Due to Litigants, Heirs, and Others	0	0	0	764,791	0	764,791
Due to Joint Ventures	0	0	0	0	82,916	82,916
Total Liabilities	<u>\$ 473,596</u>	<u>\$ 28,630</u>	<u>\$ 375,149</u>	<u>\$ 764,791</u>	<u>\$ 82,916</u>	<u>\$ 1,725,082</u>

Exhibit G-2

Marion County, Tennessee
Combining Statements of Changes in Assets and Liabilities -
All Agency Funds
For the Year Ended June 30, 2005

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 2,597,493	\$ 2,597,493	\$ 0
Due From Other Governments	419,680	473,596	419,680	473,596
Total Assets	<u>\$ 419,680</u>	<u>\$ 3,071,089</u>	<u>\$ 3,017,173</u>	<u>\$ 473,596</u>
<u>Liabilities</u>				
Due to Other Taxing Units	<u>\$ 419,680</u>	<u>\$ 3,071,089</u>	<u>\$ 3,017,173</u>	<u>\$ 473,596</u>
Total Liabilities	<u>\$ 419,680</u>	<u>\$ 3,071,089</u>	<u>\$ 3,017,173</u>	<u>\$ 473,596</u>
<u>Special School District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 145	\$ 18,153	\$ 10,739	\$ 7,559
Taxes Receivable	20,381	21,772	20,381	21,772
Allowance for Uncollectable Taxes	(756)	(701)	(756)	(701)
Total Assets	<u>\$ 19,770</u>	<u>\$ 39,224</u>	<u>\$ 30,364</u>	<u>\$ 28,630</u>
<u>Liabilities</u>				
Due to Other Taxing Units	<u>\$ 19,770</u>	<u>\$ 39,224</u>	<u>\$ 30,364</u>	<u>\$ 28,630</u>
Total Liabilities	<u>\$ 19,770</u>	<u>\$ 39,224</u>	<u>\$ 30,364</u>	<u>\$ 28,630</u>
<u>City School ADA - Richard City Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 25,480	\$ 553,199	\$ 573,406	\$ 5,273
Due From Other Governments	37,764	40,101	37,764	40,101
Taxes Receivable	357,788	350,377	357,788	350,377
Allowance for Uncollectable Taxes	(24,102)	(20,602)	(24,102)	(20,602)
Total Assets	<u>\$ 396,930</u>	<u>\$ 923,075</u>	<u>\$ 944,856</u>	<u>\$ 375,149</u>
<u>Liabilities</u>				
Due to Other Taxing Units	<u>\$ 396,930</u>	<u>\$ 923,075</u>	<u>\$ 944,856</u>	<u>\$ 375,149</u>
Total Liabilities	<u>\$ 396,930</u>	<u>\$ 923,075</u>	<u>\$ 944,856</u>	<u>\$ 375,149</u>

(Continued)

Exhibit G-2

Marion County, Tennessee
Combining Statement of Changes in Assets and Liabilities -
All Agency Funds (Cont.)

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 955,013	\$ 6,220,416	\$ 6,410,638	\$ 764,791
Total Assets	\$ 955,013	\$ 6,220,416	\$ 6,410,638	\$ 764,791
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 955,013	\$ 6,220,416	\$ 6,410,638	\$ 764,791
Total Liabilities	\$ 955,013	\$ 6,220,416	\$ 6,410,638	\$ 764,791
<u>Judicial District Drug Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 63,110	\$ 237,470	\$ 217,664	\$ 82,916
Total Assets	\$ 63,110	\$ 237,470	\$ 217,664	\$ 82,916
<u>Liabilities</u>				
Due To Joint Ventures	\$ 63,110	\$ 237,470	\$ 217,664	\$ 82,916
Total Liabilities	\$ 63,110	\$ 237,470	\$ 217,664	\$ 82,916
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 88,735	\$ 3,406,315	\$ 3,399,302	\$ 95,748
Cash	955,013	6,220,416	6,410,638	764,791
Due from Other Governments	457,444	513,697	457,444	513,697
Taxes Receivable	378,169	372,149	378,169	372,149
Allowance for Uncollectable Taxes	(24,858)	(21,303)	(24,858)	(21,303)
Total Assets	\$ 1,854,503	\$ 10,491,274	\$ 10,620,695	\$ 1,725,082
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 836,380	\$ 4,033,388	\$ 3,992,393	\$ 877,375
Due to Litigants, Heirs, and Others	955,013	6,220,416	6,410,638	764,791
Due To Joint Ventures	63,110	237,470	217,664	82,916
Total Liabilities	\$ 1,854,503	\$ 10,491,274	\$ 10,620,695	\$ 1,725,082

MISCELLANEOUS SCHEDULES

Exhibit H-1

Marion County, Tennessee
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds
For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Paid and/or Matured During Period	Outstanding 6-30-05
<u>NOTES PAYABLE</u>							
<u>Payable through Solid Waste/Sanitation Fund</u>							
Solid Waste Equipment	\$ 550,000	5.2 %	9-21-01	8-21-06	\$ 255,671	\$ 114,760	\$ 140,911 (1)
<u>CAPITAL LEASE</u>							
<u>Payable through General Fund</u>							
Sheriff's Vehicles	184,649	4.86	10-11-02	9-11-05	\$ 79,896	\$ 63,520	\$ 16,376
<u>GENERAL BONDED DEBT</u>							
<u>Payable through General Debt Service Fund</u>							
General Obligation Bonds	5,200,000	4.25 to 5	5-1-1999	4-1-29	\$ 4,735,000	\$ 105,000	\$ 4,630,000
<u>Payable through Rural Debt Service Fund</u>							
Rural School Bonds, Series 1999	18,000,000	5.25 to 6	11-9-1999	4-1-24	\$ 2,705,000	\$ 490,000	\$ 2,215,000
Rural School Bonds, Series 2001	3,250,000	4.35 to 5	7-1-01	4-1-25	3,060,000	85,000	2,975,000
Rural School Refunding Bonds, Series 2001	15,385,000	4 to 5	8-1-01	4-1-24	14,905,000	65,000	14,840,000
Rural School Bonds, Series 2003	2,165,000	1.2 to 4	7-16-03	5-1-23	2,105,000	65,000	2,040,000
Total Payable through Rural Debt Service					\$ 22,775,000	\$ 705,000	\$ 22,070,000
Total General Bonded Debt					\$ 27,510,000	\$ 810,000	\$ 26,700,000

(1) This is a direct liability of Solid Waste Disposal, Incorporated.

Exhibit H-2

Marion County, Tennessee
Schedule of Bond and Interest Requirements by Year

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2006	\$ 845,000	\$ 1,283,197	\$ 2,128,197
2007	885,000	1,243,455	2,128,455
2008	925,000	1,202,155	2,127,155
2009	970,000	1,159,010	2,129,010
2010	1,020,000	1,113,057	2,133,057
2011	1,065,000	1,065,508	2,130,508
2012	1,125,000	1,015,168	2,140,168
2013	1,170,000	966,802	2,136,802
2014	1,225,000	915,413	2,140,413
2015	1,275,000	860,405	2,135,405
2016	1,345,000	801,915	2,146,915
2017	1,400,000	738,937	2,138,937
2018	1,475,000	672,463	2,147,463
2019	1,540,000	600,507	2,140,507
2020	1,615,000	525,218	2,140,218
2021	1,700,000	446,002	2,146,002
2022	1,780,000	362,493	2,142,493
2023	1,870,000	275,000	2,145,000
2024	1,780,000	182,000	1,962,000
2025	500,000	91,750	591,750
2026	275,000	65,450	340,450
2027	290,000	50,325	340,325
2028	305,000	34,375	339,375
2029	320,000	17,600	337,600
Total	\$ 26,700,000	\$ 15,688,205	\$ 42,388,205

Marion County, Tennessee
Schedule of Transfers - All Funds
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Highway/Public Works	Bridge construction	\$ 10,000
General	Solid Waste/Sanitation	Operating expenses	<u>105,000</u>
Total Transfers			<u>\$ 115,000</u>

Marion County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u> , and County Commission	\$ 69,295 (1)	\$ 50,000	RLI Insurance
Highway Superintendent	Section 8-24-102, <u>TCA</u> , and County Commission	58,965 (2)	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	51,969	674,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	51,969	(3)	"
County Clerk	Section 8-24-102, <u>TCA</u>	51,969	50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	51,969	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	65,619 (4)	50,000	"
Register	Section 8-24-102, <u>TCA</u>	51,969	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	57,684 (5)	25,000	"
Employee Blanket Bond Coverage: General County Employees			250,000	Scottsdale Indemnity Company

- (1) Includes local salary supplement of \$9,272.
- (2) Includes local salary supplement of \$1,800.
- (3) No bond on file.
- (4) Includes special commissioner fees of \$13,650.
- (5) Includes law enforcement training supplement of \$519.

Marion County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2005

Exhibit H-5

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 2,858,889	\$ 0	\$ 0	\$ 0	0
Trustee's Collections - Prior Year	176,846	0	0	0	0
Circuit/Clerk & Master Collections - Prior Years	87,206	0	0	0	0
Interest and Penalty	31,027	0	0	0	0
Payments in Lieu of Taxes - T.V.A.	29,371	0	0	0	0
Payments in Lieu of Taxes - Local Utilities	7,105	0	0	0	0
Payments in Lieu of Taxes - Other	464	0	0	0	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	0	0	249,758	0	0
Litigation Tax - General	208,788	0	0	0	0
Litigation Tax - Special Purpose	47,948	16,393	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	15,258	0	0	0	0
Business Tax	160,405	0	0	0	0
Mineral Severance Tax	0	0	0	0	0
<u>Statutory Local Taxes</u>					
Bank Excise Tax	23,164	0	0	0	0
Coal Severance Tax	0	0	0	0	0
Interstate Telecommunications Tax	2,518	0	0	0	0
Total Local Taxes	\$ 3,648,989	\$ 16,393	\$ 249,758	\$ 0	0
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Cable TV Franchise	\$ 29,678	\$ 0	\$ 0	\$ 0	0
<u>Permits</u>					
Beer Permits	3,557	0	0	0	0
Building Permits	46,397	0	0	0	0
Total Licenses and Permits	\$ 79,632	\$ 0	\$ 0	\$ 0	0
<u>Fines, Forfeitures and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 22,959	\$ 0	\$ 0	\$ 0	0
Officers Costs	12,483	0	0	0	0

(Continued)

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

Exhibit H-5

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control
<u>Fines, Forfeitures and Penalties (Cont.)</u>					
<u>Circuit Court (Cont.)</u>					
Drug Control Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,964
Jail Fees	6,262	0	0	0	0
DUI Treatment Fines	3,024	0	0	0	0
<u>General Sessions Court</u>					
Fines	33,453	0	0	0	0
Officers Costs	36,291	0	0	0	0
Jail Fees	5,783	0	0	0	0
DUI Treatment Fines	11,359	0	0	0	0
<u>Juvenile Court</u>					
Fines	4,406	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	1,326	0	0	0	0
<u>Judicial District Drug Program</u>					
Drug Task Force Forfeitures and Seizures	0	0	0	0	8,399
Total Fines, Forfeitures and Penalties	\$ 137,346	\$ 0	\$ 0	\$ 0	\$ 19,363
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Patient Charges	\$ 3,775	\$ 0	\$ 0	\$ 0	\$ 0
Work Release Charges for Board	10,958	0	0	0	0
Other General Service Charges	0	0	0	0	0
<u>Fees</u>					
Airport Fees	39,829	0	0	0	0
Copy Fees	17,414	0	0	0	0
Telephone Commissions	11,942	0	0	0	0
Vending Machine Collections	17,548	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	0
Data Processing Fee - Register	13,280	0	0	0	0
Sexual Offender Registration Fee	60	0	0	0	0
<u>Other Charges for Services</u>					
Other Charges for Services	0	0	8,845	0	0
Total Charges for Current Services	\$ 114,806	\$ 0	\$ 8,845	\$ 0	\$ 0

(Continued)

