

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

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**SINGLE AUDIT REPORT**



**FOR THE YEAR ENDED JUNE 30, 2006**

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

**ANNUAL FINANCIAL REPORT**  
**MARION COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2006**

***DEPARTMENT OF AUDIT***  
***JOHN G. MORGAN***  
***Comptroller of the Treasury***

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

***ARTHUR L. ALEXANDER***  
***Director***

***CARL LOWE, CGFM***  
***Audit Manager***

***MICHAEL FORD, CPA, CGFM***  
***Auditor 4***

***KATHY CLEMENTS, CGFM***  
***TIMOTHY SCOTTON***  
***JENI PALADENI***  
***State Auditors***

This financial report is available at [www.comptroller.state.tn.us](http://www.comptroller.state.tn.us)

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# ***Audit Highlights***

Annual Financial Report  
Marion County, Tennessee  
For the Year Ended June 30, 2006

## ***Scope***

We have audited the financial statements of each major fund and the aggregate remaining fund information of Marion County as of and for the year ended June 30, 2006.

## ***Results***

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

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

## ***Findings***

The following are summaries of the audit findings:

### **MARION COUNTY**

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

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### **OFFICE OF COUNTY MAYOR**

- ◆ To date, management still has not determined accurate accounts receivable balances from its sale of the Ambulance Service effective July 1, 2003.
  - ◆ The office did not issue purchase orders in some required instances, and in several instances, invoices were paid without documentation of the receipt of goods or services. Also, competitive bids were not solicited for the purchase of food and cleaning supplies for the Marion County Jail.
  - ◆ The office did not maintain inventory records for assets owned by the general county government.
  - ◆ An interfund loan was not approved by the state director of Local Finance.
  - ◆ The office did not file Reports on Debt Obligations with the state director of Local Finance on a capital lease and an interfund loan.
-

## **OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

- ◆ The office did not develop a disaster recovery plan for its computerized applications.
  - ◆ The office had not entered into a formal hardware and software maintenance contract.
- 

## **OFFICE OF SHERIFF**

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

## **OTHER FINDINGS**

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately in the Offices of County Mayor, Highway Supervisor, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.

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## INTRODUCTORY SECTION

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Marion County Officials  
June 30, 2006

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**Officials**

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

**Board of County Commissioners**

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

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

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## FINANCIAL SECTION

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

**INDEPENDENT AUDITOR'S REPORT**

February 28, 2007

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Marion County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 45, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Marion County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Marion County Conservation Commission, a nonmajor enterprise fund, which represent .7 percent and .4 percent, respectively of the assets and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Marion County Conservation Commission, is based on the report of the other auditors.

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

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the county's governmental activities, business-type activities, and discretely presented component units are not reasonably determinable.

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

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Marion County, Tennessee, as of June 30, 2006, or the changes in its financial position or its cash flows, where applicable thereof for the year then ended.

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

However, in our opinion, based on our audit and the report of other auditors, 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 Marion County, Tennessee, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, 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 February 28, 2007, on our consideration of Marion County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not 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.

The budgetary comparison information on pages 49 through 53 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marion County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the debt service funds, and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the debt service funds, and the miscellaneous schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our report and the report of other auditors, 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 by us and the other auditors in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,



John G. Morgan  
Comptroller of the Treasury

JGM/yu

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Marion County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2006

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Rural Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>						
Cash	\$ 200	\$ 0	\$ 0	\$ 0	\$ 86,205	\$ 86,405
Equity in Pooled Cash and Investments	1,813,767	595,197	1,056,439	1,932,054	345,991	5,743,448
Accounts Receivable	32,052	1,244	0	0	2,371	35,667
Due from Other Governments	287,672	311,909	0	0	299,342	898,923
Due from Other Funds	10,428	0	0	0	0	10,428
Property Taxes Receivable	3,642,362	0	497,590	1,321,650	0	5,461,602
Allowance for Uncollectible Property Taxes	(202,937)	0	(27,723)	(73,745)	0	(304,405)
<b>Total Assets</b>	<b>\$ 5,583,544</b>	<b>\$ 908,350</b>	<b>\$ 1,526,306</b>	<b>\$ 3,179,959</b>	<b>\$ 733,909</b>	<b>\$ 11,932,068</b>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Payroll Deductions Payable	\$ 3,013	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,013
Due to Other Funds	0	0	0	0	10,428	10,428
Due to State of Tennessee	6,733	0	0	0	0	6,733
Other Current Liabilities	0	39,171	0	0	0	39,171
Deferred Revenue - Current Property Taxes	3,272,603	0	447,077	1,189,224	0	4,908,904
Deferred Revenue - Delinquent Property Taxes	149,400	0	20,410	54,290	0	224,100
Other Deferred Revenues	151,563	159,258	0	0	164,355	475,176
<b>Total Liabilities</b>	<b>\$ 3,583,312</b>	<b>\$ 198,429</b>	<b>\$ 467,487</b>	<b>\$ 1,243,514</b>	<b>\$ 174,783</b>	<b>\$ 5,667,525</b>
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 558,792	\$ 0	\$ 0	\$ 0	\$ 0	\$ 558,792
Reserved for Purchase of Electronic Fingerprint Imaging System	0	0	0	0	4,792	4,792
Reserved for Alcohol and Drug Treatment	107,103	0	0	0	0	107,103
Reserved for Sexual Offender Registration	60	0	0	0	0	60
Reserved for Computer System - Register	64,526	0	0	0	0	64,526
Reserved for Automation Purposes - Circuit Court	840	0	0	0	0	840
Reserved for Automation Purposes - General Sessions Court	17,148	0	0	0	0	17,148

(Continued)

Exhibit A

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

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)

	Major Funds				Nonmajor Funds	Total Governmen- mental Funds
	General	Highway / Public Works	General Debt Service	Rural Debt Service	Other Govern- mental Funds	
Reserved for Automation Purposes - Sheriff	\$ 4,192	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,192
Reserved for Capital Outlay	70,000	0	0	0	0	70,000
Unreserved, Reported In:						
General Fund	1,177,571	0	0	0	0	1,177,571
Special Revenue Funds	0	709,921	0	0	369,275	1,079,196
Debt Service Funds	0	0	1,058,819	1,936,445	185,059	3,180,323
Total Fund Balances	<u>\$ 2,000,232</u>	<u>\$ 709,921</u>	<u>\$ 1,058,819</u>	<u>\$ 1,936,445</u>	<u>\$ 559,126</u>	<u>\$ 6,264,543</u>
Total Liabilities and Fund Balances	<u>\$ 5,583,544</u>	<u>\$ 908,350</u>	<u>\$ 1,526,306</u>	<u>\$ 3,179,959</u>	<u>\$ 733,909</u>	<u>\$ 11,932,068</u>

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

Exhibit B

Marion County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2006

	Major Funds					Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Rural Debt Service	Education Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>							
Local Taxes	\$ 3,889,241	\$ 24,026	\$ 466,945	\$ 1,208,941	\$ 0	\$ 418,493	\$ 6,007,646
Licenses and Permits	109,736	0	0	0	0	0	109,736
Fines, Forfeitures, and Penalties	161,230	0	0	0	0	82,449	243,679
Charges for Current Services	97,919	199,010	0	0	0	361,071	658,000
Other Local Revenues	326,323	4,501	19,556	10,973	0	81,348	442,701
Fees Received from County Officials	1,154,414	0	0	0	0	0	1,154,414
State of Tennessee	806,991	2,027,868	0	0	0	118,840	2,953,699
Federal Government	989,882	18,800	0	0	0	0	1,008,682
Other Governments and Citizens Groups	122,260	0	0	845,548	0	125,383	1,093,191
<b>Total Revenues</b>	<b>\$ 7,657,996</b>	<b>\$ 2,274,205</b>	<b>\$ 486,501</b>	<b>\$ 2,065,462</b>	<b>\$ 0</b>	<b>\$ 1,187,584</b>	<b>\$ 13,671,748</b>
<u>Expenditures</u>							
Current:							
General Government	\$ 1,323,992	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,349	\$ 1,327,341
Finance	178,999	0	0	0	0	340,368	519,367
Administration of Justice	654,059	0	0	0	0	2,023	656,082
Public Safety	2,693,790	0	0	0	0	40,921	2,734,711
Public Health and Welfare	584,352	0	0	0	0	591,145	1,175,497
Social, Cultural, and Recreational Services	146,714	0	0	0	0	0	146,714
Agricultural and Natural Resources	72,826	0	0	0	0	0	72,826
Other Operations	1,898,258	0	9,211	0	0	4,992	1,912,461
Highways	0	2,539,082	0	0	0	0	2,539,082
Support Services	10,000	0	0	0	0	0	10,000
Debt Service:							
Principal on Debt	0	0	135,000	745,000	0	0	880,000
Interest on Debt	0	0	151,736	1,004,850	0	0	1,156,586
Other Debt Service	0	0	109,967	79,254	0	0	189,221
Capital Projects	0	0	0	0	19,589,937	0	19,589,937
<b>Total Expenditures</b>	<b>\$ 7,562,990</b>	<b>\$ 2,539,082</b>	<b>\$ 405,914</b>	<b>\$ 1,829,104</b>	<b>\$ 19,589,937</b>	<b>\$ 982,798</b>	<b>\$ 32,909,825</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 95,006	\$ (264,877)	\$ 80,587	\$ 236,358	\$ (19,589,937)	\$ 204,786	\$ (19,238,077)
<u>Other Financing Sources (Uses)</u>							
Bonds Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 19,500,000	\$ 0	\$ 19,500,000

(Continued)

Exhibit B

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

	Major Funds					Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Rural Debt Service	Education Capital Projects	Other Govern- mental Funds	
<u>Other Financing Sources (Uses) (Cont.)</u>							
Notes Issued	\$ 70,000	\$ 246,370	\$ 0	\$ 0	\$ 0	\$ 0	\$ 316,370
Capital Leases Issued	191,218	0	0	0	0	0	191,218
Refunding Debt Issued	0	0	4,460,000	2,560,000	0	0	7,020,000
Premiums on Debt Issued	0	0	11,749	886	89,937	0	102,572
Transfers In	0	10,000	0	0	0	80,000	90,000
Transfers Out	(90,000)	0	0	0	0	0	(90,000)
Payments to Refunded Debt Escrow Agent	0	0	(4,440,249)	(2,546,848)	0	0	(6,987,097)
Total Other Financing Sources (Uses)	\$ 171,218	\$ 256,370	\$ 31,500	\$ 14,038	\$ 19,589,937	\$ 80,000	\$ 20,143,063
Net Change in Fund Balances	\$ 266,224	\$ (8,507)	\$ 112,087	\$ 250,396	\$ 0	\$ 284,786	\$ 904,986
Fund Balance, July 1, 2005	1,734,008	718,428	946,732	1,686,049	0	274,340	5,359,557
Fund Balance, June 30, 2006	\$ 2,000,232	\$ 709,921	\$ 1,058,819	\$ 1,936,445	\$ 0	\$ 559,126	\$ 6,264,543

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

Exhibit C-1

Marion County, Tennessee  
Statement of Net Assets  
Proprietary Fund  
June 30, 2006

	Business-type Activities - Enterprise Fund
	<u>Marion County Conservation Commission</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 40,369
Prepaid Expenses	74
Total Current Assets	<u>\$ 40,443</u>
Noncurrent Assets:	
Capital Assets (Net of Accumulated Depreciation):	
Mobile Home	\$ 8,650
Bathhouse	7,655
Land Improvements	33,502
Equipment	5,943
Total Noncurrent Assets	<u>\$ 55,750</u>
Total Assets	<u>\$ 96,193</u>
<u>LIABILITIES</u>	
Noncurrent Liabilities:	
Deferred Revenue	\$ 1,356
Total Noncurrent Liabilities	<u>\$ 1,356</u>
Total Liabilities	<u>\$ 1,356</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	\$ 55,750
Unrestricted	<u>39,087</u>
Total Net Assets	<u>\$ 94,837</u>

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

Exhibit C-2

Marion County, Tennessee  
Statement of Revenues, Expenses, and  
Changes in Net Assets  
Proprietary Fund  
For the Year Ended June 30, 2006

	Business-type Activities - Enterprise Fund
	<u>Marion County Conservation Commission</u>
<u>Operating Revenues</u>	
User Fees/Vending	\$ 60,932
Miscellaneous	12
Total Operating Revenues	<u>\$ 60,944</u>
<u>Operating Expenses</u>	
Supplies	\$ 8,004
Utilities	16,002
Repairs and Maintenance	1,540
Administrative Services	1,500
Depreciation	5,621
Professional Fees	1,500
Insurance	751
Office	77
Equipment Rental	2,391
All Other	6,069
Total Operating Expenses	<u>\$ 43,455</u>
Operating Income (Loss)	<u>\$ 17,489</u>
<u>Nonoperating Revenues (Expenses)</u>	
Insurance Proceeds	\$ 2,231
Insurance Loss	(2,231)
Total Nonoperating Revenues (Expenses)	<u>\$ 0</u>
Change in Net Assets	\$ 17,489
Net Assets, July 1, 2005	<u>77,348</u>
Net Assets, June 30, 2006	<u><u>\$ 94,837</u></u>

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

Exhibit C-3

Marion County, Tennessee  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2006

	Business-type Activities - Enterprise Fund
	<u>Marion County Conservation Commission</u>
<u>Cash Flows from Operating Activities</u>	
Cash Received from Camping and Related Services	\$ 61,734
Cash Paid for Goods and Services	(37,827)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 23,907</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Proceeds from Insurance Claim	\$ 2,231
Payment on Insurance Loss	(2,231)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ 0</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Purchase of Equipment	\$ (1,719)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (1,719)</u>
Net Increase (Decrease) in Cash	\$ 22,188
Cash, July 1, 2005	<u>18,181</u>
Cash, June 30, 2006	<u><u>\$ 40,369</u></u>
<u>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</u>	
Operating Income (Loss)	\$ 17,489
Adjustment to Reconcile Net Operating Loss	
To Net Cash Provided By (Used In) Operating Activities:	
Depreciation	5,621
Change in Assets and Liabilities:	
Decrease in Prepaid Expenses	7
Increase in Deferred Revenues	790
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ 23,907</u></u>

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

Exhibit D

Marion County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2006

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 748,992
Equity in Pooled Cash and Investments	131,857
Accounts Receivable	528
Due from Other Governments	536,470
Property Taxes Receivable	416,698
Allowance for Uncollectible Property Taxes	<u>(23,257)</u>
Total Assets	<u>\$ 1,811,288</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 998,515
Due to Litigants, Heirs, and Others	748,992
Due to Joint Ventures	<u>63,781</u>
Total Liabilities	<u>\$ 1,811,288</u>

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

**MARION COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2006**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Marion County's financial statements are not presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

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

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

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

**A. Reporting Entity**

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

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

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

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

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

The Marion County School Department and the Marion County Emergency Communications District issue separate financial statements from those of the county. The School Department's financial statements are published as a separate report but under the same cover as the county's financial statements. Marion County Emergency Communications District's financial statements are published as a separate report. Complete financial statements of the Marion County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

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

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

Fund financial statements of Marion County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is

accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. Marion County has only reported one proprietary fund, an enterprise fund. An emphasis is placed on major funds within the governmental category.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Marion County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the debt service funds 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, except for agency funds which have no measurement focus. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Marion County reports the following major governmental funds:

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

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

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

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

**Education Capital Projects Fund** – This fund accounts for debt issued by Marion County that is subsequently contributed to the discretely presented Marion County School Department for building construction and renovations.

