

**ANNUAL FINANCIAL REPORT
OF
MARSHALL COUNTY, TENNESSEE
MARSHALL COUNTY SCHOOL DEPARTMENT
AND
MARSHALL COUNTY
BOARD OF PUBLIC UTILITIES**

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
MARSHALL COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2005

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

MARSHALL COUNTY, TENNESSEE

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Audit Highlights
Annual Financial Report
Marshall 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 Marshall County as of and for the year ended June 30, 2005.

Results

Our report on Marshall 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 12 findings and recommendations, which we have reviewed with Marshall County management. Detailed findings and recommendations are included in the Single Audit Report.

Findings

The following are summaries of the audit findings:

MARSHALL COUNTY

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

OFFICE OF COUNTY MAYOR

- ◆ Competitive bids were not solicited for cleaning services (\$95,129), gasoline (\$62,934), and concrete for sidewalk construction (\$15,165). Tires and tubes were properly bid; however, the bid was not awarded, and the county continued to purchase from preferred vendors.
 - ◆ The veteran's service officer misappropriated county funds, resulting in a cash shortage of \$1,353.16.
 - ◆ The veteran's service office had numerous administrative and accounting deficiencies.
-

OFFICE OF HIGHWAY SUPERINTENDENT

- ◆ The office did not obtain prior approval from the director of accounts and budgets for purchases exceeding \$200 as required by Chapter 69, Private Acts of 1965 (effective May 23, 2005, \$500 as required by Chapter 17, Private Acts of 2005).
-

OFFICE OF CIRCUIT COURT CLERK

- ◆ The circuit court clerk did not properly post short-term account activity to the cash journal.
-

OFFICE OF SHERIFF

- ◆ The office had a cash shortage of \$14,359.88 in the inmate/commissary account.
 - ◆ Booking receipts totaling \$6,500.09 were unaccounted.
 - ◆ Commissary operating deficiencies resulted in \$8,601 additional costs to Marshall County.
 - ◆ Other deficiencies were noted in the operation of the inmate/commissary account.
-

OTHER FINDINGS

- ◆ Duties were not segregated adequately among the officials and employees in the Ambulance Service; and Offices of Trustee; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; and Sheriff.
- ◆ County officials had not adopted a central system of purchasing.

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

INTRODUCTORY SECTION

Marshall County Officials
June 30, 2005

Officials:

Terry Wallace, County Mayor
Jerry Williams, Highway Superintendent
Marilyn Ervin, Trustee
Linda Haislip, Assessor of Property
Daphne Fagan, County Clerk
Elinor Foster, Circuit, General Sessions, and Juvenile Courts Clerk
Tommy Higdon, Clerk and Master
Doris Wayne Weaver, Register
Leslie Helton, Sheriff
Freda Terry, Director of Accounts and Budgets

Board of County Commissioners:

Sam Smith, Chairman	Jennifer Harris
Dean Delk	Roger Fagan
Marion Joyce	Joe Brandon
Roy A. Bowden, Jr.	Mary Turpin
Mark Wilkerson	Keith Hollingsworth
Shelia Green	Phil Willis
Linda Williams	Joe Harris
Mickey King	Richard Medley
Lina Horner	Raynelle Smith

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

August 19, 2005

Marshall County Mayor and
Board of County Commissioners
Marshall 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 Marshall County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 35, 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 Marshall County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit 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 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 and discretely presented component units are not reasonably determinable.

As described in Note I, Marshall 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 Marshall County, Tennessee, as of June 30, 2005, or the changes in its financial position for the year then ended.

The financial statements of the Marshall County Library (Nonmajor Special Revenue Fund and Permanent Fund) had not been made available by other auditors as of the date of this report. Accordingly, the aggregate remaining fund information of Marshall County, Tennessee, referred to above does not include the financial statements of the Marshall County Library, which should be included to conform with accounting principles generally accepted in the United States of America and the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee. The effects on the financial statements are not reasonably determinable.

In our opinion, except for the effects of the matter 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 Marshall 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 August 19, 2005, on our consideration of Marshall County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note IV.B., Marshall 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 39 through 43 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 Marshall County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, 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 General Debt Service Fund, 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,



John G. Morgan
Comptroller of the Treasury

JGM/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Highway/ Public Works	General Debt Service	General Capital Projects	Other Governmental Funds	
ASSETS						
Cash	\$ 150	\$ 0	\$ 0	\$ 0	\$ 1,150	\$ 1,300
Equity in Pooled Cash and Investments	1,892,731	365,741	5,443,208	1,164,842	466,332	9,332,854
Accounts Receivable	780,879	2,153	21,478	0	46,082	850,592
Allowance for Uncollectibles	(510,127)	0	0	0	0	(510,127)
Due from Other Governments	161,011	419,167	271,420	0	92,108	943,706
Due from Other Funds	1,330	0	0	0	0	1,330
Note Proceeds Receivable	140,000	70,000	0	98,000	0	308,000
Property Taxes Receivable	3,789,678	312,091	1,203,780	0	0	5,305,549
Allowance for Uncollectible Property Taxes	(108,551)	(8,940)	(34,481)	0	0	(151,972)
Total Assets	\$ 6,147,101	\$ 1,160,212	\$ 6,905,405	\$ 1,262,842	\$ 605,672	\$ 16,081,232
LIABILITIES AND FUND BALANCES						
<u>Liabilities</u>						
Accounts Payable	\$ 64,709	\$ 47,081	\$ 0	\$ 15,070	\$ 12,922	\$ 139,782
Accrued Payroll	106,398	18,092	0	2,494	3,629	130,613
Payroll Deductions Payable	57,899	1,048	0	0	0	58,947
Contracts Payable	0	0	0	120,626	0	120,626
Retainage Payable	0	0	0	4,662	0	4,662
Due to Other Funds	0	0	0	0	1,330	1,330
Due to Component Units	59,096	0	16,366	98,000	0	173,462
Due to State of Tennessee	0	0	0	0	590	590
Matured Bonds Payable	0	0	5,000	0	0	5,000
Matured Interest on Bonds	0	0	3,107	0	0	3,107
Current Liabilities Payable from Restricted Assets:						
Other Payables from Restricted Assets	0	43,399	0	0	0	43,399
Deferred Revenue - Current Property Taxes	3,500,839	288,304	1,112,031	0	0	4,901,174
Deferred Revenue - Delinquent Property Taxes	165,953	13,667	52,715	0	0	232,335
Other Deferred Revenues	244,193	193,325	135,710	0	0	573,228
Total Liabilities	\$ 4,199,087	\$ 604,916	\$ 1,324,929	\$ 240,852	\$ 18,471	\$ 6,388,255

(Continued)

Exhibit A

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

	Major Funds				Nonmajor	Total
	General	Highway/ Public Works	General Debt Service	General Capital Projects	Funds Other Govern- mental Funds	
<u>LIABILITIES AND FUND BALANCES (Cont.)</u>						
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 30,780	\$ 0	\$ 0	\$ 206,178	\$ 0	\$ 236,958
Reserved for Alcohol and Drug Treatment	51,935	0	0	0	0	51,935
Reserved for Sexual Offender Registration	480	0	0	0	0	480
Reserved for Automation Purposes - General Sessions Court	13,308	0	0	0	0	13,308
Reserved for Automation Purposes - Juvenile Court	1,944	0	0	0	0	1,944
Reserved for Automation Purposes - Chancery Court	6,918	0	0	0	0	6,918
Reserved for Automation Purposes - Other Courts	1,125	0	0	0	0	1,125
Other Local Education Reserves	0	0	2,303,879	0	0	2,303,879
Unreserved, Reported In:						
General Fund	1,841,524	0	0	0	0	1,841,524
Special Revenue Funds	0	555,296	0	0	587,201	1,142,497
Debt Service Funds	0	0	3,276,597	0	0	3,276,597
Capital Projects Fund	0	0	0	815,812	0	815,812
Total Fund Balances	<u>\$ 1,948,014</u>	<u>\$ 555,296</u>	<u>\$ 5,580,476</u>	<u>\$ 1,021,990</u>	<u>\$ 587,201</u>	<u>\$ 9,692,977</u>
Total Liabilities and Fund Balances	<u>\$ 6,147,101</u>	<u>\$ 1,160,212</u>	<u>\$ 6,905,405</u>	<u>\$ 1,262,842</u>	<u>\$ 605,672</u>	<u>\$ 16,081,232</u>

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

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

Exhibit B

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Highway/ Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 4,466,363	\$ 650,582	\$ 3,703,284	\$ 0	\$ 68,938	\$ 8,889,167
Licenses and Permits	126,193	0	0	0	0	126,193
Fines, Forfeitures and Penalties	82,052	0	0	0	66,094	148,146
Charges for Current Services	1,162,018	41	0	0	404,546	1,566,605
Other Local Revenues	41,061	81,205	306,797	74,532	21,037	524,632
Fees Received from County Officials	1,199,392	0	0	0	0	1,199,392
State of Tennessee	689,780	1,829,668	28,241	0	129,379	2,677,068
Federal Government	251,352	21,178	0	0	0	272,530
Other Governments and Citizens Groups	30,816	0	6,519	0	23,327	60,662
Total Revenues	\$ 8,049,027	\$ 2,582,674	\$ 4,044,841	\$ 74,532	\$ 713,321	\$ 15,464,395
<u>Expenditures</u>						
Current:						
General Government	\$ 1,182,607	\$ 0	\$ 0	\$ 0	\$ 64,302	\$ 1,246,909
Finance	950,431	0	0	0	0	950,431
Administration of Justice	610,166	0	0	0	85,069	695,235
Public Safety	2,917,821	0	0	0	9,452	2,927,273
Public Health and Welfare	2,179,576	0	0	0	572,739	2,752,315
Social, Cultural, and Recreational Services	78,800	0	0	0	0	78,800
Agricultural and Natural Resources	98,608	0	0	0	0	98,608
Other Operations	318,183	0	0	0	65,268	383,451
Highways	0	2,821,372	0	0	0	2,821,372
Debt Service:						
Principal	0	0	2,632,200	0	0	2,632,200
Interest	0	0	1,652,810	0	0	1,652,810
Other Debt Service	0	0	171,425	0	0	171,425
Capital Projects	0	0	0	3,876,367	0	3,876,367
Capital Projects - Donated	0	0	0	357,000	0	357,000
Total Expenditures	\$ 8,336,192	\$ 2,821,372	\$ 4,456,435	\$ 4,233,367	\$ 796,830	\$ 20,644,196
Excess (Deficiency) of Revenues Over Expenditures	\$ (287,165)	\$ (238,698)	\$ (411,594)	\$ (4,158,835)	\$ (83,509)	\$ (5,179,801)
<u>Other Financing Sources (Uses)</u>						
Refunding Debt Issued	\$ 0	\$ 0	\$ 12,970,000	\$ 0	\$ 0	\$ 12,970,000

(Continued)

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

Exhibit B

	Major Funds				Nonmajor	Total
	General	Highway/ Public Works	General Debt Service	General Capital Projects	Funds Other Govern- mental Funds	
<u>Other Financing Sources (Uses) (Cont.)</u>						
Other Loans Issued	\$ 140,000	\$ 70,000	\$ 0	\$ 357,000	\$ 0	\$ 567,000
Transfers In	0	0	0	0	49,373	49,373
Transfers Out	(247,212)	0	0	0	0	(247,212)
Payments to Refunded Debt Escrow Agent	0	0	(12,695,193)	0	0	(12,695,193)
Total Other Financing Sources (Uses)	\$ (107,212)	\$ 70,000	\$ 274,807	\$ 357,000	\$ 49,373	\$ 643,968
Net Change in Fund Balances	\$ (394,377)	\$ (168,698)	\$ (136,787)	\$ (3,801,835)	\$ (34,136)	\$ (4,535,833)
Fund Balance, July 1, 2004	2,342,391	723,994	5,717,263	4,823,825	621,337	14,228,810
Fund Balance, June 30, 2005	\$ 1,948,014	\$ 555,296	\$ 5,580,476	\$ 1,021,990	\$ 587,201	\$ 9,692,977

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

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 671,528
Due from Other Governments	<u>201,736</u>
Total Assets	<u>\$ 873,264</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 201,736
Due to Litigants, Heirs, and Others	<u>671,528</u>
Total Liabilities	<u>\$ 873,264</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Marshall 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.

Marshall County has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental 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. Marshall 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 Marshall County's auditor to issue an adverse opinion on the county's financial statements.

Although Marshall 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 financial statements, including the notes to the financial statements.

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

A. Reporting Entity

Marshall County is a public municipal corporation governed by an elected 18-member board. As required by GAAP, these financial statements present Marshall County (the primary government). Although required by GAAP, the financial statements of the Marshall County Public Library (Special Revenue and Permanent 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 Marshall 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 Marshall 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 Marshall County School Department operates the public school system in the county, and the voters of Marshall 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 Marshall County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Marshall County, and the Marshall 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 Marshall County Board of Public Utilities provides water services for the citizens of Marshall County, and the Marshall County Commission appoints its governing body. The public utility may not issue debt without county approval, and its budget is subject to the County Commission’s approval. Water sales are the major source of funding, with the county being contingently liable for any debt.

The Marshall County School Department’s and the Marshall County Board of Public Utilities’ financial statements are published as separate reports but under the same cover as the county’s financial statements. The Marshall County Emergency Communications District’s financial statements are published as a separate report. Complete financial statements of the Marshall County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Marshall County Emergency Communications District
1350 L & L Lane
Lewisburg, TN 37091

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

Fund financial statements of Marshall 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. Marshall County has no proprietary funds to report.

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. 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. Marshall 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 General Debt Service Fund for payments to be made early in the following year.

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

Fiduciary 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.

Marshall 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 accounts 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.

General Capital Projects Fund – The fund accounts for the financial resources to be used for the acquisition or construction of major capital facilities.

Additionally, Marshall County reports the following fund type:

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

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 Marshall County primary government funds, the Marshall County Board of Public Utilities, and the Marshall County School Department. 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 the General Debt Service Fund. Marshall County, the Marshall County School Department, and the Marshall County Board of Public Utilities have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost.

Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value.

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 two 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 considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

Current liabilities payable from restricted assets reflected in the Highway/Public Works Fund represent deposits placed with the county for road damage and repairs, and are included in Equity and Pooled Cash and Investments held by the county trustee.

3. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. Marshall 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, Marshall 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 pay benefits. There is no liability for unpaid accumulated sick leave since Marshall County does not have a policy to pay any amounts when employees separate from service with the government. A liability for vacation benefits is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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, are recognized to the extent that the liabilities have matured (come due for payment) each period.

Governmental fund types 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. Designations of fund balance represent tentative management plans that are subject to change. The following table reflects designations on June 30, 2005.

<u>Fund/Purpose</u>	<u>Amount</u>
General:	
Health Department parking lot paving	\$ 8,000

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Cash Shortages

The Veteran's Service Office had a cash shortage of \$1,353.16 as of June 30, 2005. On August 24, 2005, the veteran's service officer was indicted by the Marshall County Grand Jury for theft.

The Office of Sheriff had a cash shortage of \$14,359.88 as of June 30, 2005. This matter has been referred to the District Attorney General.

Details of both cash shortages are discussed in the Schedule of Findings and Questioned Costs section of this report.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Marshall County, Marshall County School Department, and the Marshall County Board of Public Utilities participate in an internal cash and investment pool through the Office of Trustee. The Marshall County School Department and the Marshall County Board of Public Utilities meet the criteria for discretely presented component units of Marshall County. Since Marshall County is presenting fund financial statements only, the financial information for the Marshall County School Department and the Marshall County Board of Public Utilities 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 represents nonpooled amounts held separately by individual funds.

Deposits

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

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; 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.

Investment Balances. As of June 30, 2005, Marshall County had the following investments carried at fair value or cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Marshall County, Marshall County School Department, and the Marshall County Board of Public Utilities since all pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value or Cost</u>
State Treasurer's Investment Pool	Daily	\$ 147,104
Federal Home Loan Bank	9-7-2005	<u>298,110</u>
Total		<u>\$ 445,214</u>

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Marshall County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Marshall County has no investment policy that would further limit its investment choices. As of June 30, 2005, Marshall County's investment in the State Treasurer's Investment Pool was unrated. Marshall County's investment in the Federal Home Loan Bank System was rated Aaa by Moody's Investor's Service.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the county's investment in a single issuer. Marshall County places no limit on the amount the county may invest in one issuer. More than five percent of the county's investments are in the Federal Home Loan Bank System. This investment is 67 percent of the county's total investments.

B. Notes Receivable

Notes receivable at June 30, 2005, in the General, the Highway/Public Works, and the General Capital Projects Funds resulted from funding requests filed by the county with the Montgomery County Public Building Authority but not received until July, 2005.

C. Construction Commitments

At June 30, 2005, Marshall County had uncompleted construction contracts of approximately \$206,178 for jail construction. Funding has been received for these future expenditures.

D. Interfund Receivables, Payables, and Transfers

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

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 1,330

This 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.

Due to/from primary government and component units:

Receivable Fund	Payable Fund	Amount
Component Units:	Primary Government:	
Public Utilities	General	\$ 59,096
School Department:		
General Purpose School	General Capital Projects	98,000
Education Capital Projects	General Debt Service	14,000
Central Cafeteria	General Debt Service	2,366

Interfund Transfers:

Interfund transfers for the year ended June 30, 2005, consisted of the following amounts:

Transfers Out	Transfers In Nonmajor Governmental Funds
General Fund	\$ 247,212
Total	\$ 247,212

Included in the above amount is \$197,839 transferred to the Public Library Fund (nonmajor governmental fund), whose financial statements were not available from other auditors in time for inclusion in this report.

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.

E. Long-term Debt

Since Marshall 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 Marshall County is not presenting government-wide financial statements.

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, other loans, and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 25 years for bonds, up to 28 years for other loans, and up to 12 years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2005, will be retired from the General Debt Service Fund.

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

<u>Purpose</u>	<u>Interest Rate</u>	<u>Original Amount Of Issue</u>	<u>Balance 6-30-05</u>
General Obligation Bonds	2 to 5%	\$ 24,630,000	\$ 15,490,000
General Obligation Bonds - Refunding	3.3 to 4.25	19,080,000	14,840,000
Capital Outlay Notes	3.36	2,700,000	2,310,000
Capital Outlay Notes - Refunding	4.15	1,050,000	715,000
Other Loans	variable	7,680,000	3,299,600

In prior years, Marshall County entered into loan agreements with the Montgomery County Public Building Authority. Under these loan agreements, the authority loaned \$2,200,000, \$1,980,000, and \$1,500,000 to Marshall County for various renovation and construction projects. The loans are repayable at interest rates that are tax-exempt variable rates determined by the remarketing agent daily or weekly, depending on the particular

program. In addition, the county pays various other fees (trustee fees, letter of credit fees, and debt remarketing fees) in connection with these loans. At June 30, 2005, the variable interest rates were 2.39 to 2.49 percent, and other fees amounted to approximately .2 percent (letter of credit fee) and .08 percent (remarketing fee) of the outstanding loan principal, and \$100 per month trustee fee per loan.

During the year, Marshall County entered into another loan agreement with the Montgomery County Public Building Authority. This loan agreement provided for the authority to make \$2,000,000 available for loan to Marshall County on an as-needed basis for various capital purchases and construction projects. As of June 30, 2005, Marshall County had borrowed \$567,000. This loan is repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee fees, letter of credit fees, and debt remarketing fees) in connection with this loan. At June 30, 2005, the variable interest rate was 2.39 percent, and other fees amounted to approximately .2 percent (letter of credit fee) and .08 percent (remarketing fee) of the outstanding loan principal, and \$100 per month trustee fee.

The annual requirements to amortize all general obligation bonds, notes, and other loans 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	\$ 1,755,000	\$ 1,182,996	\$ 290,000	\$ 103,929
2007	1,870,000	1,068,413	300,000	93,389
2008	1,940,000	1,006,688	310,000	82,475
2009	1,920,000	939,212	320,000	71,101
2010	1,940,000	865,371	330,000	59,475
2011-2015	8,725,000	3,264,813	1,475,000	122,470
2016-2020	7,435,000	1,796,647	0	0
2021-2025	3,315,000	619,202	0	0
2026-2028	1,430,000	130,725	0	0
Total	\$ 30,330,000	\$ 10,874,067	\$ 3,025,000	\$ 532,839

Year Ending June 30	Other Loans (\$2,200,000)			
	Principal	Interest	Other Fees	Total
2006	\$ 175,500	\$ 18,914	\$ 3,327	\$ 197,741
2007	185,200	14,544	2,835	202,579
2008	195,400	9,933	2,317	207,650
2009	203,500	5,067	1,670	210,237
Total	\$ 759,600	\$ 48,458	\$ 10,149	\$ 818,207

Year Ending June 30	Other Loans (\$1,980,000)			
	Principal	Interest	Other Fees	Total
2006	\$ 150,000	\$ 25,697	\$ 4,090	\$ 179,787
2007	158,000	21,962	3,670	183,632
2008	167,000	18,028	3,227	188,255
2009	176,000	13,869	2,760	192,629
2010	185,000	9,487	2,267	196,754
2011	196,000	4,880	1,648	202,528
Total	\$ 1,032,000	\$ 93,923	\$ 17,662	\$ 1,143,585

Year Ending June 30	Other Loans (\$1,500,000)			
	Principal	Interest	Other Fees	Total
2006	\$ 97,000	\$ 22,490	\$ 3,835	\$ 123,325
2007	103,000	20,172	3,563	126,735
2008	108,000	17,710	3,275	128,985
2009	114,000	15,129	2,972	132,101
2010	120,000	12,404	2,653	135,057
2011-2013	399,000	19,406	5,774	424,180
Total	\$ 941,000	\$ 107,311	\$ 22,072	\$ 1,070,383

Year Ending June 30	Other Loans (\$2,000,000)			
	Principal	Interest	Other Fees	Total
2006	\$ 343,000	\$ 47,800	\$ 6,800	\$ 397,600
2007	224,000	39,602	5,840	269,442
Total	\$ 567,000	\$ 87,402	\$ 12,640	\$ 667,042

There is \$5,580,476 available in the General Debt Service Fund to service long-term debt. General bonded debt per capita amounted to \$1,133, based on the 2000 federal census. Total debt per capita, including bonds, notes, and other loans, amounted to \$1,369, 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	\$ 31,325,000	\$ 3,585,800
Additions	12,970,000	0
Deductions	(13,965,000)	(560,800)
	\$ 30,330,000	\$ 3,025,000
Balance Due Within		
One Year	\$ 1,755,000	\$ 290,000
	Other Loans	Compensated Absences
Balance, July 1, 2004	\$ 3,134,000	\$ 111,176
Additions	567,000	205,122
Deductions	(401,400)	(214,127)
	\$ 3,299,600	\$ 102,171
Balance Due Within		
One Year	\$ 765,500	\$ 102,171

Compensated absences payable will be paid from the employing funds, primarily the General Fund and the Highway/Public Works Fund.

Advance Refunding

On July 7, 2004, Marshall County advance refunded a general obligation bond issue with a separate general obligation bond issue. The county issued \$4,995,000 of general obligation refunding bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust to generate resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered defeased, and the liability has been removed from the county's long-term debt. As a result of the advance refunding, total debt service payments over the next nine years will be reduced by \$85,340, and an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$68,617 was obtained.

On March 17, 2005, Marshall County advance refunded a general obligation bond issue with a separate general obligation bond issue. The county issued \$7,975,000 of general obligation refunding bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust to generate resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered defeased, and the liability has been removed from the county's long-term debt. As a result of the advance refunding, total debt service payments over the next 16 years will be reduced by \$555,578, and an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$404,470 was obtained.

IV. OTHER INFORMATION

A. Risk Management

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

Marshall County decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for workers' compensation coverage. Marshall County joined the Local Government Workers' Compensation Fund (LGWCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. Marshall County pays annual premiums to the LGWCF for their workers' compensation coverage. The creation of the LGWCF provides for it to be self-sustaining through member premiums.

B. Accounting Change

During the year, Marshall 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. Contingent Liabilities

Marshall 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.

Marshall County is contingently liable for certain water revenue and tax bonds (\$1,256,563) issued or assumed by the Marshall County Board of Public Utilities, a component unit. In the event that revenues of the utility are insufficient to meet the debt service requirements, the payments are to be made by Marshall County from ad valorem taxes levied upon all property in the county.

D. Joint Ventures

The Marshall County Joint Economic Development Board is a joint venture between Marshall County, the City of Lewisburg, the Town of Chapel Hill, and the Town of Cornersville. The board comprises the county mayor, city mayor, town administrators, and 16 additional members. The purpose of the board is to foster communication and facilitate economic and community development between and among governmental entities, industry, and private citizens. The city, towns, and county provide the majority of funding for the board based on the percentage of its population compared to the total census of the county. Marshall County has been designated as the fiscal agent for the board and accounts for its activities through the Industrial/Economic Development Fund (Special Revenue Fund), which is included in the financial statements of this report. Marshall County contributed \$49,373 to the operations of the board during the year ended June 30, 2005.

The Seventeenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Seventeenth Judicial District, Bedford, Lincoln, Moore, and Marshall 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 and is governed by a board of directors comprised of the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within the judicial district. Marshall County did not contribute to the DTF for the year ended June 30, 2005.

Marshall County does not retain an equity interest in any of the above-noted joint ventures. Complete financial statements for the Seventeenth Judicial District Drug Task Force can be obtained from its administrative office at the following address:

Administrative Office:

Office of District Attorney General
Seventeenth Judicial District Drug Task Force
P. O. Box 878
Fayetteville, TN 37334

E. Retirement Commitments

Plan Description

Employees of Marshall 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 Marshall 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

Marshall 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 7.09 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Marshall County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2005, Marshall County’s annual pension cost of \$645,026 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. Marshall 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
June 30, 2005	\$645,026	100%	\$0
June 30, 2004	472,208	100	0
June 30, 2003	447,452	100	0

Required Supplementary Information

Schedule of Funding Progress for Marshall County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2003	\$14,543	\$15,742	\$1,199	92.38%	\$7,915	15.15%
June 30, 2001	12,698	14,046	1,348	90.40	7,014	19.22
June 30, 1999	10,572	11,201	629	94.38	6,162	10.21

F. Other Post-employment Benefits

In addition to the retirement commitments described in Note IV.E., Marshall County provides post-retirement health care benefits for retirees who have met the following eligibility requirements: (1) the employee must meet Tennessee Consolidated Retirement System requirements for retirement, (2)

the employee must have been employed by the county 15 or more years, and (3) the employee must have been insured under the current medical insurance plan for at least five years. The county will pay 83 percent of the cost of an individual policy for a maximum of ten years or until the retiree reaches Medicare eligibility.

G. Office of Central Accounting and Budgeting

Marshall County operates under provisions of Chapter 17, Private Acts of 2005, which provides for a system of central accounting and budgeting covering funds administered by the county mayor and highway superintendent. These funds are maintained in the Office of the Director of Accounts and Budgets.

H. Purchasing Laws

Office of County Mayor

Purchasing procedures for this office are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated, which provide for competitive bids on all purchases exceeding \$5,000. Chapter 17, Private Acts of 2005, requires that purchases exceeding \$500 be approved in advance by the director of accounts and budgets.

Office of Highway Superintendent

Purchasing procedures for the Highway Department are governed by Chapter 17, Private Acts of 2005, and the Uniform Road Law, Section 54-7-113, Tennessee Code Annotated. Competitive bids are required to be solicited through newspaper advertisement for all purchases exceeding \$10,000, and purchases exceeding \$500 are required to have prior approval by the director of accounts and budgets.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit D-1

Marshall County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General 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	\$ 4,466,363	\$ 0	\$ 4,466,363	\$ 4,429,050	\$ 4,429,050	\$ 37,313
Licenses and Permits	126,193	0	126,193	68,000	68,000	58,193
Fines, Forfeitures and Penalties	82,052	0	82,052	77,950	77,950	4,102
Charges for Current Services	1,162,018	0	1,162,018	918,650	918,650	243,368
Other Local Revenues	41,061	0	41,061	161,532	161,532	(120,471)
Fees Received from County Officials	1,199,392	0	1,199,392	1,045,500	1,045,500	153,892
State of Tennessee	689,780	0	689,780	1,102,043	1,130,038	(440,258)
Federal Government	251,352	0	251,352	8,500	335,420	(84,068)
Other Governments and Citizens Groups	30,816	0	30,816	27,525	27,525	3,291
Total Revenues	\$ 8,049,027	\$ 0	\$ 8,049,027	\$ 7,838,750	\$ 8,193,665	\$ (144,638)
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 144,478	\$ 0	\$ 144,478	\$ 190,373	\$ 193,023	\$ 48,545
Board of Equalization	1,291	0	1,291	2,153	2,153	862
Beer Board	350	0	350	1,081	1,081	731
Budget and Finance Committee	2,960	0	2,960	4,321	3,909	949
Other Boards and Committees	10,726	0	10,726	10,898	12,598	1,872
County Mayor	113,946	0	113,946	114,888	116,009	2,063
County Attorney	19,235	0	19,235	19,765	19,765	530
Election Commission (Including Voter Registration)	121,972	0	121,972	125,782	130,610	8,638
Register of Deeds	184,555	0	184,555	187,601	191,004	6,449
Planning	8,500	0	8,500	8,500	8,500	0
Building	153,921	0	153,921	95,228	169,118	15,197
County Buildings	420,673	0	420,673	297,947	438,868	18,195
<u>Finance</u>						
Accounting and Budgeting	283,909	0	283,909	285,817	291,800	7,891

(Continued)

Exhibit D-1

Marshall County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General 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>Finance (Cont.)</u>						
Property Assessor's Office	\$ 221,497	\$ 20,879	\$ 242,376	\$ 255,929	\$ 256,100	\$ 13,724
Reappraisal Program	57,775	0	57,775	63,848	64,405	6,630
County Trustee's Office	145,180	0	145,180	146,075	146,319	1,139
County Clerk's Office	242,070	0	242,070	238,985	243,165	1,095
<u>Administration of Justice</u>						
Circuit Court	268,972	0	268,972	277,620	280,904	11,932
General Sessions Court	113,237	0	113,237	113,665	113,828	591
Chancery Court	164,433	0	164,433	165,925	166,821	2,388
Juvenile Court	63,524	0	63,524	134,326	140,215	76,691
<u>Public Safety</u>						
Sheriff's Department	1,290,396	0	1,290,396	1,334,103	1,383,280	92,884
Jail	1,321,233	0	1,321,233	1,086,146	1,362,869	41,636
Civil Defense	258,186	9,901	268,087	259,964	601,280	333,193
County Coroner/Medical Examiner	47,592	0	47,592	80,962	82,413	34,821
Other Public Safety	414	0	414	425	425	11
<u>Public Health and Welfare</u>						
Local Health Center	48,007	0	48,007	56,200	56,200	8,193
Rabies and Animal Control	41,700	0	41,700	47,123	47,123	5,423
Ambulance/Emergency Medical Services	1,876,697	0	1,876,697	1,903,197	1,909,392	32,695
Maternal and Child Health Services	8,282	0	8,282	9,000	9,000	718
Other Local Health Services	100,897	0	100,897	152,500	166,400	65,503
Regional Mental Health Center	27,700	0	27,700	0	27,700	0
Appropriation to State	20,020	0	20,020	47,720	20,020	0
Other Public Health and Welfare	56,273	0	56,273	56,273	56,273	0
<u>Social, Cultural and Recreational Services</u>						
Senior Citizens Assistance	75,000	0	75,000	75,000	75,000	0

(Continued)

Exhibit D-1

Marshall County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General 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>Social, Cultural and Recreational Services (Cont.)</u>						
Libraries	\$ 0	\$ 0	\$ 0	\$ 197,840	\$ 0	\$ 0
Other Social, Cultural and Recreational	3,800	0	3,800	3,800	3,800	0
<u>Agriculture & Natural Resources</u>						
Agriculture Extension Service	66,863	0	66,863	68,851	68,851	1,988
Forest Service	2,000	0	2,000	2,000	2,000	0
Soil Conservation	29,745	0	29,745	29,398	29,793	48
<u>Other Operations</u>						
Tourism	1,000	0	1,000	1,000	1,000	0
Housing and Urban Development	187,817	0	187,817	502,285	502,285	314,468
Veterans' Services	13,641	0	13,641	14,180	15,159	1,518
Employee Benefits	10,797	0	10,797	17,500	17,500	6,703
Miscellaneous	104,928	0	104,928	208,550	113,850	8,922
Total Expenditures	\$ 8,336,192	\$ 30,780	\$ 8,366,972	\$ 8,894,744	\$ 9,541,808	\$ 1,174,836
Excess (Deficiency) of Revenues						
Over Expenditures	\$ (287,165)	\$ (30,780)	\$ (317,945)	\$ (1,055,994)	\$ (1,348,143)	\$ 1,030,198
<u>Other Financing Sources (Uses)</u>						
Other Loans Issued	\$ 140,000	\$ 0	\$ 140,000	\$ 0	\$ 140,000	\$ 0
Transfers Out	(247,212)	0	(247,212)	(349,373)	(547,213)	300,001
Total Other Financing Sources (Uses)	\$ (107,212)	\$ 0	\$ (107,212)	\$ (349,373)	\$ (407,213)	\$ 300,001
Net Change in Fund Balance						
Fund Balance, July 1, 2004	\$ (394,377)	\$ (30,780)	\$ (425,157)	\$ (1,405,367)	\$ (1,755,356)	\$ 1,330,199
Fund Balance, June 30, 2005	2,342,391	0	2,342,391	2,119,065	2,119,065	223,326
Fund Balance, June 30, 2005	\$ 1,948,014	\$ (30,780)	\$ 1,917,234	\$ 713,698	\$ 363,709	\$ 1,553,525

Exhibit D-2

Marshall 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	\$ 650,582	\$ 637,510	\$ 637,510	\$ 13,072
Charges for Current Services	41	250	250	(209)
Other Local Revenues	81,205	8,000	79,304	1,901
State of Tennessee	1,829,668	2,183,679	2,201,679	(372,011)
Federal Government	21,178	0	269,925	(248,747)
Total Revenues	<u>\$ 2,582,674</u>	<u>\$ 2,829,439</u>	<u>\$ 3,188,668</u>	<u>\$ (605,994)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 152,092	\$ 159,439	\$ 160,617	\$ 8,525
Highway and Bridge Maintenance	1,408,906	1,421,829	1,718,262	309,356
Operation and Maintenance of Equipment	498,871	461,312	507,062	8,191
Other Charges	70,359	73,253	73,853	3,494
Employee Benefits	207,510	214,402	214,402	6,892
Capital Outlay	483,634	1,025,159	1,060,487	576,853
Total Expenditures	<u>\$ 2,821,372</u>	<u>\$ 3,355,394</u>	<u>\$ 3,734,683</u>	<u>\$ 913,311</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (238,698)</u>	<u>\$ (525,955)</u>	<u>\$ (546,015)</u>	<u>\$ 307,317</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 0	\$ 130,000	\$ 0	\$ 0
Other Loans Issued	70,000	0	130,000	(60,000)
Total Other Financing Sources (Uses)	<u>\$ 70,000</u>	<u>\$ 130,000</u>	<u>\$ 130,000</u>	<u>\$ (60,000)</u>
Net Change in Fund Balance	\$ (168,698)	\$ (395,955)	\$ (416,015)	\$ 247,317
Fund Balance, July 1, 2004	723,994	647,291	647,291	76,703
Fund Balance, June 30, 2005	<u>\$ 555,296</u>	<u>\$ 251,336</u>	<u>\$ 231,276</u>	<u>\$ 324,020</u>

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

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.

**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.

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 or jail.

Juvenile Services Fund – The Juvenile Services Fund is used to account for the costs of the delinquency prevention officer's grant, programs, and services.

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for the Marshall/Maury Municipal Planning Region.

Industrial/Economic Development Fund – The Industrial/Economic Development Fund is used to account for the Joint Economic and Community Development Board.

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

Other Special Revenue Fund – The Other Special Revenue Fund is used for hazardous materials education programs and the containment of spills.

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

Exhibit E-1

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

	Special Revenue Funds							
	Courthouse and Jail Maintenance	Juvenile Services	Solid Waste/ Sanitation	Industrial/ Economic Development	Drug Control	Other Special Revenue	Constitu - tional Officers - Fees	Total Nonmajor Governmental Funds
<u>ASSETS</u>								
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,150	\$ 1,150
Equity in Pooled Cash and Investments	88,237	69,904	235,943	9,289	37,908	25,051	0	466,332
Accounts Receivable	4,565	0	40,967	370	0	0	180	46,082
Due from Other Governments	0	0	92,108	0	0	0	0	92,108
Total Assets	\$ 92,802	\$ 69,904	\$ 369,018	\$ 9,659	\$ 37,908	\$ 25,051	\$ 1,330	\$ 605,672
<u>LIABILITIES AND FUND BALANCES</u>								
<u>Liabilities</u>								
Accounts Payable	\$ 550	\$ 0	\$ 11,370	\$ 667	\$ 335	\$ 0	\$ 0	\$ 12,922
Accrued Payroll	0	0	3,029	600	0	0	0	3,629
Due to Other Funds	0	0	0	0	0	0	1,330	1,330
Due to State of Tennessee	0	0	0	0	590	0	0	590
Total Liabilities	\$ 550	\$ 0	\$ 14,399	\$ 1,267	\$ 925	\$ 0	\$ 1,330	\$ 18,471
<u>Fund Balances</u>								
Unreserved	\$ 92,252	\$ 69,904	\$ 354,619	\$ 8,392	\$ 36,983	\$ 25,051	\$ 0	\$ 587,201
Total Fund Balances	\$ 92,252	\$ 69,904	\$ 354,619	\$ 8,392	\$ 36,983	\$ 25,051	\$ 0	\$ 587,201
Total Liabilities and Fund Balances	\$ 92,802	\$ 69,904	\$ 369,018	\$ 9,659	\$ 37,908	\$ 25,051	\$ 1,330	\$ 605,672

Exhibit E-2

Marshall 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	Juvenile Services	Solid Waste/ Sanitation	Industrial/ Economic Development	Drug Control	Other Special Revenue	Constitu - tional Officers - Fees	
<u>Revenues</u>								
Local Taxes	\$ 68,938	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 68,938
Fines, Forfeitures and Penalties	0	63,389	0	0	2,705	0	0	66,094
Charges for Current Services	0	0	403,546	0	0	0	1,000	404,546
Other Local Revenues	0	0	18,630	960	1,103	344	0	21,037
State of Tennessee	0	0	129,379	0	0	0	0	129,379
Other Governments and Citizens Groups	0	0	0	23,327	0	0	0	23,327
Total Revenues	\$ 68,938	\$ 63,389	\$ 551,555	\$ 24,287	\$ 3,808	\$ 344	\$ 1,000	\$ 713,321
<u>Expenditures</u>								
Current:								
General Government	\$ 64,302	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 64,302
Administration of Justice	0	84,069	0	0	0	0	1,000	85,069
Public Safety	0	0	0	0	8,095	1,357	0	9,452
Public Health and Welfare	0	0	572,739	0	0	0	0	572,739
Other Operations	0	0	0	65,268	0	0	0	65,268
Total Expenditures	\$ 64,302	\$ 84,069	\$ 572,739	\$ 65,268	\$ 8,095	\$ 1,357	\$ 1,000	\$ 796,830
Excess (Deficiency) of Revenues Over Expenditures	\$ 4,636	\$ (20,680)	\$ (21,184)	\$ (40,981)	\$ (4,287)	\$ (1,013)	\$ 0	\$ (83,509)
<u>Other Financing Sources (Uses)</u>								
Transfers In	\$ 0	\$ 0	\$ 0	\$ 49,373	\$ 0	\$ 0	\$ 0	\$ 49,373
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 49,373	\$ 0	\$ 0	\$ 0	\$ 49,373
Net Change in Fund Balances	\$ 4,636	\$ (20,680)	\$ (21,184)	\$ 8,392	\$ (4,287)	\$ (1,013)	\$ 0	\$ (34,136)
Fund Balance, July 1, 2004	87,616	90,584	375,803	0	41,270	26,064	0	621,337
Fund Balance, June 30, 2005	\$ 92,252	\$ 69,904	\$ 354,619	\$ 8,392	\$ 36,983	\$ 25,051	\$ 0	\$ 587,201

Exhibit E-3

Marshall 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	\$ 68,938	\$ 63,000	\$ 63,000	\$ 5,938
Total Revenues	\$ 68,938	\$ 63,000	\$ 63,000	\$ 5,938
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 64,302	\$ 86,500	\$ 86,500	\$ 22,198
Total Expenditures	\$ 64,302	\$ 86,500	\$ 86,500	\$ 22,198
Excess (Deficiency) of Revenues Over Expenditures	\$ 4,636	\$ (23,500)	\$ (23,500)	\$ 28,136
Net Change in Fund Balance	\$ 4,636	\$ (23,500)	\$ (23,500)	\$ 28,136
Fund Balance, July 1, 2004	87,616	115,512	115,512	(27,896)
Fund Balance, June 30, 2005	\$ 92,252	\$ 92,012	\$ 92,012	\$ 240

Exhibit E-4

Marshall County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Juvenile Services 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	\$ 63,389	\$ 44,000	\$ 44,000	\$ 19,389
Total Revenues	\$ 63,389	\$ 44,000	\$ 44,000	\$ 19,389
<u>Expenditures</u>				
<u>Administration of Justice</u>				
Juvenile Court	\$ 84,069	\$ 101,163	\$ 101,163	\$ 17,094
Total Expenditures	\$ 84,069	\$ 101,163	\$ 101,163	\$ 17,094
Excess (Deficiency) of Revenues Over Expenditures	\$ (20,680)	\$ (57,163)	\$ (57,163)	\$ 36,483
Net Change in Fund Balance	\$ (20,680)	\$ (57,163)	\$ (57,163)	\$ 36,483
Fund Balance, July 1, 2004	90,584	117,898	117,898	(27,314)
Fund Balance, June 30, 2005	\$ 69,904	\$ 60,735	\$ 60,735	\$ 9,169

Exhibit E-5

Marshall 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>				
Charges for Current Services	\$ 403,546	\$ 360,000	\$ 380,000	\$ 23,546
Other Local Revenues	18,630	7,000	7,000	11,630
State of Tennessee	129,379	137,560	137,560	(8,181)
Total Revenues	<u>\$ 551,555</u>	<u>\$ 504,560</u>	<u>\$ 524,560</u>	<u>\$ 26,995</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 548,723	\$ 593,197	\$ 618,282	\$ 69,559
Waste Pickup	24,016	33,760	33,760	9,744
Total Expenditures	<u>\$ 572,739</u>	<u>\$ 626,957</u>	<u>\$ 652,042</u>	<u>\$ 79,303</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (21,184)</u>	<u>\$ (122,397)</u>	<u>\$ (127,482)</u>	<u>\$ 106,298</u>
Net Change in Fund Balance	\$ (21,184)	\$ (122,397)	\$ (127,482)	\$ 106,298
Fund Balance, July 1, 2004	<u>375,803</u>	<u>340,110</u>	<u>340,110</u>	<u>35,693</u>
Fund Balance, June 30, 2005	<u>\$ 354,619</u>	<u>\$ 217,713</u>	<u>\$ 212,628</u>	<u>\$ 141,991</u>

Exhibit E-6

Marshall County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Industrial/Economic Development 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	\$ 960	\$ 0	\$ 0	\$ 960
Other Governments and Citizens Groups	23,327	72,500	23,127	200
Total Revenues	<u>\$ 24,287</u>	<u>\$ 72,500</u>	<u>\$ 23,127</u>	<u>\$ 1,160</u>
<u>Expenditures</u>				
<u>Other Operations</u>				
Other Economic and Community Development	\$ 65,268	\$ 72,500	\$ 72,500	\$ 7,232
Total Expenditures	<u>\$ 65,268</u>	<u>\$ 72,500</u>	<u>\$ 72,500</u>	<u>\$ 7,232</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (40,981)	\$ 0	\$ (49,373)	\$ 8,392
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 49,373	\$ 0	\$ 49,373	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 49,373</u>	<u>\$ 0</u>	<u>\$ 49,373</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 8,392	\$ 0	\$ 0	\$ 8,392
Fund Balance, July 1, 2004	0	0	0	0
Fund Balance, June 30, 2005	<u>\$ 8,392</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,392</u>

Exhibit E-7

Marshall 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	\$ 2,705	\$ 2,500	\$ 2,500	\$ 205
Other Local Revenues	1,103	0	0	1,103
Total Revenues	<u>\$ 3,808</u>	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 1,308</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 8,095	\$ 16,750	\$ 16,750	\$ 8,655
Total Expenditures	<u>\$ 8,095</u>	<u>\$ 16,750</u>	<u>\$ 16,750</u>	<u>\$ 8,655</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (4,287)</u>	<u>\$ (14,250)</u>	<u>\$ (14,250)</u>	<u>\$ 9,963</u>
Net Change in Fund Balance	\$ (4,287)	\$ (14,250)	\$ (14,250)	\$ 9,963
Fund Balance, July 1, 2004	<u>41,270</u>	<u>34,184</u>	<u>34,184</u>	<u>7,086</u>
Fund Balance, June 30, 2005	<u>\$ 36,983</u>	<u>\$ 19,934</u>	<u>\$ 19,934</u>	<u>\$ 17,049</u>

Exhibit E-8

Marshall County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Other Special Revenue 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	\$ 344	\$ 0	\$ 0	\$ 344
Total Revenues	\$ 344	\$ 0	\$ 0	\$ 344
<u>Expenditures</u>				
<u>Public Safety</u>				
Other Emergency Management	\$ 1,357	\$ 5,500	\$ 5,500	\$ 4,143
Total Expenditures	\$ 1,357	\$ 5,500	\$ 5,500	\$ 4,143
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,013)	\$ (5,500)	\$ (5,500)	\$ 4,487
Net Change in Fund Balance	\$ (1,013)	\$ (5,500)	\$ (5,500)	\$ 4,487
Fund Balance, July 1, 2004	26,064	26,064	26,064	0
Fund Balance, June 30, 2005	\$ 25,051	\$ 20,564	\$ 20,564	\$ 4,487

Major Governmental Fund

General Debt Service Fund

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

Exhibit F

Marshall 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	\$ 3,703,284	\$ 3,364,200	\$ 3,364,200	\$ 339,084
Other Local Revenues	306,797	236,000	236,000	70,797
State of Tennessee	28,241	12,000	12,000	16,241
Other Governments and Citizens Groups	6,519	0	0	6,519
Total Revenues	<u>\$ 4,044,841</u>	<u>\$ 3,612,200</u>	<u>\$ 3,612,200</u>	<u>\$ 432,641</u>
<u>Expenditures</u>				
<u>Principal</u>				
General Government	\$ 541,913	\$ 541,914	\$ 541,914	\$ 1
Highways and Streets	43,349	113,349	113,349	70,000
Education	2,046,938	7,041,940	2,046,940	2
<u>Interest</u>				
General Government	371,286	430,369	430,369	59,083
Highways and Streets	17,982	20,083	20,083	2,101
Education	1,263,542	1,202,612	1,307,114	43,572
<u>Other Debt Service</u>				
General Government	70,661	85,000	84,875	14,214
Highways and Streets	121	0	125	4
Education	100,643	43,012	101,530	887
Total Expenditures	<u>\$ 4,456,435</u>	<u>\$ 9,478,279</u>	<u>\$ 4,646,299</u>	<u>\$ 189,864</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (411,594)</u>	<u>\$ (5,866,079)</u>	<u>\$ (1,034,099)</u>	<u>\$ 622,505</u>
<u>Other Financing Sources (Uses)</u>				
Refunding Debt Issued	\$ 12,970,000	\$ 4,995,000	\$ 12,969,999	\$ 1
Payments to Refunded Debt Escrow Agent	(12,695,193)	0	(12,878,470)	183,277
Total Other Financing Sources (Uses)	<u>\$ 274,807</u>	<u>\$ 4,995,000</u>	<u>\$ 91,529</u>	<u>\$ 183,278</u>
Net Change in Fund Balance	\$ (136,787)	\$ (871,079)	\$ (942,570)	\$ 805,783
Fund Balance, July 1, 2004	<u>5,717,263</u>	<u>5,644,154</u>	<u>5,644,154</u>	<u>73,109</u>
Fund Balance, June 30, 2005	<u>\$ 5,580,476</u>	<u>\$ 4,773,075</u>	<u>\$ 4,701,584</u>	<u>\$ 878,892</u>

Agency Funds

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

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

Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk; circuit, 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.