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

Exhibit H-5

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 123,810	\$ 0	\$ 0	\$ 448	\$ 0
Lease/Rentals	45,452	0	0	0	0
Miscellaneous Refunds	409	0	0	0	0
<u>Nonrecurring Items</u>					
Insurance Recovery	1,078	0	0	0	0
Sale of Property	1,110	0	0	0	11,262
Contributions & Gifts	0	0	0	0	2,000
Performance Bond Forfeitures	0	0	0	0	0
<u>Other Local Revenues</u>					
Other Local Revenues	12,500	0	0	0	0
Total Other Local Revenues	\$ 184,359	\$ 0	\$ 0	\$ 448	\$ 13,262
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
County Clerk	\$ 79,700	\$ 0	\$ 0	\$ 0	\$ 0
Trustee	196,893	0	0	0	0
<u>Fees In Lieu of Salary</u>					
Circuit Court Clerk	153,743	0	0	0	0
General Sessions Court Clerk	347,142	0	0	0	0
Clerk and Master	65,177	0	0	0	0
Register	169,166	0	0	0	0
Sheriff	7,996	0	0	0	0
Total Fees Received from County Officials	\$ 1,019,817	\$ 0	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 10,890	\$ 0	\$ 0	\$ 0	\$ 0
Airport Maintenance Program	8,112	0	0	0	0
State Reappraisal Grant	11,450	0	0	0	0
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	7,780	0	0	0	0
Other Public Safety Grants	10,000	0	0	0	0

(Continued)

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

Exhibit H-5

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control
<u>State of Tennessee (Cont.)</u>					
<u>Public Works Grants</u>					
State Aid Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Litter Program	32,438	0	0	0	0
<u>Other State Revenues</u>					
Income Tax	42,461	0	0	0	0
Beer Tax	16,778	0	0	0	0
Alcoholic Beverage Tax	36,889	0	0	0	0
Mixed Drink Tax	1,640	0	0	0	0
State Revenue Sharing - T.V.A.	197,652	0	98,826	0	0
Contracted Prisoner Boarding	115,136	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0
Petroleum Special Tax	0	0	0	0	0
T.B.I. - Equipment Reimbursement	1,734	0	0	0	0
Registrar's Salary Supplement	16,380	0	0	0	0
Other State Grants	150,002	0	18,392	0	0
Other State Revenues	165,394	0	0	0	0
Total State of Tennessee	\$ 824,736	\$ 0	\$ 117,218	\$ 0	\$ 0
<u>Federal Government</u>					
<u>Federal Through State</u>					
Homeland Security Grants	\$ 152,125	\$ 0	\$ 0	\$ 0	\$ 0
Other Federal through State	411,545	0	0	0	0
<u>Direct Federal Revenue</u>					
Other Direct Federal Revenue	156,230	0	0	0	0
Total Federal Government	\$ 719,900	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 13,975	\$ 0	\$ 125,383	\$ 0	\$ 0
Contracted Services	76,249	0	0	0	0
<u>Citizens Groups</u>					
Donations	0	0	0	0	600
Total Other Governments and Citizens Groups	\$ 90,224	\$ 0	\$ 125,383	\$ 0	\$ 600
Total	\$ 6,819,809	\$ 16,393	\$ 501,204	\$ 448	\$ 33,225

(Continued)

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

Exhibit H-5

	Special Revenue Funds		Debt Service Funds		Total
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 0	\$ 0	\$ 390,564	\$ 1,016,953	\$ 4,266,406
Trustee's Collections - Prior Year	0	0	24,346	63,036	264,228
Circuit/Clerk & Master Collections - Prior Years	0	0	16,829	35,202	139,237
Interest and Penalty	0	0	4,265	11,065	46,357
Payments in Lieu of Taxes - T.V.A.	0	0	4,038	10,663	44,072
Payments in Lieu of Taxes - Local Utilities	0	0	978	2,579	10,662
Payments in Lieu of Taxes - Other	0	0	66	172	702
<u>County Local Option Taxes</u>					
Local Option Sales Tax	0	0	0	0	249,758
Litigation Tax - General	0	0	0	0	208,788
Litigation Tax - Special Purpose	0	0	0	0	64,341
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	15,258
Business Tax	0	0	0	0	160,405
Mineral Severance Tax	0	22,196	0	0	22,196
<u>Statutory Local Taxes</u>					
Bank Excise Tax	0	0	3,165	8,418	34,747
Coal Severance Tax	0	97	0	0	97
Interstate Telecommunications Tax	0	0	0	0	2,518
Total Local Taxes	\$ 0	\$ 22,293	\$ 444,251	\$ 1,148,088	\$ 5,529,772
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$ 0	\$ 29,678
<u>Permits</u>					
Beer Permits	0	0	0	0	3,557
Building Permits	0	0	0	0	46,397
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 79,632
<u>Fines, Forfeitures and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,959
Officers Costs	0	0	0	0	12,483

(Continued)

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

Exhibit H-5

	Special Revenue Funds		Debt Service Funds		Total
	Constitutional Officers Fees	Highway / Public Works	General Debt Service	Rural Debt Service	
<u>Fines, Forfeitures and Penalties (Cont.)</u>					
<u>Circuit Court (Cont.)</u>					
Drug Control Fines	\$ 0	\$ 0	\$ 0	\$ 0	10,964
Jail Fees	0	0	0	0	6,262
DUI Treatment Fines	0	0	0	0	3,024
<u>General Sessions Court</u>					
Fines	0	0	0	0	33,453
Officers Costs	0	0	0	0	36,291
Jail Fees	0	0	0	0	5,783
DUI Treatment Fines	0	0	0	0	11,359
<u>Juvenile Court</u>					
Fines	0	0	0	0	4,406
<u>Chancery Court</u>					
Officers Costs	0	0	0	0	1,326
<u>Judicial District Drug Program</u>					
Drug Task Force Forfeitures and Seizures	0	0	0	0	8,399
Total Fines, Forfeitures and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	156,709
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Patient Charges	\$ 0	\$ 0	\$ 0	\$ 0	3,775
Work Release Charges for Board	0	0	0	0	10,958
Other General Service Charges	0	129,968	0	0	129,968
<u>Fees</u>					
Airport Fees	0	0	0	0	39,829
Copy Fees	0	0	0	0	17,414
Telephone Commissions	0	0	0	0	11,942
Vending Machine Collections	0	0	0	0	17,548
Constitutional Officers' Fees and Commissions	334,025	0	0	0	334,025
Data Processing Fee - Register	0	0	0	0	13,280
Sexual Offender Registration Fee	0	0	0	0	60
<u>Other Charges for Services</u>					
Other Charges for Services	0	0	0	0	8,845
Total Charges for Current Services	\$ 334,025	\$ 129,968	\$ 0	\$ 0	587,644

(Continued)

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

Exhibit H-5

	Special Revenue Funds		Debt Service Funds		Total
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 0	2,331	\$ 126,589
Lease/Rentals	0	0	0	0	45,452
Miscellaneous Refunds	0	1,029	0	0	1,438
<u>Nonrecurring Items</u>					
Insurance Recovery	0	0	0	0	1,078
Sale of Property	0	0	0	0	12,372
Contributions & Gifts	0	0	0	0	2,000
Performance Bond Forfeitures	0	25,989	0	0	25,989
<u>Other Local Revenues</u>					
Other Local Revenues	0	0	0	0	12,500
Total Other Local Revenues	\$ 0	\$ 27,018	\$ 0	2,331	\$ 227,418
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	79,700
Trustee	0	0	0	0	196,893
<u>Fees In Lieu of Salary</u>					
Circuit Court Clerk	0	0	0	0	153,743
General Sessions Court Clerk	0	0	0	0	347,142
Clerk and Master	0	0	0	0	65,177
Register	0	0	0	0	169,166
Sheriff	0	0	0	0	7,996
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	0	\$ 1,019,817
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	10,890
Airport Maintenance Program	0	0	0	0	8,112
State Reappraisal Grant	0	0	0	0	11,450
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	0	0	0	0	7,780
Other Public Safety Grants	0	0	0	0	10,000

(Continued)

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

Exhibit H-5

	Special Revenue Funds		Debt Service Funds		Total
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	
<u>State of Tennessee (Cont.)</u>					
<u>Public Works Grants</u>					
State Aid Program	\$ 0	\$ 256,182	\$ 0	\$ 0	\$ 256,182
Litter Program	0	0	0	0	32,438
<u>Other State Revenues</u>					
Income Tax	0	0	0	0	42,461
Beer Tax	0	0	0	0	16,778
Alcoholic Beverage Tax	0	0	0	0	36,889
Mixed Drink Tax	0	0	0	0	1,640
State Revenue Sharing - T.V.A.	0	0	0	0	296,478
Contracted Prisoner Boarding	0	0	0	0	115,136
Gasoline and Motor Fuel Tax	0	1,755,942	0	0	1,755,942
Petroleum Special Tax	0	22,344	0	0	22,344
T.B.I. - Equipment Reimbursement	0	0	0	0	1,734
Registrar's Salary Supplement	0	0	0	0	16,380
Other State Grants	0	0	0	0	168,394
Other State Revenues	0	0	0	0	165,394
Total State of Tennessee	\$ 0	\$ 2,034,468	\$ 0	\$ 0	\$ 2,976,422
<u>Federal Government</u>					
<u>Federal Through State</u>					
Homeland Security Grants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 152,125
Other Federal through State	0	0	0	0	411,545
<u>Direct Federal Revenue</u>					
Other Direct Federal Revenue	0	0	0	0	156,230
Total Federal Government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 719,900
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 0	\$ 852,698	\$ 992,056
Contracted Services	0	0	0	0	76,249
<u>Citizens Groups</u>					
Donations	0	0	0	0	600
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 852,698	\$ 1,068,905
Total	\$ 334,025	\$ 2,213,747	\$ 444,251	\$ 2,003,117	\$ 12,366,219

Exhibit H-6

Marion County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2005

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	20,750	
Audit Services		13,196	
Legal Services		59,400	
Total County Commission			\$ 93,346

Board of Equalization

Board and Committee Members Fees	\$	3,160	
Total Board of Equalization			3,160

Beer Board

Board and Committee Members Fees	\$	1,800	
Total Beer Board			1,800

Budget and Finance Committee

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

County Mayor

County Official/Administrative Officer	\$	69,295	
Accountants/Bookkeepers		23,109	
Secretary(s)		23,109	
Other Salaries & Wages		7,930	
Maintenance & Repair Services- Vehicles		220	
Travel		1,111	
Gasoline		52	
Total County Mayor			124,826

Election Commission

County Official/Administrative Officer	\$	41,575	
Deputy(ies)		23,109	
Election Commission		8,100	
Election Workers		45,271	
Contracts with Private Agencies		6,268	
Postal Charges		623	
Printing, Stationery and Forms		6,442	
Travel		6,873	
Other Charges		5,162	
Data Processing Equipment		3,570	
Total Election Commission			146,993

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds

County Official/Administrative Officer	\$	51,969	
Deputy(ies)		24,190	
Clerical Personnel		23,109	
Other Salaries & Wages		22,845	
Operating Lease Payments		10,956	
Travel		81	
Total Register of Deeds			\$ 133,150

Development

Contracts with Government Agencies	\$	20,000	
Total Development			20,000

Building

Supervisor/Director	\$	38,470	
Clerical Personnel		23,109	
Other Salaries & Wages		7,082	
In-Service Training		172	
Contracts with Government Agencies		8,500	
Travel		7,790	
Total Building			85,123

County Buildings

Attendants	\$	21,917	
Custodial Personnel		22,478	
Other Salaries & Wages		1,293	
Other Contracted Services		12,104	
Utilities		202,457	
Other Supplies and Materials		47,044	
Office Equipment		3,414	
Total County Buildings			310,707

Other General Administration

Maintenance Personnel	\$	28,000	
In-Service Training		495	
Communication		681	
Travel		2,656	
Total Other General Administration			31,832

(Continued)

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

General Fund (Cont.)

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	51,969	
Secretary(s)		23,109	
Clerical Personnel		23,109	
Other Salaries & Wages		23,109	
Audit Services		2,100	
Data Processing Services		808	
Travel		2,150	
Total Property Assessor's Office			\$ 126,354

Reappraisal Program

Clerical Personnel	\$	9,466	
Other Salaries & Wages		22,374	
Data Processing Services		3,178	
Travel		2,969	
Total Reappraisal Program			37,987

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	51,969	
Deputy(ies)		187,036	
Overtime Pay		141	
Other Salaries & Wages		20,290	
Jury and Witness Fees		21,966	
Debt Collection Services		8,008	
Operating Lease Payments		26,400	
Other Contracted Services		4,538	
Total Circuit Court			320,348

General Sessions Court

Judge(s)	\$	74,255	
Travel		1,220	
Total General Sessions Court			75,475

Chancery Court

County Official/Administrative Officer	\$	51,969	
Accountants/Bookkeepers		23,109	
Other Salaries & Wages		23,109	
Total Chancery Court			98,187

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court

Judge(s)	\$	44,553	
Assistant(s)		25,227	
Probation Officer(s)		23,109	
Clerical Personnel		23,109	
Temporary Personnel		9,116	
In-Service Training		430	
Travel		4,217	
Other Contracted Services		203	
Office Supplies		644	
Total Juvenile Court			\$ 130,608

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	57,165	
Deputy(ies)		433,210	
Accountants/Bookkeepers		7,009	
Salary Supplements		7,262	
Dispatchers/Radio Operators		175,025	
Attendants		31,418	
Custodial Personnel		16,050	
Temporary Personnel		13,886	
Overtime Pay		95,356	
Other Salaries & Wages		50,945	
In-Service Training		6,475	
Rentals		5,590	
Gasoline		73,585	
Instructional Supplies and Materials		17,280	
Tires and Tubes		8,136	
Uniforms		3,980	
Vehicle Parts		36,436	
Other Charges		9,199	
Principal on Capitalized Leases		63,520	
Interest on Capitalized Leases		2,480	
Communication Equipment		4,669	
Law Enforcement Equipment		8,362	
Total Sheriff's Department			1,127,038

Drug Enforcement

Overtime Pay	\$	12,848
Other Fringe Benefits		2,245

(Continued)

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

General Fund (Cont.)Public Safety (Cont.)Drug Enforcement (Cont.)