Additionally, Marion County reports the following fund types:

**Enterprise Fund** – This fund accounts for transactions of the Marion County Conservation Commission.

**Agency Funds** – These funds account for amounts collected in an agency capacity by the constitutional officers, property taxes levied on residents of Richard City, local sales taxes received by the state to be forwarded to the various cities in Marion County, and state grants and other restricted revenues held for the benefit of the Twelfth Judicial District Drug Task Force. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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

1. **Deposits and Investments**

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

The county trustee maintains a cash and internal investment pool that is used by all Marion County and Marion County School

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

**2. Receivables and Payables**

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 3.05 percent of total taxes levied.

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

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the

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

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

**3. Capital Assets**

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

**4. Compensated Absences**

It is the county's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since Marion County does not have a policy to pay any amounts when employees separate from service with the government. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements. It is Marion County's policy not to pay a separated employee for more than ten days accrued vacation leave.

**5. Long-term Obligations**

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

Governmental funds recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of

debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**6. Fund Equity**

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

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

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

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

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

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

**B. Expenditures Exceeded Appropriations**

Expenditures exceeded appropriations approved by the County Commission in the Ambulance/Emergency Medical Services major appropriation category (the legal level of control) of the General Fund by \$10,000. Such

overexpenditures are a violation of state statutes. This overexpenditure was funded by greater than expected revenues in the General Fund.

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

Marion County and the Marion County School Department participate in an internal cash and investment pool through the Office of Trustee. The Marion County School Department meets the criteria for a discretely presented component unit of Marion County. Since Marion County is presenting fund financial statements only, the financial information for the Marion County School Department is not included in these fund financial statements. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets 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, 2006, Marion County had the following investments carried at cost. All investments are in the county trustee’s investment pool. Separate disclosures concerning pooled investments cannot be made for Marion County and the School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
State Treasurer's Investment Pool	Daily	<u>\$ 17,435,481</u>
Total		<u><u>\$ 17,435,481</u></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. Marion 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. Marion County has no investment policy that would further limit its investment choices. As of June 30, 2006, Marion County’s investment in the State Treasurer’s Investment Pool was unrated.

**B. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2006, is as follows:

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 10,428

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

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2006, consisted of the following amounts:

<u>Transfers Out</u>	<u>Transfers In</u>	
	Highway/ Public Works Fund	Nonmajor Govern- mental Fund
General Fund	\$ 10,000	\$ 80,000

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

**C. Capital Lease**

On February 17, 2006, Marion County entered into a three-year lease-purchase agreement for sheriff's vehicles. The terms of the agreement require total lease payments of \$191,218 plus interest of 6.2 percent. Title to the vehicles transfers to Marion County at the end of the lease period. The lease payments are made by the General Fund.

Since Marion County is presenting fund financial statements only, the present value of minimum lease payments under lease agreements has not been reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in the government-wide financial statements, but Marion County is not presenting government-wide financial statements. Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2007	\$ 69,655
2008	69,655
2009	40,631
Total Minimum Lease Payments	\$ 179,941
Less: Amount Representing Interest	(14,065)
Present Value of Minimum Lease Payments	<u>\$ 165,876</u>

**D. Long-term Debt**

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

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 25 years for bonds and up to five years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds included in long-term debt as of June 30, 2006, will be retired from the General Debt Service Fund, the Education Debt Service Fund, and the Rural Debt Service Fund. All capital outlay notes included in long-term debt as of June 30, 2006, will be retired from the General Fund, the Solid Waste/Sanitation Fund, and the Highway/Public Works Fund.

General obligation bonds, capital outlay notes, and the capital lease outstanding as of June 30, 2006, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
General Obligation Bonds	1.2 to 6%	\$ 48,115,000	\$ 24,015,000
General Obligation Bonds - Refunding	3.5 to 5	22,405,000	21,760,000
Capital Outlay Notes	3.25 to 5.2	866,370	276,516
Capital Lease	6.2	191,218	165,876

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2006, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 920,000	\$ 2,136,136	\$ 165,867	\$ 6,816
2008	1,060,000	2,020,534	86,507	2,269
2009	1,360,000	1,956,695	24,142	845
2010	1,535,000	1,911,061	0	0
2011	1,615,000	1,844,966	0	0
2012-2016	9,190,000	8,078,206	0	0
2017-2021	11,375,000	5,891,725	0	0
2022-2026	11,240,000	3,069,759	0	0
2027-2031	7,480,000	996,492	0	0
Total	\$ 45,775,000	\$ 27,905,574	\$ 276,516	\$ 9,930

There is \$3,180,323 available in the debt service funds to service general long-term debt. Bonded debt per capita totaled \$1,648, based on the 2000 federal census. Debt per capita, including bonds, notes, and the capital lease totaled \$1,664, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

Governmental Activities:

	Bonds	Notes
Balance, July 1, 2005	\$ 26,700,000	\$ 140,911
Additions	26,520,000	316,370
Deductions	(880,000)	(180,765)
Bonds Refunded	(6,565,000)	0
Balance, June 30, 2006	\$ 45,775,000	\$ 276,516
 Balance Due Within One Year	 \$ 920,000	 \$ 165,867

	Capital Lease	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2005	\$ 16,376	\$ 286,807
Additions	191,218	31,695
Deductions	(41,718)	(7,300)
Balance, June 30, 2006	\$ 165,876	\$ 311,202
 Balance Due Within One Year	 \$ 61,088	 \$ 7,300

Advance Refunding

On July 1, 2005, Marion County advance refunded two general obligation bond issues with a separate general obligation bond issue. The county issued \$9,405,000 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 25 years will be reduced by \$565,598, and an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$361,700 was obtained.

**E. Short-term Debt**

Marion County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund. These notes were necessary because funds were not available to meet current obligations before current tax collections. Short-term debt activity for the year ended June 30, 2006, was as follows:

	Balance 7-1-05	Issued	Redeemed	Balance 6-30-06
Tax Anticipation Notes	\$ 0	\$ 300,000	\$ (300,000)	\$ 0

#### IV. OTHER INFORMATION

##### A. Risk Management

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

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

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

##### B. Accounting Changes

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries became effective for the year ended June 30, 2006. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for

insurance recoveries. GASB Statement No. 42 had no effect on the financial statements for the year ended June 30, 2006, since no capital asset impairment and insurance recoveries occurred. However, it is reasonably expected that capital asset impairment and insurance recoveries may occur in subsequent years that will be subject to the provisions of Statement No. 42.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Marion County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Marion County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. Marion County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Marion County will be required to disclose net assets restricted by enabling legislation in subsequent years.

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements. Marion County was not

offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Marion County will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

**C. Subsequent Event**

Marion County officially transferred the assets and liabilities of the Suck Creek Utility District, an enterprise fund audited by other auditors, to Tennessee American Water Company, a privately owned utility, on December 13, 2006.

**D. Contingent Liabilities**

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

**E. Landfill Closure/Postclosure Care Costs**

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Marion County has contracted with Solid Waste Disposal, Inc., a nonprofit corporation, to operate the county's landfill. The corporation has agreed to pay landfill closure costs estimated at \$650,000 for Area I and \$1,271,667 for Area II – Phase I and is currently setting aside a portion of its revenues for that purpose. However, Marion County is contingently liable for these costs. The contingent liability is based on the use of 100 percent of Area I and approximately 18 percent of the estimated capacity of Area II – Phase I. As of the balance sheet date, the contingent liability would be estimated at \$650,000 for Area I and \$228,900 (\$1,271,667 x 18 percent) for Area II – Phase I. Marion County is responsible for all landfill postclosure care costs, which are estimated at \$197,100 for Area I and \$633,900 for Area II – Phase I. Postclosure care costs will be paid only after the date that the landfill stops accepting waste. The \$311,202 reported as landfill postclosure care liability at June 30, 2006, represents the cumulative amount reported to date based on 100 percent use of Area I (\$197,100) and approximately 18 percent of the estimated capacity of Area II – Phase I (\$114,102). The county will recognize the remaining estimated cost of postclosure care of \$519,798 for Area II – Phase I as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2006. Actual costs may vary from these estimates due to inflation, changes in technology, or changes in regulations.

**F. Joint Venture**

The Twelfth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of

the Twelfth Judicial District; Bledsoe, Franklin, Marion, Marion, Rhea, and Sequatchie Counties; and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Marion County made no contributions to the DTF for the year ended June 30, 2006, and does not have any equity interest in the joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

Office of the District Attorney General  
Twelfth Judicial District  
375 Church Street, Suite 300  
Dayton, TN 37321

**G. Jointly Governed Organization**

The Marion County Railroad Authority is jointly operated by the county and the cities of Jasper, Kimball, and South Pittsburg. The Marion County Railroad Authority's board comprises the Marion County Mayor, Marion County Highway Supervisor, and the mayors of the three cities; however, the county and cities do not have any ongoing financial interest in or responsibility for the entity.

**H. Retirement Commitments**

**Plan Description**

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

amended by the Tennessee General Assembly. Political subdivisions such as Marion County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

### **Funding Policy**

Marion County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was 2.92 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Marion County is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ended June 30, 2006, Marion County's annual pension cost of \$203,306 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Marion County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was ten years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

**Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$203,306	100%	\$0
6-30-05	189,110	100	0
6-30-04	71,379	100	0

**Schedule of Funding Progress**

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
6-30-05	\$14,151	\$14,151	\$0	100%	\$6,680	0%
6-30-03	13,052	13,052	0	100	6,108	0
6-30-01	12,101	12,101	0	100	5,622	0

**I. Purchasing Laws**

Office of County Mayor

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

Office of Highway Supervisor

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

V. **OTHER NOTES – MARION COUNTY CONSERVATION COMMISSION  
(ENTERPRISE FUND)**

A. **Summary of Significant Accounting Policies**

General

The Marion County Conservation Commission was organized in 1989 for the purpose of managing the Marion County Park located on Nickajack Lake.

The primary source of revenues for the Marion County Conservation Commission is service fees charged for the use of the park. These are primarily camping fees.

Financial Reporting

Marion County Conservation Commission is accounted for as a proprietary (enterprise) fund of the Marion County Government since it provides goods and services to the general public for a user fee.

The Marion County Board of Commissioners serve as the Board of Directors for the Conservation Commission as well as appoint two individuals outside of the County Commission to serve on the Board. The County Commission may appropriate funds for the operation and maintenance of the Conservation Commission and must approve long-term debt issued by the Commission.

Marion County Conservation Commission has elected to follow all GASB pronouncements and all Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins, except those that conflict with a GASB pronouncement.

The accrual basis of accounting is used. Revenues are recognized when earned, and expenses are recognized when incurred.

Cash Flows

For purposes of the statement of cash flows, cash includes cash in bank and cash on hand.

Property and Equipment

Expenditures for major additions and improvements are capitalized. Maintenance and repairs are charged to expense as incurred.

Depreciation expense is provided on a straight-line basis over the asset's estimated useful lives as follows:

<u>Assets</u>	<u>Years</u>
Land Improvements	20
Mobile Home	20
Bathhouse	20
Equipment	7

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**B. Deposits**

Effective July 1, 2005, the Conservation Commission implemented GASB Statement No. 40, Deposit and Investment Risk Disclosures. This statement eliminated or modified portions of the disclosures previously required by GASB Statement No. 3. GASB Statement No. 40 is designed to improve financial reporting of deposit and investment risks.

At June 30, 2006, the Conservation Commission's cash consisted of the following:

	Weighted Average Maturity - Years	Fair Value
	<hr/>	<hr/>
Cash in demand deposit accounts	0	\$ 40,369

Interest Rate Risk

Since the Conservation Commission does not have any interest bearing investments, the exposure to losses resulting from rising interest rates is nil. They have decided to wait until interest bearing investments are required before they establish policies.

Custodial Credit Risk

The Commission's policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that all

deposits with financial institutions must be collateralized by securities whose market value is equal to 105 percent of the value of the uninsured deposits. The deposits must be covered by federal deposit insurance or the Tennessee Bank Collateral Pool, by collateral held by the authority's agency in the authority's name, or by Federal Reserve Banks acting as third party agents. State statutes also authorize the types of investments in which the authority may participate.

Credit Risk

The Commission's policies are designed to maximize its earnings, while protecting the security and providing maximum liquidity in accordance with all applicable state laws.

At June 30, 2006, the Conservation Commission did not have any investments.

**C. Risk**

It is the policy of the Marion County Conservation Commission to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property, casualty, and workers' compensation. Historically, settled claims have not exceeded this commercial coverage.

**D. Land Use**

The Marion County Park is located on land owned by the Tennessee Valley Authority (TVA). TVA permits Marion County to use the park land at no charge.

**E. Capital Assets**

A summary of capital assets as of June 30, 2006 is as follows:

	Balance 7-1-05	Increases	Balance 6-30-06
Capital Assets Depreciated:			
Mobile Home	\$ 12,112	\$ 0	\$ 12,112
Bathhouse	13,896	0	13,896
Land Improvements	47,476	0	47,476
Equipment	15,723	1,719	17,442
<b>Total Capital Assets Depreciated</b>	<b>\$ 89,207</b>	<b>\$ 1,719</b>	<b>\$ 90,926</b>

	Balance 7-1-05	Increases	Balance 6-30-06
Less Accumulated Depreciation For:			
Mobile Home	\$ 2,856	\$ 606	\$ 3,462
Bathhouse	5,546	695	6,241
Land Improvements	11,585	2,389	13,974
Equipment	9,568	1,931	11,499
	<hr/>		
Total Accumulated Depreciation	\$ 29,555	\$ 5,621	\$ 35,176
	<hr/>		
Total Capital Assets, Net	\$ 59,652	\$ (3,902)	\$ 55,750
	<hr/> <hr/>		

**F. Wages**

The manager of the park is compensated by the general government of Marion County. During the year ended June 30, 2006, Marion County paid the manager \$9,474 for services. Additionally, the manager is permitted to live in the mobile home rent free, including utilities.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E-1

Marion County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Fund  
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 3,889,241	\$ 0	\$ 3,889,241	\$ 3,534,596	\$ 3,534,596	\$ 354,645
Licenses and Permits	109,736	0	109,736	77,000	77,000	32,736
Fines, Forfeitures, and Penalties	161,230	0	161,230	135,500	135,500	25,730
Charges for Current Services	97,919	0	97,919	104,600	104,600	(6,681)
Other Local Revenues	326,323	0	326,323	178,600	178,600	147,723
Fees Received from County Officials	1,154,414	0	1,154,414	968,000	968,000	186,414
State of Tennessee	806,991	0	806,991	1,114,653	801,341	5,650
Federal Government	989,882	0	989,882	492,080	1,202,596	(212,714)
Other Governments and Citizens Groups	122,260	0	122,260	89,000	89,000	33,260
<b>Total Revenues</b>	<b>\$ 7,657,996</b>	<b>\$ 0</b>	<b>\$ 7,657,996</b>	<b>\$ 6,694,029</b>	<b>\$ 7,091,233</b>	<b>\$ 566,763</b>
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 63,029	\$ 0	\$ 63,029	\$ 65,000	\$ 65,000	\$ 1,971
Board of Equalization	1,840	0	1,840	3,000	3,000	1,160
Beer Board	1,800	0	1,800	1,800	1,800	0
Budget and Finance Committee	1,700	0	1,700	3,000	3,000	1,300
County Mayor/Executive	132,500	0	132,500	132,950	134,826	2,326
Election Commission	377,053	0	377,053	158,068	403,731	26,678
Register of Deeds	142,147	0	142,147	144,760	147,616	5,469
Development	20,000	0	20,000	20,000	20,000	0
Building	92,245	0	92,245	87,797	92,540	295
County Buildings	368,113	0	368,113	467,884	420,489	52,376
Other Facilities	90,000	0	90,000	90,000	90,000	0
Other General Administration	33,565	0	33,565	33,018	34,144	579
<u>Finance</u>						
Property Assessor's Office	145,463	0	145,463	164,479	168,355	22,892