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

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu - tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 671,528	\$ 671,528
Due from Other Governments	201,736	0	201,736
Total Assets	<u>\$ 201,736</u>	<u>\$ 671,528</u>	<u>\$ 873,264</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 201,736	\$ 0	\$ 201,736
Due to Litigants, Heirs, and Others	0	671,528	671,528
Total Liabilities	<u>\$ 201,736</u>	<u>\$ 671,528</u>	<u>\$ 873,264</u>

Exhibit G-2

Marshall County, Tennessee
Combining Statement 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	\$ 1,309,412	\$ 1,309,412	\$ 0
Due From Other Governments	218,210	201,736	218,210	201,736
Total Assets	\$ 218,210	\$ 1,511,148	\$ 1,527,622	\$ 201,736
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 218,210	\$ 1,511,148	\$ 1,527,622	\$ 201,736
Total Liabilities	\$ 218,210	\$ 1,511,148	\$ 1,527,622	\$ 201,736
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 602,026	\$ 6,043,873	\$ 5,974,371	\$ 671,528
Total Assets	\$ 602,026	\$ 6,043,873	\$ 5,974,371	\$ 671,528
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 602,026	\$ 6,043,873	\$ 5,974,371	\$ 671,528
Total Liabilities	\$ 602,026	\$ 6,043,873	\$ 5,974,371	\$ 671,528
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 602,026	\$ 6,043,873	\$ 5,974,371	\$ 671,528
Equity in Pooled Cash and Investments	0	1,309,412	1,309,412	0
Due From Other Governments	218,210	201,736	218,210	201,736
Total Assets	\$ 820,236	\$ 7,555,021	\$ 7,501,993	\$ 873,264
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 218,210	\$ 1,511,148	\$ 1,527,622	\$ 201,736
Due to Litigants, Heirs, and Others	602,026	6,043,873	5,974,371	671,528
Total Liabilities	\$ 820,236	\$ 7,555,021	\$ 7,501,993	\$ 873,264

MISCELLANEOUS SCHEDULES

Exhibit H-1

Marshall County, Tennessee
Schedule of Changes in Long-Term Notes, Other Loans, 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	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-05
NOTES PAYABLE									
<u>Payable through General Debt Service Fund</u>									
School Refunding	\$ 1,050,000	4.15 %	12-1-01	5-1-12	\$ 805,000	\$ 0	\$ 90,000	\$ 0	\$ 715,000
General Projects (52%), Education (25%), Highway (23%)	2,700,000	3.36	12-1-02	12-14-14	2,505,000	0	195,000	0	2,310,000
School Buses	275,800	2.23	3-17-04	3-17-07	275,800	0	275,800	0	0
Total Notes Payable					<u>\$ 3,585,800</u>	<u>\$ 0</u>	<u>\$ 560,800</u>	<u>\$ 0</u>	<u>\$ 3,025,000</u>
OTHER LOANS PAYABLE									
<u>Payable through General Debt Service Fund</u>									
General Projects (81%), Schools (19%)	2,200,000	variable	4-17-96	5-25-09	\$ 926,000	\$ 0	\$ 166,400	\$ 0	\$ 759,600
Schools	1,980,000	variable	11-25-96	5-25-11	1,174,000	0	142,000	0	1,032,000
Courthouse Renovations	1,500,000	variable	1-22-98	5-25-13	1,034,000	0	93,000	0	941,000
Schools, Highway, and EMS Projects	(1)	variable	6-16-05	5-25-33	0	567,000	0	0	567,000
Total Other Loans Payable					<u>\$ 3,134,000</u>	<u>\$ 567,000</u>	<u>\$ 401,400</u>	<u>\$ 0</u>	<u>\$ 3,299,600</u>
GENERAL BONDED DEBT									
<u>Payable through General Debt Service Fund</u>									
School Refunding	6,110,000	3.3 to 3.9	3-1-99	3-1-09	\$ 3,015,000	\$ 0	\$ 685,000	\$ 0	\$ 2,330,000
School Refunding	7,035,000	3.4 to 4.5	11-1-98	4-1-13	4,815,000	0	0	4,815,000	0
School Bonds	8,300,000	4.75 to 5	12-1-00	12-1-20	8,035,000	0	100,000	7,480,000	455,000
School Bonds	5,900,000	4.4 to 4.5	1-1-01	12-1-20	5,595,000	0	110,000	0	5,485,000
School Bonds	2,430,000	3.25 to 4	9-1-01	9-1-13	2,230,000	0	105,000	0	2,125,000
General Obligation Bond	8,000,000	2 to 4.5	9-1-03	3-1-28	7,635,000	0	210,000	0	7,425,000
School Refunding	4,995,000	2.1 to 4.25	7-7-04	4-1-13	0	4,995,000	460,000	0	4,535,000
School Refunding	7,975,000	3.47	3-17-05	6-1-20	0	7,975,000	0	0	7,975,000
Total General Bonded Debt					<u>\$ 31,325,000</u>	<u>\$ 12,970,000</u>	<u>\$ 1,670,000</u>	<u>\$ 12,295,000</u>	<u>\$ 30,330,000</u>

(1) Total amount available for draws from the Montgomery County Public Building Authority is \$1,433,000 of an authorized \$2,000,000.

Exhibit H-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2006	\$ 1,755,000	\$ 1,182,996	\$ 2,937,996
2007	1,870,000	1,068,413	2,938,413
2008	1,940,000	1,006,688	2,946,688
2009	1,920,000	939,212	2,859,212
2010	1,940,000	865,371	2,805,371
2011	2,005,000	796,613	2,801,613
2012	2,085,000	723,042	2,808,042
2013	1,710,000	644,446	2,354,446
2014	1,615,000	578,211	2,193,211
2015	1,310,000	522,501	1,832,501
2016	1,365,000	471,562	1,836,562
2017	1,430,000	418,054	1,848,054
2018	1,480,000	362,055	1,842,055
2019	1,545,000	303,243	1,848,243
2020	1,615,000	241,733	1,856,733
2021	1,690,000	176,961	1,866,961
2022	380,000	135,933	515,933
2023	395,000	119,783	514,783
2024	415,000	102,600	517,600
2025	435,000	83,925	518,925
2026	455,000	64,350	519,350
2027	475,000	43,875	518,875
2028	500,000	22,500	522,500
Total	\$ 30,330,000	\$ 10,874,067	\$ 41,204,067

Exhibit H-3

Marshall 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	Public Library	Provide funds for operations	\$ 197,839
General	Industrial/Economic Development	Provide funds for operations	<u>49,373</u>
Total Transfers			<u>\$ 247,212</u>

Marshall 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>	\$ 60,568	\$ 50,000	Auto Owners Mutual Insurance Company
Highway Superintendent	Section 8-24-102, <u>TCA</u>	57,165	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	51,969	1,350,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	51,969	25,000	"
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	65,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Judge	52,969 (1)	50,000	Allied Mutual Insurance Company
Register	Section 8-24-102, <u>TCA</u>	51,969	25,000	Auto Owners Mutual Insurance Company
Sheriff	Section 8-24-102, <u>TCA</u>	57,165 (2)	25,000	"
Director of Accounts and Budgets	Chapter 17, Private Acts of 2005, and County Commission	55,506 (3)	50,000	"
<u>Other Bonds</u>				
County Employees			150,000	Local Government Property and Casualty Fund

(1) Includes special commissioner fees of \$1,000.

(2) Includes law enforcement training supplement of \$519.

(3) Includes longevity pay of \$1,000.

Marshall 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	Juvenile Services	Solid Waste/ Sanitation	Industrial/ Economic Development	Drug Control
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 3,451,518	\$ 0	\$ 0	\$ 0	\$ 0	0
Trustee's Collections - Prior Year	119,239	0	0	0	0	0
Trustee's Collections - Bankruptcy	50,904	0	0	0	0	0
Circuit/Clerk & Master Collections - Prior Years	66,070	0	0	0	0	0
Interest and Penalty	55,475	0	0	0	0	0
Payments in Lieu of Taxes - T.V.A.	1,881	0	0	0	0	0
Payments in Lieu of Taxes - Local Utilities	25,299	0	0	0	0	0
Payments in Lieu of Taxes - Other	3,846	0	0	0	0	0
<u>County Local Option Taxes</u>						
Local Option Sales Tax	154,530	0	0	0	0	0
Hotel/Motel Tax	43,823	43,793	0	0	0	0
Wheel Tax	57,434	0	0	0	0	0
Litigation Tax - General	169,058	0	0	0	0	0
Litigation Tax - Special Purpose	0	25,145	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	0
Business Tax	129,156	0	0	0	0	0
Mineral Severance Tax	0	0	0	0	0	0
<u>Statutory Local Taxes</u>						
Bank Excise Tax	21,931	0	0	0	0	0
Wholesale Beer Tax	113,854	0	0	0	0	0
Interstate Telecommunications Tax	2,345	0	0	0	0	0
Total Local Taxes	\$ 4,466,363	\$ 68,938	\$ 0	\$ 0	\$ 0	0
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 23,758	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Permits</u>						
Beer Permits	1,710	0	0	0	0	0
Building Permits	100,725	0	0	0	0	0
Total Licenses and Permits	\$ 126,193	\$ 0	\$ 0	\$ 0	\$ 0	0

(Continued)

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

Exhibit H-5

	Special Revenue Funds					
	General	Courthouse and Jail Maintenance	Juvenile Services	Solid Waste/ Sanitation	Industrial/ Economic Development	Drug Control
Fines, Forfeitures and Penalties						
<u>Circuit Court</u>						
Fines	\$ 693	\$ 0	\$ 0	\$ 0	\$ 0	0
Officers Costs	2,013	0	0	0	0	0
Drug Control Fines	0	0	0	0	0	149
Data Entry Fee - Circuit Court	222	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	19,394	0	0	0	0	0
Officers Costs	25,323	0	0	0	0	0
Game and Fish Fines	184	0	0	0	0	0
Drug Control Fines	0	0	0	0	0	2,546
DUI Treatment Fines	5,576	0	0	0	0	0
Data Entry Fee - General Sessions Court	6,992	0	0	0	0	0
<u>Juvenile Court</u>						
Fines	15,889	0	0	0	0	0
Officers Costs	0	0	1,137	0	0	0
Data Entry Fee - Juvenile Court	1,193	0	0	0	0	0
<u>Chancery Court</u>						
Officers Costs	1,900	0	0	0	0	0
Data Entry Fee - Chancery Court	2,440	0	0	0	0	0
<u>Other Courts - In-county</u>						
Fines	0	0	62,252	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	233	0	0	0	0	10
Total Fines, Forfeitures and Penalties	\$ 82,052	\$ 0	\$ 63,389	\$ 0	\$ 0	2,705
Charges for Current Services						
<u>General Service Charges</u>						
Surcharge - Host Agency	\$ 0	\$ 0	\$ 0	403,546	\$ 0	0
Patient Charges	1,078,737	0	0	0	0	0
Zoning Studies	12,169	0	0	0	0	0
Work Release Charges for Board	14,142	0	0	0	0	0
Water Sales	22,005	0	0	0	0	0

(Continued)

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

Exhibit H-5

	Special Revenue Funds					
	General	Courthouse and Jail Maintenance	Juvenile Services	Solid Waste/ Sanitation	Industrial/ Economic Development	Drug Control
<u>Charges for Current Services (Cont.)</u>						
<u>Fees</u>						
Copy Fees	\$ 3,919	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Telephone Commissions	13,095	0	0	0	0	0
Vending Machine Collections	595	0	0	0	0	0
Special Commissioner Fees/Special Master Fees	0	0	0	0	0	0
Data Processing Fee - Register	13,822	0	0	0	0	0
Data Processing Fee - Sheriff	3,054	0	0	0	0	0
Sexual Offender Registration Fee	480	0	0	0	0	0
Total Charges for Current Services	\$ 1,162,018	\$ 0	\$ 0	403,546	\$ 0	\$ 0
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	14,800	0	0	0	0	0
Sale of Materials and Supplies	60	0	0	0	0	0
Sale of Gasoline	0	0	0	0	0	0
Sale of Maps	752	0	0	0	0	0
Sale of Recycled Materials	0	0	0	18,187	0	0
Miscellaneous Refunds	0	0	0	117	370	44
<u>Nonrecurring Items</u>						
Insurance Recovery	10,921	0	0	326	0	0
Sale of Equipment	0	0	0	0	0	0
Damages Recovered from Individuals	11,505	0	0	0	0	0
Contributions & Gifts	0	0	0	0	590	1,059
Performance Bond Forfeitures	0	0	0	0	0	0
<u>Other Local Revenues</u>						
Other Local Revenues	3,023	0	0	0	0	0
Total Other Local Revenues	\$ 41,061	\$ 0	\$ 0	18,630	\$ 960	\$ 1,103
<u>Fees Received from County Officials</u>						
<u>Fees In Lieu of Salary</u>						
County Clerk	\$ 276,611	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	41,867	0	0	0	0	0

(Continued)

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

Exhibit H-5

	Special Revenue Funds					
	General	Courthouse and Jail Maintenance	Juvenile Services	Solid Waste/ Sanitation	Industrial/ Economic Development	Drug Control
<u>Fees Received from County Officials (Cont.)</u>						
<u>Fees In Lieu of Salary (Cont.)</u>						
General Sessions Court Clerk	\$ 140,450	\$ 0	\$ 0	\$ 0	\$ 0	0
Clerk and Master	93,127	0	0	0	0	0
Juvenile Court Clerk	12,193	0	0	0	0	0
Register	172,871	0	0	0	0	0
Sheriff	10,576	0	0	0	0	0
Trustee	451,697	0	0	0	0	0
Total Fees Received from County Officials	\$ 1,199,392	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 10,300	\$ 0	\$ 0	\$ 0	\$ 0	0
Solid Waste Grants	0	0	0	97,400	0	0
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	10,374	0	0	0	0	0
Other Public Safety Grants	9,010	0	0	0	0	0
<u>Health and Welfare Grants</u>						
Other Health and Welfare Grants	103,712	0	0	0	0	0
<u>Public Works Grants</u>						
Bridge Program	0	0	0	0	0	0
State Aid Program	0	0	0	0	0	0
Litter Program	0	0	0	31,979	0	0
<u>Other State Revenues</u>						
Income Tax	38,206	0	0	0	0	0
Beer Tax	16,778	0	0	0	0	0
Alcoholic Beverage Tax	31,977	0	0	0	0	0
State Revenue Sharing - T.V.A.	88,909	0	0	0	0	0
Contracted Prisoner Boarding	358,400	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	0
Petroleum Special Tax	0	0	0	0	0	0
Reappraisal Program Reimbursement	9,259	0	0	0	0	0
Registrar's Salary Supplement	8,190	0	0	0	0	0
Other State Grants	4,665	0	0	0	0	0
Total State of Tennessee	\$ 689,780	\$ 0	\$ 0	129,379	\$ 0	0

(Continued)

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

Exhibit H-5

	Special Revenue Funds					
	General	Courthouse and Jail Maintenance	Juvenile Services	Solid Waste/ Sanitation	Industrial/ Economic Development	Drug Control
<u>Federal Government</u>						
<u>Federal Through State</u>						
Disaster Relief	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Homeland Security Grants	28,974	0	0	0	0	0
Law Enforcement Grants	5,680	0	0	0	0	0
Other Federal through State	215,498	0	0	0	0	0
<u>Direct Federal Revenue</u>						
Medicare	1,200	0	0	0	0	0
Total Federal Government	\$ 251,352	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Prisoner Board	\$ 22,745	\$ 0	\$ 0	\$ 0	\$ 0	0
Contributions	321	0	0	0	23,327	0
Contracted Services	7,750	0	0	0	0	0
Total Other Governments and Citizens Groups	\$ 30,816	\$ 0	\$ 0	\$ 0	\$ 23,327	\$ 0
Total	\$ 8,049,027	\$ 68,938	\$ 63,389	\$ 551,555	\$ 24,287	\$ 3,808

(Continued)

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

Exhibit H-5

	Special Revenue Funds			Debt Service Fund	Capital Projects Fund	Total
	Other Special Revenue	Constitutional Officers - Fees	Highway/Public Works	General Debt Service	General Capital Projects	
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 0	\$ 0	\$ 284,242	\$ 1,096,360	\$ 0	\$ 4,832,120
Trustee's Collections - Prior Year	0	0	9,817	37,907	0	166,963
Trustee's Collections - Bankruptcy	0	0	4,192	16,169	0	71,265
Circuit/Clerk & Master Collections - Prior Years	0	0	5,441	20,987	0	92,498
Interest and Penalty	0	0	4,518	17,622	0	77,615
Payments in Lieu of Taxes - T.V.A.	0	0	155	598	0	2,634
Payments in Lieu of Taxes - Local Utilities	0	0	2,083	8,036	0	35,418
Payments in Lieu of Taxes - Other	0	0	317	1,222	0	5,385
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	1,542,952	0	1,697,482
Hotel/Motel Tax	0	0	0	0	0	87,616
Wheel Tax	0	0	172,302	918,945	0	1,148,681
Litigation Tax - General	0	0	0	0	0	169,058
Litigation Tax - Special Purpose	0	0	0	0	0	25,145
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	35,520	0	35,520
Business Tax	0	0	0	0	0	129,156
Mineral Severance Tax	0	0	165,709	0	0	165,709
<u>Statutory Local Taxes</u>						
Bank Excise Tax	0	0	1,806	6,966	0	30,703
Wholesale Beer Tax	0	0	0	0	0	113,854
Interstate Telecommunications Tax	0	0	0	0	0	2,345
Total Local Taxes	\$ 0	\$ 0	\$ 650,582	\$ 3,703,284	\$ 0	\$ 8,889,167
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,758
<u>Permits</u>						
Beer Permits	0	0	0	0	0	1,710
Building Permits	0	0	0	0	0	100,725
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 126,193

(Continued)

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

Exhibit H-5

	Special Revenue Funds			Debt Service Fund	Capital Projects Fund	Total
	Other Special Revenue	Constitutional Officers - Fees	Highway/ Public Works	General Debt Service	General Capital Projects	
<u>Fines, Forfeitures and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	693
Officers Costs	0	0	0	0	0	2,013
Drug Control Fines	0	0	0	0	0	149
Data Entry Fee - Circuit Court	0	0	0	0	0	222
<u>General Sessions Court</u>						
Fines	0	0	0	0	0	19,394
Officers Costs	0	0	0	0	0	25,323
Game and Fish Fines	0	0	0	0	0	184
Drug Control Fines	0	0	0	0	0	2,546
DUI Treatment Fines	0	0	0	0	0	5,576
Data Entry Fee - General Sessions Court	0	0	0	0	0	6,992
<u>Juvenile Court</u>						
Fines	0	0	0	0	0	15,889
Officers Costs	0	0	0	0	0	1,137
Data Entry Fee - Juvenile Court	0	0	0	0	0	1,193
<u>Chancery Court</u>						
Officers Costs	0	0	0	0	0	1,900
Data Entry Fee - Chancery Court	0	0	0	0	0	2,440
<u>Other Courts - In-county</u>						
Fines	0	0	0	0	0	62,252
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	0	0	0	0	0	243
Total Fines, Forfeitures and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	148,146
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Surcharge - Host Agency	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	403,546
Patient Charges	0	0	0	0	0	1,078,737
Zoning Studies	0	0	0	0	0	12,169
Work Release Charges for Board	0	0	0	0	0	14,142
Water Sales	0	0	0	0	0	22,005

(Continued)

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

Exhibit H-5

	Special Revenue Funds			Debt Service Fund	Capital Projects Fund	Total
	Other Special Revenue	Constitutional Officers - Fees	Highway/ Public Works	General Debt Service	General Capital Projects	
<u>Charges for Current Services (Cont.)</u>						
<u>Fees</u>						
Copy Fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	3,919
Telephone Commissions	0	0	0	0	0	13,095
Vending Machine Collections	0	0	41	0	0	636
Special Commissioner Fees/Special Master Fees	0	1,000	0	0	0	1,000
Data Processing Fee - Register	0	0	0	0	0	13,822
Data Processing Fee - Sheriff	0	0	0	0	0	3,054
Sexual Offender Registration Fee	0	0	0	0	0	480
Total Charges for Current Services	\$ 0	\$ 1,000	\$ 41	\$ 0	\$ 0	1,566,605
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 0	306,797	\$ 59,812	\$ 366,609
Lease/Rentals	0	0	0	0	0	14,800
Sale of Materials and Supplies	0	0	507	0	0	567
Sale of Gasoline	0	0	13,374	0	0	13,374
Sale of Maps	0	0	0	0	0	752
Sale of Recycled Materials	0	0	0	0	0	18,187
Miscellaneous Refunds	0	0	69	0	1,000	1,600
<u>Nonrecurring Items</u>						
Insurance Recovery	0	0	12,451	0	13,720	37,418
Sale of Equipment	0	0	17,328	0	0	17,328
Damages Recovered from Individuals	344	0	0	0	0	11,849
Contributions & Gifts	0	0	0	0	0	1,649
Performance Bond Forfeitures	0	0	37,476	0	0	37,476
<u>Other Local Revenues</u>						
Other Local Revenues	0	0	0	0	0	3,023
Total Other Local Revenues	\$ 344	\$ 0	\$ 81,205	\$ 306,797	\$ 74,532	\$ 524,632
<u>Fees Received from County Officials</u>						
<u>Fees In Lieu of Salary</u>						
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	276,611
Circuit Court Clerk	0	0	0	0	0	41,867

(Continued)

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

Exhibit H-5

	Special Revenue Funds			Debt Service Fund	Capital Projects Fund	Total
	Other Special Revenue	Constitutional Officers - Fees	Highway/ Public Works	General Debt Service	General Capital Projects	
Fees Received from County Officials (Cont.)						
<u>Fees In Lieu of Salary (Cont.)</u>						
General Sessions Court Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	140,450
Clerk and Master	0	0	0	0	0	93,127
Juvenile Court Clerk	0	0	0	0	0	12,193
Register	0	0	0	0	0	172,871
Sheriff	0	0	0	0	0	10,576
Trustee	0	0	0	0	0	451,697
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,199,392
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	10,300
Solid Waste Grants	0	0	18,000	0	0	115,400
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	0	0	0	0	0	10,374
Other Public Safety Grants	0	0	0	0	0	9,010
<u>Health and Welfare Grants</u>						
Other Health and Welfare Grants	0	0	0	0	0	103,712
<u>Public Works Grants</u>						
Bridge Program	0	0	35,019	0	0	35,019
State Aid Program	0	0	139,932	0	0	139,932
Litter Program	0	0	0	0	0	31,979
<u>Other State Revenues</u>						
Income Tax	0	0	0	0	0	38,206
Beer Tax	0	0	0	0	0	16,778
Alcoholic Beverage Tax	0	0	0	0	0	31,977
State Revenue Sharing - T.V.A.	0	0	7,322	28,241	0	124,472
Contracted Prisoner Boarding	0	0	0	0	0	358,400
Gasoline and Motor Fuel Tax	0	0	1,607,863	0	0	1,607,863
Petroleum Special Tax	0	0	21,532	0	0	21,532
Reappraisal Program Reimbursement	0	0	0	0	0	9,259
Registrar's Salary Supplement	0	0	0	0	0	8,190
Other State Grants	0	0	0	0	0	4,665
Total State of Tennessee	\$ 0	\$ 0	\$ 1,829,668	\$ 28,241	\$ 0	2,677,068

(Continued)

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

Exhibit H-5

	Special Revenue Funds			Debt Service Fund	Capital Projects Fund	Total
	Other Special Revenue	Constitutional Officers - Fees	Highway/ Public Works	General Debt Service	General Capital Projects	
<u>Federal Government</u>						
<u>Federal Through State</u>						
Disaster Relief	\$ 0	\$ 0	\$ 21,178	\$ 0	\$ 0	\$ 21,178
Homeland Security Grants	0	0	0	0	0	28,974
Law Enforcement Grants	0	0	0	0	0	5,680
Other Federal through State	0	0	0	0	0	215,498
<u>Direct Federal Revenue</u>						
Medicare	0	0	0	0	0	1,200
Total Federal Government	\$ 0	\$ 0	\$ 21,178	\$ 0	\$ 0	\$ 272,530
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Prisoner Board	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,745
Contributions	0	0	0	6,519	0	30,167
Contracted Services	0	0	0	0	0	7,750
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 6,519	\$ 0	\$ 60,662
Total	\$ 344	\$ 1,000	\$ 2,582,674	\$ 4,044,841	\$ 74,532	\$ 15,464,395

Exhibit H-6

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

General FundGeneral GovernmentCounty Commission

Other Per Diem & Fees	\$	10,350	
Social Security		642	
Extension Service Medicare		150	
Audit Services		20,089	
Communication		1,305	
Contracts with Private Agencies		1,746	
Dues and Memberships		2,696	
Evaluation and Testing		1,946	
Legal Notices, Recording and Court Costs		203	
Royalties		20	
Travel		6,359	
Periodicals		1,150	
Other Supplies and Materials		47,177	
Liability Insurance		43,321	
Premiums on Corporate Surety Bonds		5,465	
Vehicle and Equipment Insurance		1,699	
Workers' Compensation Insurance		95	
Liability Claims		65	
Total County Commission			\$ 144,478

Board of Equalization

Board and Committee Members Fees	\$	1,200	
Social Security		74	
Extension Service Medicare		17	
Total Board of Equalization			1,291

Beer Board

Board and Committee Members Fees	\$	325	
Social Security		20	
Extension Service Medicare		5	
Total Beer Board			350

Budget and Finance Committee

Board and Committee Members Fees	\$	2,750	
Social Security		170	
Extension Service Medicare		40	
Total Budget and Finance Committee			2,960

Other Boards and Committees

Board and Committee Members Fees	\$	9,831	
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(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

Other Boards and Committees (Cont.)