Travel	\$	4,804	
Other Contracted Services		13,239	
Office Supplies		28,338	
Law Enforcement Equipment		45,282	
Total Drug Enforcement			\$ 106,756

Jail

Guards	\$	235,567	
Cafeteria Personnel		38,653	
Temporary Personnel		14,315	
Overtime Pay		28,095	
Other Salaries & Wages		10,573	
In-Service Training		1,188	
Medical and Dental Services		165,426	
Transportation - Other than Students		621	
Food Supplies		102,846	
Prisoners Clothing		8,254	
Uniforms		3,729	
Other Charges		30,956	
Total Jail			640,223

Fire Prevention and Control

Contributions	\$	2,000	
Other Contracted Services		191,862	
Total Fire Prevention and Control			193,862

Civil Defense

Contributions	\$	7,000	
Equipment and Machinery Parts		146,190	
Total Civil Defense			153,190

Rescue Squad

Contributions	\$	14,300	
Total Rescue Squad			14,300

Public Health and WelfareLocal Health Center

Contributions	\$	55,276	
Other Contracted Services		114,488	
Building Construction		10,478	
Total Local Health Center			180,242

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services

Ambulance Services	\$ 120,000	
Total Ambulance/Emergency Medical Services		\$ 120,000

Alcohol and Drug Programs

Other Salaries & Wages	\$ 2,400	
Other Supplies and Materials	3,123	
Total Alcohol and Drug Programs		5,523

Other Local Health Services

Contracts with Government Agencies	\$ 1,000	
Contracts with Other Public Agencies	72,016	
Pauper Burials	3,000	
Other Contracted Services	9,450	
Total Other Local Health Services		85,466

Regional Mental Health Center

Contracts with Government Agencies	\$ 12,430	
Total Regional Mental Health Center		12,430

General Welfare Assistance

Contributions	\$ 2,500	
Total General Welfare Assistance		2,500

Sanitation Education/Information

Guards	\$ 14,050	
Clerical Personnel	19,685	
Other Fringe Benefits	2,725	
Instructional Supplies and Materials	4,492	
Library Books/Media	2,300	
Other Supplies and Materials	37	
Other Equipment	409	
Total Sanitation Education/Information		43,698

Social, Cultural and Recreational Services

Libraries

Contributions	\$ 115,730	
Total Libraries		115,730

Parks and Fair Boards

Custodial Personnel	\$ 8,840	
---------------------	----------	--

(Continued)

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

General Fund (Cont.)

Social, Cultural and Recreational Services (Cont.)

Parks and Fair Boards (Cont.)

Contributions	\$ 5,505	
Total Parks and Fair Boards		\$ 14,345

Other Social, Cultural and Recreational

Contributions	\$ 1,000	
Chemicals	10,000	
Total Other Social, Cultural and Recreational		11,000

Agriculture & Natural Resources

Agriculture Extension Service

Contributions	\$ 44,343	
Total Agriculture Extension Service		44,343

Soil Conservation

Clerical Personnel	\$ 23,109	
Travel	52	
Office Supplies	567	
Other Charges	220	
Total Soil Conservation		23,948

Other Operations

Industrial Development

Dues and Memberships	\$ 8,583	
Total Industrial Development		8,583

Other Economic and Community Development

Water and Sewer	\$ 518,279	
Other Charges	78,145	
Total Other Economic and Community Development		596,424

Airport

Supervisor/Director	\$ 24,290	
Temporary Personnel	8,168	
Other Fringe Benefits	3,315	
Travel	864	
Fuel Oil	16,843	
Office Supplies	2,095	
Utilities	6,990	
Liability Insurance	2,750	
Other Charges	1,744	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Other Operations (Cont.)

Airport (Cont.)

Airport Improvement	\$ 15,535	
Other Construction	<u>72,416</u>	
Total Airport		\$ 155,010

Veterans' Services

Supervisor/Director	\$ 5,128	
Other Charges	<u>359</u>	
Total Veterans' Services		5,487

Other Charges

Dues and Memberships	\$ 10,386	
Legal Notices, Recording and Court Costs	4,187	
Maintenance & Repair Services- Equipment	49,694	
Office Supplies	120,986	
Building and Contents Insurance	22,699	
Liability Insurance	137,863	
Premiums on Corporate Surety Bonds	363	
Trustee's Commission	87,207	
Vehicle and Equipment Insurance	45,892	
Workers' Compensation Insurance	116,222	
Other Charges	18,188	
Office Equipment	<u>5,562</u>	
Total Other Charges		619,249

Employee Benefits

Social Security	\$ 202,156	
State Retirement	73,375	
Employee and Dependent Insurance	129,684	
Unemployment Compensation	<u>9,447</u>	
Total Employee Benefits		414,662

Miscellaneous

Investigator(s)	\$ 19,396	
Travel	1,800	
Refunds	<u>598</u>	
Total Miscellaneous		<u>21,794</u>

Total General Fund \$ 6,457,949

(Continued)

Exhibit H-6

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

Courthouse & Jail Maintenance Fund

General Government

County Buildings

Maintenance & Repair Services- Buildings	\$ 10,133	
Total County Buildings		\$ 10,133

Other Operations

Other Charges

Trustee's Commission	\$ 159	
Total Other Charges		<u>159</u>

Total Courthouse & Jail Maintenance Fund		\$ 10,292
------------------------------------------	--	-----------

Solid Waste/Sanitation Fund

Public Health and Welfare

Convenience Centers

Truck Drivers	\$ 50,423	
Part-time Personnel	110,136	
Other Salaries & Wages	6,468	
Social Security	12,778	
Unemployment Compensation	1,306	
Maintenance & Repair Services- Equipment	6,872	
Disposal Fees	227,540	
Diesel Fuel	5,569	
Tires and Tubes	3,428	
Uniforms	834	
Utilities	20,433	
Principal on Notes	114,760	
Interest on Notes	10,623	
Other Construction	<u>4,111</u>	
Total Convenience Centers		\$ 575,281

Other Waste Collection

Tires and Tubes	\$ 14,113	
Total Other Waste Collection		14,113

Other Operations

Other Charges

Trustee's Commission	\$ 3,586	
Total Other Charges		<u>3,586</u>

Total Solid Waste/Sanitation Fund		592,980
-----------------------------------	--	---------

(Continued)

Exhibit H-6

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

<u>Health Department Fund</u>		
<u>Other Operations</u>		
<u>Other Charges</u>		
Trustee's Commission	\$ 4	
Total Other Charges		\$ 4
Total Health Department Fund		\$ 4
 <u>Drug Control Fund</u>		
<u>Public Safety</u>		
<u>Drug Enforcement</u>		
In-Service Training	\$ 5,700	
Confidential Drug Enforcement Payments	2,069	
Legal Notices, Recording and Court Costs	60	
Tow-in Services	845	
Travel	1,129	
Veterinary Services	1,021	
Animal Food and Supplies	130	
Law Enforcement Supplies	3,585	
Utilities	592	
Law Enforcement Equipment	128	
Total Drug Enforcement		\$ 15,259
 <u>Other Operations</u>		
<u>Other Charges</u>		
Trustee's Commission	\$ 205	
Total Other Charges		205
Total Drug Control Fund		15,464
 <u>Constitutional Officers - Fees Fund</u>		
<u>Finance</u>		
<u>County Trustee's Office</u>		
Constitutional Officers' Operating Expenses	\$ 138,608	
Total County Trustee's Office		\$ 138,608
 <u>County Clerk's Office</u>		
Constitutional Officers' Operating Expenses	\$ 178,818	
Total County Clerk's Office		178,818
 <u>Administration of Justice</u>		
<u>Chancery Court</u>		
Special Commissioner Fees/Special Master Fees	\$ 13,650	
Total Chancery Court		13,650
Total Constitutional Officers - Fees Fund		331,076

(Continued)

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	57,165	
Assistant(s)		80,001	
Accountants/Bookkeepers		58,702	
Salary Supplements		1,800	
Communication		8,020	
Data Processing Services		3,427	
Dues and Memberships		3,000	
Evaluation and Testing		1,725	
Legal Notices, Recording and Court Costs		225	
Maintenance & Repair Services- Office Equipment		275	
Postal Charges		496	
Travel		1,910	
Other Contracted Services		7,279	
Office Supplies		1,134	
Other Charges		578	
Total Administration			\$ 225,737

Highway and Bridge Maintenance

Foremen	\$	50,118	
Equipment Operators		54,354	
Truck Drivers		209,080	
Laborers		220,831	
Operating Lease Payments		1,000	
Rentals		2,308	
Asphalt - Cold Mix		4,718	
Asphalt - Hot Mix		223,066	
Asphalt - Liquid		39,886	
Crushed Stone		60,171	
Pipe - Metal		23,762	
Road Signs		6,892	
Sand		286	
Other Supplies and Materials		10,797	
Total Highway and Bridge Maintenance			907,269

Operation and Maintenance of Equipment

Mechanic(s)	\$	81,540	
Nightwatchmen		27,446	
Other Contracted Services		31,083	
Diesel Fuel		35,058	
Equipment and Machinery Parts		53,194	

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Garage Supplies	\$	13,591	
Gasoline		29,792	
Lubricants		2,963	
Propane Gas		1,270	
Tires and Tubes		8,777	
Total Operation and Maintenance of Equipment	\$		284,714

Other Charges

Electricity	\$	6,759	
Water and Sewer		145	
Building and Contents Insurance		796	
Liability Insurance		6,648	
Trustee's Commission		17,918	
Vehicle and Equipment Insurance		38,572	
Total Other Charges			70,838

Employee Benefits

Social Security	\$	64,442	
State Retirement		23,351	
Employee and Dependent Insurance		155,077	
Unemployment Compensation		8,623	
Workers' Compensation Insurance		68,700	
Total Employee Benefits			320,193

Capital Outlay

Bridge Construction	\$	10,125	
Building Improvements		3,381	
Communication Equipment		1,370	
Data Processing Equipment		2,089	
Highway Construction		7,500	
Motor Vehicles		79,959	
Office Equipment		550	
State Aid Projects		342,847	
Other Construction		69,180	
Total Capital Outlay			517,001

Total Highway/Public Works Fund \$ 2,325,752

(Continued)

Exhibit H-6

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

<u>General Debt Service Fund</u>		
<u>Other Operations</u>		
<u>Other Charges</u>		
Trustee's Commission	\$ 8,778	
Total Other Charges		\$ 8,778
 <u>Principal</u>		
<u>General Government</u>		
Principal on Bonds	\$ 105,000	
Total General Government		105,000
 <u>Interest</u>		
<u>General Government</u>		
Interest on Bonds	\$ 240,808	
Total General Government		240,808
 <u>Other Debt Service</u>		
<u>General Government</u>		
Other Charges	\$ 378	
Total General Government		<u>378</u>
Total General Debt Service Fund		\$ 354,964
 <u>Rural Debt Service Fund</u>		
<u>Other Operations</u>		
<u>Other Charges</u>		
Trustee's Commission	\$ 22,398	
Total Other Charges		\$ 22,398
 <u>Principal</u>		
<u>Education</u>		
Principal on Bonds	\$ 705,000	
Total Education		705,000
 <u>Interest</u>		
<u>Education</u>		
Interest on Bonds	\$ 1,080,045	
Total Education		1,080,045
 <u>Other Debt Service</u>		
<u>Education</u>		
Other Charges	\$ 1,975	
Total Education		<u>1,975</u>
Total Rural Debt Service Fund		<u>1,809,418</u>
Total Governmental Funds - Primary Government		<u>\$ 11,897,899</u>