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Finance (Cont.)</u>						
Reappraisal Program	\$ 33,536	\$ 0	\$ 33,536	\$ 42,720	\$ 42,720	\$ 9,184
<u>Administration of Justice</u>						
Circuit Court	333,218	0	333,218	331,526	337,796	4,578
General Sessions Court	78,015	0	78,015	78,060	78,060	45
Chancery Court	103,423	0	103,423	102,802	103,740	317
Juvenile Court	139,403	0	139,403	144,649	147,545	8,142
<u>Public Safety</u>						
Sheriff's Department	1,484,568	0	1,484,568	1,207,350	1,515,022	30,454
Drug Enforcement	210,056	0	210,056	223,043	223,043	12,987
Jail	738,304	0	738,304	806,212	808,408	70,104
Fire Prevention and Control	193,862	0	193,862	193,863	193,863	1
Civil Defense	57,000	0	57,000	57,000	57,000	0
Rescue Squad	10,000	0	10,000	10,000	10,000	0
<u>Public Health and Welfare</u>						
Local Health Center	251,679	558,792	810,471	826,988	896,988	86,517
Ambulance/Emergency Medical Services	170,000	0	170,000	160,000	160,000	(10,000)
Alcohol and Drug Programs	6,367	0	6,367	6,400	6,400	33
Other Local Health Services	95,966	0	95,966	102,474	102,474	6,508
Regional Mental Health Center	12,430	0	12,430	12,430	12,430	0
General Welfare Assistance	2,500	0	2,500	2,500	2,500	0
Sanitation Education/Information	45,410	0	45,410	46,264	48,505	3,095
<u>Social, Cultural, and Recreational Services</u>						
Libraries	120,734	0	120,734	120,734	120,734	0
Parks and Fair Boards	15,480	0	15,480	14,979	15,489	9
Other Social, Cultural, and Recreational	10,500	0	10,500	10,500	10,500	0

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Agriculture &amp; Natural Resources</u>						
Agriculture Extension Service	\$ 46,213	\$ 0	\$ 46,213	\$ 46,514	\$ 46,514	\$ 301
Soil Conservation	26,613	0	26,613	27,297	28,235	1,622
<u>Other Operations</u>						
Industrial Development	8,583	0	8,583	8,583	8,583	0
Other Economic and Community Development	138,049	0	138,049	168,397	168,397	30,348
Airport	598,145	0	598,145	468,594	598,981	836
Veterans' Services	5,325	0	5,325	6,128	6,326	1,001
Other Charges	665,549	0	665,549	820,000	770,918	105,369
Employee Benefits	454,512	0	454,512	501,000	501,000	46,488
Payments to Cities	4,718	0	4,718	0	4,718	0
Miscellaneous	23,377	0	23,377	24,964	25,759	2,382
<u>Support Services</u>						
Transportation	10,000	0	10,000	0	10,000	0
Total Expenditures	\$ 7,562,990	\$ 558,792	\$ 8,121,782	\$ 7,943,727	\$ 8,647,149	\$ 525,367
Excess (Deficiency) of Revenues Over Expenditures	\$ 95,006	\$ (558,792)	\$ (463,786)	\$ (1,249,698)	\$ (1,555,916)	\$ 1,092,130
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 70,000	\$ 0	\$ 70,000	\$ 0	\$ 70,000	\$ 0
Capital Leases Issued	191,218	0	191,218	0	191,218	0
Transfers Out	(90,000)	0	(90,000)	(225,000)	(215,000)	125,000
Total Other Financing Sources (Uses)	\$ 171,218	\$ 0	\$ 171,218	\$ (225,000)	\$ 46,218	\$ 125,000
Net Change in Fund Balance	\$ 266,224	\$ (558,792)	\$ (292,568)	\$ (1,474,698)	\$ (1,509,698)	\$ 1,217,130
Fund Balance, July 1, 2005	1,734,008	0	1,734,008	1,626,890	1,626,890	107,118
Fund Balance, June 30, 2006	\$ 2,000,232	\$ (558,792)	\$ 1,441,440	\$ 152,192	\$ 117,192	\$ 1,324,248

Exhibit E-2

Marion County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 24,026	\$ 31,388	\$ 25,163	\$ (1,137)
Charges for Current Services	199,010	150,000	199,567	(557)
Other Local Revenues	4,501	3,000	4,501	0
State of Tennessee	2,027,868	2,302,943	2,006,269	21,599
Federal Government	18,800	31,652	18,800	0
Total Revenues	<u>\$ 2,274,205</u>	<u>\$ 2,518,983</u>	<u>\$ 2,254,300</u>	<u>\$ 19,905</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 228,329	\$ 216,775	\$ 232,315	\$ 3,986
Highway and Bridge Maintenance	954,229	971,500	1,005,650	51,421
Operation and Maintenance of Equipment	280,185	246,500	286,728	6,543
Other Charges	67,910	72,710	73,827	5,917
Employee Benefits	311,487	354,400	354,400	42,913
Capital Outlay	696,942	851,014	741,666	44,724
Total Expenditures	<u>\$ 2,539,082</u>	<u>\$ 2,712,899</u>	<u>\$ 2,694,586</u>	<u>\$ 155,504</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (264,877)</u>	<u>\$ (193,916)</u>	<u>\$ (440,286)</u>	<u>\$ 175,409</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 246,370	\$ 0	\$ 246,370	\$ 0
Transfers In	10,000	10,000	10,000	0
Total Other Financing Sources (Uses)	<u>\$ 256,370</u>	<u>\$ 10,000</u>	<u>\$ 256,370</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (8,507)	\$ (183,916)	\$ (183,916)	\$ 175,409
Fund Balance, July 1, 2005	<u>718,428</u>	<u>694,327</u>	<u>694,327</u>	<u>24,101</u>
Fund Balance, June 30, 2006	<u>\$ 709,921</u>	<u>\$ 510,411</u>	<u>\$ 510,411</u>	<u>\$ 199,510</u>

**MARION COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2006**

**A. BUDGETARY INFORMATION**

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

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

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

**B. EXPENDITURES EXCEEDED APPROPRIATIONS**

Expenditures exceeded appropriations approved by the County Commission in the Ambulance/Emergency Medical Services major appropriation category (the legal level of control) of the General Fund by \$10,000. Such overexpenditures are a violation of state statutes. This overexpenditure was funded by greater than anticipated revenues in the General Fund.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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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.

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

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

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

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

Constitutional Officers - Fees Fund – The Constitutional Officers - Fees Fund is used to account for transactions of the fee and commission accounts of the trustee, clerks, register, and sheriff. Revenues from fees and commissions earned by these officials are transferred to the county's General Fund.

# Debt Service Fund

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

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Education Debt Service Fund – The Education Debt Service fund is used to account for the resources accumulated and payments made for the principal and interest on school long-term general obligation debt of governmental funds.

Exhibit F-1

Marion County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2006

	Special Revenue Funds						Debt Service Fund	Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control	Constitutional Officers - Fees	Total	Education Debt Service	
<u>ASSETS</u>								
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 86,205	\$ 86,205	\$ 0	\$ 86,205
Equity in Pooled Cash and Investments	41,659	47,584	64,640	118,904	0	272,787	73,204	345,991
Accounts Receivable	0	1,942	0	0	429	2,371	0	2,371
Due from Other Governments	0	56,173	0	0	0	56,173	243,169	299,342
<b>Total Assets</b>	<b>\$ 41,659</b>	<b>\$ 105,699</b>	<b>\$ 64,640</b>	<b>\$ 118,904</b>	<b>\$ 86,634</b>	<b>\$ 417,536</b>	<b>\$ 316,373</b>	<b>\$ 733,909</b>
<u>LIABILITIES AND FUND BALANCES</u>								
<u>Liabilities</u>								
Due to Other Funds	\$ 0	\$ 0	\$ 0	\$ 9,811	\$ 617	\$ 10,428	\$ 0	\$ 10,428
Other Deferred Revenues	0	33,041	0	0	0	33,041	131,314	164,355
<b>Total Liabilities</b>	<b>\$ 0</b>	<b>\$ 33,041</b>	<b>\$ 0</b>	<b>\$ 9,811</b>	<b>\$ 617</b>	<b>\$ 43,469</b>	<b>\$ 131,314</b>	<b>\$ 174,783</b>
<u>Fund Balances</u>								
Reserved for Purchase of Electronic Fingerprint Imaging System	\$ 0	\$ 0	\$ 0	\$ 4,792	\$ 0	\$ 4,792	\$ 0	\$ 4,792
Unreserved	41,659	72,658	64,640	104,301	86,017	369,275	185,059	554,334
<b>Total Fund Balances</b>	<b>\$ 41,659</b>	<b>\$ 72,658</b>	<b>\$ 64,640</b>	<b>\$ 109,093</b>	<b>\$ 86,017</b>	<b>\$ 374,067</b>	<b>\$ 185,059</b>	<b>\$ 559,126</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 41,659</b>	<b>\$ 105,699</b>	<b>\$ 64,640</b>	<b>\$ 118,904</b>	<b>\$ 86,634</b>	<b>\$ 417,536</b>	<b>\$ 316,373</b>	<b>\$ 733,909</b>

Exhibit F-2

Marion County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2006

	Special Revenue Funds						Debt Service Fund	Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control	Constitutional Officers - Fees	Total	Education Debt Service	
<u>Revenues</u>								
Local Taxes	\$ 17,727	\$ 288,911	\$ 0	\$ 0	\$ 0	\$ 306,638	\$ 111,855	\$ 418,493
Fines, Forfeitures, and Penalties	0	0	0	82,449	0	82,449	0	82,449
Charges for Current Services	0	10,824	0	0	350,247	361,071	0	361,071
Other Local Revenues	0	0	1,044	7,100	0	8,144	73,204	81,348
State of Tennessee	0	116,925	0	1,915	0	118,840	0	118,840
Other Governments and Citizens Groups	0	125,383	0	0	0	125,383	0	125,383
<b>Total Revenues</b>	<b>\$ 17,727</b>	<b>\$ 542,043</b>	<b>\$ 1,044</b>	<b>\$ 91,464</b>	<b>\$ 350,247</b>	<b>\$ 1,002,525</b>	<b>\$ 185,059</b>	<b>\$ 1,187,584</b>
<u>Expenditures</u>								
Current:								
General Government	\$ 3,349	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,349	\$ 0	\$ 3,349
Finance	0	0	0	0	340,368	340,368	0	340,368
Administration of Justice	0	0	0	0	2,023	2,023	0	2,023
Public Safety	0	0	0	40,921	0	40,921	0	40,921
Public Health and Welfare	0	591,145	0	0	0	591,145	0	591,145
Other Operations	151	4,026	10	805	0	4,992	0	4,992
<b>Total Expenditures</b>	<b>\$ 3,500</b>	<b>\$ 595,171</b>	<b>\$ 10</b>	<b>\$ 41,726</b>	<b>\$ 342,391</b>	<b>\$ 982,798</b>	<b>\$ 0</b>	<b>\$ 982,798</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 14,227	\$ (53,128)	\$ 1,034	\$ 49,738	\$ 7,856	\$ 19,727	\$ 185,059	\$ 204,786
<u>Other Financing Sources (Uses)</u>								
Transfers In	\$ 0	\$ 80,000	\$ 0	\$ 0	\$ 0	\$ 80,000	\$ 0	\$ 80,000
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 0</b>	<b>\$ 80,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 80,000</b>	<b>\$ 0</b>	<b>\$ 80,000</b>
Net Change in Fund Balances	\$ 14,227	\$ 26,872	\$ 1,034	\$ 49,738	\$ 7,856	\$ 99,727	\$ 185,059	\$ 284,786
Fund Balance, July 1, 2005	27,432	45,786	63,606	59,355	78,161	274,340	0	274,340
<b>Fund Balance, June 30, 2006</b>	<b>\$ 41,659</b>	<b>\$ 72,658</b>	<b>\$ 64,640</b>	<b>\$ 109,093</b>	<b>\$ 86,017</b>	<b>\$ 374,067</b>	<b>\$ 185,059</b>	<b>\$ 559,126</b>

Exhibit F-3

Marion County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Courthouse & Jail Maintenance Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 17,727	\$ 16,000	\$ 16,000	\$ 1,727
Total Revenues	\$ 17,727	\$ 16,000	\$ 16,000	\$ 1,727
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 3,349	\$ 15,000	\$ 15,000	\$ 11,651
<u>Other Operations</u>				
Other Charges	151	200	200	49
Total Expenditures	\$ 3,500	\$ 15,200	\$ 15,200	\$ 11,700
Excess (Deficiency) of Revenues Over Expenditures	\$ 14,227	\$ 800	\$ 800	\$ 13,427
Net Change in Fund Balance	\$ 14,227	\$ 800	\$ 800	\$ 13,427
Fund Balance, July 1, 2005	27,432	27,433	27,433	(1)
Fund Balance, June 30, 2006	\$ 41,659	\$ 28,233	\$ 28,233	\$ 13,426

Exhibit F-4

Marion County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 288,911	\$ 260,000	\$ 260,000	\$ 28,911
Charges for Current Services	10,824	8,850	8,850	1,974
State of Tennessee	116,925	120,032	120,032	(3,107)
Other Governments and Citizens Groups	125,383	125,383	125,383	0
Total Revenues	<u>\$ 542,043</u>	<u>\$ 514,265</u>	<u>\$ 514,265</u>	<u>\$ 27,778</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Convenience Centers	\$ 576,089	\$ 597,687	\$ 597,687	\$ 21,598
Other Waste Collection	15,056	21,232	21,232	6,176
<u>Other Operations</u>				
Other Charges	4,026	4,500	4,500	474
Total Expenditures	<u>\$ 595,171</u>	<u>\$ 623,419</u>	<u>\$ 623,419</u>	<u>\$ 28,248</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (53,128)</u>	<u>\$ (109,154)</u>	<u>\$ (109,154)</u>	<u>\$ 56,026</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 80,000	\$ 215,000	\$ 215,000	\$ (135,000)
Total Other Financing Sources (Uses)	<u>\$ 80,000</u>	<u>\$ 215,000</u>	<u>\$ 215,000</u>	<u>\$ (135,000)</u>
Net Change in Fund Balance	\$ 26,872	\$ 105,846	\$ 105,846	\$ (78,974)
Fund Balance, July 1, 2005	<u>45,786</u>	<u>13,680</u>	<u>13,680</u>	<u>32,106</u>
Fund Balance, June 30, 2006	<u><u>\$ 72,658</u></u>	<u><u>\$ 119,526</u></u>	<u><u>\$ 119,526</u></u>	<u><u>\$ (46,868)</u></u>

Exhibit F-5

Marion County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Health Department Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 1,044	\$ 450	\$ 450	\$ 594
Total Revenues	\$ 1,044	\$ 450	\$ 450	\$ 594
<u>Expenditures</u>				
<u>Other Operations</u>				
Other Charges	\$ 10	\$ 200	\$ 200	\$ 190
Total Expenditures	\$ 10	\$ 200	\$ 200	\$ 190
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,034	\$ 250	\$ 250	\$ 784
Net Change in Fund Balance	\$ 1,034	\$ 250	\$ 250	\$ 784
Fund Balance, July 1, 2005	63,606	63,453	63,453	153
Fund Balance, June 30, 2006	\$ 64,640	\$ 63,703	\$ 63,703	\$ 937