Social Security	\$	725	
Extension Service Medicare		170	
Total Other Boards and Committees			\$ 10,726

County Mayor

County Official/Administrative Officer	\$	60,568	
Secretary(s)		25,724	
Longevity Pay		700	
Social Security		5,322	
Extension Service Medicare		1,245	
State Retirement		6,129	
Employee and Dependent Insurance		7,727	
Communication		2,439	
Dues and Memberships		1,435	
Postal Charges		425	
Travel		1,491	
Office Supplies		411	
Workers' Compensation Insurance		306	
Office Equipment		24	
Total County Mayor			113,946

County Attorney

Social Security	\$	930	
Extension Service Medicare		218	
State Retirement		1,063	
Consultants		15,000	
Legal Services		1,971	
Workers' Compensation Insurance		53	
Total County Attorney			19,235

Election Commission (Including Voter Registration)

Supervisor/Director	\$	37,480	
Deputy(ies)		17,535	
Part-time Personnel		4,010	
Election Commission		1,760	
Election Workers		17,130	
In-Service Training		1,400	
Social Security		3,236	
Extension Service Medicare		757	
State Retirement		3,900	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Including Voter Registration)
(Cont.)

Employee and Dependent Insurance	\$	11,967	
Communication		1,930	
Contracts with Private Agencies		1,725	
Data Processing Services		1,000	
Dues and Memberships		325	
Legal Notices, Recording and Court Costs		1,338	
Maintenance & Repair Services- Equipment		3,731	
Maintenance & Repair Services- Office Equipment		620	
Postal Charges		2,659	
Printing, Stationery and Forms		4,250	
Travel		2,184	
Office Supplies		1,495	
Workers' Compensation Insurance		246	
Other Charges		50	
Office Equipment		<u>1,244</u>	
Total Election Commission (Including Voter Registration)	\$		121,972

Register of Deeds

County Official/Administrative Officer	\$	51,969	
Deputy(ies)		68,413	
Longevity Pay		1,550	
In-Service Training		1,211	
Social Security		7,020	
Extension Service Medicare		1,642	
State Retirement		7,948	
Employee and Dependent Insurance		19,244	
Unemployment Compensation		780	
Communication		1,249	
Contracts with Government Agencies		1,287	
Data Processing Services		14,097	
Dues and Memberships		452	
Maintenance & Repair Services- Office Equipment		824	
Postal Charges		1,060	
Office Supplies		3,870	
Workers' Compensation Insurance		427	
Office Equipment		<u>1,512</u>	
Total Register of Deeds			184,555

Planning

Contracts with Government Agencies	\$	<u>8,500</u>	
Total Planning			8,500

(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

Building

Investigator(s)	\$	74,671	
Secretary(s)		11,181	
In-Service Training		209	
Social Security		5,303	
Extension Service Medicare		1,239	
State Retirement		5,474	
Employee and Dependent Insurance		8,643	
Communication		1,976	
Dues and Memberships		150	
Legal Services		24,467	
Licenses		50	
Maintenance & Repair Services- Equipment		400	
Maintenance & Repair Services- Office Equipment		185	
Maintenance & Repair Services- Vehicles		4,421	
Postal Charges		500	
Printing, Stationery and Forms		571	
Travel		386	
Gasoline		2,845	
Office Supplies		859	
Road Signs		120	
Vehicle and Equipment Insurance		283	
Workers' Compensation Insurance		2,264	
Motor Vehicles		7,450	
Office Equipment		274	
Total Building			\$ 153,921

County Buildings

Maintenance Personnel	\$	65,330
Longevity Pay		350
Overtime Pay		2,686
Social Security		4,072
Extension Service Medicare		952
State Retirement		4,847
Employee and Dependent Insurance		8,761
Communication		1,192
Janitorial Services		61,188
Maintenance & Repair Services- Equipment		89
Maintenance & Repair Services- Vehicles		5,396
Pest Control		1,115
Disposal Fees		2,144

(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Custodial Supplies	\$	2,579	
Electricity		77,287	
Gasoline		6,445	
Natural Gas		26,849	
Uniforms		764	
Water and Sewer		3,640	
Vehicle and Equipment Insurance		566	
Workers' Compensation Insurance		3,244	
Other Charges		379	
Land		140,002	
Other Equipment		796	
Total County Buildings			\$ 420,673

Finance

Accounting and Budgeting

Supervisor/Director	\$	55,506	
Accountants/Bookkeepers		144,052	
Longevity Pay		3,150	
Social Security		11,806	
Extension Service Medicare		2,761	
State Retirement		14,372	
Employee and Dependent Insurance		27,637	
Communication		2,445	
Contracts with Private Agencies		6,617	
Maintenance & Repair Services- Office Equipment		5,122	
Postal Charges		3,823	
Travel		341	
Office Supplies		3,444	
Workers' Compensation Insurance		706	
Office Equipment		2,127	
Total Accounting and Budgeting			283,909

Property Assessor's Office

County Official/Administrative Officer	\$	51,969	
Deputy(ies)		67,123	
Secretary(s)		11,251	
Part-time Personnel		6,242	
Longevity Pay		1,000	
In-Service Training		240	
Social Security		8,178	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Extension Service Medicare	\$	1,913	
State Retirement		9,212	
Employee and Dependent Insurance		19,501	
Advertising		72	
Communication		2,265	
Data Processing Services		8,116	
Dues and Memberships		1,487	
Legal Services		750	
Maintenance & Repair Services- Office Equipment		529	
Postal Charges		1,128	
Travel		1,514	
Office Supplies		2,772	
Other Supplies and Materials		5,174	
Workers' Compensation Insurance		330	
Office Equipment		<u>20,731</u>	
Total Property Assessor's Office	\$		221,497

Reappraisal Program

Assistant(s)	\$	21,492	
Deputy(ies)		14,907	
Secretary(s)		9,206	
Social Security		2,572	
Extension Service Medicare		601	
State Retirement		3,233	
Communication		41	
Data Processing Services		3,115	
Maintenance & Repair Services- Vehicles		478	
Gasoline		1,054	
Office Supplies		463	
Vehicle and Equipment Insurance		283	
Workers' Compensation Insurance		<u>330</u>	
Total Reappraisal Program			57,775

County Trustee's Office

County Official/Administrative Officer	\$	51,969	
Deputy(ies)		44,095	
Longevity Pay		250	
In-Service Training		677	
Social Security		5,758	
Extension Service Medicare		1,347	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

State Retirement	\$	6,829	
Employee and Dependent Insurance		12,611	
Communication		1,617	
Contracts with Private Agencies		3,353	
Dues and Memberships		452	
Legal Services		470	
Legal Notices, Recording and Court Costs		19	
Maintenance & Repair Services- Office Equipment		1,109	
Postal Charges		3,136	
Office Supplies		1,709	
Workers' Compensation Insurance		343	
Office Equipment		9,436	
Total County Trustee's Office			\$ 145,180

County Clerk's Office

County Official/Administrative Officer	\$	51,969	
Deputy(ies)		113,393	
Longevity Pay		1,500	
In-Service Training		602	
Social Security		9,889	
Extension Service Medicare		2,313	
State Retirement		11,830	
Employee and Dependent Insurance		20,729	
Communication		2,774	
Contracts with Private Agencies		7,059	
Data Processing Services		398	
Dues and Memberships		437	
Legal Services		407	
Maintenance & Repair Services- Office Equipment		6,716	
Postal Charges		6,646	
Office Supplies		4,685	
Workers' Compensation Insurance		583	
Office Equipment		140	
Total County Clerk's Office			242,070

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	51,969	
Deputy(ies)		122,633	
Attendants		6,000	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Longevity Pay	\$	1,600	
Jury and Witness Fees		15,003	
In-Service Training		612	
Other Per Diem & Fees		46	
Social Security		10,653	
Extension Service Medicare		2,491	
State Retirement		11,974	
Employee and Dependent Insurance		18,895	
Communication		3,269	
Data Processing Services		10,236	
Dues and Memberships		452	
Maintenance & Repair Services- Office Equipment		839	
Postal Charges		3,310	
Office Supplies		7,639	
Workers' Compensation Insurance		616	
Office Equipment		735	
Total Circuit Court			\$ 268,972

General Sessions Court

Judge(s)	\$	74,081	
Part-time Personnel		10,014	
Other Salaries & Wages		13,934	
Social Security		6,078	
Extension Service Medicare		1,421	
State Retirement		5,252	
Communication		1,168	
Dues and Memberships		85	
Travel		395	
Office Supplies		49	
Workers' Compensation Insurance		760	
Total General Sessions Court			113,237

Chancery Court

County Official/Administrative Officer	\$	51,969	
Deputy(ies)		63,446	
Salary Supplements		177	
Longevity Pay		750	
In-Service Training		1,652	
Social Security		7,096	
Extension Service Medicare		1,660	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

State Retirement	\$	7,836	
Employee and Dependent Insurance		13,158	
Communication		2,441	
Contracts with Private Agencies		6,304	
Dues and Memberships		417	
Maintenance & Repair Services- Office Equipment		920	
Postal Charges		1,522	
Office Supplies		3,787	
Workers' Compensation Insurance		879	
Office Equipment		419	
Total Chancery Court			\$ 164,433

Juvenile Court

Youth Service Officer(s)	\$	28,200	
Guidance Personnel		19,090	
Longevity Pay		650	
In-Service Training		275	
Communication		2,379	
Maintenance & Repair Services- Office Equipment		874	
Postal Charges		579	
Travel		1,275	
Office Supplies		927	
Other Charges		9,227	
Office Equipment		48	
Total Juvenile Court			63,524

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	57,165	
Assistant(s)		43,549	
Deputy(ies)		524,861	
Accountants/Bookkeepers		26,470	
Salary Supplements		22,800	
Dispatchers/Radio Operators		82,776	
Longevity Pay		5,100	
Overtime Pay		41,657	
In-Service Training		10,374	
Social Security		49,351	
Extension Service Medicare		11,542	
State Retirement		51,117	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Employee and Dependent Insurance	\$	97,216	
Communication		6,176	
Contracts with Private Agencies		1,688	
Data Processing Services		7,828	
Dues and Memberships		1,770	
Maintenance & Repair Services- Equipment		1,676	
Maintenance & Repair Services- Office Equipment		173	
Maintenance & Repair Services- Vehicles		18,043	
Pest Control		142	
Postal Charges		980	
Transportation - Other than Students		2,850	
Disposal Fees		478	
Gasoline		40,790	
Law Enforcement Supplies		1,147	
Office Supplies		4,438	
Tires and Tubes		2,828	
Uniforms		15,354	
Utilities		20,591	
Liability Insurance		30,238	
Vehicle and Equipment Insurance		8,421	
Workers' Compensation Insurance		21,282	
Other Charges		2,211	
Law Enforcement Equipment		3,317	
Motor Vehicles		70,123	
Office Equipment		3,874	
Total Sheriff's Department			\$ 1,290,396

Jail

Supervisor/Director	\$	32,423
Salary Supplements		14,065
Guards		358,931
Clerical Personnel		21,127
Cafeteria Personnel		20,154
Part-time Personnel		922
Longevity Pay		2,300
Overtime Pay		58,364
Social Security		30,597
Extension Service Medicare		7,156
State Retirement		31,013
Employee and Dependent Insurance		81,714

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Communication	\$	2,550	
Contracts with Private Agencies		10,514	
Data Processing Services		13,542	
Maintenance & Repair Services- Equipment		183	
Maintenance & Repair Services- Office Equipment		519	
Medical and Dental Services		330,766	
Pest Control		428	
Postal Charges		1,122	
Disposal Fees		1,433	
Food Supplies		133,078	
Uniforms		2,038	
Utilities		62,589	
Other Supplies and Materials		62,012	
Liability Insurance		7,915	
Workers' Compensation Insurance		14,693	
Motor Vehicles		19,085	
Total Jail			\$ 1,321,233

Civil Defense

Supervisor/Director	\$	34,088
Truck Drivers		7,910
Secretary(s)		22,028
Part-time Personnel		6,345
Longevity Pay		800
In-Service Training		150
Social Security		4,741
Extension Service Medicare		1,109
State Retirement		4,035
Employee and Dependent Insurance		9,158
Communication		1,618
Contracts with Government Agencies		2,485
Dues and Memberships		35
Maintenance & Repair Services- Equipment		1,590
Maintenance & Repair Services- Office Equipment		462
Maintenance & Repair Services- Vehicles		21,738
Postal Charges		483
Travel		305
Other Contracted Services		31,500
Diesel Fuel		6,151
Gasoline		2,700

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

Office Supplies	\$	1,113	
Utilities		15,466	
Other Supplies and Materials		40,299	
Excess Risk Insurance		7,581	
Liability Insurance		13,081	
Vehicle and Equipment Insurance		8,138	
Workers' Compensation Insurance		7,939	
Other Charges		2,603	
Other Equipment		2,535	
Total Civil Defense			\$ 258,186

County Coroner/Medical Examiner

Assistant(s)	\$	10,951	
Supervisor/Director		5,000	
Social Security		909	
Extension Service Medicare		213	
State Retirement		309	
Employee and Dependent Insurance		1,223	
Other Contracted Services		27,987	
Workers' Compensation Insurance		1,000	
Total County Coroner/Medical Examiner			47,592

Other Public Safety

Communication	\$	414	
Total Other Public Safety			414

Public Health and Welfare

Local Health Center

Communication	\$	4,921	
Janitorial Services		16,827	
Maintenance & Repair Services- Equipment		362	
Maintenance & Repair Services- Office Equipment		110	
Pest Control		330	
Postal Charges		111	
Disposal Fees		234	
Drugs and Medical Supplies		605	
Office Supplies		1,027	
Utilities		9,225	
Other Charges		2,046	
Furniture and Fixtures		2,997	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Other Equipment	\$ 9,212	
Total Local Health Center		\$ 48,007

Rabies and Animal Control

Contracts with Government Agencies	\$ 41,700	
Total Rabies and Animal Control		41,700

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 43,634	
Medical Personnel	6,000	
Paraprofessionals	1,174,496	
Longevity Pay	7,550	
In-Service Training	7,427	
Social Security	72,121	
Extension Service Medicare	16,867	
State Retirement	79,902	
Employee and Dependent Insurance	144,672	
Communication	4,391	
Dues and Memberships	300	
Licenses	1,010	
Maintenance & Repair Services- Equipment	3,185	
Maintenance & Repair Services- Office Equipment	451	
Maintenance & Repair Services- Vehicles	20,768	
Pest Control	585	
Postal Charges	540	
Travel	442	
Diesel Fuel	23,331	
Gasoline	7,201	
Office Supplies	1,896	
Tires and Tubes	5,211	
Uniforms	9,132	
Other Supplies and Materials	40,305	
Liability Insurance	18,550	
Vehicle and Equipment Insurance	3,362	
Workers' Compensation Insurance	103,182	
Motor Vehicles	77,983	
Office Equipment	498	
Other Equipment	1,705	
Total Ambulance/Emergency Medical Services		1,876,697

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Maternal and Child Health Services

Contracts with Government Agencies	\$	4,500	
Contracts with Other Public Agencies		<u>3,782</u>	
Total Maternal and Child Health Services			\$ 8,282

Other Local Health Services

Paraprofessionals	\$	39,588	
Secretary(s)		34,002	
Social Security		4,449	
Extension Service Medicare		1,041	
State Retirement		4,224	
Employee and Dependent Insurance		13,388	
Travel		2,126	
Workers' Compensation Insurance		1,003	
Other Charges		<u>1,076</u>	
Total Other Local Health Services			100,897

Regional Mental Health Center

Contracts with Government Agencies	\$	24,000	
Contributions		<u>3,700</u>	
Total Regional Mental Health Center			27,700

Appropriation to State

Contracts with Government Agencies	\$	<u>20,020</u>	
Total Appropriation to State			20,020

Other Public Health and Welfare

Contracts with Private Agencies	\$	10,273	
Contributions		<u>46,000</u>	
Total Other Public Health and Welfare			56,273

Social, Cultural and Recreational Services

Senior Citizens Assistance

Contributions	\$	<u>75,000</u>	
Total Senior Citizens Assistance			75,000

Other Social, Cultural and Recreational

Contributions	\$	<u>3,800</u>	
Total Other Social, Cultural and Recreational			3,800

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Agriculture & Natural Resources

Agriculture Extension Service

Assistant(s)	\$	6,474	
Supervisor/Director		12,761	
Secretary(s)		6,166	
Educational Assistants		6,441	
Social Security		1,183	
Extension Service Medicare		462	
State Retirement		3,151	
Communication		3,505	
Dues and Memberships		120	
Janitorial Services		11,524	
Maintenance & Repair Services- Office Equipment		376	
Custodial Supplies		1,500	
Utilities		10,000	
Other Supplies and Materials		1,200	
Office Equipment		2,000	
Total Agriculture Extension Service			\$ 66,863

Forest Service

Contributions	\$	2,000	
Total Forest Service			2,000

Soil Conservation

Assistant(s)	\$	22,583	
Social Security		1,365	
Extension Service Medicare		319	
State Retirement		1,601	
Employee and Dependent Insurance		3,799	
Workers' Compensation Insurance		78	
Total Soil Conservation			29,745

Other Operations

Tourism

Contributions	\$	1,000	
Total Tourism			1,000

Housing and Urban Development

Contributions	\$	2,285	
Other Contracted Services		185,532	
Total Housing and Urban Development			187,817

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services

Supervisor/Director	\$	9,689	
Social Security		602	
Extension Service Medicare		141	
Unemployment Compensation		392	
Communication		1,257	
Contributions		570	
Maintenance & Repair Services- Office Equipment		318	
Postal Charges		509	
Office Supplies		116	
Workers' Compensation Insurance		34	
Office Equipment		13	
Total Veterans' Services			\$ 13,641

Employee Benefits

Employee and Dependent Insurance	\$	6,636	
Unemployment Compensation		4,161	
Total Employee Benefits			10,797

Miscellaneous

Bank Charges	\$	766	
Contributions		1,000	
Fiscal Agent Charges		362	
Trustee's Commission		96,100	
Other Charges		6,700	
Total Miscellaneous			104,928

Total General Fund \$ 8,336,192

Courthouse & Jail Maintenance Fund

General Government

County Buildings

Maintenance & Repair Services- Buildings	\$	63,618	
Trustee's Commission		684	
Total County Buildings			\$ 64,302

Total Courthouse & Jail Maintenance Fund 64,302

(Continued)

Exhibit H-6

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

Juvenile Services Fund

Administration of Justice

Juvenile Court

Probation Officer(s)	\$	46,900	
Other Fringe Benefits		27,813	
Penalties		8,719	
Trustee's Commission		637	
Total Juvenile Court			<u>\$ 84,069</u>

Total Juvenile Services Fund \$ 84,069

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Education Media Personnel	\$	36,350
Equipment Operators - Light		8,678
Guards		15,418
Secretary(s)		11,181
Part-time Personnel		9,049
Longevity Pay		300
Board and Committee Members Fees		200
In-Service Training		3,500
Social Security		4,917
Extension Service Medicare		1,145
State Retirement		3,477
Employee and Dependent Insurance		8,290
Advertising		1,058
Communication		2,478
Contracts with Public Carriers		15,750
Dues and Memberships		541
Evaluation and Testing		59
Janitorial Services		675
Maintenance & Repair Services- Equipment		1,930
Maintenance & Repair Services- Office Equipment		434
Maintenance & Repair Services- Vehicles		4,585
Postal Charges		411
Printing, Stationery and Forms		8,657
Rentals		500
Travel		7,746
Remittance of Revenue Collected		201,773
Disposal Fees		18,756
Other Contracted Services		763
Diesel Fuel		3,634

(Continued)

Exhibit H-6

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Management (Cont.)

Electricity	\$	374	
Gasoline		829	
Office Supplies		568	
Uniforms		260	
Water and Sewer		1,914	
Other Supplies and Materials		478	
Liability Insurance		5,467	
Trustee's Commission		4,021	
Vehicle and Equipment Insurance		1,663	
Workers' Compensation Insurance		1,958	
Other Charges		2,380	
Office Equipment		24	
Other Equipment		296	
Other Capital Outlay		156,236	
Total Sanitation Management			\$ 548,723

Waste Pickup

Contracts with Private Agencies	\$	24,016	
Total Waste Pickup			24,016

Total Solid Waste/Sanitation Fund \$ 572,739

Industrial/Economic Development Fund

Other Operations

Other Economic and Community Development

Supervisor/Director	\$	34,523	
In-Service Training		2,860	
Social Security		2,177	
Extension Service Medicare		509	
State Retirement		2,448	
Employee and Dependent Insurance		3,877	
Advertising		2,392	
Communication		1,290	
Data Processing Services		444	
Dues and Memberships		945	
Maintenance & Repair Services- Office Equipment		145	
Maintenance & Repair Services- Vehicles		44	
Postal Charges		678	
Travel		4,528	
Gasoline		671	

(Continued)

Exhibit H-6

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

Industrial/Economic Development Fund (Cont.)

Other Operations (Cont.)

Other Economic and Community Development (Cont.)

Office Supplies	\$	926	
Periodicals		1,246	
Other Supplies and Materials		133	
Workers' Compensation Insurance		127	
Other Charges		5,154	
Office Equipment		151	
Total Other Economic and Community Development			\$ 65,268

Total Industrial/Economic Development Fund \$ 65,268

Drug Control Fund

Public Safety

Drug Enforcement

Other Supplies and Materials	\$	8,061	
Trustee's Commission		34	
Total Drug Enforcement			\$ 8,095

Total Drug Control Fund 8,095

Other Special Revenue Fund

Public Safety

Other Emergency Management

Other Supplies and Materials	\$	1,357	
Total Other Emergency Management			\$ 1,357

Total Other Special Revenue Fund 1,357

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	1,000	
Total Chancery Court			\$ 1,000

Total Constitutional Officers - Fees Fund 1,000

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	57,165	
Assistant(s)		28,191	

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Accountants/Bookkeepers	\$	28,191	
Salary Supplements		5,800	
Part-time Personnel		3,392	
Board and Committee Members Fees		885	
Social Security		7,479	
Extension Service Medicare		1,749	
State Retirement		8,050	
Dues and Memberships		2,941	
Legal Notices, Recording and Court Costs		384	
Maintenance & Repair Services- Equipment		772	
Maintenance & Repair Services- Office Equipment		1,078	
Postal Charges		666	
Travel		2,109	
Office Supplies		1,218	
Other Charges		1,233	
Office Equipment		789	
Total Administration			\$ 152,092

Highway and Bridge Maintenance

Foremen	\$	68,200	
Equipment Operators		341,470	
Truck Drivers		185,269	
Laborers		62,954	
Overtime Pay		16,148	
Social Security		40,906	
Extension Service Medicare		9,566	
State Retirement		46,166	
Engineering Services		43,659	
Asphalt		317,453	
Concrete		1,020	
Crushed Stone		207,644	
Explosives and Drilling Supplies		300	
Fertilizer, Lime and Seed		5,203	
General Construction Materials		13,090	
Pipe		34,400	
Road Signs		13,116	
Salt		2,107	
Wood Products		235	
Total Highway and Bridge Maintenance			1,408,906

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment

Foremen	\$	38,690	
Mechanic(s)		63,176	
Overtime Pay		3,735	
Social Security		6,330	
Extension Service Medicare		1,480	
State Retirement		7,473	
Laundry Service		9,609	
Diesel Fuel		60,766	
Equipment and Machinery Parts		172,124	
Garage Supplies		16,773	
Gasoline		40,201	
Lubricants		8,010	
Tires and Tubes		49,744	
Other Supplies and Materials		20,760	
Total Operation and Maintenance of Equipment			\$ 498,871

Other Charges

Communication	\$	4,912	
Electricity		8,751	
Water and Sewer		1,207	
Liability Insurance		20,695	
Premiums on Corporate Surety Bonds		270	
Trustee's Commission		26,386	
Vehicle and Equipment Insurance		8,138	
Total Other Charges			70,359

Employee Benefits

Longevity Pay	\$	14,550	
Social Security		886	
Extension Service Medicare		207	
State Retirement		1,032	
Employee and Dependent Insurance		120,931	
Workers' Compensation Insurance		69,904	
Total Employee Benefits			207,510

Capital Outlay

Bridge Construction	\$	73,174	
Highway Construction		116,460	
Highway Equipment		113,306	
Motor Vehicles		38,010	

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay (Cont.)

Plant Operation Equipment	\$ 2,760	
State Aid Projects	139,924	
Total Capital Outlay	<u> </u>	\$ 483,634

Total Highway/Public Works Fund \$ 2,821,372

General Debt Service Fund

Principal

General Government

Principal on Bonds	\$ 210,000	
Principal on Notes	103,262	
Principal on Other Loans Payable	228,651	
Total General Government	<u> </u>	\$ 541,913

Highways and Streets

Principal on Notes	\$ 43,349	
Total Highways and Streets	<u> </u>	43,349

Education

Principal on Bonds	\$ 1,460,000	
Principal on Notes	414,189	
Principal on Other Loans Payable	172,749	
Total Education	<u> </u>	2,046,938

Interest

General Government

Interest on Bonds	\$ 289,142	
Interest on Notes	42,836	
Interest on Other Loans Payable	39,308	
Total General Government	<u> </u>	371,286

Highways and Streets

Interest on Notes	\$ 17,982	
Total Highways and Streets	<u> </u>	17,982

Education

Interest on Bonds	\$ 1,173,500	
Interest on Notes	59,716	
Interest on Other Loans Payable	30,326	
Total Education	<u> </u>	1,263,542

(Continued)

Exhibit H-6

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

General Debt Service Fund (Cont.)