Marion County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balances - City Agency Funds
For the Year Ended June 30, 2005

	Cities Sales Tax Fund	Special School District Fund	City School ADA - Richard City Fund	Total (Memorandum Only)
<u>Cash Receipts</u>				
Current Property Taxes	\$ 0	\$ 17,281	\$ 289,668	\$ 306,949
Trustee's Collections - Prior Years	0	736	17,904	18,640
Circuit/Clerk and Master Collections - Prior Years	0	136	10,006	10,142
Interest and Penalty	0	0	3,142	3,142
Payments in Lieu of Taxes - T.V.A.	0	0	2,974	2,974
Payments in Lieu of Taxes - Local Utilities	0	0	719	719
Payments in Lieu of Taxes - Other	0	0	47	47
Local Option Sales Tax	2,597,493	0	215,137	2,812,630
Hotel/Motel Tax	0	0	1,993	1,993
Bank Excise Tax	0	0	2,347	2,347
Wholesale Beer Tax	0	0	9,078	9,078
Coal Severance Tax	0	0	7	7
Marriage Licenses	0	0	177	177
Total Cash Receipts	\$ 2,597,493	\$ 18,153	\$ 553,199	\$ 3,168,845
<u>Cash Disbursements</u>				
Remittance of Revenues Collected	\$ 2,571,518	\$ 10,527	\$ 564,320	\$ 3,146,365
Trustee's Commission	25,975	212	9,086	35,273
Total Cash Disbursements	\$ 2,597,493	\$ 10,739	\$ 573,406	\$ 3,181,638
Excess of Cash Receipts Over (Under)				
Cash Disbursements	\$ 0	\$ 7,414	\$ (20,207)	\$ (12,793)
Cash Balance, July 1, 2004	0	145	25,480	25,625
Cash Balance, June 30, 2005	\$ 0	\$ 7,559	\$ 5,273	\$ 12,832

STATISTICAL SECTION

Table 1

Marion County, Tennessee
Uncollected Taxes Filed in Chancery Court
June 30, 2005

Year	Amount
1995	\$ 2,282
1996	4,520
1997	15,440
1998	22,048
1999	27,051
2000	36,771
2001	58,566
2002	93,655
2003	201,476
Total	\$ 461,809

Table 2

Marion County, Tennessee
Tax Rates and Assessments
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 0.82	\$ 1.58	\$ 1.58	\$ 1.09	\$ 0.96	\$ 0.67	\$ 0.57	\$ 0.57	\$ 0.799	\$ 0.732
General Debt Service	0.00	0.00	0.00	0.00	0.13	0.13	0.11	0.11	0.110	0.100
Rural Debt Service	0.00	0.00	0.00	0.00	0.00	0.29	0.25	0.25	0.290	0.266
General Purpose School	1.32	1.32	1.32	0.94	0.94	0.94	0.80	0.80	1.071	0.982
Total Tax Rates	\$ 2.14	\$ 2.90	\$ 2.90	\$ 2.03	\$ 2.03	\$ 2.03	\$ 1.73	\$ 1.73	\$ 2.270	\$ 2.080
<u>Assessed Valuation</u>										
Real and Personal	\$ 168,992,931	\$ 173,570,632	\$ 179,896,505	\$ 267,035,989	\$ 279,883,167	\$ 282,813,764	\$ 337,156,775	\$ 349,123,427	\$ 357,803,013	\$ 397,651,689
Public Utilities	23,766,821	24,702,818	17,686,706	24,900,062	27,084,036	26,468,570	31,569,797	31,064,300	27,734,608	32,630,775
Total Assessed Valuation	\$ 192,759,752	\$ 198,273,450	\$ 197,583,211	\$ 291,936,051	\$ 306,967,203	\$ 309,282,334	\$ 368,726,572	\$ 380,187,727	\$ 385,537,621	\$ 430,282,464

ANNUAL FINANCIAL REPORT
MARION COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF MARION COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2005

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

DIVISION OF COUNTY AUDIT
RICHARD V. NORMENT
Assistant to the Comptroller

ARTHUR L. ALEXANDER
Director

CARL LOWE, CGFM
Audit Manager

MICHAEL FORD, CPA, CGFM
Auditor 4

JESSICA L. COX, CGFM
TIMOTHY SCOTTON
JENI BOYETTE
State Auditors

This financial report is available at www.comptroller.state.tn.us

**MARION COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF MARION COUNTY, TENNESSEE
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Audit Highlights

Annual Financial Report
Marion County School Department
For the Year Ended June 30, 2005

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Marion County School Department as of and for the year ended June 30, 2005.

Results

Our report on the Marion County School Department's financial statements expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34.

Our audit resulted in five findings and recommendations, which we have reviewed with Marion County School Department's management. Detailed findings and recommendations are included in the Single Audit Report.

Findings

The following are summaries of the audit findings:

MARION COUNTY SCHOOL DEPARTMENT

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ In some required instances, the office did not issue purchase orders, some invoices were paid without documentation of the receipt of goods or services, and some invoices were not cancelled when paid.
- ◆ The School Department did not maintain inventory records for assets owned by the department.

OTHER FINDINGS

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately in the Office of Director of Schools.

*State of Tennessee
Comptroller of the Treasury
Department of Audit
Division of County Audit*

INTRODUCTORY SECTION

Marion County School Officials
June 30, 2005

Officials:

Dr. Fred Taylor, Director of Schools
Edward L. Swanger, CPA, Finance Director

Board of Education:

James Poston, Chairman
Bedford Allison
Terry Case
Louis Jordan
Claude Swafford

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841**

INDEPENDENT AUDITOR'S REPORT

October 5, 2005

Marion County Director of Schools and
Board of Education
Marion County, Tennessee

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Marion County School Department, a component unit of Marion County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 23, which collectively comprise a portion of the Marion County School Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Marion County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the

presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the School Department's governmental activities are not reasonably determinable.

As described in Note I, the Marion County School Department has prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. These standards require school departments that do not present government-wide financial statements to present fund financial statements in conformity with all the accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements. These standards also require some additional disclosures to be included in the notes to the financial statements, as described in Note I.

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Marion County School Department as of June 30, 2005, or the changes in its financial position for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Marion County School Department as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated October 5, 2005, on our consideration of the Marion County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note III.B., the Marion County School Department has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures which modifies the county's disclosures for custodial credit risk and adds disclosures about other types of risk.

The budgetary comparison information on pages 27 through 31 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marion County School Department's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds 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 miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on it.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal flourish at the end.

John G. Morgan
Comptroller of the Treasury

JGM/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Marion County, Tennessee
Balance Sheet - Governmental Funds
Marion County School Department
June 30, 2005

	Major Funds		Nonmajor	Total
	General Purpose School	Central Cafeteria	Fund School Federal Projects	
<u>ASSETS</u>				
Cash	\$ 0	\$ 3,121	\$ 0	\$ 3,121
Equity in Pooled Cash and Investments	1,516,548	748,468	16,289	2,281,305
Accounts Receivable	5,481	0	0	5,481
Due from Other Governments	685,334	0	142,803	828,137
Due from Other Funds	27,907	0	0	27,907
Property Taxes Receivable	4,288,620	0	0	4,288,620
Allowance for Uncollectible Property Taxes	(252,168)	0	0	(252,168)
Total Assets	<u>\$ 6,271,722</u>	<u>\$ 751,589</u>	<u>\$ 159,092</u>	<u>\$ 7,182,403</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 89,580	\$ 0	\$ 0	\$ 89,580
Accrued Payroll	2,661	0	0	2,661
Payroll Deductions Payable	11,388	0	0	11,388
Due to Other Funds	0	0	27,907	27,907
Deferred Revenue - Current Property Taxes	3,803,181	0	0	3,803,181
Deferred Revenue - Delinquent Property Taxes	233,270	0	0	233,270
Other Deferred Revenues	254,631	0	0	254,631
Total Liabilities	<u>\$ 4,394,711</u>	<u>\$ 0</u>	<u>\$ 27,907</u>	<u>\$ 4,422,618</u>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 252,591	\$ 0	\$ 0	\$ 252,591
Other Local Education Reserves	21,482	0	0	21,482
Reserved for Career Ladder - Extended Contract	856	0	0	856
Reserved for Career Ladder Program	9,814	0	0	9,814
Reserved for Technology	42,191	0	0	42,191
Other State Education Reserves	354	0	0	354
Reserved for Title I Grants to Local Education Agencies	0	0	31,127	31,127
Reserved for Special Education - Grants to States	0	0	53,856	53,856
Other Federal Reserves	0	0	46,202	46,202
Unreserved, Reported In:				
General Fund	1,549,723	0	0	1,549,723
Special Revenue Funds	0	751,589	0	751,589
Total Fund Balances	<u>\$ 1,877,011</u>	<u>\$ 751,589</u>	<u>\$ 131,185</u>	<u>\$ 2,759,785</u>
Total Liabilities and Fund Balances	<u>\$ 6,271,722</u>	<u>\$ 751,589</u>	<u>\$ 159,092</u>	<u>\$ 7,182,403</u>

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

Exhibit B

Marion County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Marion County School Department
For the Year Ended June 30, 2005

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Purpose School	Central Cafeteria	Other Govern- mental Funds	
<u>Revenues</u>				
Local Taxes	\$ 6,787,463	\$ 0	\$ 0	\$ 6,787,463
Licenses and Permits	2,179	0	0	2,179
Charges for Current Services	193,232	756,098	0	949,330
Other Local Revenues	84,895	12,666	0	97,561
State of Tennessee	15,334,947	24,567	0	15,359,514
Federal Government	167,254	907,593	2,242,375	3,317,222
Total Revenues	\$ 22,569,970	\$ 1,700,924	\$ 2,242,375	\$ 26,513,269
<u>Expenditures</u>				
Current:				
Instruction	\$ 13,828,781	\$ 0	\$ 1,307,415	\$ 15,136,196
Support Services	6,969,718	0	824,864	7,794,582
Operation of Non-Instructional Services	106,198	1,623,228	0	1,729,426
Capital Outlay	511,726	0	0	511,726
Debt Service:				
Principal	62,571	0	0	62,571
Interest	13,514	0	0	13,514
Other Debt Service	852,698	0	0	852,698
Capital Projects	0	0	778,913	778,913
Total Expenditures	\$ 22,345,206	\$ 1,623,228	\$ 2,911,192	\$ 26,879,626
Excess (Deficiency) of Revenues Over Expenditures	\$ 224,764	\$ 77,696	\$ (668,817)	\$ (366,357)
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 500,000	\$ 0	\$ 0	\$ 500,000
Transfers In	41,337	0	0	41,337
Transfers Out	0	0	(41,337)	(41,337)
Total Other Financing Sources (Uses)	\$ 541,337	\$ 0	\$ (41,337)	\$ 500,000
Net Change in Fund Balances	\$ 766,101	\$ 77,696	\$ (710,154)	\$ 133,643
Fund Balance, July 1, 2004	1,110,910	673,893	841,339	2,626,142
Fund Balance, June 30, 2005	\$ 1,877,011	\$ 751,589	\$ 131,185	\$ 2,759,785

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

**MARION COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF MARION COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2005**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Marion County School Department's financial statements are not 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 School Department has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement 34 and accounting principles generally accepted in the United States of America. The School Department has elected instead only to implement the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused the School Department's auditor to issue an adverse opinion on the School Department's financial statements.

Although the School Department's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

The following are the more significant accounting policies of the School Department:

A. Reporting Entity

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

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

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

Separate financial statements are provided for governmental 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.

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 School Department 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. The School Department considers grant 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 Purpose School Fund for payments to be made early in the following year.

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. Property taxes collected within 30 days after year-end are considered to be immaterial for reporting purposes. 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 School Department receives cash.

The School Department reports the following major governmental funds:

General Purpose School Fund – This 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 fund is used to account for cafeteria operations in each of the schools.

Additionally, the School Department reports the following fund type:

Capital Projects Fund – The Education Capital Projects Fund is used to account for transactions relating to the construction and renovation of school buildings in Marion County.

C. Assets, Liabilities, and Equity

1. Deposits and Investments

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county's own legally issued bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by all Marion County and Marion County School Department funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to Marion County's General Fund. Marion County and the Marion County 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. 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

Outstanding balances between funds are reported as due to/from other funds.

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 3.22 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 deferred revenue as of June 30.

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

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

3. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; they report capital outlays as expenditures upon acquisition. The School Department does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, the School Department does not present government-wide statements.