Exhibit F-6

Marion County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 82,449	\$ 28,000	\$ 53,834	\$ 28,615
Other Local Revenues	7,100	7,000	7,000	100
State of Tennessee	1,915	15,000	15,000	(13,085)
Total Revenues	<u>\$ 91,464</u>	<u>\$ 50,000</u>	<u>\$ 75,834</u>	<u>\$ 15,630</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 40,921	\$ 48,600	\$ 73,934	\$ 33,013
<u>Other Operations</u>				
Other Charges	805	400	900	95
Total Expenditures	<u>\$ 41,726</u>	<u>\$ 49,000</u>	<u>\$ 74,834</u>	<u>\$ 33,108</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 49,738</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 48,738</u>
Net Change in Fund Balance	\$ 49,738	\$ 1,000	\$ 1,000	\$ 48,738
Fund Balance, July 1, 2005	<u>59,355</u>	<u>68,567</u>	<u>68,567</u>	<u>(9,212)</u>
Fund Balance, June 30, 2006	<u>\$ 109,093</u>	<u>\$ 69,567</u>	<u>\$ 69,567</u>	<u>\$ 39,526</u>

Exhibit F-7

Marion County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Education Debt Service Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 111,855	\$ 0	\$ 0	\$ 111,855
Other Local Revenues	73,204	0	73,204	0
Total Revenues	<u>\$ 185,059</u>	<u>\$ 0</u>	<u>\$ 73,204</u>	<u>\$ 111,855</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>\$ 185,059</u>	<u>\$ 0</u>	<u>\$ 73,204</u>	<u>\$ 111,855</u>
Net Change in Fund Balance				
Fund Balance, July 1, 2005	\$ 0	0	0	0
Fund Balance, June 30, 2006	<u><u>\$ 185,059</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 73,204</u></u>	<u><u>\$ 111,855</u></u>

# Major Governmental Funds

## Debt Service Funds

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

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

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

Exhibit G-1

Marion County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 466,945	\$ 432,923	\$ 432,923	\$ 34,022
Other Local Revenues	19,556	0	19,556	0
Total Revenues	<u>\$ 486,501</u>	<u>\$ 432,923</u>	<u>\$ 452,479</u>	<u>\$ 34,022</u>
<u>Expenditures</u>				
<u>Other Operations</u>				
Other Charges	\$ 9,211	\$ 9,500	\$ 10,000	\$ 789
<u>Principal on Debt</u>				
General Government	135,000	135,000	135,000	0
<u>Interest on Debt</u>				
General Government	151,736	151,736	172,217	20,481
<u>Other Debt Service</u>				
General Government	109,967	500	110,075	108
Total Expenditures	<u>\$ 405,914</u>	<u>\$ 296,736</u>	<u>\$ 427,292</u>	<u>\$ 21,378</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 80,587</u>	<u>\$ 136,187</u>	<u>\$ 25,187</u>	<u>\$ 55,400</u>
<u>Other Financing Sources (Uses)</u>				
Refunding Debt Issued	\$ 4,460,000	\$ 0	\$ 4,460,000	\$ 0
Premiums on Debt Issued	11,749	0	11,749	0
Payments to Refunded Debt Escrow Agent	(4,440,249)	0	(4,440,249)	0
Total Other Financing Sources (Uses)	<u>\$ 31,500</u>	<u>\$ 0</u>	<u>\$ 31,500</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 112,087	\$ 136,187	\$ 56,687	\$ 55,400
Fund Balance, July 1, 2005	<u>946,732</u>	<u>945,434</u>	<u>945,434</u>	<u>1,298</u>
Fund Balance, June 30, 2006	<u>\$ 1,058,819</u>	<u>\$ 1,081,621</u>	<u>\$ 1,002,121</u>	<u>\$ 56,698</u>

Exhibit G-2

Marion County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Rural Debt Service Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,208,941	\$ 1,030,342	\$ 1,030,342	\$ 178,599
Other Local Revenues	10,973	3,000	16,908	(5,935)
Other Governments and Citizens Groups	845,548	0	845,548	0
Total Revenues	<u>\$ 2,065,462</u>	<u>\$ 1,033,342</u>	<u>\$ 1,892,798</u>	<u>\$ 172,664</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 745,000	\$ 745,000	\$ 745,000	\$ 0
<u>Interest on Debt</u>				
Education	1,004,850	1,004,850	1,018,758	13,908
<u>Other Debt Service</u>				
Education	79,254	26,100	79,703	449
Total Expenditures	<u>\$ 1,829,104</u>	<u>\$ 1,775,950</u>	<u>\$ 1,843,461</u>	<u>\$ 14,357</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 236,358</u>	<u>\$ (742,608)</u>	<u>\$ 49,337</u>	<u>\$ 187,021</u>
<u>Other Financing Sources (Uses)</u>				
Refunding Debt Issued	\$ 2,560,000	\$ 0	\$ 2,560,000	\$ 0
Premiums on Debt Issued	886	0	886	0
Transfers In	0	845,548	0	0
Payments to Refunded Debt Escrow Agent	(2,546,848)	0	(2,546,848)	0
Total Other Financing Sources (Uses)	<u>\$ 14,038</u>	<u>\$ 845,548</u>	<u>\$ 14,038</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 250,396	\$ 102,940	\$ 63,375	\$ 187,021
Fund Balance, July 1, 2005	<u>1,686,049</u>	<u>1,683,069</u>	<u>1,683,069</u>	<u>2,980</u>
Fund Balance, June 30, 2006	<u>\$ 1,936,445</u>	<u>\$ 1,786,009</u>	<u>\$ 1,746,444</u>	<u>\$ 190,001</u>

# Fiduciary Funds

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

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

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

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

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

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

Exhibit H-1

Marion County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2006

	Agency Funds					Total
	Cities-Sales Tax	Special School District	City School ADA - Richard City	Constitutional Officers-Agency	Judicial District Drug	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 748,992	\$ 0	\$ 748,992
Equity in Pooled Cash and Investments	0	125	67,951	0	63,781	131,857
Accounts Receivable	0	0	528	0	0	528
Due from Other Governments	492,100	0	44,370	0	0	536,470
Property Taxes Receivable	0	21,007	395,691	0	0	416,698
Allowance for Uncollectible Property Taxes	0	(1,211)	(22,046)	0	0	(23,257)
Total Assets	<u>\$ 492,100</u>	<u>\$ 19,921</u>	<u>\$ 486,494</u>	<u>\$ 748,992</u>	<u>\$ 63,781</u>	<u>\$ 1,811,288</u>
<u>LIABILITIES</u>						
Due to Other Taxing Units	\$ 492,100	\$ 19,921	\$ 486,494	\$ 0	\$ 0	\$ 998,515
Due to Litigants, Heirs, and Others	0	0	0	748,992	0	748,992
Due to Joint Ventures	0	0	0	0	63,781	63,781
Total Liabilities	<u>\$ 492,100</u>	<u>\$ 19,921</u>	<u>\$ 486,494</u>	<u>\$ 748,992</u>	<u>\$ 63,781</u>	<u>\$ 1,811,288</u>

Exhibit H-2

Marion County, Tennessee  
Combining Statements of Changes in Assets and Liabilities -  
All Agency Funds  
For the Year Ended June 30, 2006

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 2,786,933	\$ 2,786,933	\$ 0
Due from Other Governments	473,596	492,100	473,596	492,100
Total Assets	\$ 473,596	\$ 3,279,033	\$ 3,260,529	\$ 492,100
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 473,596	\$ 3,279,033	\$ 3,260,529	\$ 492,100
Total Liabilities	\$ 473,596	\$ 3,279,033	\$ 3,260,529	\$ 492,100
<u>Special School District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 7,559	\$ 20,879	\$ 28,313	\$ 125
Taxes Receivable	21,772	21,007	21,772	21,007
Allowance for Uncollectable Taxes	(701)	(1,211)	(701)	(1,211)
Total Assets	\$ 28,630	\$ 40,675	\$ 49,384	\$ 19,921
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 28,630	\$ 40,675	\$ 49,384	\$ 19,921
Total Liabilities	\$ 28,630	\$ 40,675	\$ 49,384	\$ 19,921
<u>City School ADA - Richard City Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 5,273	\$ 2,101,205	\$ 2,038,527	\$ 67,951
Accounts Receivable	0	528	0	528
Due from Other Governments	40,101	44,370	40,101	44,370
Taxes Receivable	350,377	395,691	350,377	395,691
Allowance for Uncollectable Taxes	(20,602)	(22,046)	(20,602)	(22,046)
Total Assets	\$ 375,149	\$ 2,519,748	\$ 2,408,403	\$ 486,494
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 375,149	\$ 2,519,748	\$ 2,408,403	\$ 486,494
Total Liabilities	\$ 375,149	\$ 2,519,748	\$ 2,408,403	\$ 486,494

(Continued)

Exhibit H-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 764,791	\$ 5,896,334	\$ 5,912,133	\$ 748,992
Total Assets	\$ 764,791	\$ 5,896,334	\$ 5,912,133	\$ 748,992
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 764,791	\$ 5,896,334	\$ 5,912,133	\$ 748,992
Total Liabilities	\$ 764,791	\$ 5,896,334	\$ 5,912,133	\$ 748,992
<u>Judicial District Drug Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 82,916	\$ 121,349	\$ 140,484	\$ 63,781
Total Assets	\$ 82,916	\$ 121,349	\$ 140,484	\$ 63,781
<u>Liabilities</u>				
Due To Joint Ventures	\$ 82,916	\$ 121,349	\$ 140,484	\$ 63,781
Total Liabilities	\$ 82,916	\$ 121,349	\$ 140,484	\$ 63,781
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 764,791	\$ 5,896,334	\$ 5,912,133	\$ 748,992
Equity in Pooled Cash and Investments	95,748	5,030,366	4,994,257	131,857
Accounts Receivable	0	528	0	528
Due from Other Governments	513,697	536,470	513,697	536,470
Taxes Receivable	372,149	416,698	372,149	416,698
Allowance for Uncollectable Taxes	(21,303)	(23,257)	(21,303)	(23,257)
Total Assets	\$ 1,725,082	\$ 11,857,139	\$ 11,770,933	\$ 1,811,288
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 877,375	\$ 5,839,456	\$ 5,718,316	\$ 998,515
Due to Litigants, Heirs, and Others	764,791	5,896,334	5,912,133	748,992
Due To Joint Ventures	82,916	121,349	140,484	63,781
Total Liabilities	\$ 1,725,082	\$ 11,857,139	\$ 11,770,933	\$ 1,811,288

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## MISCELLANEOUS SCHEDULES

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Exhibit I-1

Marion County, Tennessee  
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds  
For the Year Ended June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-06
<b>NOTES PAYABLE</b>									
<u>Payable through Solid Waste/Sanitation Fund</u>									
Solid Waste Equipment	\$ 550,000	5.2 %	9-21-01	8-21-06	\$ 140,911	\$ 0	\$ 120,919	\$ 0	\$ 19,992 (1)
<u>Payable through General Fund</u>									
Health Department	70,000	3.5	3-17-06	3-14-09	0	70,000	0	0	70,000
<u>Payable through Highway/Public Works Fund</u>									
Excavator	246,370	3.25	11-30-05	12-16-07	0	246,370	59,846	0	186,524
Total Notes Payable					\$ 140,911	\$ 316,370	\$ 180,765	\$ 0	\$ 276,516
<b>CAPITAL LEASES PAYABLE</b>									
<u>Payable through General Fund</u>									
Sheriff's Vehicles	184,649	4.86	10-11-02	9-11-05	\$ 16,376	\$ 0	\$ 16,376	\$ 0	0
Sheriff's Vehicles	191,218	6.2	2-17-06	2-17-09	0	191,218	25,342	0	165,876
Total Capital Leases Payable					\$ 16,376	\$ 191,218	\$ 41,718	\$ 0	\$ 165,876
<b>BONDS PAYABLE</b>									
<u>Payable through General Debt Service Fund</u>									
General Obligation Bonds	5,200,000	4.25 to 5	5-1-1999	4-1-09	\$ 4,630,000	\$ 0	\$ 110,000	\$ 4,175,000	\$ 345,000
General Obligation Refunding Bonds, 2005 Series	4,460,000	3.5 to 4.2	7-1-05	4-1-25	0	4,460,000	25,000	0	4,435,000
Total Payable through General Debt Service Fund					\$ 4,630,000	\$ 4,460,000	\$ 135,000	\$ 4,175,000	\$ 4,780,000
<u>Payable through Education Debt Service Fund</u>									
General Obligation Bonds, 2006 Series	19,500,000	4 to 4.5	5-31-06	6-1-31	\$ 0	\$ 19,500,000	\$ 0	\$ 0	\$ 19,500,000
<u>Payable through Rural Debt Service Fund</u>									
Rural School Bonds, Series 1999	18,000,000	5.25 to 6	11-9-1999	4-1-24	\$ 2,215,000	\$ 0	\$ 515,000	\$ 0	\$ 1,700,000
Rural School Bonds, Series 2001	3,250,000	4.35 to 5	7-1-01	4-1-11	2,975,000	0	85,000	2,390,000	500,000
Rural School Refunding Bonds, Series 2001	15,385,000	4 to 5	8-1-01	4-1-24	14,840,000	0	65,000	0	14,775,000
Rural School Bonds, Series 2003	2,165,000	1.2 to 4	7-16-03	5-1-23	2,040,000	0	70,000	0	1,970,000
Rural School Refunding Bonds, Series 2005	2,560,000	3.5 to 4.2	7-1-05	4-1-25	0	2,560,000	10,000	0	2,550,000
Total Payable through Rural Debt Service					\$ 22,070,000	\$ 2,560,000	\$ 745,000	\$ 2,390,000	\$ 21,495,000
Total Bonds Payable					\$ 26,700,000	\$ 26,520,000	\$ 880,000	\$ 6,565,000	\$ 45,775,000

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

Exhibit I-2

Marion County, Tennessee

Schedule of Bond and Interest Requirements by Year

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2007	\$ 920,000	\$ 2,136,136	\$ 3,056,136
2008	1,060,000	2,020,534	3,080,534
2009	1,360,000	1,956,695	3,316,695
2010	1,535,000	1,911,061	3,446,061
2011	1,615,000	1,844,966	3,459,966
2012	1,695,000	1,769,456	3,464,456
2013	1,760,000	1,696,072	3,456,072
2014	1,835,000	1,618,691	3,453,691
2015	1,905,000	1,537,076	3,442,076
2016	1,995,000	1,456,911	3,451,911
2017	2,075,000	1,371,094	3,446,094
2018	2,180,000	1,281,099	3,461,099
2019	2,265,000	1,183,909	3,448,909
2020	2,370,000	1,081,879	3,451,879
2021	2,485,000	973,744	3,458,744
2022	2,690,000	860,211	3,550,211
2023	2,825,000	736,294	3,561,294
2024	2,785,000	605,634	3,390,634
2025	1,545,000	470,520	2,015,520
2026	1,395,000	397,100	1,792,100
2027	1,480,000	335,000	1,815,000
2028	1,545,000	269,100	1,814,100
2029	1,630,000	200,017	1,830,017
2030	1,375,000	127,125	1,502,125
2031	1,450,000	65,250	1,515,250
Total	\$ 45,775,000	\$ 27,905,574	\$ 73,680,574

Exhibit I-3

Marion County, Tennessee  
Schedule of Transfers  
For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Highway/Public Works	Bridge construction	\$ 10,000
General	Solid Waste/Sanitation	Operating expenses	<u>80,000</u>
Total Transfers			<u>\$ 90,000</u>

Exhibit I-4

Marion County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
For the Year Ended June 30, 2006

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u> , and County Commission	\$ 71,696 (1) \$	50,000	RLI Insurance
Highway Supervisor	Section 8-24-102, <u>TCA</u> , and County Commission	61,252 (2)	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	54,048	674,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	54,048	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	54,048	50,000	"
Circuit Court Clerk Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	54,048 56,071 (3)	50,000	"
Register	Section 8-24-102, <u>TCA</u>	54,048	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	59,971 (4)	25,000	"
Employee Blanket Bond Coverage: General County Employees			250,000	Scottsdale Indemnity Company

(1) Includes local salary supplement of \$9,272.