Other Debt Service

General Government

Contracts with Private Agencies	\$	3,891	
Trustee's Commission		52,770	
Other Debt Issuance Charges		<u>14,000</u>	
Total General Government			\$ 70,661

Highways and Streets

Contracts with Private Agencies	\$	121	
Total Highways and Streets			121

Education

Contracts with Private Agencies	\$	9,113	
Other Debt Issuance Charges		<u>91,530</u>	
Total Education			<u>100,643</u>

Total General Debt Service Fund \$ 4,456,435

General Capital Projects Fund

Capital Projects

Administration of Justice Projects

Supervisor/Director	\$	69,241	
Social Security		4,303	
Extension Service Medicare		1,006	
Architects		40,401	
Contracts with Private Agencies		265,138	
Trustee's Commission		548	
Building Construction		<u>3,495,730</u>	
Total Administration of Justice Projects			\$ 3,876,367

Capital Projects - Donated

Capital Projects Donated to School Department

Contributions	\$	<u>357,000</u>	
Total Capital Projects Donated to School Department			<u>357,000</u>

Total General Capital Projects Fund 4,233,367

Total Governmental Funds - Primary Government \$ 20,644,196

Marshall County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2005

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 1,309,412
Total Cash Receipts	<u>\$ 1,309,412</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,296,318
Trustee's Commission	<u>13,094</u>
Total Cash Disbursements	<u>\$ 1,309,412</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2004	<u>0</u>
 Cash Balance, June 30, 2005	 <u><u>\$ 0</u></u>

STATISTICAL SECTION

Table 1

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

Year	Amount
1996	\$ 587
1998	7,945
1999	1,546
2000	2,858
2001	2,175
2002	18,205
2003	58,803
Total	\$ 92,119

Table 2

Marshall County, Tennessee
Tax Rates and Assessments
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 0.76	\$ 0.79	\$ 0.52	\$ 0.73	\$ 0.73	\$ 0.73	\$ 0.73	\$ 0.77	\$ 0.85	\$ 0.85
Highway/Public Works	0.11	0.11	0.09	0.09	0.09	0.09	0.09	0.07	0.07	0.07
General Purpose School	1.87	1.98	1.89	2.08	2.12	2.12	2.12	1.85	1.95	1.95
General Debt Service	0.57	0.30	0.20	0.20	0.20	0.20	0.20	0.17	0.27	0.27
Total Tax Rate	\$ 3.31	\$ 3.18	\$ 2.70	\$ 3.10	\$ 3.14	\$ 3.14	\$ 3.14	\$ 2.86	\$ 3.14	\$ 3.14
<u>Assessed Valuation</u>										
Real and Personal	\$ 214,185,901	\$ 233,112,943	\$ 296,936,495	\$ 311,228,061	\$ 320,313,579	\$ 340,229,081	\$ 349,108,933	\$ 407,669,434	\$ 402,042,846	\$ 397,784,226
Public Utilities	22,443,655	22,666,153	23,001,954	26,010,249	24,711,814	28,031,004	25,736,998	25,536,920	27,504,754	29,361,241
Total Assessed Valuation	\$ 236,629,556	\$ 255,779,096	\$ 319,938,449	\$ 337,238,310	\$ 345,025,393	\$ 368,260,085	\$ 374,845,931	\$ 433,206,354	\$ 429,547,600	\$ 427,145,467

ANNUAL FINANCIAL REPORT
MARSHALL COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF MARSHALL 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

JOE F. KIMERY, CPA, CGFM, CFE
Audit Manager

WILMA JOHNSTON, CPA, CGFM, CFE
Auditor 4

SHERRIE GILL, CFE
PATTY VARGO, CFE
TERA HAYNES
NATHAN ABBOTT, CISA, CFE
State Auditors

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

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

Annual Financial Report
Marshall 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 Marshall County School Department as of and for the year ended June 30, 2005.

Results

Our report on the Marshall 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 two findings and recommendations, which we have reviewed with the Marshall County School Department management. Detailed findings and recommendations are included in the Single Audit Report.

Findings

The following are summaries of the audit findings:

MARSHALL COUNTY SCHOOL DEPARTMENT

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

OTHER FINDING

- ◆ County officials had not adopted a central system of purchasing.

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

INTRODUCTORY SECTION

Marshall County School Officials
June 30, 2005

Official:

John David Pierce, Director of Schools

Board of Education:

Jerry Campbell, Chairman
Randy Perryman
Kristen Gold
Debbie Allen
Jack Keny

Timothy Harrison
Ann Tears
John McCullough
Sheldon Davis

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

August 19, 2005

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

To the Director of Schools and the Board of Education:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Marshall County School Department, a component unit of Marshall 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 Marshall 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 Marshall 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 auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit 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 Marshall 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 county 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 Marshall 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 Marshall 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.

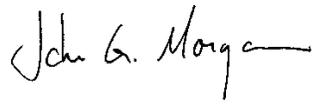
In accordance with Government Auditing Standards, we have also issued our report dated August 19, 2005, on our consideration of the Marshall County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

The budgetary comparison information on pages 27 through 29 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 Marshall County School Department's basic financial statements. The introductory section, combining and individual nonmajor governmental funds, 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 governmental funds, budgetary comparison schedules of nonmajor governmental funds, and the miscellaneous schedules have been subjected to the auditing procedures applied by us 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 cursive script that reads "John G. Morgan". The signature is written in black ink and is positioned above the typed name and title.

John G. Morgan
Comptroller of the Treasury

JGM/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,219	\$ 1,219
Equity in Pooled Cash and Investments	1,716,203	307,132	2,023,335
Accounts Receivable	15,163	207	15,370
Due from Other Governments	305,122	99,499	404,621
Due from Primary Government	98,000	16,366	114,366
Property Taxes Receivable	8,693,965	0	8,693,965
Allowance for Uncollectible Property Taxes	(249,027)	0	(249,027)
Prepaid Items	162,349	0	162,349
Total Assets	<u>\$ 10,741,775</u>	<u>\$ 424,423</u>	<u>\$ 11,166,198</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Payroll Deductions Payable	\$ 701,815	\$ 0	\$ 701,815
Deferred Revenue - Current Property Taxes	8,031,337	0	8,031,337
Deferred Revenue - Delinquent Property Taxes	380,715	0	380,715
Other Deferred Revenues	135,000	0	135,000
Total Liabilities	<u>\$ 9,248,867</u>	<u>\$ 0</u>	<u>\$ 9,248,867</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 16,011	\$ 78	\$ 16,089
Reserved for Career Ladder - Extended Contract	25,692	0	25,692
Reserved for Career Ladder Program	9,171	0	9,171
Reserved for Title I Grants to Local Education Agencies	0	26,253	26,253
Reserved for Special Education - Grants to States	0	117,753	117,753
Other Federal Reserves	0	5,546	5,546
Unreserved, Reported In:			
General Fund	1,442,034	0	1,442,034
Special Revenue Funds	0	260,793	260,793
Capital Projects Fund	0	14,000	14,000
Total Fund Balances	<u>\$ 1,492,908</u>	<u>\$ 424,423</u>	<u>\$ 1,917,331</u>
Total Liabilities and Fund Balances	<u>\$ 10,741,775</u>	<u>\$ 424,423</u>	<u>\$ 11,166,198</u>

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

Exhibit B

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

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 10,335,582	\$ 0	\$ 10,335,582
Licenses and Permits	2,423	0	2,423
Charges for Current Services	72,636	1,196,427	1,269,063
Other Local Revenues	70,783	3,580	74,363
State of Tennessee	15,908,088	28,480	15,936,568
Federal Government	84,774	2,629,619	2,714,393
Other Governments and Citizens Groups	343,000	14,000	357,000
Total Revenues	<u>\$ 26,817,286</u>	<u>\$ 3,872,106</u>	<u>\$ 30,689,392</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 17,009,656	\$ 1,337,166	\$ 18,346,822
Support Services	9,581,722	492,331	10,074,053
Operation of Non-Instructional Services	75,927	2,013,195	2,089,122
Capital Projects	0	6,519	6,519
Total Expenditures	<u>\$ 26,667,305</u>	<u>\$ 3,849,211</u>	<u>\$ 30,516,516</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 149,981</u>	<u>\$ 22,895</u>	<u>\$ 172,876</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 19,498	\$ 0	\$ 19,498
Transfers Out	0	(19,498)	(19,498)
Total Other Financing Sources (Uses)	<u>\$ 19,498</u>	<u>\$ (19,498)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 169,479	\$ 3,397	\$ 172,876
Fund Balance, July 1, 2004	<u>1,323,429</u>	<u>421,026</u>	<u>1,744,455</u>
Fund Balance, June 30, 2005	<u>\$ 1,492,908</u>	<u>\$ 424,423</u>	<u>\$ 1,917,331</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Marshall 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 the county, and the voters of Marshall County elect its board. The School Department is a component unit of Marshall 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/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category. The School Department has no proprietary or fiduciary funds to report.

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.

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

The School Department reports the following major governmental fund:

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

Additionally, the School Department reports the following fund types:

Special Revenue Funds – These funds, the School Federal Projects Fund and the Central Cafeteria Fund, 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.

Education Capital Projects Fund – This fund accounts for debt issued by Marshall County that is subsequently contributed to the School Department for construction, renovation projects, and other capital purchases.

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 Marshall County primary government funds, the Marshall County Board of Public Utilities, and the Marshall County School Department. 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 the primary government's General Debt Service Fund. Marshall County, the Marshall County Board of Public Utilities, and the Marshall 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 and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. **Receivables**

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 two 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 considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

3. Prepaid Items

Prepayments for insurance reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund financial statements.

4. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds 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.

5. Compensated Absences

In prior years, it was the School Department's policy to allow employees to accumulate earned but unused vacation benefits; however, this policy changed, and employees must now use all vacation in the year earned. A liability exists for previously

accumulated vacation benefits, and this liability for vacation benefits is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. It is the School Department's policy to permit employees to accumulate earned but unused sick pay benefits. There is no liability for unpaid accumulated sick leave since the School Department does not have a policy to pay any amounts when employees separate from service with the government.

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

Marshall County, Marshall County Board of Public Utilities, and the Marshall 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 represents nonpooled amounts held separately by individual funds.

Deposits

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

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured

amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the county.

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; 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.

Investment Balances. As of June 30, 2005, Marshall County had the following investments carried at fair value or cost. All investments are in the county trustee’s investment pool. Separate disclosures concerning pooled investments cannot be made for Marshall County, Marshall County Board of Public Utilities, and the Marshall County School Department since all pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value or Cost</u>
State Treasurer's Investment Pool	Daily	\$ 147,104
Federal Home Loan Bank System	9-7-2005	<u>298,110</u>
Total		<u>\$ 445,214</u>

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Marshall County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Marshall County has no investment policy that would further limit its investment choices. As of June 30, 2005, Marshall County’s investment in the State Treasurer’s

Investment Pool was unrated. Marshall County's investment in the Federal Home Loan Bank System was rated Aaa by Moody's Investor's Service.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the county's investment in a single issuer. Marshall County places no limit on the amount the county may invest in one issuer. More than five percent of the county's investments are in the Federal Home Loan Bank System. This investment is 67 percent of the county's total investments.

B. Interfund Receivables and Transfers

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

Due to/from primary government and component unit:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Component Unit:	Primary Government:	
General Purpose School	General Capital Projects	\$ 98,000
Central Cafeteria	General Debt Service	2,366
Education Capital Projects	General Debt Service	14,000

Interfund Transfers:

Interfund transfers for the year ended June 30, 2005, consisted of the following amounts:

<u>Transfers Out</u>	<u>Transfers In</u>
	General Purpose School Fund
Nonmajor governmental fund	\$ 19,498
Total	<u>\$ 19,498</u>

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.

Changes in Long-term Liabilities

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

	<u>Compensated Absences</u>
Balance, July 1, 2004	\$ 83,248
Deductions	<u>(18,853)</u>
Balance, June 30, 2005	<u>\$ 64,395</u>
Balance Due Within One Year	<u>\$ 18,000</u>

Compensated absences payable will be paid from the employing funds, primarily the General Purpose School Fund.

III. OTHER INFORMATION

A. Risk Management

The School Department decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for workers' compensation coverage. The School Department joined the Local Government Workers' Compensation Fund (LGWCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The School Department pays annual premiums to the LGWCF for their workers' compensation coverage. The creation of the LGWCF provides for it to be self-sustaining through member premiums.

The School Department joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. The School Department pays an annual premium to the TSB-RMT for its general liability, property, and casualty insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums. The TSB-RMT reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

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. Contingent Liabilities

The School Department is involved in several pending lawsuits. The School Department's attorney has not responded to requests to provide estimates of the potential claims not covered by insurance. However, management believes that any claims resulting from such litigation would not materially affect the School Department's financial statements.

D. Retirement Commitments

Plan Description

Employees of Marshall 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 Marshall 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 Marshall County School Department participates in Marshall County's plan, retirement information for the Marshall 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. E. of the Annual Financial Report of Marshall County, Tennessee.

SCHOOL TEACHERS

Plan Description

The Marshall County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.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 the Marshall 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 the Marshall 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 \$805,257, \$474,889, and \$457,969, respectively, equal to the required contributions for each year.

E. Other Post-employment Benefits

In addition to the retirement commitments described in Note III.D., the School Department provides post-retirement health care benefits for retirees who have met the following eligibility requirements: (1) the employee must meet Tennessee Consolidated Retirement System requirements for retirement, (2) the employee must have been employed by the county 15 or more years, and (3) the employee must have been insured under the current medical insurance plan for at least five years. The county will pay 83 percent of the cost of an individual policy for a maximum of ten years or until the retiree reaches Medicare eligibility.

F. Purchasing Laws

Purchasing procedures for the School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, Tennessee Code Annotated, which provides for the Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires that competitive bids be solicited through newspaper advertisement on all purchases exceeding \$5,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit C

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	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	\$ 10,335,582	\$ 0	\$ 0	\$ 10,335,582	\$ 9,984,000	\$ 9,984,000	\$ 351,582
Licenses and Permits	2,423	0	0	2,423	3,000	3,000	(577)
Charges for Current Services	72,636	0	0	72,636	65,750	65,750	6,886
Other Local Revenues	70,783	0	0	70,783	68,500	68,500	2,283
State of Tennessee	15,908,088	0	0	15,908,088	15,612,416	15,908,884	(796)
Federal Government	84,774	0	0	84,774	66,205	66,205	18,569
Other Governments and Citizens Groups	343,000	0	0	343,000	0	358,000	(15,000)
Total Revenues	\$ 26,817,286	\$ 0	\$ 0	\$ 26,817,286	\$ 25,799,871	\$ 26,454,339	\$ 362,947
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 14,084,104	\$ (1,171)	\$ 8,628	\$ 14,091,561	\$ 13,934,630	\$ 14,240,788	\$ 149,227
Alternative Instruction Program	60,881	0	0	60,881	60,833	61,361	480
Special Education Program	1,740,093	0	0	1,740,093	1,810,684	1,825,450	85,357
Vocational Education Program	1,075,966	0	0	1,075,966	1,070,630	1,079,595	3,629
Adult Education Program	48,612	(233)	0	48,379	49,881	49,881	1,502
<u>Support Services</u>							
Attendance	96,076	0	0	96,076	95,636	96,164	88
Health Services	135,904	0	0	135,904	143,307	143,307	7,403
Other Student Support	626,421	(104)	1,433	627,750	628,739	661,245	33,495
Regular Instruction Program	896,734	(26)	0	896,708	929,005	935,334	38,626
Special Education Program	70,307	0	0	70,307	69,379	70,434	127
Vocational Education Program	86,943	0	0	86,943	94,562	95,090	8,147
Adult Programs	85,159	0	0	85,159	85,491	85,491	332
Board of Education	463,941	0	0	463,941	502,289	502,289	38,348
Director of Schools	120,894	0	0	120,894	134,559	134,559	13,665

(Continued)

Exhibit C

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	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>							
Office of the Principal	\$ 1,711,921	\$ (875)	\$ 0	\$ 1,711,046	\$ 1,731,984	\$ 1,738,840	\$ 27,794
Fiscal Services	182,234	0	0	182,234	192,428	192,428	10,194
Operation of Plant	2,445,839	0	0	2,445,839	2,563,536	2,563,536	117,697
Maintenance of Plant	919,109	(5,074)	5,950	919,985	1,052,679	1,002,679	82,694
Transportation	1,479,451	0	0	1,479,451	1,443,539	1,493,539	14,088
Central and Other	260,789	(820)	0	259,969	278,304	278,304	18,335
<u>Operation of Non-Instructional Services</u>							
Food Service	75,927	0	0	75,927	97,776	97,776	21,849
Total Expenditures	\$ 26,667,305	\$ (8,303)	\$ 16,011	\$ 26,675,013	\$ 26,969,871	\$ 27,348,090	\$ 673,077
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 149,981	\$ 8,303	\$ (16,011)	\$ 142,273	\$ (1,170,000)	\$ (893,751)	\$ 1,036,024
<u>Other Financing Sources (Uses)</u>							
Other Loans Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 358,000	\$ 0	\$ 0
Transfers In	19,498	0	0	19,498	12,000	12,000	7,498
Total Other Financing Sources (Uses)	\$ 19,498	\$ 0	\$ 0	\$ 19,498	\$ 370,000	\$ 12,000	\$ 7,498
<u>Net Change in Fund Balance</u>							
Fund Balance, July 1, 2004	\$ 1,323,429	(8,303)	0	1,315,126	1,263,435	1,263,435	51,691
Fund Balance, June 30, 2005	\$ 1,492,908	\$ 0	\$ (16,011)	\$ 1,476,897	\$ 463,435	\$ 381,684	\$ 1,095,213

**MARSHALL COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF MARSHALL 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 Marshall 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: Instruction-Regular Instruction Program, Support Services-Attendance, Operation of Non-Instructional Services-Food Service, etc.). Management may make revisions within major categories, but only the Marshall 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.

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

Capital Projects Fund

The Education Capital Projects Fund is used to account for building construction, renovation projects, and capital purchases of the School Department.

Exhibit D-1

Marshall County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
School Department
June 30, 2005

	<u>Special Revenue Funds</u>			<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>School Federal Projects</u>	<u>Central Cafeteria</u>	<u>Total</u>	<u>Education Capital Projects</u>	
<u>ASSETS</u>					
Cash	\$ 0	\$ 1,219	\$ 1,219	\$ 0	\$ 1,219
Equity in Pooled Cash and Investments	132,925	174,207	307,132	0	307,132
Accounts Receivable	0	207	207	0	207
Due from Other Governments	16,627	82,872	99,499	0	99,499
Due from Primary Government	0	2,366	2,366	14,000	16,366
Total Assets	<u>\$ 149,552</u>	<u>\$ 260,871</u>	<u>\$ 410,423</u>	<u>\$ 14,000</u>	<u>\$ 424,423</u>
<u>FUND BALANCES</u>					
Reserved for Encumbrances	\$ 0	\$ 78	\$ 78	\$ 0	\$ 78
Reserved for Title I Grants to Local Education Agencies	26,253	0	26,253	0	26,253
Reserved for Special Education - Grants to States	117,753	0	117,753	0	117,753
Other Federal Reserves	5,546	0	5,546	0	5,546
Unreserved	0	260,793	260,793	14,000	274,793
Total Fund Balances	<u>\$ 149,552</u>	<u>\$ 260,871</u>	<u>\$ 410,423</u>	<u>\$ 14,000</u>	<u>\$ 424,423</u>

Exhibit D-2

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

	<u>Special Revenue Funds</u>			<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
	<u>School</u> <u>Federal</u> <u>Projects</u>	<u>Central</u> <u>Cafeteria</u>	<u>Total</u>	<u>Education</u> <u>Capital</u> <u>Projects</u>	
<u>Revenues</u>					
Charges for Current Services	\$ 0	\$ 1,196,427	\$ 1,196,427	\$ 0	\$ 1,196,427
Other Local Revenues	0	3,580	3,580	0	3,580
State of Tennessee	0	28,480	28,480	0	28,480
Federal Government	1,836,582	793,037	2,629,619	0	2,629,619
Other Governments and Citizens Groups	0	0	0	14,000	14,000
Total Revenues	<u>\$ 1,836,582</u>	<u>\$ 2,021,524</u>	<u>\$ 3,858,106</u>	<u>\$ 14,000</u>	<u>\$ 3,872,106</u>
<u>Expenditures</u>					
Current:					
Instruction	\$ 1,337,166	\$ 0	\$ 1,337,166	\$ 0	\$ 1,337,166
Support Services	492,331	0	492,331	0	492,331
Operation of Non-Instructional Services	0	2,013,195	2,013,195	0	2,013,195
Capital Projects	0	0	0	6,519	6,519
Total Expenditures	<u>\$ 1,829,497</u>	<u>\$ 2,013,195</u>	<u>\$ 3,842,692</u>	<u>\$ 6,519</u>	<u>\$ 3,849,211</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 7,085</u>	<u>\$ 8,329</u>	<u>\$ 15,414</u>	<u>\$ 7,481</u>	<u>\$ 22,895</u>
<u>Other Financing Sources (Uses)</u>					
Transfers Out	\$ (19,498)	\$ 0	\$ (19,498)	\$ 0	\$ (19,498)
Total Other Financing Sources (Uses)	<u>\$ (19,498)</u>	<u>\$ 0</u>	<u>\$ (19,498)</u>	<u>\$ 0</u>	<u>\$ (19,498)</u>
Net Change in Fund Balances	\$ (12,413)	\$ 8,329	\$ (4,084)	\$ 7,481	\$ 3,397
Fund Balance, July 1, 2004	161,965	252,542	414,507	6,519	421,026
Fund Balance, June 30, 2005	<u>\$ 149,552</u>	<u>\$ 260,871</u>	<u>\$ 410,423</u>	<u>\$ 14,000</u>	<u>\$ 424,423</u>

Exhibit D-3

Marshall County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
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	\$ 1,836,582	\$ 1,898,847	\$ 1,836,582	\$ 0
Total Revenues	\$ 1,836,582	\$ 1,898,847	\$ 1,836,582	\$ 0
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 685,792	\$ 686,408	\$ 717,948	\$ 32,156
Special Education Program	577,293	665,606	711,532	134,239
Vocational Education Program	74,081	74,081	74,081	0
<u>Support Services</u>				
Other Student Support	32,120	42,425	34,577	2,457
Regular Instruction Program	165,789	209,386	185,160	19,371
Special Education Program	250,233	295,012	273,265	23,032
Vocational Education Program	3,899	3,899	3,899	0
Transportation	40,290	42,016	40,554	264
Total Expenditures	\$ 1,829,497	\$ 2,018,833	\$ 2,041,016	\$ 211,519
Excess (Deficiency) of Revenues Over Expenditures	\$ 7,085	\$ (119,986)	\$ (204,434)	\$ 211,519
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (19,498)	\$ (37,379)	\$ (37,379)	\$ 17,881
Total Other Financing Sources (Uses)	\$ (19,498)	\$ (37,379)	\$ (37,379)	\$ 17,881
Net Change in Fund Balance	\$ (12,413)	\$ (157,365)	\$ (241,813)	\$ 229,400
Fund Balance, July 1, 2004	161,965	241,813	241,813	(79,848)
Fund Balance, June 30, 2005	\$ 149,552	\$ 84,448	\$ 0	\$ 149,552

Exhibit D-4

Marshall County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
School Department
Central Cafeteria 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>						
Charges for Current Services	\$ 1,196,427	\$ 0	\$ 1,196,427	\$ 1,225,493	\$ 1,225,493	\$ (29,066)
Other Local Revenues	3,580	0	3,580	1,087	1,087	2,493
State of Tennessee	28,480	0	28,480	28,015	28,015	465
Federal Government	793,037	0	793,037	750,536	750,536	42,501
Total Revenues	<u>\$ 2,021,524</u>	<u>\$ 0</u>	<u>\$ 2,021,524</u>	<u>\$ 2,005,131</u>	<u>\$ 2,005,131</u>	<u>\$ 16,393</u>
<u>Expenditures</u>						
<u>Operation of Non-Instructional Services</u>						
Food Service	\$ 2,013,195	\$ 78	\$ 2,013,273	\$ 2,020,920	\$ 2,024,371	\$ 11,098
Total Expenditures	<u>\$ 2,013,195</u>	<u>\$ 78</u>	<u>\$ 2,013,273</u>	<u>\$ 2,020,920</u>	<u>\$ 2,024,371</u>	<u>\$ 11,098</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 8,329</u>	<u>\$ (78)</u>	<u>\$ 8,251</u>	<u>\$ (15,789)</u>	<u>\$ (19,240)</u>	<u>\$ 27,491</u>
Net Change in Fund Balance	\$ 8,329	\$ (78)	\$ 8,251	\$ (15,789)	\$ (19,240)	\$ 27,491
Fund Balance, July 1, 2004	<u>252,542</u>	<u>0</u>	<u>252,542</u>	<u>252,542</u>	<u>252,542</u>	<u>0</u>
Fund Balance, June 30, 2005	<u>\$ 260,871</u>	<u>\$ (78)</u>	<u>\$ 260,793</u>	<u>\$ 236,753</u>	<u>\$ 233,302</u>	<u>\$ 27,491</u>

MISCELLANEOUS SCHEDULES

Exhibit E-1

Marshall County, Tennessee
Schedule of Transfers - All Funds
Marshall 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	\$ 19,498
Total Transfers			<u>\$ 19,498</u>

Exhibit E-2

Marshall County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Marshall 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 Marshall County Board of Education	\$ 92,219 (1)	\$ 50,000	Auto Owner's Mutual Insurance Company
<u>Other Bonds</u>				
Board of Education Employees			165,000	United National Insurance

(1) Includes longevity pay of \$1,000. The Board of Education also provides health, major medical, disability insurance, and a \$100,000 term life insurance policy.