4. Compensated Absences

The general policy of the School Department does not allow for the accumulation of vacation days beyond year-end. All professional personnel of the School Department are allowed to accumulate unlimited sick leave days. All other employees are allowed to accumulate sick leave days up to the amount they would earn in two years. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

5. Long-term Obligations

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including notes 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, are recognized to the extent that the liabilities have matured (come due for payment) each period.

6. Fund Equity

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Marion County and the Marion 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, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected in the fund financial statements represent 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; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; 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 director of Local Finance 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 market value of the securities on the day of purchase.

The county had no pooled and nonpooled investments as of June 30, 2005.

B. Interfund Receivables and Payables and Transfers

The composition of interfund balances as of June 30, 2005, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Purpose School	Nonmajor governmental	\$ 27,907

The above balance resulted from the time lag between the 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, 2005, consisted of the following amounts:

Transfers Out	Transfers In General Purpose School Fund
Nonmajor governmental	\$ 41,337
Total	\$ 41,337

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.

C. Long-term Debt

Since the School Department is presenting fund financial statements only, long-term debt is not reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in government-wide financial statements, but the School Department is not presenting government-wide financial statements.

Capital Outlay Notes

Capital outlay notes are issued to fund capital facilities and other capital outlay purchases, such as equipment.

Capital outlay notes are direct obligations and pledge the full faith and credit of the government. Capital outlay notes outstanding were issued for original terms of up to 12 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. Outstanding capital outlay notes of \$745,660 will be retired from the General Purpose School Fund.

Capital outlay notes outstanding as of June 30, 2005, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
Capital Outlay Notes	0 to 4.55%	\$ 923,615	\$ 745,660

The annual requirements to amortize all notes outstanding as of June 30, 2005, including interest payments, are presented in the following table:

Year Ending June 30	Notes	
	Principal	Interest
2006	\$ 89,504	\$ 27,192
2007	91,938	24,758
2008	94,985	21,711
2009	98,147	18,547
2010	47,888	15,261
2011-2015	232,278	47,466
2016-2017	90,920	3,840
Total	<u>\$ 745,660</u>	<u>\$ 158,775</u>

Total debt per capita amounted to \$27, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

Governmental Activities:

	Notes
Balance, July 1, 2004	\$ 308,231
Additions	500,000
Deductions	(62,571)
Balance, June 30, 2005	<u>\$ 745,660</u>
Balance Due Within One Year	<u>\$ 89,504</u>

III. OTHER INFORMATION

A. Risk Management

The School Department is exposed to various risks related to general liability, property, casualty, and workers' compensation losses. The School Department decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, property, casualty, and workers' compensation coverage. The School Department joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by an association of member school boards. The School Department pays annual premiums to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of TSB-RMT provides for it to be self-sustaining through member premiums.

The School Department provides health insurance to its 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 were

established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual 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.

B. Accounting Change

During the year, the School Department adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the county's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

C. Other Matters

On May 26, 2005, a private donor committed to Whitwell Middle School the sum of \$500,000 to establish a scholarship fund. This scholarship fund is to be used for graduates of Whitwell Middle School who become graduates of Whitwell High School and who plan to pursue a post-secondary education. Scholarships are to be disbursed from the interest earned on these funds. The funds are currently being maintained as an investment under the authority of the Whitwell Middle School while school officials review the proper procedures for the establishment of a Private Purpose Trust Fund to account for these funds.

D. Contingent Liabilities

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

E. Retirement Commitments

Plan Description

Employees of Marion County, including the School Department, 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 Marion 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 www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

Since the Marion County School Department participates in Marion County's plan, retirement information for the Marion County School Department is not available separately from the retirement information provided for the county. Complete disclosure for the county's participation in the TCRS is described in footnote IV. H. of the Annual Financial Report of Marion County, Tennessee.

SCHOOL TEACHERS

Plan Description

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

34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/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 Marion County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2005, was 5.5 percent of annual covered payroll. The employer contribution requirement for Marion County 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, 2005, 2004, and 2003, were \$680,767, \$398,626, and \$379,115, respectively, equal to the required contributions for each year.

F. Purchasing Law

Purchasing Procedures for the School Department are governed by purchasing laws applicable to the schools as set forth in Section 49-2-203, Tennessee Code Annotated, which provides for the county Board of Education, through its executive committee (director of schools and the 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 exceeding \$5,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit C-1

Marion County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Marion County School Department
General Purpose School Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 6,787,463	\$ 0	\$ 6,787,463	\$ 6,314,554	\$ 6,314,554	\$ 472,909
Licenses and Permits	2,179	0	2,179	3,000	3,000	(821)
Charges for Current Services	193,232	0	193,232	183,970	205,675	(12,443)
Other Local Revenues	84,895	0	84,895	115,652	116,102	(31,207)
State of Tennessee	15,334,947	0	15,334,947	15,273,752	15,392,239	(57,292)
Federal Government	167,254	0	167,254	165,126	172,354	(5,100)
Total Revenues	\$ 22,569,970	\$ 0	\$ 22,569,970	\$ 22,056,054	\$ 22,203,924	\$ 366,046
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 10,806,884	\$ 0	\$ 10,806,884	\$ 10,809,284	\$ 10,894,980	\$ 88,096
Alternative Instruction Program	102,127	0	102,127	102,000	102,452	325
Special Education Program	1,791,229	0	1,791,229	1,826,245	1,834,764	43,535
Vocational Education Program	1,043,741	0	1,043,741	1,053,177	1,059,472	15,731
Adult Education Program	84,800	0	84,800	112,618	116,042	31,242
<u>Support Services</u>						
Attendance	61,629	0	61,629	47,462	61,885	256
Health Services	92,698	0	92,698	102,484	102,484	9,786
Other Student Support	558,478	0	558,478	553,498	567,417	8,939
Regular Instruction Program	687,689	0	687,689	676,275	690,106	2,417
Special Education Program	180,350	0	180,350	194,142	194,678	14,328
Vocational Education Program	47,391	0	47,391	49,085	49,261	1,870
Adult Programs	104,873	0	104,873	107,910	107,910	3,037
Board of Education	385,863	0	385,863	385,606	395,621	9,758
Director of Schools	259,320	0	259,320	266,600	266,600	7,280
Office of the Principal	1,212,847	0	1,212,847	1,237,373	1,237,373	24,526

(Continued)

Exhibit C-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Fiscal Services	\$ 184,712	\$ 0	\$ 184,712	\$ 185,739	\$ 185,739	\$ 1,027
Operation of Plant	1,866,911	0	1,866,911	1,909,951	1,939,951	73,040
Maintenance of Plant	340,913	103,861	444,774	486,390	514,390	69,616
Transportation	785,613	0	785,613	778,551	785,551	(62)
Central and Other	200,431	0	200,431	245,142	245,142	44,711
<u>Operation of Non-Instructional Services</u>						
Community Services	106,198	0	106,198	141,314	141,314	35,116
<u>Capital Outlay</u>						
Regular Capital Outlay	511,726	148,730	660,456	300,929	712,387	51,931
<u>Principal</u>						
Education	62,571	0	62,571	382,723	63,071	500
<u>Interest</u>						
Education	13,514	0	13,514	532,525	13,017	(497)
<u>Other Debt Service</u>						
Education	852,698	0	852,698	0	852,700	2
Total Expenditures	\$ 22,345,206	\$ 252,591	\$ 22,597,797	\$ 22,487,023	\$ 23,134,307	\$ 536,510
Excess (Deficiency) of Revenues						
Over Expenditures	\$ 224,764	\$ (252,591)	\$ (27,827)	\$ (430,969)	\$ (930,383)	\$ 902,556
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 500,000	\$ 0	\$ 500,000	\$ 0	\$ 499,413	\$ 587
Transfers In	41,337	0	41,337	48,389	48,389	(7,052)
Total Other Financing Sources (Uses)	\$ 541,337	\$ 0	\$ 541,337	\$ 48,389	\$ 547,802	\$ (6,465)

(Continued)

Exhibit C-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Net Change in Fund Balance	\$ 766,101	\$ (252,591)	\$ 513,510	\$ (382,580)	\$ (382,581)	\$ 896,091
Fund Balance, July 1, 2004	1,110,910	0	1,110,910	1,016,468	1,016,468	94,442
Fund Balance, June 30, 2005	<u>\$ 1,877,011</u>	<u>\$ (252,591)</u>	<u>\$ 1,624,420</u>	<u>\$ 633,888</u>	<u>\$ 633,887</u>	<u>\$ 990,533</u>

Exhibit C-2

Marion County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Marion County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 756,098	\$ 859,640	\$ 859,640	\$ (103,542)
Other Local Revenues	12,666	4,000	4,000	8,666
State of Tennessee	24,567	24,700	24,700	(133)
Federal Government	907,593	873,810	873,810	33,783
Total Revenues	<u>\$ 1,700,924</u>	<u>\$ 1,762,150</u>	<u>\$ 1,762,150</u>	<u>\$ (61,226)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,623,228	\$ 1,796,838	\$ 1,796,838	\$ 173,610
Total Expenditures	<u>\$ 1,623,228</u>	<u>\$ 1,796,838</u>	<u>\$ 1,796,838</u>	<u>\$ 173,610</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 77,696	\$ (34,688)	\$ (34,688)	\$ 112,384
Net Change in Fund Balance	\$ 77,696	\$ (34,688)	\$ (34,688)	\$ 112,384
Fund Balance, July 1, 2004	673,893	574,188	574,188	99,705
Fund Balance, June 30, 2005	<u>\$ 751,589</u>	<u>\$ 539,500</u>	<u>\$ 539,500</u>	<u>\$ 212,089</u>

**MARION COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF MARION COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2005**

BUDGETARY INFORMATION

The School Department 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 Marion 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 State 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 Purpose School Fund major categories: Regular Instruction, Special Education Program, Vocational Education Program, Adult Education Program, etc.). Management may make revisions within major categories, but only the Marion County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

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

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

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.

Capital Project Funds

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for transactions relating to the construction and renovation of school buildings in Marion County.

Exhibit D-1

Marion County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Marion County School Department
For the Year Ended June 30, 2005

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
<hr/>			
<u>Revenues</u>			
Federal Government	\$ 2,242,375	\$ 0	\$ 2,242,375
Total Revenues	<u>\$ 2,242,375</u>	<u>\$ 0</u>	<u>\$ 2,242,375</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,307,415	\$ 0	\$ 1,307,415
Support Services	824,864	0	824,864
Capital Projects	0	778,913	778,913
Total Expenditures	<u>\$ 2,132,279</u>	<u>\$ 778,913</u>	<u>\$ 2,911,192</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 110,096</u>	<u>\$ (778,913)</u>	<u>\$ (668,817)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (41,337)	\$ 0	\$ (41,337)
Total Other Financing Sources (Uses)	<u>\$ (41,337)</u>	<u>\$ 0</u>	<u>\$ (41,337)</u>
Net Change in Fund Balances	\$ 68,759	\$ (778,913)	\$ (710,154)
Fund Balance, July 1, 2004	62,426	778,913	841,339
Fund Balance, June 30, 2005	<u>\$ 131,185</u>	<u>\$ 0</u>	<u>\$ 131,185</u>

Exhibit D-2

Marion County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Marion County School Department
School Federal Projects Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 2,242,375	\$ 2,293,978	\$ 2,430,217	\$ (187,842)
Total Revenues	\$ 2,242,375	\$ 2,293,978	\$ 2,430,217	\$ (187,842)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 797,176	\$ 820,334	\$ 843,416	\$ 46,240
Special Education Program	414,522	425,703	527,073	112,551
Vocational Education Program	95,717	94,602	95,717	0
<u>Support Services</u>				
Health Services	36,897	36,987	36,987	90
Other Student Support	161,261	174,616	211,512	50,251
Regular Instruction Program	248,835	230,895	268,111	19,276
Special Education Program	356,377	354,131	356,377	0
Vocational Education Program	1,860	2,800	1,860	0
Transportation	19,634	105,521	72,744	53,110
Total Expenditures	\$ 2,132,279	\$ 2,245,589	\$ 2,413,797	\$ 281,518
Excess (Deficiency) of Revenues Over Expenditures	\$ 110,096	\$ 48,389	\$ 16,420	\$ 93,676
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (41,337)	\$ (48,389)	\$ (47,909)	\$ 6,572
Total Other Financing Sources (Uses)	\$ (41,337)	\$ (48,389)	\$ (47,909)	\$ 6,572
Net Change in Fund Balance	\$ 68,759	\$ 0	\$ (31,489)	\$ 100,248
Fund Balance, July 1, 2004	62,426	62,426	62,426	0
Fund Balance, June 30, 2005	\$ 131,185	\$ 62,426	\$ 30,937	\$ 100,248