(2) Includes local salary supplement of \$1,800.

(3) Includes special commissioner fees of \$2,023.

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

Exhibit I-5

Marion County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2006

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 3,024,579	\$ 0	\$ 0	\$ 0	\$ 0
Trustee's Collections - Prior Year	205,377	0	0	0	0
Circuit/Clerk & Master Collections - Prior Years	115,754	0	0	0	0
Interest and Penalty	35,160	0	0	0	0
Payments in-Lieu-of Taxes - T.V.A.	26,920	0	0	0	0
Payments in-Lieu-of Taxes - Local Utilities	6,833	0	0	0	0
Payments in-Lieu-of Taxes - Other	42	0	0	0	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	0	0	288,911	0	0
Litigation Tax - General	226,884	0	0	0	0
Litigation Tax - Special Purpose	56,642	17,727	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	21,769	0	0	0	0
Business Tax	166,405	0	0	0	0
Mineral Severance Tax	0	0	0	0	0
<u>Statutory Local Taxes</u>					
Interstate Telecommunications Tax	2,876	0	0	0	0
<b>Total Local Taxes</b>	<b>\$ 3,889,241</b>	<b>\$ 17,727</b>	<b>\$ 288,911</b>	<b>\$ 0</b>	<b>\$ 0</b>
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Cable TV Franchise	\$ 30,132	\$ 0	\$ 0	\$ 0	\$ 0
<u>Permits</u>					
Beer Permits	2,438	0	0	0	0
Building Permits	77,166	0	0	0	0
<b>Total Licenses and Permits</b>	<b>\$ 109,736</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 21,103	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	11,788	0	0	0	0
Drug Control Fines	0	0	0	0	17,792
Jail Fees	2,466	0	0	0	0

(Continued)

Exhibit I-5

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

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Circuit Court (Cont.)</u>					
DUI Treatment Fines	\$ 2,508	\$ 0	\$ 0	\$ 0	0
<u>Criminal Court</u>					
Data Entry Fee - Criminal Court	840	0	0	0	0
<u>General Sessions Court</u>					
Fines	38,389	0	0	0	0
Officers Costs	44,372	0	0	0	0
Game and Fish Fines	765	0	0	0	0
Jail Fees	7,133	0	0	0	0
DUI Treatment Fines	10,225	0	0	0	0
Data Entry Fee - General Sessions Court	17,148	0	0	0	0
<u>Juvenile Court</u>					
Fines	3,560	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	933	0	0	0	0
<u>Judicial District Drug Program</u>					
Drug Task Force Forfeitures and Seizures	0	0	0	0	58,357
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	0	0	6,300
Total Fines, Forfeitures, and Penalties	\$ 161,230	\$ 0	\$ 0	\$ 0	82,449
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Work Release Charges for Board	\$ 13,137	\$ 0	\$ 0	\$ 0	0
Other General Service Charges	0	0	0	0	0
<u>Fees</u>					
Airport Fees	41,678	0	0	0	0
Copy Fees	1,595	0	0	0	0
Telephone Commissions	1,171	0	0	0	0
Vending Machine Collections	22,288	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	0
Data Processing Fee - Register	13,858	0	0	0	0
Data Processing Fee - Sheriff	4,192	0	0	0	0

(Continued)

Exhibit I-5

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

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control
<u>Charges for Current Services (Cont.)</u>					
<u>Other Charges for Services</u>					
Other Charges for Services	\$ 0	\$ 0	\$ 10,824	\$ 0	\$ 0
Total Charges for Current Services	\$ 97,919	\$ 0	\$ 10,824	\$ 0	\$ 0
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 244,978	\$ 0	\$ 0	\$ 1,044	\$ 0
Lease/Rentals	35,452	0	0	0	0
Miscellaneous Refunds	14,422	0	0	0	0
<u>Nonrecurring Items</u>					
Accrued Interest on Debt Issues	0	0	0	0	0
Sale of Property	16,584	0	0	0	6,000
Damages Recovered from Individuals	10,825	0	0	0	0
Contributions & Gifts	0	0	0	0	1,100
<u>Other Local Revenues</u>					
Other Local Revenues	4,062	0	0	0	0
Total Other Local Revenues	\$ 326,323	\$ 0	\$ 0	\$ 1,044	\$ 7,100
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
County Clerk	\$ 110,850	\$ 0	\$ 0	\$ 0	\$ 0
Trustee	200,000	0	0	0	0
<u>Fees-In-Lieu of Salary</u>					
Circuit Court Clerk	165,779	0	0	0	0
General Sessions Court Clerk	403,443	0	0	0	0
Clerk and Master	83,916	0	0	0	0
Register	183,279	0	0	0	0
Sheriff	7,147	0	0	0	0
Total Fees Received from County Officials	\$ 1,154,414	\$ 0	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 11,150	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit I-5

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

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control
<u>State of Tennessee (Cont.)</u>					
<u>General Government Grants (Cont.)</u>					
Airport Maintenance Program	\$ 13,016	\$ 0	\$ 0	\$ 0	0
State Reappraisal Grant	11,590	0	0	0	0
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	8,299	0	0	0	0
<u>Health and Welfare Grants</u>					
Health Department Programs	98,717	0	0	0	0
<u>Public Works Grants</u>					
State Aid Program	0	0	0	0	0
Litter Program	30,607	0	0	0	0
<u>Other State Revenues</u>					
Income Tax	66,507	0	0	0	0
Beer Tax	26,656	0	0	0	0
Alcoholic Beverage Tax	31,457	0	0	0	0
Mixed Drink Tax	1,724	0	0	0	0
State Revenue Sharing - T.V.A.	203,739	0	101,869	0	0
Contracted Prisoner Boarding	157,082	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0
Petroleum Special Tax	0	0	0	0	0
T.B.I. - Equipment Reimbursement	827	0	0	0	0
Registrar's Salary Supplement	16,380	0	0	0	0
Other State Grants	79,240	0	15,056	0	0
Other State Revenues	50,000	0	0	0	1,915
Total State of Tennessee	\$ 806,991	\$ 0	\$ 116,925	\$ 0	\$ 1,915
<u>Federal Government</u>					
<u>Federal Through State</u>					
Disaster Relief	\$ 0	\$ 0	\$ 0	\$ 0	0
Homeland Security Grants	8,955	0	0	0	0
Law Enforcement Grants	25,077	0	0	0	0
Other Federal through State	776,949	0	0	0	0
<u>Direct Federal Revenue</u>					
Other Direct Federal Revenue	178,901	0	0	0	0
Total Federal Government	\$ 989,882	\$ 0	\$ 0	\$ 0	0

(Continued)

Exhibit I-5

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

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 125,383	\$ 0	\$ 0
Contracted Services	122,260	0	0	0	0
Total Other Governments and Citizens Groups	\$ 122,260	\$ 0	\$ 125,383	\$ 0	\$ 0
 Total	 \$ 7,657,996	 \$ 17,727	 \$ 542,043	 \$ 1,044	 \$ 91,464

(Continued)

Exhibit I-5

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

	Special Revenue Funds		Debt Service Funds			Total
	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	Education Debt Service	
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 0	\$ 0	\$ 413,197	\$ 1,074,074	\$ 0	\$ 4,511,850
Trustee's Collections - Prior Year	0	0	28,057	72,552	0	305,986
Circuit/Clerk & Master Collections - Prior Years	0	0	15,936	36,727	0	168,417
Interest and Penalty	0	0	4,804	12,418	0	52,382
Payments in-Lieu-of Taxes - T.V.A.	0	0	4,012	10,672	0	41,604
Payments in-Lieu-of Taxes - Local Utilities	0	0	933	2,483	0	10,249
Payments in-Lieu-of Taxes - Other	0	0	6	15	0	63
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	0	111,855	400,766
Litigation Tax - General	0	0	0	0	0	226,884
Litigation Tax - Special Purpose	0	0	0	0	0	74,369
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	21,769
Business Tax	0	0	0	0	0	166,405
Mineral Severance Tax	0	24,026	0	0	0	24,026
<u>Statutory Local Taxes</u>						
Interstate Telecommunications Tax	0	0	0	0	0	2,876
<b>Total Local Taxes</b>	<b>\$ 0</b>	<b>\$ 24,026</b>	<b>\$ 466,945</b>	<b>\$ 1,208,941</b>	<b>\$ 111,855</b>	<b>\$ 6,007,646</b>
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 30,132
<u>Permits</u>						
Beer Permits	0	0	0	0	0	2,438
Building Permits	0	0	0	0	0	77,166
<b>Total Licenses and Permits</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 109,736</b>
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,103
Officers Costs	0	0	0	0	0	11,788
Drug Control Fines	0	0	0	0	0	17,792
Jail Fees	0	0	0	0	0	2,466

(Continued)

Exhibit I-5

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

	Special Revenue Funds		Debt Service Funds			Total
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	Education Debt Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Circuit Court (Cont.)</u>						
DUI Treatment Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	2,508
<u>Criminal Court</u>						
Data Entry Fee - Criminal Court	0	0	0	0	0	840
<u>General Sessions Court</u>						
Fines	0	0	0	0	0	38,389
Officers Costs	0	0	0	0	0	44,372
Game and Fish Fines	0	0	0	0	0	765
Jail Fees	0	0	0	0	0	7,133
DUI Treatment Fines	0	0	0	0	0	10,225
Data Entry Fee - General Sessions Court	0	0	0	0	0	17,148
<u>Juvenile Court</u>						
Fines	0	0	0	0	0	3,560
<u>Chancery Court</u>						
Officers Costs	0	0	0	0	0	933
<u>Judicial District Drug Program</u>						
Drug Task Force Forfeitures and Seizures	0	0	0	0	0	58,357
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	0	0	0	0	0	6,300
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	243,679
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Work Release Charges for Board	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	13,137
Other General Service Charges	0	199,010	0	0	0	199,010
<u>Fees</u>						
Airport Fees	0	0	0	0	0	41,678
Copy Fees	0	0	0	0	0	1,595
Telephone Commissions	0	0	0	0	0	1,171
Vending Machine Collections	0	0	0	0	0	22,288
Constitutional Officers' Fees and Commissions	350,247	0	0	0	0	350,247
Data Processing Fee - Register	0	0	0	0	0	13,858
Data Processing Fee - Sheriff	0	0	0	0	0	4,192

(Continued)

Exhibit I-5

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

	Special Revenue Funds		Debt Service Funds			Total
	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	Education Debt Service	
<u>Charges for Current Services (Cont.)</u>						
<u>Other Charges for Services</u>						
Other Charges for Services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,824
Total Charges for Current Services	\$ 350,247	\$ 199,010	\$ 0	\$ 0	\$ 0	\$ 658,000
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 246,022
Lease/Rentals	0	0	0	0	0	35,452
Miscellaneous Refunds	0	4,501	0	0	0	18,923
<u>Nonrecurring Items</u>						
Accrued Interest on Debt Issues	0	0	19,556	10,973	73,204	103,733
Sale of Property	0	0	0	0	0	22,584
Damages Recovered from Individuals	0	0	0	0	0	10,825
Contributions & Gifts	0	0	0	0	0	1,100
<u>Other Local Revenues</u>						
Other Local Revenues	0	0	0	0	0	4,062
Total Other Local Revenues	\$ 0	\$ 4,501	\$ 19,556	\$ 10,973	\$ 73,204	\$ 442,701
<u>Fees Received from County Officials</u>						
<u>Excess Fees</u>						
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 110,850
Trustee	0	0	0	0	0	200,000
<u>Fees-In-Lieu of Salary</u>						
Circuit Court Clerk	0	0	0	0	0	165,779
General Sessions Court Clerk	0	0	0	0	0	403,443
Clerk and Master	0	0	0	0	0	83,916
Register	0	0	0	0	0	183,279
Sheriff	0	0	0	0	0	7,147
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,154,414
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,150

(Continued)

Exhibit I-5

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

	Special Revenue Funds		Debt Service Funds			Total
	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	Education Debt Service	
<u>State of Tennessee (Cont.)</u>						
<u>General Government Grants (Cont.)</u>						
Airport Maintenance Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	13,016
State Reappraisal Grant	0	0	0	0	0	11,590
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	0	0	0	0	0	8,299
<u>Health and Welfare Grants</u>						
Health Department Programs	0	0	0	0	0	98,717
<u>Public Works Grants</u>						
State Aid Program	0	235,371	0	0	0	235,371
Litter Program	0	0	0	0	0	30,607
<u>Other State Revenues</u>						
Income Tax	0	0	0	0	0	66,507
Beer Tax	0	0	0	0	0	26,656
Alcoholic Beverage Tax	0	0	0	0	0	31,457
Mixed Drink Tax	0	0	0	0	0	1,724
State Revenue Sharing - T.V.A.	0	0	0	0	0	305,608
Contracted Prisoner Boarding	0	0	0	0	0	157,082
Gasoline and Motor Fuel Tax	0	1,758,271	0	0	0	1,758,271
Petroleum Special Tax	0	22,344	0	0	0	22,344
T.B.I. - Equipment Reimbursement	0	0	0	0	0	827
Registrar's Salary Supplement	0	0	0	0	0	16,380
Other State Grants	0	11,882	0	0	0	106,178
Other State Revenues	0	0	0	0	0	51,915
Total State of Tennessee	\$ 0	\$ 2,027,868	\$ 0	\$ 0	\$ 0	2,953,699
<u>Federal Government</u>						
<u>Federal Through State</u>						
Disaster Relief	\$ 0	\$ 18,800	\$ 0	\$ 0	\$ 0	18,800
Homeland Security Grants	0	0	0	0	0	8,955
Law Enforcement Grants	0	0	0	0	0	25,077
Other Federal through State	0	0	0	0	0	776,949
<u>Direct Federal Revenue</u>						
Other Direct Federal Revenue	0	0	0	0	0	178,901
Total Federal Government	\$ 0	\$ 18,800	\$ 0	\$ 0	\$ 0	1,008,682

(Continued)

Exhibit I-5

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

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>			<u>Total</u>
	<u>Constitu - tional Officers - Fees</u>	<u>Highway / Public Works</u>	<u>General Debt Service</u>	<u>Rural Debt Service</u>	<u>Education Debt Service</u>	
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 0	\$ 0	\$ 0	\$ 845,548	\$ 0	\$ 970,931
Contracted Services	0	0	0	0	0	122,260
<u>Total Other Governments and Citizens Groups</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 845,548</u>	<u>\$ 0</u>	<u>\$ 1,093,191</u>
<u>Total</u>	<u>\$ 350,247</u>	<u>\$ 2,274,205</u>	<u>\$ 486,501</u>	<u>\$ 2,065,462</u>	<u>\$ 185,059</u>	<u>\$ 13,671,748</u>

Exhibit I-6

Marion County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2006

General Fund

General Government

County Commission

Board and Committee Members Fees	\$ 20,900	
Legal Services	42,129	
Total County Commission		\$ 63,029

Board of Equalization

Board and Committee Members Fees	\$ 1,840	
Total Board of Equalization		1,840

Beer Board

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

Budget and Finance Committee

Board and Committee Members Fees	\$ 1,700	
Total Budget and Finance Committee		1,700

County Mayor/Executive

County Official/Administrative Officer	\$ 71,696	
Accountants/Bookkeepers	25,315	
Secretary(ies)	25,315	
Other Salaries & Wages	8,721	
Maintenance & Repair Services - Vehicles	146	
Travel	678	
Gasoline	629	
Total County Mayor/Executive		132,500

Election Commission

County Official/Administrative Officer	\$ 45,941	
Deputy(ies)	25,221	
Election Commission	8,475	
Election Workers	41,647	
Contracts with Private Agencies	738	
Postal Charges	3,626	
Printing, Stationery, and Forms	11,092	
Travel	5,183	
Other Charges	3,560	
Data Processing Equipment	3,570	
Office Equipment	228,000	
Total Election Commission		377,053

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		26,437	
Clerical Personnel		25,315	
Other Salaries & Wages		25,315	
Operating Lease Payments		10,539	
Travel		493	
Total Register of Deeds			\$ 142,147

Development

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

Building

Supervisor/Director	\$	41,266	
Clerical Personnel		32,397	
Other Salaries & Wages		272	
In-Service Training		676	
Contracts with Government Agencies		8,500	
Travel		9,134	
Total Building			92,245

County Buildings

Attendants	\$	21,286	
Custodial Personnel		24,199	
Other Salaries & Wages		1,336	
Other Contracted Services		14,530	
Utilities		240,964	
Other Supplies and Materials		61,142	
Building Improvements		710	
Office Equipment		3,946	
Total County Buildings			368,113

Other Facilities

Maintenance & Repair Services - Buildings	\$	90,000	
Total Other Facilities			90,000

Other General Administration

Maintenance Personnel	\$	30,394	
Communication		696	
Travel		2,475	
Total Other General Administration			33,565

(Continued)

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

General Fund (Cont.)