Exhibit E-3

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 7,918,180	\$ 0	\$ 0	\$ 0	\$ 7,918,180
Trustee's Collections - Prior Year	273,519	0	0	0	273,519
Trustee's Collections - Bankruptcy	116,729	0	0	0	116,729
Circuit/Clerk & Master Collections - Prior Years	151,571	0	0	0	151,571
Interest and Penalty	127,266	0	0	0	127,266
Payments in Lieu of Taxes - T.V.A.	4,316	0	0	0	4,316
Payments in Lieu of Taxes - Local Utilities	58,038	0	0	0	58,038
Payments in Lieu of Taxes - Other	8,823	0	0	0	8,823
<u>County Local Option Taxes</u>					
Local Option Sales Tax	1,622,990	0	0	0	1,622,990
<u>Statutory Local Taxes</u>					
Bank Excise Tax	50,311	0	0	0	50,311
Interstate Telecommunications Tax	3,839	0	0	0	3,839
Total Local Taxes	\$ 10,335,582	\$ 0	\$ 0	\$ 0	\$ 10,335,582
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 2,423	\$ 0	\$ 0	\$ 0	\$ 2,423
Total Licenses and Permits	\$ 2,423	\$ 0	\$ 0	\$ 0	\$ 2,423
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Lunch Payments - Children	\$ 0	\$ 0	\$ 690,169	\$ 0	\$ 690,169
Lunch Payments - Adults	0	0	66,405	0	66,405
Income from Breakfast	0	0	28,559	0	28,559
A la carte Sales	0	0	411,294	0	411,294
School Based Health Services - FFS	1,912	0	0	0	1,912
Receipts from Individual Schools	69,968	0	0	0	69,968
TBI Criminal Background Fee	756	0	0	0	756
Total Charges for Current Services	\$ 72,636	\$ 0	\$ 1,196,427	\$ 0	\$ 1,269,063
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 3,580	\$ 0	\$ 3,580
Miscellaneous Refunds	44,897	0	0	0	44,897
<u>Nonrecurring Items</u>					
Insurance Recovery	20,366	0	0	0	20,366
Sale of Equipment	890	0	0	0	890
Damages Recovered from Individuals	1,602	0	0	0	1,602
<u>Other Local Revenues</u>					
Other Local Revenues	3,028	0	0	0	3,028
Total Other Local Revenues	\$ 70,783	\$ 0	\$ 3,580	\$ 0	\$ 74,363
<u>State of Tennessee</u>					
<u>State Education Funds</u>					
Basic Education Program	\$ 15,078,037	\$ 0	\$ 0	\$ 0	\$ 15,078,037
School Food Service	0	0	28,480	0	28,480
Driver Education	10,860	0	0	0	10,860

Exhibit E-3

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>State of Tennessee (Cont.)</u>					
<u>State Education Funds (Cont.)</u>					
Other State Education Funds	\$ 230,958	\$ 0	\$ 0	\$ 0	\$ 230,958
Career Ladder Program	294,177	0	0	0	294,177
Career Ladder - Extended Contract	90,088	0	0	0	90,088
<u>Other State Revenues</u>					
State Revenue Sharing - T.V.A.	203,968	0	0	0	203,968
Total State of Tennessee	<u>\$ 15,908,088</u>	<u>\$ 0</u>	<u>\$ 28,480</u>	<u>\$ 0</u>	<u>\$ 15,936,568</u>
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 652,413	\$ 0	\$ 652,413
Breakfast	0	0	136,470	0	136,470
USDA - Other	0	0	4,154	0	4,154
Adult Education State Grant Program	68,310	0	0	0	68,310
Vocational Education - Basic Grants to States	0	77,980	0	0	77,980
Title I Grants to Local Education Agencies	0	548,891	0	0	548,891
Innovative Education Program Strategies	0	29,125	0	0	29,125
Special Education - Grants to States	673	890,236	0	0	890,909
Special Education Preschool Grants	0	30,213	0	0	30,213
Eisenhower Professional Development State Grants	0	229,543	0	0	229,543
Other Federal through State	15,791	30,594	0	0	46,385
Total Federal Government	<u>\$ 84,774</u>	<u>\$ 1,836,582</u>	<u>\$ 793,037</u>	<u>\$ 0</u>	<u>\$ 2,714,393</u>
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 343,000	\$ 0	\$ 0	\$ 14,000	\$ 357,000
Total Other Governments and Citizens Groups	<u>\$ 343,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 14,000</u>	<u>\$ 357,000</u>
Total	<u>\$ 26,817,286</u>	<u>\$ 1,836,582</u>	<u>\$ 2,021,524</u>	<u>\$ 14,000</u>	<u>\$ 30,689,392</u>

Exhibit E-4

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 9,543,539	
Career Ladder Program	166,850	
Career Ladder Extended Contracts	129,162	
Homebound Teachers	5,066	
Educational Assistants	554,913	
Other Salaries & Wages	634	
Certified Substitute Teachers	153,231	
Social Security	617,080	
State Retirement	572,914	
Medical Insurance	1,573,286	
Dental Insurance	5,999	
Unemployment Compensation	14,188	
Employer Medicare	145,550	
Maintenance & Repair Services- Equipment	34,502	
Travel	1,952	
Other Contracted Services	17,416	
Instructional Supplies and Materials	187,196	
Textbooks	214,720	
Regular Instruction Equipment	145,906	
Total Regular Instruction Program		\$ 14,084,104

Alternative Instruction Program

Teachers	\$ 47,656	
Career Ladder Program	3,000	
Social Security	3,087	
State Retirement	2,786	
Medical Insurance	3,349	
Dental Insurance	42	
Unemployment Compensation	39	
Employer Medicare	722	
Instructional Supplies and Materials	200	
Total Alternative Instruction Program		60,881

Special Education Program

Teachers	\$ 1,022,709
Career Ladder Program	22,965
Homebound Teachers	36,840
Educational Assistants	219,587
Certified Substitute Teachers	21,323

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Social Security	\$	78,056	
State Retirement		74,585	
Medical Insurance		196,277	
Dental Insurance		811	
Unemployment Compensation		2,099	
Employer Medicare		18,376	
Contracts with Other Public Agencies		1,360	
Contracts with Private Agencies		12,379	
Maintenance & Repair Services- Equipment		602	
Other Contracted Services		3,292	
Instructional Supplies and Materials		23,876	
Special Education Equipment		4,956	
Total Special Education Program			\$ 1,740,093

Vocational Education Program

Teachers	\$	790,024	
Career Ladder Program		12,500	
Certified Substitute Teachers		5,358	
Social Security		47,890	
State Retirement		44,415	
Medical Insurance		126,859	
Dental Insurance		472	
Unemployment Compensation		872	
Employer Medicare		11,200	
Instructional Supplies and Materials		31,551	
Textbooks		1,993	
Vocational Instruction Equipment		2,832	
Total Vocational Education Program			1,075,966

Adult Education Program

Teachers	\$	37,248	
Other Salaries & Wages		142	
Social Security		2,318	
State Retirement		755	
Unemployment Compensation		118	
Employer Medicare		542	
Instructional Supplies and Materials		7,489	
Total Adult Education Program			48,612

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services

Attendance

Supervisor/Director	\$	70,276	
Career Ladder Program		3,000	
Social Security		4,450	
State Retirement		4,085	
Medical Insurance		8,503	
Dental Insurance		1	
Unemployment Compensation		42	
Employer Medicare		1,041	
Communication		224	
Travel		2,113	
Other Supplies and Materials		723	
Other Charges		167	
Attendance Equipment		1,451	
Total Attendance			\$ 96,076

Health Services

Medical Personnel	\$	98,866	
Other Salaries & Wages		2,625	
Social Security		6,030	
State Retirement		6,409	
Medical Insurance		17,509	
Dental Insurance		96	
Unemployment Compensation		231	
Employer Medicare		1,410	
Travel		169	
Other Supplies and Materials		2,559	
Total Health Services			135,904

Other Student Support

Career Ladder Program	\$	8,000	
Guidance Personnel		377,666	
Attendants		17,386	
Other Salaries & Wages		248	
Social Security		23,341	
State Retirement		22,153	
Medical Insurance		83,295	
Dental Insurance		184	
Unemployment Compensation		556	
Employer Medicare		5,459	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)
Support Services (Cont.)

Other Student Support (Cont.)

Evaluation and Testing	\$	18,699	
Other Contracted Services		64,266	
Other Supplies and Materials		3,283	
Other Charges		1,885	
Total Other Student Support			\$ 626,421

Regular Instruction Program

Supervisor/Director	\$	181,290	
Career Ladder Program		17,900	
Librarians		399,814	
Education Media Personnel		55,849	
Instructional Computer Personnel		32,127	
Other Salaries & Wages		6,281	
Social Security		40,940	
State Retirement		36,731	
Medical Insurance		73,909	
Dental Insurance		285	
Unemployment Compensation		630	
Employer Medicare		9,629	
Communication		707	
Travel		4,937	
Other Contracted Services		4,453	
Library Books/Media		20,825	
Other Supplies and Materials		4,993	
In Service/Staff Development		5,374	
Other Charges		60	
Total Regular Instruction Program			896,734

Special Education Program

Career Ladder Program	\$	2,000	
Psychological Personnel		47,766	
Social Security		2,946	
State Retirement		2,737	
Medical Insurance		8,686	
Dental Insurance		47	
Unemployment Compensation		84	
Employer Medicare		689	
Communication		2,252	
Travel		2,497	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

In Service/Staff Development	\$	75	
Other Charges		528	
Total Special Education Program			\$ 70,307

Vocational Education Program

Supervisor/Director	\$	63,038	
Career Ladder Program		1,000	
Secretary(s)		4,929	
Social Security		4,455	
State Retirement		4,008	
Medical Insurance		4,132	
Dental Insurance		5	
Unemployment Compensation		45	
Employer Medicare		1,042	
Communication		1,502	
Other Contracted Services		1,860	
Other Charges		927	
Total Vocational Education Program			86,943

Adult Programs

Supervisor/Director	\$	44,833	
Career Ladder Program		1,000	
Other Salaries & Wages		15,792	
Social Security		3,680	
State Retirement		3,369	
Medical Insurance		9,336	
Unemployment Compensation		106	
Employer Medicare		861	
Communication		994	
Travel		1,078	
In Service/Staff Development		3,059	
Other Equipment		1,051	
Total Adult Programs			85,159

Board of Education

Board and Committee Members Fees	\$	6,900	
Social Security		428	
Employer Medicare		100	
Communication		45	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Dues and Memberships	\$	5,826	
Legal Services		450	
Travel		190	
Other Contracted Services		2,250	
Liability Insurance		29,839	
Trustee's Commission		240,796	
Workers' Compensation Insurance		167,855	
In Service/Staff Development		350	
Criminal Investigation of Applicants - TBI		3,600	
Other Charges		5,312	
Total Board of Education			\$ 463,941

Director of Schools

County Official/Administrative Officer	\$	92,219	
Social Security		5,495	
State Retirement		5,072	
Life Insurance		829	
Medical Insurance		4,293	
Dental Insurance		46	
Unemployment Compensation		42	
Employer Medicare		1,334	
Communication		5,021	
Dues and Memberships		1,660	
Travel		2,840	
Office Supplies		18	
Other Charges		1,173	
Administration Equipment		852	
Total Director of Schools			120,894

Office of the Principal

Principals	\$	614,810	
Career Ladder Program		16,000	
Assistant Principals		224,372	
Secretary(s)		194,140	
Clerical Personnel		194,817	
Social Security		74,496	
State Retirement		74,019	
Medical Insurance		148,522	
Dental Insurance		489	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)
Support Services (Cont.)

Office of the Principal (Cont.)

Unemployment Compensation	\$	1,377	
Employer Medicare		17,423	
Communication		1,952	
Dues and Memberships		3,500	
Travel		102	
Other Contracted Services		6,750	
Office Supplies		8,007	
Other Charges		118,266	
Administration Equipment		12,879	
Total Office of the Principal			\$ 1,711,921

Fiscal Services

Supervisor/Director	\$	39,353	
Internal Audit Personnel		12,209	
Accountants/Bookkeepers		74,338	
Social Security		7,526	
State Retirement		6,136	
Medical Insurance		17,411	
Unemployment Compensation		126	
Employer Medicare		1,760	
Travel		1,326	
Other Contracted Services		7,948	
Data Processing Supplies		2,224	
Office Supplies		11,763	
Other Charges		114	
Total Fiscal Services			182,234

Operation of Plant

Supervisor/Director	\$	66,565	
Secretary(s)		27,907	
Custodial Personnel		694,918	
Social Security		46,591	
State Retirement		43,695	
Medical Insurance		137,472	
Dental Insurance		445	
Unemployment Compensation		1,847	
Employer Medicare		10,896	
Disposal Fees		42,083	
Custodial Supplies		178,762	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)
Support Services (Cont.)

Operation of Plant (Cont.)

Electricity	\$	860,429	
Natural Gas		131,495	
Water and Sewer		107,475	
Other Supplies and Materials		3,486	
Boiler Insurance		4,658	
Building and Contents Insurance		84,859	
Plant Operation Equipment		<u>2,256</u>	
Total Operation of Plant	\$		2,445,839

Maintenance of Plant

Maintenance Personnel	\$	319,332	
Other Salaries & Wages		313	
Social Security		18,748	
State Retirement		20,991	
Medical Insurance		61,020	
Dental Insurance		296	
Unemployment Compensation		492	
Employer Medicare		4,385	
Communication		1,710	
Maintenance & Repair Services- Buildings		225,917	
Maintenance & Repair Services- Equipment		158,882	
Other Contracted Services		75,039	
Other Supplies and Materials		5,326	
Other Charges		998	
Maintenance Equipment		<u>25,660</u>	
Total Maintenance of Plant			919,109

Transportation

Supervisor/Director	\$	38,939	
Mechanic(s)		93,930	
Bus Drivers		434,511	
Clerical Personnel		26,473	
Other Salaries & Wages		11,366	
Social Security		33,368	
State Retirement		39,140	
Medical Insurance		255,967	
Dental Insurance		747	
Unemployment Compensation		2,134	
Employer Medicare		7,804	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Communication	\$	2,166	
Medical and Dental Services		4,442	
Travel		427	
Gasoline		152,306	
Tires and Tubes		25,684	
Vehicle Parts		64,776	
Vehicle and Equipment Insurance		26,200	
Other Charges		10,471	
Transportation Equipment		248,600	
Total Transportation			\$ 1,479,451

Central and Other

Clerical Personnel	\$	90,253	
Social Security		5,480	
State Retirement		6,399	
Life Insurance		12,966	
Medical Insurance		71,893	
Dental Insurance		33	
Unemployment Compensation		126	
Employer Medicare		1,282	
Other Fringe Benefits		55,647	
Postal Charges		6,215	
Travel		1,018	
Office Supplies		2,763	
Other Supplies and Materials		102	
Other Charges		6,612	
Total Central and Other			260,789

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	42,413	
Clerical Personnel		13,383	
Social Security		3,281	
State Retirement		3,956	
Medical Insurance		12,085	
Unemployment Compensation		42	
Employer Medicare		767	
Total Food Service			75,927

Total General Purpose School Fund \$ 26,667,305

(Continued)

Exhibit E-4

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	421,310	
Educational Assistants		57,719	
Certified Substitute Teachers		3,321	
Social Security		25,272	
State Retirement		26,831	
Medical Insurance		88,392	
Dental Insurance		362	
Unemployment Compensation		755	
Employer Medicare		5,910	
Maintenance & Repair Services- Equipment		109	
Other Contracted Services		2,500	
Instructional Supplies and Materials		33,696	
Other Charges		2,087	
Regular Instruction Equipment		17,528	
Total Regular Instruction Program			\$ 685,792

Special Education Program

Teachers	\$	103,265	
Educational Assistants		214,216	
Social Security		18,233	
State Retirement		20,447	
Medical Insurance		94,198	
Dental Insurance		363	
Unemployment Compensation		1,028	
Employer Medicare		4,265	
Contracts with Private Agencies		19,142	
Instructional Supplies and Materials		40,441	
Textbooks		4,119	
Other Charges		5,589	
Special Education Equipment		51,987	
Total Special Education Program			577,293

Vocational Education Program

Travel	\$	7,000	
Other Supplies and Materials		50,000	
Vocational Instruction Equipment		17,081	
Total Vocational Education Program			74,081

(Continued)

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

School Federal Projects Fund (Cont.)

Support Services

Other Student Support

Attendants	\$	21,499	
Social Security		1,165	
State Retirement		318	
Medical Insurance		8,686	
Dental Insurance		61	
Unemployment Compensation		118	
Employer Medicare		273	
Total Other Student Support			\$ 32,120

Regular Instruction Program

Supervisor/Director	\$	65,743	
Secretary(s)		24,918	
Social Security		5,392	
State Retirement		5,377	
Medical Insurance		12,171	
Dental Insurance		80	
Unemployment Compensation		84	
Employer Medicare		1,261	
Communication		1,895	
Travel		1,177	
Other Supplies and Materials		1,746	
In Service/Staff Development		43,159	
Other Charges		1,038	
Other Equipment		1,748	
Total Regular Instruction Program			165,789

Special Education Program

Supervisor/Director	\$	60,832	
Assessment Personnel		43,921	
Secretary(s)		26,895	
Clerical Personnel		53,554	
Social Security		10,873	
State Retirement		11,468	
Medical Insurance		31,193	
Dental Insurance		199	
Unemployment Compensation		252	
Employer Medicare		2,543	
Travel		3,174	
Other Contracted Services		5,329	
Total Special Education Program			250,233

(Continued)

Exhibit E-4

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Vocational Education Program

Supervisor/Director	\$ 3,899	
Total Vocational Education Program		\$ 3,899

Transportation

Bus Drivers	\$ 28,802	
Social Security	1,640	
State Retirement	2,042	
Medical Insurance	7,220	
Dental Insurance	47	
Unemployment Compensation	155	
Employer Medicare	384	
Total Transportation		<u>40,290</u>

Total School Federal Projects Fund		\$ 1,829,497
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Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Clerical Personnel	\$ 14,039	
Cafeteria Personnel	748,568	
Social Security	42,741	
State Retirement	45,578	
Medical Insurance	262,858	
Dental Insurance	1,222	
Unemployment Compensation	2,823	
Employer Medicare	9,996	
Other Fringe Benefits	286	
Communication	4,856	
Transportation - Other than Students	12,212	
Travel	2,293	
Other Contracted Services	24,734	
Food Supplies	773,118	
Office Supplies	5,913	
Uniforms	1,796	
Other Supplies and Materials	43,961	
In Service/Staff Development	3,169	
Food Service Equipment	13,032	
Total Food Service		<u>\$ 2,013,195</u>

Total Central Cafeteria Fund		2,013,195
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(Continued)

Exhibit E-4

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

<u>Education Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Education Capital Projects</u>			
Debt Service Contribution to Primary Government	\$	<u>6,519</u>	
Total Education Capital Projects			\$ <u>6,519</u>
Total Education Capital Projects Fund			\$ <u>6,519</u>
Total Governmental Funds - School Department			\$ <u>30,516,516</u>

ANNUAL FINANCIAL REPORT
MARSHALL COUNTY BOARD OF PUBLIC UTILITIES
A COMPONENT UNIT OF MARSHALL 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

JOE F. KIMERY, CPA, CGFM, CFE
Audit Manager

WILMA JOHNSTON, CPA, CGFM, CFE
Auditor 4

SHERRIE GILL, CFE
TERA HAYNES
NATHAN ABBOTT, CISA, CFE
State Auditors

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

**MARSHALL COUNTY BOARD OF PUBLIC UTILITIES
A COMPONENT UNIT OF
MARSHALL COUNTY, TENNESSEE
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Audit Highlights

Annual Financial Report
Marshall County Board of Public Utilities
For the Year Ended June 30, 2005

Scope

We have audited the basic financial statements of the Marshall County Board of Public Utilities as of and for the year ended June 30, 2005.

Results

Our report on Marshall County Board of Public Utilities' financial statements was unqualified.

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

Findings

The following are summaries of the audit findings:

BOARD OF PUBLIC UTILITIES

- ◆ Competitive bids were not solicited for fuel.
- ◆ Duties were not segregated adequately among the employees of the Board of Public Utilities.

OTHER FINDING

- ◆ County officials had not adopted a central system of purchasing.

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

INTRODUCTORY SECTION

Marshall County Board of Public Utilities Officials
June 30, 2005

Officials:

Jessie T. Whaley, Jr., Manager

Marshall County Board of Public Utilities Directors:

Roy A. Bowden, Jr., Chairman
Joe Brandon
William Blalock

Sam Smith
Michael Waggoner

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

August 19, 2005

Marshall County Board of Public Utilities
Marshall County, Tennessee

To the Board of Public Utilities:

We have audited the accompanying basic financial statements of the Marshall County Board of Public Utilities, a component unit of Marshall County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 9 through 23. These financial statements are the responsibility of the Marshall County Board of Public Utilities' management. Our responsibility is to express an opinion 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 auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Marshall County Board of Public Utilities as of June 30, 2005, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 19, 2005, on our consideration of the Marshall County Board of Public Utilities' internal control over financial reporting and our tests of its compliance with certain

provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note III.B., the Marshall County Board of Public Utilities 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 management of the Marshall County Board of Public Utilities did not prepare a management's discussion and analysis. The management's discussion and analysis section 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.

Our audit was conducted for the purpose of forming an opinion the Marshall County Board of Public Utilities' basic financial statements. The introductory section, miscellaneous schedules, and statistical table are presented for purposes of additional analysis and are not a required part of the basic financial statements. The miscellaneous schedules have been subjected to the auditing procedures applied by us 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 table 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,



John G. Morgan
Comptroller of the Treasury

JGM/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Marshall County, Tennessee
Statement of Net Assets
Marshall County Board of Public Utilities
June 30, 2005

ASSETS

Current Assets:	
Cash	\$ 439
Equity in Pooled Cash and Investments	3,016,241
Inventories	20,931
Accounts Receivable	146,581
Due from Other Governments	2,981
Due from Primary Government	59,096
Total Current Assets	<u>\$ 3,246,269</u>
Noncurrent Assets:	
Restricted Assets:	
Customer Deposits	\$ 19,000
Revenue Bond Future Debt Service Account	69,774
Capital Assets:	
Land	65,610
Buildings and Improvements	103,477
Accumulated Depreciation - Building and Improvements	(5,565)
Machinery and Equipment	367,680
Accumulated Depreciation - Machinery and Equipment	(233,304)
Construction in Progress	1,447,917
Other Capital Assets	7,945,477
Accumulated Depreciation - Other Capital Assets	(2,951,209)
Total Noncurrent Assets	<u>\$ 6,828,857</u>
Total Assets	<u>\$ 10,075,126</u>

LIABILITIES

Current Liabilities:	
Accounts Payable	\$ 17,509
Accrued Payroll	5,936
Payroll Deductions Payable	319
Accrued Leave - Current	8,976
Contracts Payable	1,345,194
Due to Other Taxing Units	10,088
Revenue Bonds Payable - Current	81,481
Accrued Interest Payable	6,885
Total Current Liabilities	<u>\$ 1,476,388</u>
Noncurrent Liabilities:	
Customer Deposits Payable	\$ 13,300
Other Payables from Restricted Assets	5,700
Revenue Bonds Payable - Long-term	1,175,083
Total Noncurrent Liabilities	<u>\$ 1,194,083</u>
Total Liabilities	<u>\$ 2,670,471</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$ 4,035,603
Restricted for Debt Service	69,774
Unrestricted	3,299,278
Total Net Assets	<u>\$ 7,404,655</u>

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

Exhibit B

Marshall County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Assets
Marshall County Board of Public Utilities
For the Year Ended June 30, 2005

<u>Operating Revenues</u>	
Charges for Current Services	\$ 1,355,646
Other Local Revenues	7,017
Total Operating Revenues	<u>\$ 1,362,663</u>
<u>Operating Expenses</u>	
Other Economic and Community Development	\$ 1,122,033
Depreciation	217,660
Total Operating Expenses	<u>\$ 1,339,693</u>
Operating Income (Loss)	<u>\$ 22,970</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 73,347
Gain on Disposal of Assets	5,000
Contribution From Primary Government (Adequate Facilities Tax)	284,438
Interest Expense	(59,945)
Community Development Block Grant	69,733
Waste and Water Disposal System for Rural Communities	283,397
Total Nonoperating Revenues (Expenses)	<u>\$ 655,970</u>
Capital Contributions	<u>366,337</u>
Change in Net Assets	\$ 1,045,277
Net Assets, July 1, 2004	<u>6,359,378</u>
Net Assets, June 30, 2005	<u><u>\$ 7,404,655</u></u>

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

Exhibit C

Marshall County, Tennessee
Statement of Cash Flows
Marshall County Board of Public Utilities
For the Year Ended June 30, 2005

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from Customers and Users	\$ 1,355,272
Other Receipts (Payments)	7,017
Payments to Suppliers	(899,775)
Payments to Employees	(306,376)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 156,138</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Grants Received	\$ 353,130
Contribution From Primary Government (Adequate Facilities Tax)	284,438
Gain on Disposal of Assets	5,000
Net Cash Provided By (Used In) NonCapital Financing Activities	<u>\$ 642,568</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING</u> <u>ACTIVITIES</u>	
Purchases of Capital Assets	\$ (776,017)
Capital Contributions	366,337
Principal Payments on Other Long-term Debt	(192,099)
Interest Payments on Other Long-term Debt	(59,945)
Net Cash Provided By (Used For) Capital And Related Financing Activities	<u>\$ (661,724)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Investment Income	\$ 73,347
Net Cash Provided By (Used In) Investing Activities	<u>\$ 73,347</u>
Increase (Decrease) In Cash And Cash Equivalents	\$ 210,329
Cash And Cash Equivalents, July 1, 2004	<u>2,895,125</u>
Cash And Cash Equivalents, June 30, 2005	<u>\$ 3,105,454</u>

(Continued)

Exhibit C

Marshall County, Tennessee
Statement of Cash Flows
Board of Public Utilities Fund (Cont.)