MISCELLANEOUS SCHEDULES

Marion County, Tennessee
Schedule of Changes in Long-term Notes
Marion County School Department
For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-05
<u>NOTES PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
School Improvement and Tech. Enhancement	\$ 90,000	0 %	1-10-01	1-10-11	\$ 63,000	\$ 0	\$ 9,000	\$ 54,000
Energy Efficient Lighting System	244,650	3	5-16-02	7-15-09	179,836	0	33,873	145,963
Lighting Football Field	88,965	3	6-28-02	6-26-09	65,395	0	12,319	53,076
South Pittsburg High School HVAC	500,000	4.55	5-16-05	3-16-17	0	500,000	7,379	492,621
Total Notes Payable					<u>\$ 308,231</u>	<u>\$ 500,000</u>	<u>\$ 62,571</u>	<u>\$ 745,660</u>

Exhibit E-2

Marion County, Tennessee
Schedule of Transfers - All Funds
Marion County School Department
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 41,337</u>
Total			<u><u>\$ 41,337</u></u>

Exhibit E-3

Marion County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Marion County School Department
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Marion County Board of Education	\$ 90,758 (1) \$	50,000	RLI Insurance
Other Bonds:				
Public Employee Dishonesty			150,000	Tennessee School Boards Risk Management Trust

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

Marion County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Marion County School Department
For the Year Ended June 30, 2005

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 3,545,533	\$ 0	\$ 0	\$ 3,545,533
Trustee's Collections - Prior Year	219,145	0	0	219,145
Circuit/Clerk & Master Collections - Prior Years	113,971	0	0	113,971
Interest and Penalty	38,454	0	0	38,454
Payments in Lieu of Taxes - T.V.A.	36,401	0	0	36,401
Payments in Lieu of Taxes - Local Utilities	8,804	0	0	8,804
Payments in Lieu of Taxes - Other	578	0	0	578
<u>County Local Option Taxes</u>				
Local Option Sales Tax	2,655,245	0	0	2,655,245
Hotel/Motel Tax	24,865	0	0	24,865
<u>Statutory Local Taxes</u>				
Bank Excise Tax	28,728	0	0	28,728
Wholesale Beer Tax	111,439	0	0	111,439
Coal Severance Tax	90	0	0	90
Interstate Telecommunications Tax	4,210	0	0	4,210
Total Local Taxes	\$ 6,787,463	\$ 0	\$ 0	\$ 6,787,463
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 2,179	\$ 0	\$ 0	\$ 2,179
Total Licenses and Permits	\$ 2,179	\$ 0	\$ 0	\$ 2,179
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Summer School	\$ 39,738	\$ 0	\$ 0	\$ 39,738
Tuition - Other State Systems	7,340	0	0	7,340
Lunch Payments - Children	0	0	450,847	450,847
Lunch Payments - Adults	0	0	61,881	61,881
Income from Breakfast	0	0	49,556	49,556
A la carte Sales	0	0	193,814	193,814
School Based Health Services - FFS	18,593	0	0	18,593
Receipts from Individual Schools	5,222	0	0	5,222
Community Service Fees - Children	117,683	0	0	117,683
TBI Criminal Background Fee	4,656	0	0	4,656
Total Charges for Current Services	\$ 193,232	\$ 0	\$ 756,098	\$ 949,330
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 12,666	\$ 12,666
Lease/Rentals	275	0	0	275
Miscellaneous Refunds	78,995	0	0	78,995
<u>Nonrecurring Items</u>				
Insurance Recovery	1,300	0	0	1,300
Sale of Property	1,319	0	0	1,319
Damages Recovered from Individuals	146	0	0	146
Contributions & Gifts	2,550	0	0	2,550
<u>Other Local Revenues</u>				
Other Local Revenues	310	0	0	310
Total Other Local Revenues	\$ 84,895	\$ 0	\$ 12,666	\$ 97,561

Exhibit E-4

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 14,317,162	\$ 0	\$ 0	\$ 14,317,162
School Food Service	0	0	24,567	24,567
Other State Education Funds	167,380	0	0	167,380
Career Ladder Program	274,966	0	0	274,966
Career Ladder - Extended Contract	106,834	0	0	106,834
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	409,422	0	0	409,422
Other State Grants	59,183	0	0	59,183
Total State of Tennessee	<u>\$ 15,334,947</u>	<u>\$ 0</u>	<u>\$ 24,567</u>	<u>\$ 15,359,514</u>
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 701,062	\$ 701,062
Breakfast	0	0	206,531	206,531
Adult Education State Grant Program	114,458	0	0	114,458
Vocational Education - Basic Grants to States	0	98,422	0	98,422
Title I Grants to Local Education Agencies	0	904,704	0	904,704
Innovative Education Program Strategies	0	47,798	0	47,798
Special Education - Grants to States	38,714	823,241	0	861,955
Special Education Preschool Grants	0	38,691	0	38,691
Eisenhower Professional Development State Grants	0	303,284	0	303,284
Other Federal through State	14,082	26,235	0	40,317
Total Federal Government	<u>\$ 167,254</u>	<u>\$ 2,242,375</u>	<u>\$ 907,593</u>	<u>\$ 3,317,222</u>
Total	<u>\$ 22,569,970</u>	<u>\$ 2,242,375</u>	<u>\$ 1,700,924</u>	<u>\$ 26,513,269</u>

Marion County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Marion County School Department
For the Year Ended June 30, 2005

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 7,556,282	
Career Ladder Program	168,075	
Career Ladder Extended Contracts	98,500	
Homebound Teachers	9,786	
Educational Assistants	203,225	
Certified Substitute Teachers	161,619	
Social Security	486,139	
State Retirement	435,426	
Medical Insurance	1,074,723	
Employer Medicare	113,473	
Contracts with Other School Systems	7,340	
Instructional Supplies and Materials	48,912	
Textbooks	249,684	
Other Supplies and Materials	140,683	
Other Charges	3,598	
Regular Instruction Equipment	49,419	
Total Regular Instruction Program		\$ 10,806,884

Alternative Instruction Program

Teachers	\$ 78,087	
Career Ladder Program	1,000	
Social Security	4,604	
State Retirement	4,350	
Medical Insurance	12,483	
Employer Medicare	1,077	
Instructional Supplies and Materials	400	
Other Charges	126	
Total Alternative Instruction Program		102,127

Special Education Program

Teachers	\$ 997,249
Career Ladder Program	15,000
Homebound Teachers	5,937
Educational Assistants	128,433
Other Salaries & Wages	21,350
Certified Substitute Teachers	31,826
Social Security	70,430
State Retirement	60,374
Medical Insurance	208,507

(Continued)

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Employer Medicare	\$	16,472	
Contracts with Private Agencies		17,930	
Other Contracted Services		187,570	
Instructional Supplies and Materials		5,800	
Other Supplies and Materials		19,194	
Other Charges		1,461	
Special Education Equipment		3,696	
Total Special Education Program			\$ 1,791,229

Vocational Education Program

Teachers	\$	696,657	
Career Ladder Program		10,500	
Certified Substitute Teachers		9,746	
Social Security		42,729	
State Retirement		38,318	
Medical Insurance		93,730	
Employer Medicare		9,993	
Other Fringe Benefits		85	
Maintenance & Repair Services- Equipment		3,443	
Instructional Supplies and Materials		5,651	
Textbooks		9,891	
Other Supplies and Materials		37,267	
Other Charges		2,364	
Vocational Instruction Equipment		83,367	
Total Vocational Education Program			1,043,741

Adult Education Program

Teachers	\$	63,445	
Social Security		3,930	
State Retirement		3,032	
Medical Insurance		5,157	
Employer Medicare		919	
Other Fringe Benefits		279	
Instructional Supplies and Materials		6,347	
Other Equipment		1,691	
Total Adult Education Program			84,800

(Continued)

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

General Purpose School Fund (Cont.)

Support Services

Attendance

Supervisor/Director	\$	17,929	
Career Ladder Program		1,000	
Social Security		989	
State Retirement		1,041	
Medical Insurance		1,643	
Employer Medicare		231	
Travel		1,418	
Other Contracted Services		20,840	
Attendance Equipment		16,538	
Total Attendance			\$ 61,629

Health Services

Medical Personnel	\$	65,318	
Social Security		3,763	
State Retirement		1,781	
Medical Insurance		11,963	
Employer Medicare		880	
Maintenance & Repair Services- Equipment		226	
Travel		3,405	
Other Contracted Services		1,585	
Drugs and Medical Supplies		3,290	
Other Supplies and Materials		377	
Other Charges		110	
Total Health Services			92,698

Other Student Support

Career Ladder Program	\$	8,000	
Guidance Personnel		351,667	
Clerical Personnel		16,097	
Other Salaries & Wages		28,054	
Social Security		23,699	
State Retirement		21,795	
Medical Insurance		57,002	
Employer Medicare		5,543	
Evaluation and Testing		46,621	
Total Other Student Support			558,478

Regular Instruction Program

Supervisor/Director	\$	58,258	
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(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Career Ladder Program	\$	11,000	
Librarians		364,022	
Secretary(s)		20,601	
Social Security		26,951	
State Retirement		24,432	
Medical Insurance		58,178	
Employer Medicare		6,303	
Travel		2,962	
Other Contracted Services		3,203	
Library Books/Media		75,000	
Other Supplies and Materials		893	
In Service/Staff Development		27,266	
Other Charges		8,620	
Total Regular Instruction Program			\$ 687,689

Special Education Program

Supervisor/Director	\$	54,782	
Career Ladder Program		5,000	
Secretary(s)		19,077	
Other Salaries & Wages		21,386	
Social Security		6,198	
State Retirement		4,470	
Medical Insurance		11,675	
Employer Medicare		1,450	
Other Fringe Benefits		1,129	
Maintenance & Repair Services- Equipment		113	
Travel		10,891	
Other Supplies and Materials		37,385	
In Service/Staff Development		6,534	
Other Charges		260	
Total Special Education Program			180,350

Vocational Education Program

Supervisor/Director	\$	27,493	
Career Ladder Program		1,000	
Social Security		1,469	
State Retirement		1,567	
Medical Insurance		7,811	
Employer Medicare		344	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program (Cont.)

Travel	\$	5,163	
Other Supplies and Materials		409	
In Service/Staff Development		1,368	
Other Charges		767	
Total Vocational Education Program			\$ 47,391

Adult Programs

Supervisor/Director	\$	57,232	
Career Ladder Program		1,000	
Other Salaries & Wages		22,542	
Social Security		4,711	
State Retirement		3,861	
Medical Insurance		7,811	
Employer Medicare		1,102	
Other Fringe Benefits		355	
Travel		998	
In Service/Staff Development		2,939	
Other Charges		2,322	
Total Adult Programs			104,873

Board of Education

Board and Committee Members Fees	\$	11,700	
Social Security		725	
Unemployment Compensation		22,189	
Employer Medicare		170	
Audit Services		4,600	
Dues and Memberships		10,827	
Legal Services		6,826	
Travel		11,806	
Other Contracted Services		7,294	
Premiums on Corporate Surety Bonds		665	
Trustee's Commission		163,142	
Workers' Compensation Insurance		138,913	
Criminal Investigation of Applicants - TBI		4,704	
Other Charges		2,302	
Total Board of Education			385,863

Director of Schools

County Official/Administrative Officer	\$	89,758	
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(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Career Ladder Program	\$	1,000	
Secretary(s)		29,218	
Clerical Personnel		22,815	
Social Security		8,711	
State Retirement		6,511	
Medical Insurance		21,059	
Employer Medicare		2,060	
Communication		41,791	
Dues and Memberships		2,336	
Maintenance & Repair Services- Equipment		7,576	
Postal Charges		1,600	
Travel		2,318	
Other Contracted Services		16,442	
Office Supplies		5,625	
Other Charges		500	
Total Director of Schools			\$ 259,320

Office of the Principal

Principals	\$	472,334	
Career Ladder Program		15,000	
Assistant Principals		147,559	
Secretary(s)		304,416	
Other Salaries & Wages		2,900	
Social Security		55,972	
State Retirement		43,716	
Medical Insurance		153,305	
Employer Medicare		13,090	
Other Contracted Services		4,555	
Total Office of the Principal			1,212,847

Fiscal Services

Supervisor/Director	\$	56,968
Accountants/Bookkeepers		73,796
Social Security		7,808
State Retirement		3,818
Medical Insurance		21,827
Employer Medicare		1,826
Data Processing Services		8,385
Dues and Memberships		774