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	54,048	
Secretary(ies)		25,315	
Clerical Personnel		22,502	
Temporary Personnel		2,000	
Other Salaries & Wages		25,315	
Audit Services		12,880	
Data Processing Services		595	
Travel		1,012	
Other Contracted Services		1,796	
Total Property Assessor's Office			\$ 145,463

Reappraisal Program

Clerical Personnel	\$	9,634	
Other Salaries & Wages		19,108	
Data Processing Services		3,201	
Travel		1,593	
Total Reappraisal Program			33,536

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		199,491	
Temporary Personnel		3,280	
Overtime Pay		148	
Other Salaries & Wages		22,387	
Jury and Witness Fees		16,180	
Debt Collection Services		7,920	
Operating Lease Payments		26,400	
Other Contracted Services		3,364	
Total Circuit Court			333,218

General Sessions Court

Judge(s)	\$	76,260	
Travel		1,755	
Total General Sessions Court			78,015

Chancery Court

County Official/Administrative Officer	\$	54,048	
Accountants/Bookkeepers		24,060	
Other Salaries & Wages		25,315	
Total Chancery Court			103,423

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court

Judge(s)	\$	45,756	
Assistant(s)		27,514	
Probation Officer(s)		25,315	
Clerical Personnel		25,315	
Temporary Personnel		9,968	
Travel		3,522	
Other Contracted Services		992	
Drugs and Medical Supplies		588	
Office Supplies		433	
Total Juvenile Court			\$ 139,403

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	59,452	
Deputy(ies)		457,857	
Accountants/Bookkeepers		7,279	
Salary Supplements		8,299	
Dispatchers/Radio Operators		232,877	
Attendants		34,828	
Custodial Personnel		17,984	
Temporary Personnel		8,448	
Overtime Pay		155,751	
Other Salaries & Wages		45,000	
In-Service Training		8,481	
Operating Lease Payments		29,808	
Gasoline		92,956	
Instructional Supplies and Materials		11,008	
Tires and Tubes		1,068	
Uniforms		8,249	
Vehicle Parts		32,807	
Other Charges		7,392	
Principal on Capital Leases		41,718	
Interest on Capital Leases		3,792	
Communication Equipment		1,916	
Law Enforcement Equipment		26,380	
Motor Vehicles		191,218	
Total Sheriff's Department			1,484,568

Drug Enforcement

Overtime Pay	\$	39,637	
--------------	----	--------	--

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Other Fringe Benefits	\$	7,145	
Other Contracted Services		31,159	
Office Supplies		20,166	
Law Enforcement Equipment		111,949	
Total Drug Enforcement			\$ 210,056

Jail

Guards	\$	323,876	
Cafeteria Personnel		41,368	
Temporary Personnel		2,455	
Overtime Pay		31,552	
Other Salaries & Wages		8,304	
In-Service Training		330	
Medical and Dental Services		175,686	
Transportation - Other than Students		42	
Food Supplies		111,226	
Prisoners Clothing		4,865	
Uniforms		4,876	
Other Charges		33,724	
Total Jail			738,304

Fire Prevention and Control

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

Civil Defense

Contributions	\$	7,000	
Equipment and Machinery Parts		50,000	
Total Civil Defense			57,000

Rescue Squad

Contributions	\$	10,000	
Total Rescue Squad			10,000

Public Health and Welfare

Local Health Center

Contributions	\$	53,186	
Other Contracted Services		133,570	
Building Construction		64,923	
Total Local Health Center			251,679

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services

Ambulance Services	\$ 170,000	
Total Ambulance/Emergency Medical Services		\$ 170,000

Alcohol and Drug Programs

Other Salaries & Wages	\$ 2,400	
Other Supplies and Materials	3,967	
Total Alcohol and Drug Programs		6,367

Other Local Health Services

Contracts with Government Agencies	\$ 1,000	
Contracts with Other Public Agencies	73,974	
Pauper Burials	2,100	
Other Contracted Services	18,892	
Total Other Local Health Services		95,966

Regional Mental Health Center

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

General Welfare Assistance

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

Sanitation Education/Information

Guards	\$ 14,590	
Clerical Personnel	19,414	
Other Fringe Benefits	1,000	
Travel	1,764	
Gasoline	429	
Instructional Supplies and Materials	5,780	
Library Books/Media	1,900	
Other Supplies and Materials	58	
Other Equipment	475	
Total Sanitation Education/Information		45,410

Social, Cultural, and Recreational Services

Libraries

Contributions	\$ 120,734	
Total Libraries		120,734

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Parks and Fair Boards

Custodial Personnel	\$	9,980	
Contributions		<u>5,500</u>	
Total Parks and Fair Boards	\$		15,480

Other Social, Cultural, and Recreational

Contributions	\$	500	
Chemicals		<u>10,000</u>	
Total Other Social, Cultural, and Recreational			10,500

Agriculture & Natural Resources

Agriculture Extension Service

Contributions	\$	<u>46,213</u>	
Total Agriculture Extension Service			46,213

Soil Conservation

Clerical Personnel	\$	25,315	
Travel		90	
Office Supplies		988	
Other Charges		<u>220</u>	
Total Soil Conservation			26,613

Other Operations

Industrial Development

Dues and Memberships	\$	<u>8,583</u>	
Total Industrial Development			8,583

Other Economic and Community Development

Water and Sewer	\$	7,563	
Other Charges		<u>130,486</u>	
Total Other Economic and Community Development			138,049

Airport

Supervisor/Director	\$	26,541	
Temporary Personnel		8,595	
Other Fringe Benefits		3,793	
Travel		728	
Fuel Oil		23,981	
Office Supplies		1,402	
Utilities		8,166	
Liability Insurance		2,685	

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Airport (Cont.)

Other Charges	\$	1,867	
Airport Improvement		17,997	
Other Construction		<u>502,390</u>	
Total Airport	\$		598,145

Veterans' Services

Supervisor/Director	\$	<u>5,325</u>	
Total Veterans' Services			5,325

Other Charges

Audit Services	\$	7,950	
Contracts with Government Agencies		1,175	
Dues and Memberships		10,996	
Legal Notices, Recording, and Court Costs		3,942	
Maintenance & Repair Services - Equipment		96,538	
Office Supplies		113,823	
Building and Contents Insurance		24,678	
Liability Insurance		130,890	
Premiums on Corporate Surety Bonds		363	
Trustee's Commission		90,709	
Vehicle and Equipment Insurance		56,607	
Workers' Compensation Insurance		90,731	
Other Charges		19,806	
Office Equipment		<u>17,341</u>	
Total Other Charges			665,549

Employee Benefits

Social Security	\$	204,948	
State Retirement		80,609	
Employee and Dependent Insurance		160,971	
Unemployment Compensation		<u>7,984</u>	
Total Employee Benefits			454,512

Payments to Cities

Contracts with Other Public Agencies	\$	<u>4,718</u>	
Total Payments to Cities			4,718

Miscellaneous

Investigator(s)	\$	21,459	
Travel		1,800	

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous (Cont.)

Refunds	\$ 118	
Total Miscellaneous		\$ 23,377

Support Services

Transportation

Contributions	\$ 10,000	
Total Transportation		<u>10,000</u>

Total General Fund		\$ 7,562,990
--------------------	--	--------------

Courthouse & Jail Maintenance Fund

General Government

County Buildings

Maintenance & Repair Services - Buildings	\$ 3,349	
Total County Buildings		\$ 3,349

Other Operations

Other Charges

Trustee's Commission	\$ 151	
Total Other Charges		<u>151</u>

Total Courthouse & Jail Maintenance Fund		3,500
--	--	-------

Solid Waste/Sanitation Fund

Public Health and Welfare

Convenience Centers

Truck Drivers	\$ 45,615
Part-time Personnel	123,352
Other Salaries & Wages	6,717
Social Security	13,606
Unemployment Compensation	1,356
Maintenance & Repair Services - Equipment	8,395
Disposal Fees	209,382
Diesel Fuel	11,719
Tires and Tubes	10,486
Uniforms	1,115
Utilities	14,301
Gravel and Chert	1,450
Other Supplies and Materials	2,593
Other Charges	619

(Continued)

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Convenience Centers (Cont.)

Principal on Notes	\$ 120,919	
Interest on Notes	<u>4,464</u>	
Total Convenience Centers		\$ 576,089

Other Waste Collection

Tires and Tubes	\$ 15,056	
Total Other Waste Collection		15,056

Other Operations

Other Charges

Trustee's Commission	\$ 4,026	
Total Other Charges		<u>4,026</u>

Total Solid Waste/Sanitation Fund \$ 595,171

Health Department Fund

Other Operations

Other Charges

Trustee's Commission	\$ 10	
Total Other Charges		<u>\$ 10</u>

Total Health Department Fund 10

Drug Control Fund

Public Safety

Drug Enforcement

Overtime Pay	\$ 4,144	
In-Service Training	1,242	
Confidential Drug Enforcement Payments	2,000	
Tow-in Services	535	
Travel	365	
Veterinary Services	776	
Animal Food and Supplies	2,605	
Law Enforcement Supplies	2,146	
Utilities	541	
Refunds	14,004	
Law Enforcement Equipment	1,233	
Motor Vehicles	<u>11,330</u>	
Total Drug Enforcement		\$ 40,921

(Continued)

Exhibit I-6

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

Drug Control Fund (Cont.)

Other Operations

Other Charges

Trustee's Commission	\$ 805	
Total Other Charges		\$ 805

Total Drug Control Fund \$ 41,726

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$ 158,668	
Total County Trustee's Office		\$ 158,668

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 181,700	
Total County Clerk's Office		181,700

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$ 2,023	
Total Chancery Court		2,023

Total Constitutional Officers - Fees Fund 342,391

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 59,452	
Assistant(s)	73,160	
Accountants/Bookkeepers	61,246	
Salary Supplements	1,800	
Communication	9,832	
Data Processing Services	3,523	
Dues and Memberships	3,354	
Evaluation and Testing	1,813	
Legal Notices, Recording, and Court Costs	120	
Maintenance & Repair Services - Office Equipment	702	
Postal Charges	500	
Travel	978	
Other Contracted Services	3,235	
Office Supplies	939	
Other Charges	7,675	
Total Administration		\$ 228,329

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance

Foremen	\$	49,989	
Equipment Operators		56,891	
Truck Drivers		201,941	
Laborers		210,033	
Operating Lease Payments		1,000	
Rentals		1,440	
Asphalt - Cold Mix		4,109	
Asphalt - Hot Mix		277,886	
Asphalt - Liquid		39,880	
Crushed Stone		67,768	
Pipe - Metal		11,254	
Road Signs		6,765	
Sand		1,520	
Wood Products		385	
Other Supplies and Materials		23,368	
Total Highway and Bridge Maintenance			\$ 954,229

Operation and Maintenance of Equipment

Mechanic(s)	\$	80,592	
Nightwatchmen		28,802	
Diesel Fuel		51,854	
Equipment and Machinery Parts		46,150	
Garage Supplies		12,731	
Gasoline		42,395	
Lubricants		2,716	
Propane Gas		1,363	
Tires and Tubes		13,582	
Total Operation and Maintenance of Equipment			280,185

Other Charges

Electricity	\$	7,685	
Water and Sewer		142	
Building and Contents Insurance		1,299	
Liability Insurance		7,191	
Trustee's Commission		18,308	
Vehicle and Equipment Insurance		33,285	
Total Other Charges			67,910

Employee Benefits

Social Security	\$	63,128	
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(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits (Cont.)

State Retirement	\$	23,365	
Employee and Dependent Insurance		157,713	
Workers' Compensation Insurance		<u>67,281</u>	
Total Employee Benefits	\$		311,487

Capital Outlay

Principal on Notes	\$	59,846	
Interest on Notes		3,943	
Bridge Construction		24,576	
Building Improvements		122	
Communication Equipment		1,950	
Data Processing Equipment		4,810	
Highway Construction		19,775	
Highway Equipment		246,370	
Motor Vehicles		22,950	
State Aid Projects		<u>312,600</u>	
Total Capital Outlay			<u>696,942</u>

Total Highway/Public Works Fund \$ 2,539,082

General Debt Service Fund

Other Operations

Other Charges

Trustee's Commission	\$	<u>9,211</u>	
Total Other Charges	\$		9,211

Principal on Debt

General Government

Principal on Bonds	\$	<u>135,000</u>	
Total General Government			135,000

Interest on Debt

General Government

Interest on Bonds	\$	<u>151,736</u>	
Total General Government			151,736

Other Debt Service

General Government

Other Charges	\$	392	
Underwriter's Discount		45,555	

(Continued)

Exhibit I-6

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

<u>General Debt Service Fund (Cont.)</u>			
<u>Other Debt Service (Cont.)</u>			
<u>General Government (Cont.)</u>			
Other Debt Issuance Charges	\$	64,020	
Total General Government			\$ 109,967
Total General Debt Service Fund			\$ 405,914
<u>Rural Debt Service Fund</u>			
<u>Principal on Debt</u>			
<u>Education</u>			
Principal on Bonds	\$	745,000	
Total Education			\$ 745,000
<u>Interest on Debt</u>			
<u>Education</u>			
Interest on Bonds	\$	1,004,850	
Total Education			1,004,850
<u>Other Debt Service</u>			
<u>Education</u>			
Trustee's Commission	\$	23,881	
Other Charges		1,770	
Underwriter's Discount		20,906	
Other Debt Issuance Charges		32,697	
Total Education			79,254
Total Rural Debt Service Fund			1,829,104
<u>Education Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Education Capital Projects</u>			
Contributions	\$	19,262,149	
Underwriter's Discount		76,638	
Other Debt Issuance Charges		251,150	
Total Education Capital Projects			\$ 19,589,937
Total Education Capital Projects Fund			19,589,937
Total Governmental Funds - Primary Government			\$ 32,909,825

Exhibit I-7

Marion County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balances - City Agency Funds  
For the Year Ended June 30, 2006

	Cities Sales Tax Fund	Special School District Fund	City School ADA - Richard City Fund	Total
<u>Cash Receipts</u>				
Current Property Taxes	\$ 0	\$ 18,697	\$ 326,697	\$ 345,394
Trustee's Collections - Prior Years	0	1,724	22,311	24,035
Circuit/Clerk and Master Collections - Prior Years	0	159	11,696	11,855
Interest and Penalty	0	299	3,820	4,119
Payments in Lieu of Taxes - T.V.A.	0	0	3,190	3,190
Payments in Lieu of Taxes - Local Utilities	0	0	742	742
Payments in Lieu of Taxes - Other	0	0	5	5
Local Option Sales Tax	2,786,933	0	249,396	3,036,329
Hotel/Motel Tax	0	0	2,482	2,482
Bank Excise Tax	0	0	6,604	6,604
Wholesale Beer Tax	0	0	9,756	9,756
Interstate Telecommunications Tax	0	0	390	390
Marriage Licenses	0	0	193	193
Contributions & Gifts	0	0	1,463,923	1,463,923
Total Cash Receipts	\$ 2,786,933	\$ 20,879	\$ 2,101,205	\$ 4,909,017
<u>Cash Disbursements</u>				
Remittance of Revenues Collected	\$ 2,759,064	\$ 27,898	\$ 2,029,169	\$ 4,816,131
Trustee's Commission	27,869	415	9,358	37,642
Total Cash Disbursements	\$ 2,786,933	\$ 28,313	\$ 2,038,527	\$ 4,853,773
Excess of Cash Receipts Over (Under)				
Cash Disbursements	\$ 0	\$ (7,434)	\$ 62,678	\$ 55,244
Cash Balance, July 1, 2005	0	7,559	5,273	12,832
Cash Balance, June 30, 2006	\$ 0	\$ 125	\$ 67,951	\$ 68,076

**ANNUAL FINANCIAL REPORT**  
**MARION COUNTY SCHOOL DEPARTMENT**  
**A COMPONENT UNIT OF MARION COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2006**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

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

*ARTHUR L. ALEXANDER*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

*MICHAEL FORD, CPA, CGFM*  
*Auditor 4*

*KATHY CLEMENTS, CGFM*  
*TIMOTHY SCOTTON*  
*JENI PALADENI*  
*State Auditors*

This financial report is available at [www.comptroller.state.tn.us](http://www.comptroller.state.tn.us)

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

Annual Financial Report  
Marion County School Department  
For the Year Ended June 30, 2006

## ***Scope***

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Marion County School Department as of and for the year ended June 30, 2006.