Reconciliation of Cash

Equity in Pooled Cash and Investments	\$ 3,016,241
Cash	439
Restricted Customer Deposits	19,000
Restricted Revenue Bond Future Debt Service Account	<u>69,774</u>
Cash and Cash Equivalents per the Statement of Cash Flows	<u><u>\$ 3,105,454</u></u>

Reconciliation of Operating Income to Net Cash Provided (Used) By
Operating Activities:

Operating Income	\$ 22,970
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used) Operating Activities:	
Depreciation Expense	217,660
(Increase) Decrease in Accounts Receivable	(14,140)
(Increase) Decrease in Due From Other Governments	72,862
(Increase) Decrease in Due From Other Funds	(59,096)
(Increase) Decrease in Inventories	(6,074)
Increase (Decrease) in Accounts Payable	(61,356)
Increase (Decrease) in Accrued Payroll	5,936
Increase (Decrease) in Payroll Deductions Payable	319
Increase (Decrease) in Accrued Interest Payable	(1,843)
Increase (Decrease) in Due to Other Taxing Units	853
Increase (Decrease) in Customer Deposits	300
Increase (Decrease) in Other Payables from Restricted Assets	(25,501)
Increase (Decrease) in Accrued Leave	<u>3,248</u>
Net Cash Provided By Operating Activities	<u><u>\$ 156,138</u></u>

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

**MARSHALL COUNTY BOARD OF PUBLIC UTILITIES
A COMPONENT UNIT OF MARSHALL COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2005**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The following are the more significant policies of the utility:

A. Reporting Entity

The Marshall County Board of Public Utilities was created pursuant to Sections 5-16-101 through 5-16-112, Tennessee Code Annotated, and provides water services for the citizens of Marshall County. The utility is a component unit of Marshall County and is governed by a five-member board appointed by the Marshall County Commission. The utility must obtain the Marshall County Commission's approval before the issuance of most debt instruments, and the Marshall County Commission approves its budget.

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

The utility accounts for its activities in a single proprietary fund (enterprise fund). Proprietary 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the utility's enterprise fund are charges for services. Operating expenses for the enterprise fund include administrative expenses and employee benefits.

When both restricted and unrestricted resources are available for use, it is the utility's policy to use restricted revenues first, then unrestricted resources as they are needed.

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

1. **Deposits and Investments**

For purposes of the statement of cash flows, cash includes cash on hand, demand deposits, and cash on deposit with the county trustee.

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 Marshall County primary government funds, the Marshall County Board of Public Utilities, and the Marshall County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the primary government's General Debt Service Fund. Marshall County, the Marshall County Board of Public Utilities, and the Marshall 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 and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value.

2. **Receivables and Payables**

Accounts receivable for water sales are shown without an allowance for uncollectibles. The utility does not provide an allowance for uncollectible accounts because of its ability to stop service for nonpaying customers.

Noncurrent liabilities payable from restricted assets represent funds on deposit with the Marshall County trustee that are restricted because of applicable bond covenants and customer deposits.

3. Inventories

Inventories consist of expendable supplies held for consumption and are recorded at the lower of cost or market, determined on the first-in, first-out method.

4. Restricted Assets

Certain resources set aside for the repayment of revenue bonds are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants. The Revenue Bond Future Debt Service Account is used to report resources set aside to comply with those covenants.

5. Capital Assets

Capital assets are defined by the utility as assets with an initial, individual cost of \$500 or more and an estimated useful life exceeding two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Property, plant, and equipment of the utility are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	40
Machinery and Equipment	3 to 5
Other Fixed Assets	40

6. Compensated Absences

It is the utility's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since sick pay is expensed when paid or payable since it does not vest. All vacation pay is accrued when incurred.

7. Income Taxes

As a governmental entity, the utility is exempt from federal, state, and local income taxes.

8. Fund Equity

In proprietary fund financial statements, equity is classified as net assets and displayed in three components:

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

II. DETAILED NOTES

A. Deposits and Investments

Marshall County, the Marshall County School Department, and the Marshall County Board of Public Utilities 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. The utility's portion of this pool is displayed on the statements of net assets as Equity in Pooled Cash and Investments, customer deposits, and revenue bond future debt service account. Cash reflected on the statement of net assets represents nonpooled amounts held separately by the Board of Public Utilities.

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.

Investment Balances. As of June 30, 2005, Marshall County had the following investments carried at fair value or cost. All investments are in the county trustee’s investment pool. Separate disclosures concerning pooled investments cannot be made for Marshall County, Marshall County School Department, and the Marshall County Board of Public Utilities since all pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value or Cost</u>
State Treasurer's Investment Pool	Daily	\$ 147,104
Federal Home Loan Bank	9-7-2005	<u>298,110</u>
Total		<u>\$ 445,214</u>

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Marshall County does not have a formal investment policy that limits investment

maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Marshall County has no investment policy that would further limit its investment choices. As of June 30, 2005, Marshall County's investment in the State Treasurer's Investment Pool was unrated. Marshall County's investment in the Federal Home Loan Bank System was rated Aaa by Moody's Investor's Service.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the county's investment in a single issuer. Marshall County places no limit on the amount the county may invest in one issuer. More than five percent of the county's investments are in the Federal Home Loan Bank System. This investment is 67 percent of the county's total investments.

B. Capital Assets

Capital asset activity for the year ended June 30, 2005, was as follows:

Business-type Activities:

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Capital Assets Not Depreciated:				
Land	\$ 0	\$ 65,610	\$ 0	\$ 65,610
Construction in Progress	1,172,082	275,835	0	1,447,917
Total Capital Assets Not Depreciated	\$ 1,172,082	\$ 341,445	\$ 0	\$ 1,513,527
Capital Assets Depreciated:				
Buildings and Improvements	\$ 7,650	\$ 95,827	\$ 0	\$ 103,477
Machinery and Equipment	351,918	15,762	0	367,680
Other Fixed Assets	6,525,870	1,535,607	116,000	7,945,477
Total Capital Assets Depreciated	\$ 6,885,438	\$ 1,647,196	\$ 116,000	\$ 8,416,634

Business-type Activities: (Cont.)

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 4,175	\$ 1,390	\$ 0	\$ 5,565
Machinery and Equipment	199,376	33,928	0	233,304
Other Fixed Assets	2,768,867	182,342	0	2,951,209
Total Accumulated Depreciation	\$ 2,972,418	\$ 217,660	\$ 0	\$ 3,190,078
Total Capital Assets Depreciated, Net	\$ 3,913,020	\$ 1,429,536	\$ 116,000	\$ 5,226,556
Capital Assets, Net	\$ 5,085,102	\$ 1,770,981	\$ 116,000	\$ 6,740,083

Depreciation expense totaled \$217,660 for the year ended June 30, 2005.

C. Interfund Receivable

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

Due from primary government:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Component unit:	Primary government:	
Board of Public Utilities	General	\$ 59,096

This balance resulted from the time lag between the dates the primary government collected the adequate facilities tax and the date the payment was made to the utility.

D. Long-term Debt

Revenue bonds were issued to provide funds for the acquisition and construction of major capital assets with original terms up to 38 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All revenue bonds will be retired by the utility.

Revenue bonds of the utility outstanding as of June 30, 2005, were as follows:

	FHA Bonds	FHA Bonds	FHA Bonds
Original Amount of Issue	\$ 625,000	\$ 188,000	\$ 849,000
Balance, June 30, 2005	233,229	183,422	839,913
Date of Issue	5-1-81	2-20-03	6-22-04
Interest Rate	5%	4.625%	4.375%

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

Year Ending June 30	Principal	Interest
2006	\$ 81,481	\$ 57,003
2007	81,999	52,985
2008	82,540	48,944
2009	36,335	44,878
2010	13,697	42,787
2011-15	78,332	204,088
2016-20	100,674	184,746
2021-25	121,793	160,627
2026-30	151,873	130,547
2031-35	189,385	93,034
2036-40	236,169	46,251
2041-42	82,286	3,492
Total	<u>\$ 1,256,564</u>	<u>\$ 1,069,382</u>

Changes in Long-term Liabilities

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

	<u>Bonds</u>
Balance, July 1, 2004	\$ 1,448,663
Deductions	<u>(192,099)</u>
Balance, June 30, 2005	<u>\$ 1,256,564</u>
Balance Due Within One Year	<u>\$ 81,481</u>

III. OTHER INFORMATION

A. Risk Management

The Marshall County Board of Public Utilities is exposed to various risks related to general liability, property, and casualty losses. The Board of Public Utilities decided it was more economically feasible to join a public entity risk pool instead of purchasing commercial insurance for general liability, property, and casualty coverage. The Board of Public Utilities joined the Local Government Property and Casualty Fund (LGPCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The utility pays an annual premium to the LGPCF for its general liability, property, and casualty insurance coverage. The creation of the LGPCF provides for it to be self-sustaining through member premiums. The LGPCF reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

The Marshall County Board of Public Utilities decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for workers' compensation coverage. The utility joined the Local Government Workers' Compensation Fund (LGWCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The utility pays annual premiums to the LGWCF for its workers' compensation coverage. The creation of the LGWCF provides for it to be self-sustaining through member premiums.

B. Accounting Change

During the year, Marshall County Board of Public Utilities adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the utilities' 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. Related-Party Transaction

The utility conducts its operations in portions of buildings owned by Marshall County that donate their use for these purposes. Also, land used by the Marshall County Board of Public Utilities is owned by Marshall County.

D. Subsequent Event

On July 25, 2005, the Marshall County Commission approved for the utility to borrow \$667,000 for water line extensions.

E. Contingent Liabilities

The utility's attorney advised that there were no pending lawsuits as of June 30, 2005.

F. Retirement Commitments

Plan Description

Employees of Marshall County, including the Board of Public Utilities, 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 Marshall 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 Marshall County Board of Public Utilities participates in Marshall County's plan, retirement information for the Marshall County Board of Public Utilities 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. E. of the Annual Financial Report of Marshall County, Tennessee.

G. Purchasing Policy

The utility has the general policy of requiring all purchases exceeding \$5,000 to be made after public advertisement and solicitation of competitive bids.

MISCELLANEOUS SCHEDULES

Exhibit D-1

Marshall County, Tennessee
Schedule of Changes in Revenue Bonds
Marshall County Board of Public Utilities
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>WATER REVENUE AND TAX BOND</u>							
FHA	\$ 625,000	5 %	5-1-81	5-7-09	\$ 305,000	\$ 71,771	\$ 233,229
FHA	117,500	4.75	4-24-98	9-8-04	109,239	109,239	0
FHA	188,000	4.625	2-20-03	3-20-41	185,424	2,002	183,422
FHA	849,000	4.375	6-22-04	6-22-42	849,000	9,087	839,913
Total					\$ 1,448,663	\$ 192,099	\$ 1,256,564

Exhibit D-2

Marshall County, Tennessee
Schedule of Bond and Interest Requirements by Year
Marshall County Board of Public Utilities

Year Ending June 30	(1) \$849,000 Issue Principal Requirements	(1) \$188,000 Issue Principal Requirements	\$625,000 Issue Principal Requirements	Total Principal Requirements
2006	\$ 9,384	\$ 2,097	\$ 70,000	\$ 81,481
2007	9,803	2,196	70,000	81,999
2008	10,240	2,300	70,000	82,540
2009	10,698	2,408	23,229	36,335
2010	11,175	2,522	0	13,697
2011	11,674	2,641	0	14,315
2012	12,195	2,766	0	14,961
2013	12,739	2,897	0	15,636
2014	13,308	3,033	0	16,341
2015	13,902	3,177	0	17,079
2016	17,523	3,327	0	20,850
2017	15,171	3,484	0	18,655
2018	15,848	3,649	0	19,497
2019	16,555	3,821	0	20,376
2020	17,294	4,002	0	21,296
2021	18,066	4,191	0	22,257
2022	18,873	4,389	0	23,262
2023	19,715	4,596	0	24,311
2024	20,595	4,813	0	25,408
2025	21,515	5,040	0	26,555
2026	22,475	5,279	0	27,754
2027	23,478	5,528	0	29,006
2028	24,526	5,789	0	30,315
2029	25,621	6,063	0	31,684
2030	26,765	6,349	0	33,114
2031	27,960	6,649	0	34,609
2032	29,208	6,963	0	36,171
2033	30,511	7,292	0	37,803
2034	31,873	7,636	0	39,509
2035	33,296	7,997	0	41,293
2036	34,782	8,375	0	43,157
2037	36,335	8,771	0	45,106
2038	37,957	9,185	0	47,142
2039	39,651	9,619	0	49,270
2040	41,421	10,073	0	51,494
2041	43,270	4,505	0	47,775
2042	34,511	0	0	34,511
Total	\$ 839,913	\$ 183,422	\$ 233,229	\$ 1,256,564

Exhibit D-2

Marshall County Board of Public Utilities
Schedule of Bond and Interest Requirements by Year (Cont.)

Year Ending June 30	(1) \$849,000 Issue Interest Requirements	(1) \$188,000 Issue Interest Requirements	\$625,000 Issue Interest Requirements	Total Interest Requirements
2006	\$ 36,564	\$ 8,439	\$ 12,000	\$ 57,003
2007	36,145	8,340	8,500	52,985
2008	35,708	8,236	5,000	48,944
2009	35,250	8,128	1,500	44,878
2010	34,773	8,014	0	42,787
2011	34,274	7,895	0	42,169
2012	33,753	7,770	0	41,523
2013	33,209	7,639	0	40,848
2014	32,640	7,503	0	40,143
2015	32,046	7,359	0	39,405
2016	31,425	7,209	0	38,634
2017	30,777	7,052	0	37,829
2018	30,100	6,887	0	36,987
2019	29,393	6,715	0	36,108
2020	28,654	6,534	0	35,188
2021	27,882	6,345	0	34,227
2022	27,075	6,147	0	33,222
2023	26,233	5,940	0	32,173
2024	25,353	5,723	0	31,076
2025	24,433	5,496	0	29,929
2026	23,473	5,257	0	28,730
2027	22,470	5,008	0	27,478
2028	21,422	4,747	0	26,169
2029	20,327	4,473	0	24,800
2030	19,183	4,187	0	23,370
2031	17,988	3,887	0	21,875
2032	16,740	3,573	0	20,313
2033	15,436	3,244	0	18,680
2034	14,075	2,900	0	16,975
2035	12,652	2,539	0	15,191
2036	11,166	2,161	0	13,327
2037	9,613	1,765	0	11,378
2038	7,991	1,351	0	9,342
2039	6,297	917	0	7,214
2040	4,527	463	0	4,990
2041	2,678	54	0	2,732
2042	760	0	0	760
Total	\$ 852,485	\$ 189,897	\$ 27,000	\$ 1,069,382

(1) Principal and interest is credited by FHA based on the day of the month they receive the payments; therefore, the requirements noted above may vary by nominal amounts.

Marshall County, Tennessee
Schedule of Bonds of Principal Officials
Marshall County Board of Public Utilities
For the Year Ended June 30, 2005

Official	Bond	Surety
Directors	\$ 1,000,000	Local Government Property and Casualty Fund
Employees	500,000	"
Manager	200,000	Auto Owners Mutual Insurance Company

Marshall County, Tennessee
Schedule of Detailed Revenues and Expenses
Marshall County Board of Public Utilities
For the Year Ended June 30, 2005

Revenues

Operating Revenues

Charges for Current Services

General Service Charges

Water Sales	\$ 1,194,837
Forfeited Discounts	26,874
Water Tap Sales	95,520
Service Charges	38,415
Total Charges for Current Services	<u>\$ 1,355,646</u>

Other Local Revenues

Recurring Items

Miscellaneous Refunds	\$ 1,655
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Nonrecurring Items

Damages Recovered from Individuals	5,278
Other Local Revenues	84
Total Other Local Revenues	<u>\$ 7,017</u>
Total Operating Revenues	<u>\$ 1,362,663</u>

Nonoperating Revenues

Investment Income	\$ 73,347
Gain on Disposal of Assets	5,000
Community Development Block Grant	69,733
Waste and Water Disposal System for Rural Communities Grant	283,397
Contribution From Primary Government (Adequate Facilities Tax)	284,438
Total Nonoperating Revenues	<u>\$ 715,915</u>

Total Revenues	<u>\$ 2,078,578</u>
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(Continued)

Marshall County, Tennessee
Schedule of Detailed Revenues and Expenses
Marshall County Board of Public Utilities (Cont.)

Expenses

Operating Expenses

Other Economic and Community Development

Assistants	\$ 32,018
Supervisor/Director	47,723
Accountants/Bookkeepers	47,272
Equipment Operators	27,984
Laborers	115,163
Clerical Personnel	13,430
Longevity Pay	1,000
Overtime Pay	21,786
Board and Committee Members Fees	675
In-Service Training	1,585
Social Security	18,551
Extension Service Medicare	4,339
State Retirement	20,565
Employee and Dependent Insurance	40,450
Audit Services	3,624
Communication	3,507
Contracts with Government Agencies	480,258
Contract with Private Agencies	17,494
Contributions	200
Dues and Memberships	1,374
Engineering Services	540
Evaluation and Testing	3,258
Legal Services	7,022
Legal Notices, Recording and Court Costs	251
Licenses	600
Maintenance & Repair Services - Buildings	74
Maintenance & Repair Services - Equipment	3,005
Maintenance & Repair Services - Office Equipment	2,269
Maintenance & Repair Services - Vehicles	9,071

(Continued)

Marshall County, Tennessee
Schedule of Detailed Revenues and Expenses
Marshall County Board of Public Utilities (Cont.)

Expenses (Cont.)

Operating Expenses (Cont.)

Other Economic and Community Development (Cont.)

Postal Charges	\$ 7,272
Rentals	60
Travel	2,020
Fertilizer, Lime and Seed	1,589
Gasoline	25,339
General Construction Materials	51,705
Instructional Supplies and Materials	10
Office Supplies	4,090
Small Tools	1,489
Tires and Tubes	2,245
Uniforms	2,231
Utilities	18,269
Liability Insurance	22,840
Premiums on Corporate Surety Bonds	72
Trustee's Commission	16,626
Vehicle and Equipment Insurance	2,831
Workman's Compensation Insurance	8,378
Depreciation	217,660
Fines, Assessments and Penalties	2,352
Other Charges	2,884
Bridge Construction	37,853
Building Improvements	348
Communication Equipment	887
Motor Vehicles	18,961
Office Equipment	258
Plant Operation Equipment	<u>4,189</u>

Total Other Economic and Community Development \$ 1,377,546

Total Operating Expenses \$ 1,377,546

Nonoperating Expenses

General Government Debt Service

Interest Expense \$ 59,945

Total Nonoperating Expenses \$ 59,945

Total Expenses \$ 1,437,491

STATISTICAL SECTION

Table 1

Marshall County, Tennessee
Utility Rates and Water Usage
Marshall County Board of Public Utilities
June 30, 2005

Utility Rates in Effect

Dry Tap	\$ 12.85	per month
First 1,000 gallons	12.85	minimum
Next 5,000 gallons	7.52	per 1,000 gallons
Next 15,000 gallons	6.22	per 1,000 gallons
All over 21,000 gallons	4.48	per 1,000 gallons
Horton Park	3.74	per 1,000 gallons
Cornersville	4.15	per 1,000 gallons

Gallons of Water	Year Ended June 30	
	2004	2005
Purchased	214,677,800	210,365,000
Metered	<u>(165,084,650)</u>	<u>(158,665,992)</u>
Total Leaks and Unidentified Loss	<u>49,593,150</u>	<u>51,699,008</u>
Percentage of Metered Sales to Amounts Purchased	76.9%	75.4%
Average Number of Customers	2,405	2,451

SINGLE AUDIT REPORT
MARSHALL COUNTY, TENNESSEE
MARSHALL COUNTY SCHOOL DEPARTMENT
AND
MARSHALL COUNTY BOARD OF PUBLIC UTILITIES
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

JOE F. KIMERY, CPA, CGFM, CFE
Audit Manager

WILMA JOHNSTON, CPA, CGFM, CFE
Auditor 4

SHERRIE GILL, CFE
PATTY VARGO, CFE
TERA HAYNES
NATHAN ABBOTT, CISA, CFE
State Auditors

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

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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

August 19, 2005

Marshall County Mayor, Board of County Commissioners,
Director of Schools, Board of Education, and Board of Public Utilities
Marshall County, Tennessee

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

We have audited the financial statements of each major fund and the aggregate remaining fund information of Marshall County, Tennessee, and the Marshall County School Department, as of and for the year ended June 30, 2005, which collectively comprise a portion of Marshall County Government's and the Marshall County School Department's basic financial statements and have issued our reports thereon dated August 19, 2005. We have also audited the basic financial statements of the Marshall County Board of Public Utilities, as of and for the year ended June 30, 2005, and have issued our report thereon dated August 19, 2005. Our reports on the financial statements of Marshall County, Tennessee, and the Marshall 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 report on the financial statements of the Marshall County Board of Public Utilities expresses an unqualified opinion. 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 Marshall County's, the Marshall County School Department's, and the Marshall County Board of Public Utilities' 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 Marshall County's, the Marshall County School Department's, and the Marshall County Board of Public Utilities' 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 05.03, 05.04(B through E), 05.07, 05.08, 05.10, 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, of the reportable conditions described above, we consider items 05.03, 05.08, and 05.10 to be material weaknesses.

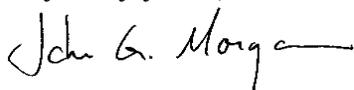
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marshall County's, the Marshall County School Department's, and the Marshall County Board of Public Utilities' financial statements are free of material misstatement, we performed tests of their 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, 05.02, 05.04(A), 05.05, 05.06, and 05.09.

We also noted certain matters that we reported to the management of Marshall County, the Marshall County School Department, and the Marshall County Board of Public Utilities in separate communications.

This report is intended solely for the information and use of the Board of County Commissioners, Board of Education, Board of Public Utilities, 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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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

August 19, 2005

Marshall County Mayor, Board of County Commissioners,
Director of Schools, Board of Education, and Board of Public Utilities
Marshall County, Tennessee

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

Compliance

We have audited the compliance of Marshall County, the Marshall County School Department, and the Marshall County Board of Public Utilities 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. Marshall County's, the Marshall County School Department's, and the Marshall County Board of Public Utilities' 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 Marshall County's, the Marshall County School Department's, and the Marshall County Board of Public Utilities' management. Our responsibility is to express an opinion on Marshall County's, the Marshall County School Department's, and the Marshall County Board of Public Utilities' 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 Marshall County's, the Marshall County School Department's, and the Marshall County Board of Public Utilities' 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 Marshall County's, the Marshall County School Department's, and the Marshall County Board of Public Utilities' compliance with those requirements.