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Maintenance & Repair Services- Equipment	\$	405	
Travel		1,014	
Data Processing Supplies		6,123	
Office Supplies		1,598	
Other Charges		370	
Total Fiscal Services			\$ 184,712

Operation of Plant

Custodial Personnel	\$	399,594	
Social Security		23,889	
State Retirement		10,809	
Medical Insurance		119,327	
Employer Medicare		5,587	
Disposal Fees		12,904	
Other Contracted Services		15,853	
Custodial Supplies		98,362	
Electricity		673,129	
Natural Gas		259,375	
Water and Sewer		80,810	
Other Supplies and Materials		8,066	
Building and Contents Insurance		156,376	
Other Charges		2,830	
Total Operation of Plant			1,866,911

Maintenance of Plant

Maintenance Personnel	\$	147,588	
Social Security		8,831	
State Retirement		4,310	
Medical Insurance		21,500	
Employer Medicare		2,065	
Maintenance & Repair Services- Buildings		4,478	
Maintenance & Repair Services- Equipment		23,262	
Maintenance & Repair Services- Vehicles		3,875	
Other Contracted Services		14,977	
Other Supplies and Materials		91,346	
Other Charges		703	
Maintenance Equipment		17,978	
Total Maintenance of Plant			340,913

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation

Supervisor/Director	\$	17,929	
Social Security		1,066	
State Retirement		987	
Medical Insurance		1,643	
Employer Medicare		250	
Contracts with Parents		10,045	
Contracts with Vehicle Owners		751,947	
Travel		855	
Other Contracted Services		891	
Total Transportation	\$		785,613

Central and Other

Supervisor/Director	\$	54,250	
Clerical Personnel		19,512	
Other Salaries & Wages		46,852	
Social Security		7,108	
State Retirement		4,922	
Medical Insurance		16,889	
Employer Medicare		1,662	
Maintenance & Repair Services- Equipment		38	
Travel		3,464	
Other Contracted Services		16,484	
Office Supplies		3,112	
Other Supplies and Materials		13,313	
Other Charges		600	
Other Equipment		12,225	
Total Central and Other			200,431

Operation of Non-Instructional Services

Community Services

Part-time Personnel	\$	2,544	
Other Salaries & Wages		83,815	
Social Security		5,117	
State Retirement		2,731	
Medical Insurance		2,268	
Employer Medicare		1,197	
Other Fringe Benefits		2,409	
Travel		1,202	
Other Supplies and Materials		3,606	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services (Cont.)

Other Charges	\$ 1,309	
Total Community Services		\$ 106,198

Capital Outlay

Regular Capital Outlay

Building Improvements	\$ 432,820	
Other Capital Outlay	78,906	
Total Regular Capital Outlay		511,726

Principal

Education

Principal on Notes	\$ 62,571	
Total Education		62,571

Interest

Education

Interest on Notes	\$ 13,514	
Total Education		13,514

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 852,698	
Total Education		<u>852,698</u>

Total General Purpose School Fund \$ 22,345,206

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 415,516
Educational Assistants	122,382
Certified Substitute Teachers	7,609
Social Security	31,847
State Retirement	26,422
Medical Insurance	98,206
Employer Medicare	7,448
Other Fringe Benefits	2,374
Maintenance & Repair Services- Equipment	148
Other Contracted Services	9,425

(Continued)

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Instructional Supplies and Materials	\$	20,947	
Regular Instruction Equipment		54,852	
Total Regular Instruction Program			\$ 797,176

Special Education Program

Educational Assistants	\$	124,632	
Other Salaries & Wages		23,516	
Social Security		8,095	
State Retirement		4,326	
Medical Insurance		63,659	
Employer Medicare		1,893	
Other Fringe Benefits		4,133	
Other Contracted Services		55,409	
Other Supplies and Materials		122,784	
Special Education Equipment		6,075	
Total Special Education Program			414,522

Vocational Education Program

Other Salaries & Wages	\$	24,569	
Social Security		1,523	
State Retirement		1,351	
Employer Medicare		356	
Other Fringe Benefits		108	
Other Contracted Services		500	
Instructional Supplies and Materials		15,406	
Other Supplies and Materials		1,681	
Vocational Instruction Equipment		50,223	
Total Vocational Education Program			95,717

Support Services

Health Services

Medical Personnel	\$	28,540	
Social Security		1,769	
State Retirement		833	
Medical Insurance		4,545	
Employer Medicare		414	
Other Fringe Benefits		796	
Total Health Services			36,897

(Continued)

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support

Other Salaries & Wages	\$	128,298	
Social Security		7,915	
State Retirement		6,040	
Medical Insurance		4,301	
Employer Medicare		1,851	
Other Fringe Benefits		565	
Travel		4,105	
Other Contracted Services		756	
Other Charges		7,430	
Total Other Student Support			\$ 161,261

Regular Instruction Program

Supervisor/Director	\$	60,156	
Secretary(s)		18,192	
Other Salaries & Wages		15,362	
In-Service Training		5,460	
Social Security		5,569	
State Retirement		4,985	
Medical Insurance		16,798	
Employer Medicare		1,303	
Other Fringe Benefits		412	
Travel		675	
Other Contracted Services		6,307	
Other Supplies and Materials		6,139	
In Service/Staff Development		72,821	
Other Equipment		34,656	
Total Regular Instruction Program			248,835

Special Education Program

Psychological Personnel	\$	127,066	
Secretary(s)		15,990	
Other Salaries & Wages		114,987	
Social Security		16,055	
State Retirement		13,964	
Medical Insurance		18,972	
Employer Medicare		3,755	
Other Fringe Benefits		7,293	
Other Supplies and Materials		4,992	
In Service/Staff Development		25,236	

(Continued)

Exhibit E-5

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Other Equipment	\$ 8,067	
Total Special Education Program		\$ 356,377

Vocational Education Program

In Service/Staff Development	\$ 1,512	
Other Charges	348	
Total Vocational Education Program		1,860

Transportation

Other Salaries & Wages	\$ 13,485	
Social Security	835	
State Retirement	216	
Medical Insurance	4,311	
Employer Medicare	195	
Other Fringe Benefits	376	
Maintenance & Repair Services- Vehicles	12	
Gasoline	171	
Lubricants	33	
Total Transportation		19,634

Total School Federal Projects Fund \$ 2,132,279

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 52,287
Accountants/Bookkeepers	24,114
Cafeteria Personnel	556,318
Other Salaries & Wages	23,148
Social Security	39,679
State Retirement	17,718
Medical Insurance	98,081
Employer Medicare	9,293
Other Fringe Benefits	16,625
Communication	6,034
Travel	1,444
Other Contracted Services	31,115
Food Preparation Supplies	31,293
Food Supplies	629,593

(Continued)

Exhibit E-5

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Other Supplies and Materials	\$ 11,588	
Trustee's Commission	125	
In Service/Staff Development	18,774	
Other Charges	9,906	
Food Service Equipment	<u>46,093</u>	
Total Food Service		\$ <u>1,623,228</u>

Total Central Cafeteria Fund \$ 1,623,228

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Building Construction	\$ <u>778,913</u>	
Total Education Capital Projects		\$ <u>778,913</u>

Total Education Capital Projects Fund 778,913

Total Governmental Funds - Marion County School Department \$ 26,879,626

SINGLE AUDIT REPORT
MARION COUNTY, TENNESSEE
AND
MARION COUNTY SCHOOL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2005

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

DIVISION OF COUNTY AUDIT
RICHARD V. NORMENT
Assistant to the Comptroller

ARTHUR L. ALEXANDER
Director

CARL LOWE, CGFM
Audit Manager

MICHAEL FORD, CPA, CGFM
Auditor 4

JESSICA L. COX, CGFM
TIMOTHY SCOTTON
JENI BOYETTE
State Auditors

This report is available at www.comptroller.state.tn.us

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841

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

October 5, 2005

Marion County Mayor, Board of County Commissioners,
Director of Schools, and Board of Education
Marion County, Tennessee

To the County Mayor, Board of County Commissioners,
Director of Schools, and Board of Education:

We have audited the financial statements of each major fund and the aggregate remaining fund information of Marion County, Tennessee, and the Marion County School Department as of and for the year ended June 30, 2005, which collectively comprise Marion County's and the Marion County School Department's basic financial statements and have issued our reports thereon dated October 5, 2005. Our reports on the financial statements of Marion County, Tennessee, and the Marion County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marion County's and the Marion County School Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions

involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Marion County's and the Marion County School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05.02, 05.03 (A,B), 05.04, 05.05, 05.06, 05.07 (A,B,C), 05.08, 05.09, 05.11, 05.12, and 05.13.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses.

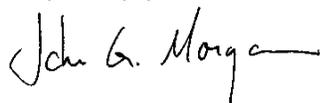
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marion County's and the Marion County School Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 05.01, 05.03 (C), 05.07 (D), and 05.10.

We have also noted certain matters that we reported to the management of Marion County and the Marion County School Department in separate communications.

This report is intended solely for the information and use of the Board of County Commissioners, Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/sb



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
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NASHVILLE, TENNESSEE 37243-0269
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

October 5, 2005

Marion County Mayor, Board of County Commissioners,
Director of Schools, and Board of Education
Marion County, Tennessee

To the County Mayor, Board of County Commissioners,
Director of Schools, and Board of Education:

Compliance

We have audited the compliance of Marion County and the Marion County School Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of their major federal programs for the year ended June 30, 2005. Marion County's and the Marion County School Department's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of their major federal programs is the responsibility of Marion County's and the Marion County School Department's management. Our responsibility is to express an opinion on Marion County's and the Marion County School Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the auditing 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 Marion County's and the Marion County School Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Marion County's and the Marion County School Department's compliance with those requirements.

In our opinion, Marion County and the Marion County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Marion County and the Marion County School Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Marion County's and the Marion County School Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Marion County, Tennessee, and the Marion County School Department, as of and for the year ended June 30, 2005, and have issued our reports thereon dated October 5, 2005. Our reports on the financial statements of Marion County and the Marion County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal stroke at the end.

John G. Morgan
Comptroller of the Treasury

JGM/sb

Marion County, Tennessee, and the Marion County School Department
Schedule of Expenditures of Federal Awards and State Grants (1)
For Year Ended June 30, 2005

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 Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 241,845
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	206,531
National School Lunch Program	10.555	N/A	701,062
Total U.S. Department of Agriculture			\$ 1,149,438
U.S. Department of Economic and Community Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	(2)	\$ 345,814
Total U.S. Department of Economic and Community Development			\$ 345,814
U.S. Department of Justice:			
Passed-through State Department of Finance and Administration:			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	Z-99-088467-00	\$ 12,885 (3)
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	(2)	88,618 (3)
Direct Programs:			
Public Safety Partnership and Community Policing Grants	16.710	N/A	152,030
Total U.S. Department of Justice			\$ 253,533
U.S. Department of Labor:			
Passed-through State Department of Labor and Workforce Development:			
WIA Incentive Grants - Section 503 Grants to States	17.267	Z-04-025642-01	\$ 3,424
Total U.S. Department of Labor			\$ 3,424
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Airport Improvement Program	20.106	Z-03-014247-00	\$ 52,607
Occupant Protection	20.602	Z-05-024144-00	240
Total U.S. Department of Transportation			\$ 52,847
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-05-022242-00	\$ 111,034
Passed-through State Department of Education:			
Title I Grants to Local Education Agencies	84.010	N/A	873,577
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	843,581
Special Education - Preschool Grants	84.173	N/A	38,691
Vocational Education - Basic Grants to States	84.048	N/A	98,422
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	26,235
Eisenhower Professional Development State Grants	84.281	N/A	284,026
State Grants for Innovative Programs	84.298	N/A	47,798
Total U.S. Department of Education			\$ 2,323,364

(Continued)

Marion County, Tennessee, and the Marion County School Department
Schedule of Expenditures of Federal Awards and State Grants (1) (Cont.)