## ***Results***

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

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

## ***Findings***

The following are summaries of the audit findings:

### **MARION COUNTY SCHOOL DEPARTMENT**

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ Expenditures and other uses exceeded total appropriations in the School Federal Projects Fund by \$120,314.
- ◆ In several instances, invoices were paid without documentation that goods had been received or services had been rendered.
- ◆ The School Department did not maintain inventory records for assets.

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### **OTHER FINDINGS**

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

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## INTRODUCTORY SECTION

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Marion County School Officials  
June 30, 2006

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**Officials**

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

**Board of Education**

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

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## FINANCIAL SECTION

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

**INDEPENDENT AUDITOR'S REPORT**

February 28, 2007

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

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Marion County School Department, a component unit of Marion County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 33, which collectively comprise a portion of the Marion County School Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Marion County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

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

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Marion County School Department as of June 30, 2006, or the changes in its financial position thereof for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Marion County School Department as of June 30, 2006, 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 February 28, 2007, on our consideration of the Marion County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not 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.

The budgetary comparison information on pages 37 through 41 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Very truly yours,

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

John G. Morgan  
Comptroller of the Treasury

JGM/yu

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Marion County, Tennessee  
Balance Sheet - Governmental Funds  
Marion County School Department  
June 30, 2006

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General Purpose School</u>	<u>Education Capital Projects</u>	<u>Funds</u> <u>Other Govern-mental Funds</u>	
<u>ASSETS</u>				
Cash	\$ 16,439	\$ 0	\$ 2,826	\$ 19,265
Equity in Pooled Cash and Investments	1,055,023	17,643,780	990,255	19,689,058
Accounts Receivable	12,086	0	0	12,086
Due from Other Governments	730,648	0	15,413	746,061
Due from Other Funds	115,750	0	0	115,750
Property Taxes Receivable	4,490,647	0	0	4,490,647
Allowance for Uncollectible Property Taxes	(250,199)	0	0	(250,199)
<b>Total Assets</b>	<b>\$ 6,170,394</b>	<b>\$ 17,643,780</b>	<b>\$ 1,008,494</b>	<b>\$ 24,822,668</b>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 76,090	\$ 0	\$ 0	\$ 76,090
Accrued Payroll	18,608	0	0	18,608
Due to Other Funds	0	0	115,750	115,750
Deferred Revenue - Current Property Taxes	4,034,773	0	0	4,034,773
Deferred Revenue - Delinquent Property Taxes	184,195	0	0	184,195
Other Deferred Revenues	274,974	0	0	274,974
<b>Total Liabilities</b>	<b>\$ 4,588,640</b>	<b>\$ 0</b>	<b>\$ 115,750</b>	<b>\$ 4,704,390</b>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 268,515	\$ 117,800	\$ 0	\$ 386,315
Other Local Education Reserves	38,099	0	0	38,099
Reserved for Career Ladder - Extended Contract	4,680	0	0	4,680
Reserved for Career Ladder Program	3,502	0	0	3,502
Reserved for Technology	46,798	0	0	46,798
Reserved for Special Education - Grants to States	0	0	5,286	5,286
Other Federal Reserves	0	0	14	14
Unreserved, Reported In:				
General Fund	1,220,160	0	0	1,220,160
Special Revenue Funds	0	0	887,444	887,444
Capital Projects Funds	0	17,525,980	0	17,525,980
<b>Total Fund Balances</b>	<b>\$ 1,581,754</b>	<b>\$ 17,643,780</b>	<b>\$ 892,744</b>	<b>\$ 20,118,278</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,170,394</b>	<b>\$ 17,643,780</b>	<b>\$ 1,008,494</b>	<b>\$ 24,822,668</b>

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

Exhibit B

Marion County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Marion County School Department  
For the Year Ended June 30, 2006

	Major Funds		Nonmajor	Total
	General Purpose School	Education Capital Projects	Funds Other Governmental Funds	
<u>Revenues</u>				
Local Taxes	\$ 7,256,360	\$ 0	\$ 0	\$ 7,256,360
Licenses and Permits	2,311	0	0	2,311
Charges for Current Services	189,317	0	782,114	971,431
Other Local Revenues	73,848	17,871,007	29,830	17,974,685
State of Tennessee	15,980,401	0	22,670	16,003,071
Federal Government	195,676	0	3,218,842	3,414,518
<b>Total Revenues</b>	<b>\$ 23,697,913</b>	<b>\$ 17,871,007</b>	<b>\$ 4,053,456</b>	<b>\$ 45,622,376</b>
<u>Expenditures</u>				
Current:				
Instruction	\$ 14,148,215	\$ 0	\$ 1,454,706	\$ 15,602,921
Support Services	7,648,324	0	817,516	8,465,840
Operation of Non-Instructional Services	479,195	0	1,695,933	2,175,128
Capital Outlay	683,688	0	0	683,688
Debt Service:				
Principal on Debt	240,467	0	0	240,467
Interest on Debt	23,064	0	0	23,064
Other Debt Service	845,548	0	0	845,548
Capital Projects	0	227,227	0	227,227
<b>Total Expenditures</b>	<b>\$ 24,068,501</b>	<b>\$ 227,227</b>	<b>\$ 3,968,155</b>	<b>\$ 28,263,883</b>
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (370,588)	\$ 17,643,780	\$ 85,301	\$ 17,358,493
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 75,331	\$ 0	\$ 0	\$ 75,331
Transfers Out	0	0	(75,331)	(75,331)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 75,331</b>	<b>\$ 0</b>	<b>\$ (75,331)</b>	<b>\$ 0</b>
Net Change in Fund Balances	\$ (295,257)	\$ 17,643,780	\$ 9,970	\$ 17,358,493
Fund Balance, July 1, 2005	1,877,011	0	882,774	2,759,785
<b>Fund Balance, June 30, 2006</b>	<b>\$ 1,581,754</b>	<b>\$ 17,643,780</b>	<b>\$ 892,744</b>	<b>\$ 20,118,278</b>

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

Exhibit C-1

Marion County School Department  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
June 30, 2006

	Other Trust Fund
	<u>Private Purpose Trust Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash in Bank	\$ 27,017
Equity in Pooled Cash and Investments	5,350
Investments	<u>467,907</u>
Total Assets	<u>\$ 500,274</u>
<u>NET ASSETS</u>	
Funds Held in Trust for Scholarships	<u>\$ 500,274</u>
Total Net Assets	<u><u>\$ 500,274</u></u>

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

Exhibit C-2

Marion County School Department  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Year Ended June 30, 2006

	Other Trust Fund
	<u>Private Purpose Trust Fund</u>
<u>ADDITIONS</u>	
Investment Income	\$ 3,623
Contributions and Gifts	<u>520,322</u>
Total Additions	<u>\$ 523,945</u>
<u>DEDUCTIONS</u>	
Decrease in Fair Market Value of Investments	<u>\$ 23,671</u>
Total Deductions	<u>\$ 23,671</u>
Change in Net Assets	\$ 500,274
Net Assets, July 1, 2005	<u>0</u>
Net Assets, June 30, 2006	<u><u>\$ 500,274</u></u>

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

**MARION COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF MARION COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2006**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Marion County School Department's financial statements are not presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

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

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

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

**A. Reporting Entity**

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

taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

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

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

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. The fiduciary fund is 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 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 grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Purpose School 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 School Department receives cash.

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds which have no measurement focus. 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.

The School Department reports the following major governmental funds:

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

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

Additionally, the School Department reports the following fund types:

**Special Revenue Funds** – These 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.

**Private Purpose Trust Fund** – The Other Trust Fund is used to account for two scholarships. One scholarship is to be used for graduates of Whitwell Middle School who become graduates of Whitwell High School and who plan to pursue a post-secondary education. Scholarships are to be disbursed from the interest earned on these funds. The other scholarship is to be used for graduating seniors of Marion County who plan to attend college and major in education. Money for these scholarships was provided by private citizens.

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

1. **Deposits and Investments**

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

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

obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit 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**

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 3.05 percent of total taxes levied.

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

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court

for collection are not included in taxes receivable since they are neither measurable nor available.

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

**3. Capital Assets**

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

**4. Compensated Absences**

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

**5. Long-term Obligations**

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including notes payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations are recognized to the extent that the liabilities have matured (come due for payment) each period.

**6. Fund Equity**

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

## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds, except the Education Capital Projects Fund which adopts a project length budget. All annual appropriations lapse at fiscal year end.

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

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Purpose School Fund major categories: Regular Instruction Programs, Attendance, Board of Education, Director of Schools, etc.). Management may make revisions within major categories, but only the Marion County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

### B. Expenditures and Other Uses Exceeded Appropriations

Expenditures and other uses exceeded total appropriations approved by the County Commission in the School Federal Projects Fund by \$120,314. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

## III. DETAILED NOTES ON ALL FUNDS

### A. Deposits and Investments

Marion County and the Marion County School Department participate in an internal cash and investment pool through the Office of Trustee. The 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 and investments

reflected in the fund financial statements represent nonpooled amounts held separately by individual funds.

### **Deposits**

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

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

### **Investments**

**Legal Provisions.** Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase. The Marion County School Department's Private Purpose Trust Fund has made investments at the specific direction of the donor.

**Investment Balances.** As of June 30, 2006, Marion County had the following investments carried at fair value or cost. Except for the School Department's Private Purpose Trust Fund, all investments are in the county trustee's investment pool. All other investments are nonpooled investments. Separate disclosures concerning pooled investments cannot be made for Marion County and the discretely presented Marion County School Department since both pool their deposits and investments through the county trustee.

Investment	Maturities	Fair Value or Cost
Pooled Investments:		
State Treasurer's Investment Pool	Daily	\$ 17,435,481
Nonpooled Investments:		
Corporate Bonds - Countywide Homes	9-15-09	57,060
Corporate Bonds - Bristol Myers Squibb	10-1-11	59,840
Corporate Bonds - Bellsouth	11-15-12	55,633
Corporate Bonds - Public Service Co.	3-1-13	57,003
Corporate Bonds - JP Morgan Chase & Co.	3-1-15	54,990
Corporate Bonds - Verizon	2-15-16	65,635
Federal Home Loan Mortgage Corp.	9-15-11	58,937
Federal Home Loan Mortgage Corp.	9-15-13	<u>58,809</u>
Total		<u><u>\$ 17,903,388</u></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. Marion 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. Marion County has no investment policy that would further limit its investment choices. As of June 30, 2006, Marion County's investment in the State Treasurer's Investment Pool was unrated. The following is the rating given each nonpooled investment by Moody's Investor's Service and Standard & Poor's Ratings:

Investment	Moody's Investor's Service	Standard & Poor's Rating
Corporate Bonds - Countywide Homes	A3	A
Corporate Bonds - Bristol Myers Squibb	A1	A+
Corporate Bonds - Bellsouth	A2	A
Corporate Bonds - Public Service Co.	A3	A-
Corporate Bonds - JP Morgan Chase & Co.	Aa3	A+
Corporate Bonds - Verizon	A3	A
Federal Home Loan Mortgage Corp.	Aaa	AAA

**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. Marion 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 State Treasurer's Investment Pool. These investments are 97.39 percent of the county's total investments and the entire investment of the Education Capital Project Fund.

The nonpooled investments (\$497,907) represent the entire investments of the School Department's Private Purpose Trust Fund. These investments are as follows: Corporate Bonds - Countywide Homes (12%), Corporate Bonds - Bristol Myers Squibb (13%), Corporate Bonds - Bellsouth (12%), Corporate Bonds - Public Service Co (12%), Corporate Bonds - JP Morgan Chase & Co. (11%), Corporate Bonds - Verizon (14%), and Federal Home Loan Corporation (26%).

**Custodial Credit Risk.** Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School Department has a custodial credit risk exposure of \$467,907 for all of the investments in corporate bonds because the related securities are uninsured, unregistered, and held by government's brokerage firm which is also the counterparty for these particular securities. The School Department does not have a formal policy that limits custodial credit risk for investments.

**B. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2006, is as follows:

**Due to/from other funds:**

Receivable Fund	Payable Fund	Amount
General Purpose School	Nonmajor governmental	\$ 115,750

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.

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2006, consisted of the following amount:

	<u>Transfers In</u>
	General Purpose School Fund
Transfers Out	
Nonmajor governmental fund	\$ 75,331
Total	<u>\$ 75,331</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.

Capital Outlay Notes

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

Capital outlay notes are direct obligations and pledge the full faith and credit of the government. Capital outlay notes outstanding were issued for original terms of up to 12 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. Outstanding capital outlay notes of \$505,193 will be retired from the General Purpose School Fund.

Capital outlay notes outstanding as of June 30, 2006, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
Capital Outlay Notes	0 to 4.55%	\$ 590,000	\$ 505,193

The annual requirements to amortize all notes outstanding as of June 30, 2006, including interest payments, are presented in the following table:

Year Ending June 30	Notes	
	Principal	Interest
2007	\$ 43,435	\$ 20,214
2008	44,511	18,638
2009	46,161	16,988
2010	47,888	15,261
2011	49,694	13,454
2012-2016	233,652	37,092
2017	39,852	759
Total	<u>\$ 505,193</u>	<u>\$ 122,406</u>

Debt per capita totaled \$18, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

Governmental Activities:

	Notes
Balance, July 1, 2005	\$ 745,660
Deductions	(240,467)
Balance, June 30, 2006	<u>\$ 505,193</u>
Balance Due Within One Year	<u>\$ 43,435</u>

## **IV. OTHER INFORMATION**

### **A. Risk Management**

The School Department is exposed to various risks related to general liability, property, casualty, and workers' compensation losses. The School Department decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, property, casualty, and workers' compensation coverage. The School

Department joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by an association of member school districts. The School Department pays annual premiums to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of TSB-RMT provides for it to be self-sustaining through member premiums.