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

Internal Control Over Compliance

The management of Marshall County, the Marshall County School Department, and the Marshall County Board of Public Utilities 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 Marshall County's, the Marshall County School Department's, and the Marshall County Board of Public Utilities' 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 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 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 Marshall County, Tennessee, and the Marshall County School Department, as of and for the year ended June 30, 2005, and have issued our reports thereon dated August 19, 2005. We have also audited the basic financial statements of the Marshall County Board of Public Utilities, as of and for the year ended June 30, 2005, and have issued our report thereon dated August 19, 2005. Our reports on the financial statements of Marshall County and the Marshall 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 report on the financial statements of the Marshall County Board of Public Utilities expresses an unqualified opinion. 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 these financial statements and, in our opinion, is fairly stated, in all material respects, in relation to these 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, Board of Public Utilities, 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 flourish at the end.

John G. Morgan
Comptroller of the Treasury

JGM/sb

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass- through Agency's Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Water and Waste Disposal System For Rural Communities	10.760	N/A	\$ 40,918
Watershed Protection and Flood Prevention	10.904	N/A	21,178
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	(2)	146,932
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	136,470
National School Lunch Program	10.555	(2)	652,413
Summer Food Service Program For Children	10.559	(2)	4,154
Total U.S. Department of Agriculture			<u>\$ 1,002,065</u>
U.S. Department of Justice:			
Direct Program:			
Bullet Proof Vest Partnership Program	16.607	N/A	\$ 5,680
Total U.S. Department of Justice			<u>\$ 5,680</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-04-020123-01	\$ 28,974
Emergency Management Assistance	97.042	Z-05-025393-00	18,659
Pre-Disaster Mitigation	97.047	GG-04-10569-00	11,324
Total U.S. Department of Homeland Security			<u>\$ 58,957</u>
U.S. Department of Labor:			
Passed-through State Department of Labor and Workforce Development:			
WIA Incentive Grants-Section 503 Grants to State	17.267	Z-04-019476-00	\$ 3,900
Total U.S. Department of Labor			<u>\$ 3,900</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education State Grant Program	84.002	Z-05-022243-00	\$ 30,951 (3)
Adult Education State Grant Program	84.002	Z-04-016689-00	33,460 (3)
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	610,834
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	888,480
Special Education - Preschool Grants	84.173	N/A	30,785
Special Education - Preschool Grants	84.173A	N/A	673
Vocational Education - Basic Grants to States	84.048	N/A	77,980
Safe and Drug-Free Schools And Communities - State Grants	84.186	(2)	9,384
State Grants for Innovative Programs	84.298	N/A	20,303
Education Technology State Grants	84.318	(2)	14,719
Improving Teacher Quality State Grants	84.367	N/A	180,311
English Language Acquisition Grant	84.365A	N/A	16,200
Total U.S. Department of Education			<u>\$ 1,914,080</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Human Services:			
Temporary Assistance for Needy Families	93.558	Z-05-022334-00	\$ 15,791
Total U.S. Department of Health and Human Services			<u>\$ 15,791</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grant/State's Program	14.228	GG-04-11061-00	\$ 69,733
Passed-through State Housing Development Agency:			
HOME Investment Partnerships Program	14.239	HM-03-50	185,515
Total U.S. Department of Housing and Urban Development			<u>\$ 255,248</u>
Total Expenditures of Federal Awards			<u>\$ 3,255,721</u>

(Continued)

Marshall County, Tennessee, the Marshall County School Department,
and the Marshall County Board of Public Utilities
Schedule of Expenditures of Federal Awards and State Grants (Cont.) (1)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass- through Agency's Number	Expenditures
<u>State Grants</u>			
Reappraisal Program - Comptroller of the Treasury	N/A	N/A	\$ 9,259
Adult Education - State Department of Education	N/A	Z-05-022243-01	17,147
Safe Schools Act - State Department of Education	N/A	N/A	27,232
Job Opportunities and Basic Skills Training - State Department of Education	N/A	Z-05-022334-01	7,431
Juvenile Justice - State Commission on Children and Youth	N/A	Z-05-020406-00	10,300
Litter Grant - State Department of Transportation	N/A	Z-05-021528-00	31,979
Recycling Grant - State Department of Environment & Conservation	N/A	Z-05-020880-00	18,000
Recycling Equipment Grant - State Department of Environment & Conservation	N/A	Z-04-018169-00	76,350
Nursing Grant - State Department of Health	N/A	Z-05-020542-01	93,698
Optional Waste Tire Grant - State Department of Environment & Conservation	N/A	Z-03-011341-00	<u>21,050</u>
Total State Grants			<u>\$ 312,446</u>

CFDA – Catalog of Federal Domestic Assistance

N/A – Not Applicable

(1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.

(2) Information not available.

(3) Total Adult Education State Grant Program (CFDA 84.002) from the U.S. Department of Education \$64,411.

Marshall County, Tennessee, Marshall County School Department, and Marshall County Board of Public Utilities
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 Marshall County, Tennessee, the Marshall County School Department, and the Marshall County Board of Public Utilities for the year ended June 30, 2004, which have not been corrected.

MARSHALL COUNTY AND MARSHALL COUNTY SCHOOL DEPARTMENT

Finding Number	Page Number	Subject
04.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

OFFICE OF COUNTY MAYOR

Finding Number	Page Number	Subject
04.02 (A)	13	Competitive bids were not solicited for certain purchases

OFFICE OF HIGHWAY SUPERINTENDENT

Finding Number	Page Number	Subject
04.03	13	Prior approval was not obtained for purchases exceeding \$500

OTHER FINDINGS AND RECOMMENDATIONS

Finding Number	Page Number	Subject
04.05	14	Duties were not adequately segregated in the Ambulance Service; Board of Public Utilities; and the Offices of Trustee; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; and Sheriff
04.06	15	A central system of purchasing had not been adopted

**MARSHALL COUNTY, TENNESSEE, MARSHALL COUNTY SCHOOL
DEPARTMENT, AND MARSHALL COUNTY BOARD OF PUBLIC UTILITIES**

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 Marshall County and the Marshall County School Department. An unqualified opinion was issued on the financial statements of the Marshall County Board of Public Utilities.
2. The audit of the financial statements of Marshall County, the Marshall County School Department, and the Marshall County Board of Public Utilities disclosed reportable conditions in internal control. Three of these conditions were also considered to be material weaknesses of Marshall County.
3. The audit disclosed three instances of noncompliance that are material to the financial statements of Marshall County. One of these instances was also material to the financial statements of the Marshall County School Department. The Marshall County Board of Public Utilities did not have any material instances of noncompliance.
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: School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children (CFDA Nos. 10.553, 10.555, and 10.559); the Special Education Cluster: Special Education Grants to States and Special Education Preschool Grants (CFDA Nos. 84.027, 84.173, and 84.173A) 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. Marshall County, the Marshall County School Department, and the Marshall County Board of Public Utilities 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 have reviewed these findings and recommendations with management to provide an opportunity for their response. Officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

MARSHALL COUNTY AND MARSHALL 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)

Marshall County and the Marshall County School Department did not identify and determine the historical value of their capital assets and the related depreciation amounts of these assets. Therefore, Marshall County and the Marshall 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, Marshall County’s and the Marshall 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 No. 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. Marshall County’s and the Marshall County School Department’s financial statements are presented in compliance with these requirements.

RECOMMENDATION

Marshall County and the Marshall 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 their financial statements in accordance with generally accepted accounting principles.

OFFICE OF COUNTY MAYOR

FINDING 05.02 **COMPETITIVE BIDS WERE NOT SOLICITED FOR CERTAIN PURCHASES**

(Noncompliance Under Government Auditing Standards)

Competitive bids were not solicited for cleaning services for county buildings (\$95,129), gasoline (\$62,934), and concrete for sidewalk construction (\$15,165). Tires and tubes (\$8,111) were properly bid; however, the bid was not awarded, and the county continued to purchase from preferred vendors. Sections 5-14-201 through 5-14-206, Tennessee Code Annotated, provide for all purchases exceeding \$5,000 to be made after public advertisement and solicitation of competitive bids.

RECOMMENDATION

The county should solicit competitive bids for purchases exceeding \$5,000, as required by state statute.

FINDING 05.03 **THE VETERAN'S SERVICE OFFICER MISAPPROPRIATED COUNTY FUNDS, RESULTING IN A CASH SHORTAGE OF \$1,353.16**

(Internal Control – Material Weakness Under Government Auditing Standards)

In May 2005, the Marshall County Director of Accounts and Budgets notified auditors of a potential problem with a checking account maintained by the veteran's service officer. This checking account had been established years ago by prior officials to collect donations for van transportation expenses for the veterans of Marshall County. Marshall County officials knew of this off-the-books checking account but failed to inform auditors of its existence. Auditors subsequently reviewed available check registers, bank statements, van logs, and payroll records from August 2002 through May 26, 2005, and noted several deficiencies and irregularities involving disbursements. We discussed these deficiencies and irregularities with the district attorney general, who requested the Tennessee Bureau of Investigation conduct an investigation. Marshall County terminated employment of the veteran's service officer on June 1, 2005. On August 24, 2005, the veteran's service officer was indicted by the Marshall County Grand Jury for theft. The cash shortage is summarized below:

- A. On June 17, 2005, the veteran's service officer admitted that he used veteran's funds 23 times to purchase various items for his personal use. The following table summarizes these personal purchases made from the veteran's van account:

Eleven E-Bay purchases for collectibles	\$ 331.53
Three personal computer and/or typewriter repairs	113.07
One month's personal home internet service	12.95
One payment for personal vehicle insurance	68.00
One payment on a personal electric bill	40.40
Two purchases of office supplies for home use	93.38
One purchase of groceries	28.26
One newspaper advertisement to sell collectibles	47.62
One personal cell phone bill	137.95
One check written for cash	<u>20.00</u>
 Total	 <u><u>\$ 893.16</u></u>

- B. The Veteran's Service Office had the practice of paying volunteer van drivers \$20 per day for transporting veterans to various appointments. During the period examined, the veteran's service officer paid himself \$460 for driving the van at the same time he was on the payroll as a Marshall County employee. These van payments resulted in the veteran's service officer being paid for two jobs covering the same time period.

RECOMMENDATION

Marshall County officials should take immediate steps to collect the \$1,356.16 from the veteran's service officer.

FINDING 05.04 THE VETERAN'S SERVICE OFFICE HAD ADMINISTRATIVE AND ACCOUNTING DEFICIENCIES
 (A. Noncompliance Under Government Auditing Standards; B. through E. Internal Control – Reportable Condition Under Government Auditing Standards)

Administrative and accounting deficiencies noted during our audit of the Veterans Service Office are noted below:

- A. Marshall County officials permitted the Veteran's Service Office to maintain an off-the-books checking account. Therefore, disbursements from this account had not been approved by the County Commission nor had the financial activity of this account been audited and included in the county's financial statements. Section 5-9-401, Tennessee Code Annotated, requires all funds be appropriated by the County Commission.
- B. In August 2004, the Marshall County General Fund contributed \$2,000 to the Veteran's Service Office van checking account in lieu of having invoices submitted to and paid through the county's normal budgetary process.

- C. The Marshall County director of accounts and budgets began reviewing the veteran's service van checking account bank statements and check register around July 2003 but only reviewed the records through March 2004. Therefore, there was no consistent supervisory review over the disbursement of veteran's funds.
- D. Neither the Veteran's Service Office oversight committee nor the Marshall County Finance Office required the veteran's service officer to maintain invoices or any other documentation to support disbursements. From March 29, 2004, through May 26, 2005, disbursements from the van checking account totaling \$1,832.90 were not supported with any documentation.
- E. The veteran's service van checking account was established to fund van and transportation related expenditures for county veterans. However, disbursements from this account, excluding those noted in Finding 05.03 above, included office help, posters, office supplies, dues, food for the homeless, Christmas decorations, janitorial supplies, gifts, and plumbing supplies that should have been paid by the county's General Fund through the budgetary process.

RECOMMENDATION

Marshall County officials should immediately close the Veteran's Service Office van checking account. All financial activity related to the Veteran's Service Office should be accounted for in the county's General Fund through the budgetary process, as required by state statute. The county should require invoices or other documentation that goods have been received or services have been rendered before invoices are paid.

OFFICE OF HIGHWAY SUPERINTENDENT

FINDING 05.05 **PRIOR APPROVAL WAS NOT OBTAINED FOR PURCHASES EXCEEDING REQUIRED AMOUNTS**
(Material Noncompliance Under Government Auditing Standards)

Highway Department employees did not obtain prior approval from the director of accounts and budgets for purchases exceeding \$200 as required by Chapter 69, Private Acts of 1965 (effective May 23, 2005, \$500 as required by Chapter 17, Private Acts of 2005). In most instances, Highway Department purchase orders were not submitted to the director for approval until the end of the month, which was often after the purchase had been made.

RECOMMENDATION

Purchase orders exceeding \$500 should be submitted to the director of accounts and budgets for approval before purchases are made as required by Chapter 17, Private Acts of 2005.

BOARD OF PUBLIC UTILITIES

FINDING 05.06 **COMPETITIVE BIDS WERE NOT SOLICITED FOR FUEL (Noncompliance Under Government Auditing Standards)**

Competitive bids were not solicited for purchases of fuel totaling \$25,339. The Board of Public Utilities generally follows the county's purchasing policy which provides that fuel products may be purchased in the open market without public advertisement, but shall whenever possible be based on at least three competitive bids.

RECOMMENDATION

The Board of Public Utilities should solicit at least three competitive bids for fuel.

OFFICE OF CIRCUIT COURT CLERK

FINDING 05.07 **THE CIRCUIT COURT CLERK DID NOT PROPERLY POST SHORT-TERM ACCOUNT ACTIVITY TO THE CASH JOURNAL (Internal Control – Reportable Condition Under Government Auditing Standards)**

Short-term account activity in the office was not properly posted to the cash journal during the year, and the clerk did not reconcile the subsidiary investment ledger with the cash journal. Our examination of the clerk's subsidiary investment ledger revealed that investments totaling \$65,032 had not been posted on the cash journal. These errors would have been detected if the clerk had periodically reconciled the subsidiary investment ledger with the cash journal totals. We provided audit adjustments to management for approval and posting so the office's account balances would be presented properly in the financial statements of this report.

RECOMMENDATION

The circuit court clerk should post all short-term account activity to the cash journal and reconcile the subsidiary investment ledger with the cash journal monthly.

OFFICE OF SHERIFF

FINDING 05.08 **THE OFFICE HAD A CASH SHORTAGE OF \$14,359.88 IN THE INMATE/COMMISSARY ACCOUNT (Internal Control – Material Weakness Under Government Auditing Standards)**

The office had a cash shortage of \$14,359.88 at April 7, 2005, that resulted from office personnel's failure to deposit or otherwise account for some inmate/commissary collections and from unauthorized disbursements. Our examination was originally scheduled to cover

transactions for the period beginning July 1, 2004. However, because of irregularities noted in the maintenance of the inmate accounts, our examination was expanded to cover transactions dating back to May 22, 2002. A change in computer software prohibited access to computer data prior to May 22, 2002.

From February 1, 2000, to October 31, 2004, the office provided commissary operations to inmates through a contract with a service company. When a prisoner was booked into the jail, the correctional officer issued the inmate a generic, prenumbered receipt for any personal funds, placed the funds into an envelope with the inmate's name and monetary amount written on the envelope, sealed the envelope, and deposited the envelope into a locked box through a small opening in the top of the box. The jail administrator would retrieve the envelopes from the locked box, remove the personal funds, enter the envelope information into the inmate/commissary accounting system, make the bank deposit, enter all commissary orders requested by inmates into the computer system, and issue refund checks at the time of an inmate's release. Additionally, inmates or other individuals could make deposits to the inmates' accounts or transfer amounts from one inmate's account to another inmate's account. Effective, October 31, 2004, the office terminated its contract with the service company and ended all commissary operations. However, the jail administrator continued to enter information into the commissary accounting system until February 23, 2005, when the service company retrieved its computer equipment. The county terminated employment of the jail administrator on March 15, 2005.

The cash shortage is summarized and explained below:

A.	Unaccounted bank deposits	\$ 585.00
B.	Unaccounted cash on hand	327.54
C.	Unaccounted funds from inmate envelopes	417.75
D.	Unauthorized disbursements charged to retained earnings	11,138.56
E.	Unaccounted funds transferred from dormant accounts	<u>1,891.03</u>
	Total cash shortage	<u>\$ 14,359.88</u>

- A. Computer records indicated bank deposits were prepared on July 8, 2004 (\$45), and October 28, 2004 (\$540), totaling \$585; however, these transactions were never deposited into the commissary bank account.
- B. Three receipts totaling \$327.54 were issued in November 2004 and were reflected on the accounting records as cash on hand; however, during a cash count on February 9, 2005, auditors were not presented with any cash on hand.
- C. The jail administrator resigned on March 15, 2005. Subsequently, we worked with personnel from the Sheriff's Department to examine the jail administrator's desk and discovered several inmates' envelopes. These envelopes contained \$417.75 less than the amounts indicated on the face of the envelopes. All monies in these envelopes were immediately receipted and deposited into the commissary bank account.
- D. The inmate/commissary accounting system's retained earnings general ledger account should accumulate all profits generated from commissary sales. The only disbursements from this account should be profits remitted to the

county's General Fund; however, the jail administrator issued checks to inmates totaling \$11,138.56 from the retained earnings account. These payments should have been made from the inmates' individual accounts and not the retained earnings account. Because of the irregularities noted in this report, funds were not available in the inmates' accounts to cover these disbursements so the jail administrator charged the disbursements to the retained earnings account.

- E. In numerous instances, funds totaling \$1,891.03 were inappropriately transferred between inmate accounts. In some instances, booking receipts were issued but not entered into the inmate/commissary accounting system. In these instances, an amount equaling the booking receipt was transferred from dormant inmate accounts into current inmate accounts to provide funds necessary to cover the unrecorded receipts. These transfers provided current inmates with funds to order commissary items. In other instances, questionable transfers were made from dormant accounts to current inmate accounts then these current inmate accounts were immediately closed by issuing a check. Inmates' funds left in dormant accounts are the property of the inmates.

We have referred this matter to the district attorney general.

RECOMMENDATION

Officials should collect the cash shortage of \$14,359.88. The department should ensure that all receipts are accounted for and deposited to the official bank account, and supervisory personnel should review financial transactions of the department. Funds left in dormant accounts of inmates who cannot be located should be reported and paid to the state treasurer as unclaimed property.

FINDING 05.09 THE SHERIFF'S OFFICE FAILED TO ACCOUNT FOR BOOKING RECEIPTS TOTALING \$6,500.09
(Material Noncompliance Under Government Auditing Standards)

Booking receipts totaling \$6,500.09 could not be traced to county records. These unaccounted receipts have not been included as part of the cash shortage noted above because we could not determine whether these receipts were returned to detainees in cash or were misappropriated. In addition, because of the lack of segregation of duties, all officers could have handled these funds. Correctional officers used generic, prenumbered receipt books rather than official prenumbered receipt books. The amounts the correctional officers receipted were never reconciled with commissary receipts entered into the inmate/commissary accounting system by the jail administrator or otherwise accounted for by other Sheriff Department employees. We attempted to trace all available booking receipts issued during the period of our examination to inmate accounts and/or other department records; however, these booking receipts were not entered into the inmate/commissary accounting system or otherwise accounted for. Also, because of the use of generic receipts rather than official prenumbered receipts, we are unable to determine if we were provided all of the receipt books. Therefore, all collections were not deposited to

the office bank account within three days of collection and disbursed by official prenumbered checks, as required by Section 5-8-207, Tennessee Code Annotated (TCA). Furthermore, official prenumbered receipts were not issued for all collections as required by Sections 9-2-103 through 9-2-104, TCA.

RECOMMENDATION

All receipts should be official prenumbered receipts accounted for and reconciled with accounting records. All collections should be deposited to the official bank account within three days of receipt and disbursed by prenumbered checks, as required by state statutes.

FINDING 05.10 **COMMISSARY OPERATING DEFICIENCIES RESULTED IN \$8,601 ADDITIONAL COSTS TO MARSHALL COUNTY** (Internal Control – Material Weakness Under Government Auditing Standards)

Marshall County incurred the following additional costs due to the irregularities noted in the operation of the sheriff's commissary:

- A. The inmate/commissary bank account was charged \$34.14 for insufficient funds. These charges resulted because the jail administrator failed to deposit all funds and from the improper disbursement of certain funds.
- B. Because some inmate funds were not deposited and some deposited funds appeared to have been improperly diverted, the Sheriff's Department did not have sufficient cash in the bank available to pay the State of Tennessee for the sales tax generated from the commissary operations. On March 17, 2005, we discovered a written but unprocessed check (\$3,319.42) made payable to the Tennessee Department of Revenue, dated April 22, 2004, for the remittance of 2003 sales tax. The Department of Revenue repeatedly notified the Sheriff's Department of its delinquent sales tax account and assessed Marshall County interest and penalty for tax years 2002 (\$114.91), 2003 (\$1,147.08), and 2004 (\$361.89). Subsequently, the county's General Fund paid the commissary operation's delinquent sales taxes plus all interest and penalty due.
- C. After analyzing adjustments to the bank account for the above-noted deficiencies, the bank balance should have been \$25.98; however, the bank account had no funds and was therefore short \$25.98.
- D. Marshall County has incurred additional audit costs of approximately \$6,917 as a direct result of extra work performed on the commissary operation.

RECOMMENDATION

County officials should consider seeking restitution of these additional costs from the jail administrator.

FINDING 05.11

OTHER DEFICIENCIES WERE NOTED IN THE OPERATION OF THE INMATE/COMMISSARY ACCOUNT

(Internal Control – Reportable Condition Under Government Auditing Standards)

Our audit revealed other deficiencies in the inmate/commissary operation that provided opportunities for theft and mismanagement:

- A. Duties were not segregated among employees. The jail administrator had access to booking receipts and cash, prepared and made bank deposits, prepared and signed checks, reconciled the commissary bank account, opened all mail containing additional inmate monies, and performed all administrative duties related to the inmate/commissary operation. These duties were performed with no supervisory review.
- B. The bank for the sheriff's inmate/commissary account was located near the Sheriff's Department; however, in numerous instances, the jail administrator carried checks (also prepared by the jail administrator) issued to inmates (as discussed in Finding 05.08 D. and E.) to a bank located several miles from the Sheriff's Department and cashed the checks. The bank that cashed the third-party checks did not require the jail administrator to endorse the checks.
- C. Because of cash flow problems, the Sheriff's Department did not pay the commissary service company its fee on a timely basis. On February 23, 2005, the service company picked up its commissary computer equipment and was issued a check (\$4,232.92) for the balance owed. This check was later returned by the sheriff's bank due to insufficient funds. Subsequently, the county's General Fund paid the service company its fee.
- D. Although the inmate/commissary checks provided for two signatures, only one signature (the jail administrator's) was routinely signed. Most checks to inmates and all checks for the remittance of sales tax, county profits, and service company checks were written by the jail administrator.
- E. In some instances, inmates' personal property was lost or stolen. To compensate the inmates, the office issued checks from the inmate/commissary account for the value of the missing property, or the county's General Fund purchased replacement property for the inmate.
- F. The April 7, 2005, the general ledger of the inmate/commissary system revealed overdrawn balances in the bank account (\$6,880.17) and the retained earnings account (\$14,065.48) after the jail administrator posted the last transaction. Therefore, supervisory officials should have known transactions were not properly accounted.

As noted in a preceding finding, the operation of the commissary system ceased on October 31, 2004.

RECOMMENDATION

To correct these deficiencies, the office should segregate duties adequately among employees. Department employees should not cash department-issued checks for inmates. The sheriff should develop written policies and procedures regarding the handling of inmates' personal funds and/or property taken from them at the time of booking. All

personnel should be adequately trained to adhere to these policies and procedures, and personnel should be properly supervised to ensure these policies and procedures are followed. Furthermore, supervisory personnel should review all financial records.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 05.12 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE AMBULANCE SERVICE; BOARD OF PUBLIC UTILITIES; AND OFFICES OF TRUSTEE; CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; CLERK AND MASTER; AND SHERIFF
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees of the Ambulance Service; Board of Public Utilities; and the Offices of Trustee; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; and Sheriff. Employees responsible for maintaining the accounting records were also involved in receipting, depositing, and/or disbursing funds.

RECOMMENDATION

To strengthen internal controls over operations, these departments and offices should segregate duties adequately among employees.

FINDING 05.13 A CENTRAL SYSTEM OF PURCHASING HAD NOT BEEN ADOPTED
(Internal Control – Reportable Condition Under Government Auditing Standards)

Marshall County officials had not adopted a central system of purchasing. Establishing a central system would significantly improve internal controls over the purchasing process.

RECOMMENDATION

Marshall County officials should consider adopting the County Financial Management System of 1981 or a private act that would provide for a central system of purchasing covering all county departments.

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

There were no findings and questioned costs for federal awards.

**MARSHALL COUNTY, TENNESSEE, MARSHALL COUNTY SCHOOL
DEPARTMENT, AND MARSHALL COUNTY BOARD OF PUBLIC UTILITIES
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.