Federal/Pass through Agency/State Grantor Program Title	Federal CFDA Number	Pass -through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services:			
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families	93.558	Z-05-022333-00	\$ 14,082
Total U.S. Department of Health and Human Services			\$ 14,082
U.S. Office of Homeland Security:			
Passed through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-03-017777-00	\$ 21,039
State Domestic Preparedness Equipment Support Program	97.004	Z-04-020122-00	81,556
State Domestic Preparedness Equipment Support Program	97.004	Z-04-022470-00	49,530
Total U.S. Office of Homeland Security			\$ 152,125
Total Expenditures of Federal Awards			\$ 4,294,627
<u>State Grants</u>			
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 11,450
Law Enforcement Training - State Department of Safety	N/A	(2)	7,780
Litter Program - State Department of Transportation	N/A	(2)	32,438
Juvenile Services Program - State Department of Children's Service	N/A	(2)	10,890
Waste Tire Storage and Disposal - State Department of Environment and Conservation	N/A	(2)	18,392
Airport Maintenance Program - State Department of Transportation	N/A	(2)	8,112
2000 Home Program - State Housing Development Agency	N/A	(2)	89,369
Tennessee Industrial Infrastructure Program - State Department of Economic and Community Development	N/A	(2)	60,363
Safe Schools Act - State Department of Education	N/A	(2)	131,464
Adult Basic Education - State Department of Education	N/A	(2)	29,297
Families First - State Department of Education	N/A	(2)	6,435
School to Work Program - State Department of Human Services	N/A	(2)	35,415
Jobs for Tennessee Graduates - State Department of Education	N/A	(2)	23,767
Total State Grants			\$ 465,172

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 Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grant Program (CFDA No. 16.580) from the U.S. Department of Justice was \$101,503.

Marion County, Tennessee, and the Marion County School Department
Schedule of Audit Findings Not Corrected
June 30, 2005

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 Marion County, Tennessee, and the Marion County School Department for the year ended June 30, 2004, which have not been corrected.

MARION COUNTY AND MARION COUNTY SCHOOL DEPARTMENT

Finding Number	Page Number	Subject
04.01	10	Government-wide financial statements were not presented in accordance with generally accepted accounting principals

OFFICE OF COUNTY MAYOR

Finding Number	Page Number	Subject
04.02	11	Ambulance Service accounts receivable balances were not established
04.03	11	The office had deficiencies in its purchasing procedures
04.04	12	The office did not maintain inventory records

OFFICE OF DIRECTOR OF SCHOOLS

Finding Number	Page Number	Subject
04.05	12	The office had deficiencies in its purchasing procedures
04.06	13	The office did not maintain inventory records

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

Finding Number	Page Number	Subject
04.07	13	The office had deficiencies in maintaining execution dockets

OFFICE OF SHERIFF

Finding Number	Page Number	Subject
04.09	15	Collections were not deposited within three days

OTHER FINDINGS AND RECOMMENDATIONS

Finding Number	Page Number	Subject
04.10	15	A central system of accounting, budgeting, and purchasing had not been adopted
04.11	15	Duties were not segregated adequately in the Offices of County Mayor, Highway Superintendent, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

**MARION COUNTY, TENNESSEE, AND THE
MARION COUNTY SCHOOL DEPARTMENT**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2005

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Adverse opinions were issued on the financial statements of Marion County and the Marion County School Department.
2. The audit of the financial statements of Marion County and the Marion County School Department disclosed reportable conditions in internal control. None of these conditions were considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Marion County and one instance of noncompliance that is material to the financial statements of the Marion County School Department.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.533 and 10.555), Community Development Block Grants/State Program (CFDA No. 14.228), Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: the Special Education – Grants to States and the Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Marion County and the Marion County School Department did not qualify as low-risk auditees.

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. Management offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

MARION COUNTY AND MARION COUNTY SCHOOL DEPARTMENT

FINDING 05.01 **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

(Material Noncompliance Under Government Auditing Standards)

Marion County and the Marion County School Department did not identify and determine the historical value of their capital assets and the related depreciation amounts of these assets. Therefore, Marion County and the Marion County School Department were unable to provide the information necessary to prepare government-wide financial statements for all of their activities, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. GASB is the standard-setting body for accounting principles that state and local governments are required to follow. As a result of this omission, Marion County’s and the Marion County School Department’s financial statements are not presented in accordance with generally accepted accounting principles; thus, we have issued adverse opinions on their financial statements.

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement 34 to issue a financial report in compliance with Financial Reporting Standards for County Governments, Component Units of County Governments, and Special School Districts That Do Not Implement Governmental Accounting Standards Board Statement 34, established by the Comptroller of the Treasury. Marion County’s and the Marion County School Department’s financial statements are presented in compliance with these requirements.

RECOMMENDATION

Marion County and the Marion County School Department should present government-wide financial statements in conformity with generally accepted accounting principles and should compile and maintain records that properly account for their capital assets. These records should document the historical costs of their capital assets and the related depreciation amounts of these assets. This information is necessary to present the financial statements in accordance with generally accepted accounting principles.

OFFICE OF COUNTY MAYOR

FINDING 05.02 AMBULANCE SERVICE ACCOUNTS RECEIVABLE BALANCES WERE NOT ESTABLISHED
(Internal Control – Reportable Condition Under Government Auditing Standards)

Effective July 1, 2003, the county sold its Ambulance Service operations to a local hospital but retained the outstanding accounts receivable. We noted in the audit for the year ended June 30, 2003, that management had not determined an accurate list of accounts receivable and had not instituted efforts to collect these balances. During the 2003-05 years, the county did collect some of the accounts receivable. However, as of June 30, 2005, the county still had not determined an accurate list of the remaining accounts receivable of the Ambulance Service and had not instituted collection procedures for the unpaid balances.

RECOMMENDATION

Since the county no longer owns the Ambulance Service, management should determine an accurate list of accounts receivable for the Ambulance Service and institute efforts to collect these balances.

FINDING 05.03 THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES
(A. and B. Internal Control – Reportable Condition Under Government Auditing Standards; C. Noncompliance Under Government Auditing Standards)

Our examination of purchasing procedures revealed the following deficiencies:

- A. Purchase orders were not issued in some required instances. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments.
- B. In several instances, invoices were paid without documentation that goods had been received or services had been rendered. This practice weakens controls over the purchasing process. We extended our audit procedures and determined that these goods were received and services were rendered.
- C. Competitive bids were not solicited for the purchase of food for the Marion County Jail. Section 5-14-101 et seq., Tennessee Code Annotated, requires sealed bids to be solicited on purchases exceeding \$5,000.

RECOMMENDATION

The office should improve purchasing procedures by issuing purchase orders for all applicable county purchases and by obtaining documentation that goods have been received or services rendered before invoices are paid. Also, competitive bids should be solicited for all purchases exceeding \$5,000.

FINDING 05.04 **THE OFFICE DID NOT MAINTAIN INVENTORY RECORDS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office did not maintain inventory records for assets owned by the general county government. Generally accepted accounting principles require accountability for all county-owned assets, such as vehicles, furniture, and equipment. Without inventory records, the office cannot adequately control its assets.

RECOMMENDATION

The office should maintain inventory records for all county-owned assets.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 05.05 **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination of purchasing procedures revealed the following deficiencies:

- A. Purchase orders were not issued in some required instances. Purchase orders are necessary to control who has purchasing authority for the department and to document purchasing commitments.
- B. In several instances, invoices were paid without documentation that goods had been received or services had been rendered. This practice weakens controls over the purchasing process. We extended our audit procedures and determined that these goods were received and services were rendered.
- C. In some instances, the office paid invoices without canceling or marking them paid. This weakness could result in the office paying invoices more than once.

RECOMMENDATION

The office should improve purchasing procedures by issuing purchase orders for all applicable department purchases and by obtaining documentation that goods have been received or services rendered before invoices are paid. Also, all invoices should be cancelled when paid.

FINDING 05.06 **THE OFFICE DID NOT MAINTAIN INVENTORY RECORDS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office did not maintain inventory records for assets owned by the School Department. Generally accepted accounting principles require accountability for all county-owned assets, such as vehicles, furniture, and equipment. Without inventory records, the office cannot adequately control its assets.

RECOMMENDATION

The School Department should maintain inventory records for all county-owned assets.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 05.07 **THE OFFICE HAD DEFICIENCIES IN MAINTAINING EXECUTION DOCKETS**
(A., B., and C. Internal Control – Reportable Conditions Under Government Auditing Standards; D. Noncompliance Under Government Auditing Standards)

Our examination of execution dockets in the Circuit and General Sessions Courts revealed the following deficiencies:

- A. The execution docket trial balances generated by the computer system in Circuit and General Sessions Courts did not reconcile with general ledger accounts by material amounts. The clerk also manually prepared docket trial balances, but these manually prepared docket trial balances likewise failed to reconcile with general ledger accounts. Consequently, we could not verify the propriety of all transactions.

- B. The execution dockets maintained on the computer system for Circuit Court did not provide a current balance for each case. The receipts and disbursements for each case were provided on separate screens. To determine a balance for each case, employees had to manually total and deduct the disbursements from the receipts. In a few instances, case balances listed on the execution docket trial

balances prepared manually could not be traced to the computer execution dockets.

- C. After examining the dockets maintained by the computer system, we could not determine the disposition of certain cases that appeared on the beginning trial balances but not on the ending trial balances.
- D. Because execution docket trial balances did not reconcile with cash journal accounts, we could not determine if the clerk complied with provisions of the Unclaimed Property Act, Section 66-29-110, Tennessee Code Annotated (TCA). This statute provides that any funds held by the courts for more than one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires that these funds be reported and paid to the state Treasurer's Office.

RECOMMENDATION

The execution docket trail balances prepared by the computer system should be reconciled with general ledger accounts. The clerk should contact the software vendor and resolve the problem of the receipts and disbursements appearing on separate screens. Furthermore, the disposition of all cases should be determined from records generated by the computer system. The clerk should report and pay unclaimed funds held for more than one year to the state Treasurer's Office as required by state statute.

FINDING 05.08 THE OFFICE DID NOT DEVELOP A DISASTER RECOVERY PLAN
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office did not develop a disaster recovery plan to assist in re-creating its data processing environment in the event of a disaster. Without a formal, written plan, critical computerized applications could be disrupted indefinitely until the system could be repaired or a backup facility could be found and made operational.

RECOMMENDATION

Management should develop and regularly update a disaster recovery plan defining procedures for personnel to follow in the event of a major hardware or software failure, or temporary or permanent destruction of facilities. The plan should contain provisions for a contingency operations site, as well as the adequate backup of data files, systems programs, user documentation, supplies, and computer hardware so that operations could continue as normally as possible. A copy of the plan should be kept in a secure area within the office, as well as at a secure, off-site location.

**FINDING 05.09 THE OFFICE HAD NOT ENTERED INTO A FORMAL HARDWARE AND SOFTWARE MAINTENANCE CONTRACT
(Internal Control – Reportable Condition Under Government Auditing Standards)**

The office made payments to a vendor for hardware and software maintenance on its computer system. However, a formal written contract between Marion County and the vendor did not exist.

RECOMMENDATION

The office should enter into a formal written agreement with its vendor for the computer hardware and software maintenance services. In addition, the contract should outline customer payment schedules. All service contracts of this nature should be filed and recorded centrally so they are available for reference. Contracts should be reviewed periodically to ensure that they continue to provide required services.

OFFICE OF SHERIFF

**FINDING 05.10 COLLECTIONS WERE NOT DEPOSITED WITHIN THREE DAYS
(Noncompliance Under Government Auditing Standards)**

Some funds were not deposited to the office bank account within three days of collection. Section 5-8-207, Tennessee Code Annotated, requires county officials to deposit all public funds to the office bank account within three days of receipt.

RECOMMENDATION

The Sheriff's Office should deposit funds within three days of collection as required by state statute.

OTHER FINDINGS AND RECOMMENDATIONS

**FINDING 05.11 A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED
(Internal Control – Reportable Condition Under Government Auditing Standards)**

County officials had not adopted a central system of accounting, budgeting, and purchasing. Establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes.

RECOMMENDATION

County officials should consider adopting 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.

FINDING 05.12 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY MAYOR, HIGHWAY SUPERINTENDENT, DIRECTOR OF SCHOOLS, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among officials and employees in the Offices of County Mayor, Highway Superintendent, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. Officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader’s attention in this report.

FINDING 05.13 **THE COUNTY COMMISSION HAD NOT ADOPTED POLICIES AND PROCEDURES FOR TRAVEL REIMBURSEMENTS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The County Commission had not adopted formal policies and procedures governing travel reimbursements for county employees. During the period under examination, the county used several different methods to reimburse employees for travel expenses. Without a formal travel policy, employees have no limitations placed on their mileage, lodging, and meal expenses.

RECOMMENDATION

The County Commission should adopt formal policies and procedures for payment of travel expenses. These policies and procedures should establish maximum limits for the reimbursement of mileage, lodging, and meals.

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

There were no findings and questioned costs for federal awards.

**MARION COUNTY, TENNESSEE, AND THE
MARION COUNTY SCHOOL DEPARTMENT
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2005**

There were no audit findings relative to federal awards presented in the prior audit's Schedule of Findings and Questioned Costs or the current year's Schedule of Findings and Questioned Costs.