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

**B. Accounting Changes**

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries became effective for the year ended June 30, 2006. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries. GASB Statement No. 42 had no effect on the financial statements for the year ended June 30, 2006, since no capital asset impairment and insurance recoveries occurred. However, it is reasonably expected that capital asset impairment and insurance recoveries may occur in subsequent years that will be subject to the provisions of Statement No. 42.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Marion County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding

information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Marion County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. The School Department had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that the School Department will be required to disclose net assets restricted by enabling legislation in subsequent years.

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements. The School Department was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that the School Department will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

**C. Contingent Liabilities**

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

**D. Retirement Commitments**

**Plan Description**

Employees of Marion County, including the School Department, are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as

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

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

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

## SCHOOL TEACHERS

### **Plan Description**

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

occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://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 Marion County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2006, was 5.5 percent of annual covered payroll. The employer contribution requirement for Marion County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2006, 2005, and 2004 were \$698,334, \$680,767, and \$398,626, respectively, equal to the required contributions for each year.

### **E. Purchasing Law**

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

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit D

Marion County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Marion County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 7,256,360	\$ 0	\$ 0	\$ 7,256,360	\$ 6,685,938	\$ 6,685,938	\$ 570,422
Licenses and Permits	2,311	0	0	2,311	2,300	2,300	11
Charges for Current Services	189,317	0	0	189,317	248,461	248,461	(59,144)
Other Local Revenues	73,848	0	0	73,848	123,088	123,088	(49,240)
State of Tennessee	15,980,401	0	0	15,980,401	15,852,443	16,138,156	(157,755)
Federal Government	195,676	0	0	195,676	176,050	217,702	(22,026)
<b>Total Revenues</b>	<b>\$ 23,697,913</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 23,697,913</b>	<b>\$ 23,088,280</b>	<b>\$ 23,415,645</b>	<b>\$ 282,268</b>
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 11,032,063	\$ 0	\$ 0	\$ 11,032,063	\$ 11,143,243	\$ 11,068,446	\$ 36,383
Alternative Instruction Program	104,227	0	0	104,227	104,232	104,232	5
Special Education Program	1,883,786	0	0	1,883,786	1,837,887	1,885,272	1,486
Vocational Education Program	1,034,221	0	0	1,034,221	1,091,940	1,050,275	16,054
Adult Education Program	93,918	0	0	93,918	91,762	97,775	3,857
<u>Support Services</u>							
Attendance	96,624	0	0	96,624	120,955	97,428	804
Health Services	123,174	0	0	123,174	105,419	128,946	5,772
Other Student Support	575,627	0	0	575,627	582,800	581,300	5,673
Regular Instruction Program	653,103	0	0	653,103	714,338	658,597	5,494
Special Education Program	168,913	0	0	168,913	195,132	188,832	19,919
Vocational Education Program	52,773	0	0	52,773	61,784	57,184	4,411
Adult Programs	100,759	0	0	100,759	107,608	106,208	5,449
Board of Education	386,760	0	0	386,760	431,534	395,784	9,024
Director of Schools	269,008	0	0	269,008	277,623	272,623	3,615
Office of the Principal	1,291,127	0	0	1,291,127	1,302,957	1,294,357	3,230

(Continued)

Exhibit D

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Fiscal Services	\$ 195,748	\$ 0	\$ 0	\$ 195,748	\$ 198,558	\$ 196,558	\$ 810
Operation of Plant	2,052,613	0	0	2,052,613	2,029,175	2,071,575	18,962
Maintenance of Plant	573,034	(103,861)	0	469,173	551,417	481,050	11,877
Transportation	875,010	0	0	875,010	858,215	877,215	2,205
Central and Other	234,051	0	0	234,051	320,286	315,786	81,735
<u>Operation of Non-Instructional Services</u>							
Community Services	155,101	0	0	155,101	212,118	212,118	57,017
Early Childhood Education	324,094	0	0	324,094	0	334,762	10,668
<u>Capital Outlay</u>							
Regular Capital Outlay	683,688	(148,730)	268,515	803,473	593,518	812,336	8,863
<u>Principal on Debt</u>							
Education	240,467	0	0	240,467	578,191	240,469	2
<u>Interest on Debt</u>							
Education	23,064	0	0	23,064	533,528	23,064	0
<u>Other Debt Service</u>							
Education	845,548	0	0	845,548	0	845,548	0
Total Expenditures	\$ 24,068,501	\$ (252,591)	\$ 268,515	\$ 24,084,425	\$ 24,044,220	\$ 24,397,740	\$ 313,315
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (370,588)	\$ 252,591	\$ (268,515)	\$ (386,512)	\$ (955,940)	\$ (982,095)	\$ 595,583
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 75,331	\$ 0	\$ 0	\$ 75,331	\$ 75,056	\$ 75,056	\$ 275
Total Other Financing Sources (Uses)	\$ 75,331	\$ 0	\$ 0	\$ 75,331	\$ 75,056	\$ 75,056	\$ 275

(Continued)

Exhibit D

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Net Change in Fund Balance	\$ (295,257)	\$ 252,591	\$ (268,515)	\$ (311,181)	\$ (880,884)	\$ (907,039)	\$ 595,858
Fund Balance, July 1, 2005	1,877,011	(252,591)	0	1,624,420	1,554,011	1,554,011	70,409
Fund Balance, June 30, 2006	\$ 1,581,754	\$ 0	\$ (268,515)	\$ 1,313,239	\$ 673,127	\$ 646,972	\$ 666,267

**MARION COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF MARION COUNTY, TENNESSEE  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2006**

**BUDGETARY INFORMATION**

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

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Purpose School Fund major categories: Regular Instruction, Special Education Program, Vocational Education Program, Adult Education Program, etc.). Management may make revisions within major categories, but only the Marion County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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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.

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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 cafeteria operations in each of the schools.

Exhibit E-1

Marion County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Marion County School Department  
June 30, 2006

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 2,826	\$ 2,826
Equity in Pooled Cash and Investments	105,637	884,618	990,255
Due from Other Governments	15,413	0	15,413
Total Assets	\$ 121,050	\$ 887,444	\$ 1,008,494
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Due to Other Funds	\$ 115,750	\$ 0	\$ 115,750
Total Liabilities	\$ 115,750	\$ 0	\$ 115,750
<u>Fund Balances</u>			
Reserved for Special Education - Grants to States	\$ 5,286	\$ 0	\$ 5,286
Other Federal Reserves	14	0	14
Unreserved	0	887,444	887,444
Total Fund Balances	\$ 5,300	\$ 887,444	\$ 892,744
Total Liabilities and Fund Balances	\$ 121,050	\$ 887,444	\$ 1,008,494

Exhibit E-2

Marion County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Marion County School Department  
For the Year Ended June 30, 2006

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 782,114	\$ 782,114
Other Local Revenues	0	29,830	29,830
State of Tennessee	0	22,670	22,670
Federal Government	2,221,668	997,174	3,218,842
Total Revenues	<u>\$ 2,221,668</u>	<u>\$ 1,831,788</u>	<u>\$ 4,053,456</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,454,706	\$ 0	\$ 1,454,706
Support Services	817,516	0	817,516
Operation of Non-Instructional Services	0	1,695,933	1,695,933
Total Expenditures	<u>\$ 2,272,222</u>	<u>\$ 1,695,933</u>	<u>\$ 3,968,155</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (50,554)</u>	<u>\$ 135,855</u>	<u>\$ 85,301</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (75,331)	\$ 0	\$ (75,331)
Total Other Financing Sources (Uses)	<u>\$ (75,331)</u>	<u>\$ 0</u>	<u>\$ (75,331)</u>
Net Change in Fund Balances	\$ (125,885)	\$ 135,855	\$ 9,970
Fund Balance, July 1, 2005	131,185	751,589	882,774
Fund Balance, June 30, 2006	<u>\$ 5,300</u>	<u>\$ 887,444</u>	<u>\$ 892,744</u>

Exhibit E-3

Marion County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Marion County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 2,221,668	\$ 2,227,239	\$ 2,227,239	\$ (5,571)
Total Revenues	\$ 2,221,668	\$ 2,227,239	\$ 2,227,239	\$ (5,571)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 856,534	\$ 816,069	\$ 816,069	\$ (40,465)
Special Education Program	488,020	395,078	395,078	(92,942)
Vocational Education Program	110,152	107,619	107,619	(2,533)
<u>Support Services</u>				
Health Services	38,593	37,931	37,931	(662)
Other Student Support	181,493	181,895	181,895	402
Regular Instruction Program	203,295	195,832	195,832	(7,463)
Special Education Program	364,214	377,241	377,241	13,027
Vocational Education Program	2,789	12,500	12,500	9,711
Transportation	27,132	28,018	28,018	886
Total Expenditures	\$ 2,272,222	\$ 2,152,183	\$ 2,152,183	\$ (120,039)
Excess (Deficiency) of Revenues Over Expenditures	\$ (50,554)	\$ 75,056	\$ 75,056	\$ (125,610)
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (75,331)	\$ (75,056)	\$ (75,056)	\$ (275)
Total Other Financing Sources (Uses)	\$ (75,331)	\$ (75,056)	\$ (75,056)	\$ (275)
Net Change in Fund Balance	\$ (125,885)	\$ 0	\$ 0	\$ (125,885)
Fund Balance, July 1, 2005	131,185	57,033	57,033	74,152
Fund Balance, June 30, 2006	\$ 5,300	\$ 57,033	\$ 57,033	\$ (51,733)

Exhibit E-4

Marion County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Marion County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 782,114	\$ 756,200	\$ 756,200	\$ 25,914
Other Local Revenues	29,830	11,000	11,000	18,830
State of Tennessee	22,670	24,000	24,000	(1,330)
Federal Government	997,174	907,500	907,500	89,674
Total Revenues	<u>\$ 1,831,788</u>	<u>\$ 1,698,700</u>	<u>\$ 1,698,700</u>	<u>\$ 133,088</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,695,933	\$ 1,884,450	\$ 1,884,450	\$ 188,517
Total Expenditures	<u>\$ 1,695,933</u>	<u>\$ 1,884,450</u>	<u>\$ 1,884,450</u>	<u>\$ 188,517</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 135,855</u>	<u>\$ (185,750)</u>	<u>\$ (185,750)</u>	<u>\$ 321,605</u>
Net Change in Fund Balance	\$ 135,855	\$ (185,750)	\$ (185,750)	\$ 321,605
Fund Balance, July 1, 2005	<u>751,589</u>	<u>751,590</u>	<u>751,590</u>	<u>(1)</u>
Fund Balance, June 30, 2006	<u>\$ 887,444</u>	<u>\$ 565,840</u>	<u>\$ 565,840</u>	<u>\$ 321,604</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit F-1

Marion County, Tennessee  
Schedule of Changes in Long-term Notes  
Marion County School Department  
For the Year Ended June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Paid and/or Matured During Period	Outstanding 6-30-06
<u>NOTES PAYABLE</u>							
<u>Payable through General Purpose School Fund</u>							
School Improvement and Technology Enhancement	\$ 90,000	0 %	1-10-01	1-10-11	\$ 54,000	\$ 9,000	\$ 45,000
Energy Efficient Lighting System	244,650	3	5-16-02	7-15-05	145,963	145,963	0
Lighting Football Field	88,965	3	6-28-02	6-26-06	53,076	53,076	0
South Pittsburg High School HVAC	500,000	4.55	5-16-05	3-16-17	492,621	32,428	460,193
Total Notes Payable					<u>\$ 745,660</u>	<u>\$ 240,467</u>	<u>\$ 505,193</u>

Exhibit F-2

Marion County, Tennessee  
Schedule of Investments  
Marion County School Department  
June 30, 2006

<u>Fund and Type</u>	<u>Amount</u>
<u>Private Purpose Trust Fund</u>	
Corporate Bonds - Countywide Homes	\$ 57,060
Corporate Bonds - Bristol Myers Squibb	59,840
Corporate Bonds - Bellsouth	55,633
Corporate Bonds - Public Service Co.	57,003
Corporate Bonds - JP Morgan Chase & Co.	54,990
Corporate Bonds - Verizon	65,635
Federal Home Loan Mortgage Corp.	<u>117,746</u>
 Total Investments	 <u><u>\$ 467,907</u></u>

Exhibit F-3

Marion County, Tennessee  
Schedule of Transfers  
Marion County School Department  
For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 75,331</u>
Total			<u><u>\$ 75,331</u></u>

Exhibit F-4

Marion County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Marion County School Department  
For the Year Ended June 30, 2006

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Marion County Board of Education	\$ 91,945 (1) \$	50,000	RLI Insurance
Other Bonds:				
Public Employee Dishonesty			150,000	Tennessee School Boards Risk Management Trust

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

Exhibit F-5

Marion County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Marion County School Department  
For the Year Ended June 30, 2006

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 3,728,988	\$ 0	\$ 0	\$ 0	\$ 3,728,988
Trustee's Collections - Prior Year	253,202	0	0	0	253,202
Circuit/Clerk & Master Collections - Prior Years	142,829	0	0	0	142,829
Interest and Penalty	43,348	0	0	0	43,348
Payments in-Lieu-of Taxes - T.V.A.	36,207	0	0	0	36,207
Payments in-Lieu-of Taxes - Local Utilities	8,424	0	0	0	8,424
Payments in-Lieu-of Taxes - Other	52	0	0	0	52
<u>County Local Option Taxes</u>					
Local Option Sales Tax	2,825,464	0	0	0	2,825,464
Hotel/Motel Tax	28,187	0	0	0	28,187
<u>Statutory Local Taxes</u>					
Bank Excise Tax	74,953	0	0	0	74,953
Wholesale Beer Tax	109,923	0	0	0	109,923
Interstate Telecommunications Tax	4,783	0	0	0	4,783
<b>Total Local Taxes</b>	<b>\$ 7,256,360</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 7,256,360</b>
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 2,311	\$ 0	\$ 0	\$ 0	\$ 2,311
<b>Total Licenses and Permits</b>	<b>\$ 2,311</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,311</b>
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Summer School	\$ 4,000	\$ 0	\$ 0	\$ 0	\$ 4,000
Tuition - Other State Systems	2,100	0	0	0	2,100
Lunch Payments - Children	0	0	475,833	0	475,833
Lunch Payments - Adults	0	0	63,749	0	63,749
Income from Breakfast	0	0	51,443	0	51,443
A la carte Sales	0	0	191,089	0	191,089
School Based Health Services - FFS	3,843	0	0	0	3,843
Receipts from Individual Schools	4,317	0	0	0	4,317
Community Service Fees - Children	170,329	0	0	0	170,329
TBI Criminal Background Fees	4,728	0	0	0	4,728
<b>Total Charges for Current Services</b>	<b>\$ 189,317</b>	<b>\$ 0</b>	<b>\$ 782,114</b>	<b>\$ 0</b>	<b>\$ 971,431</b>
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 29,830	\$ 72,781	\$ 102,611
Lease/Rentals	650	0	0	0	650
Miscellaneous Refunds	60,486	0	0	0	60,486
<u>Nonrecurring Items</u>					
Damages Recovered from Individuals	38	0	0	0	38
Contributions & Gifts	12,550	0	0	17,798,226	17,810,776
<u>Other Local Revenues</u>					
Other Local Revenues	124	0	0	0	124
<b>Total Other Local Revenues</b>	<b>\$ 73,848</b>	<b>\$ 0</b>	<b>\$ 29,830</b>	<b>\$ 17,871,007</b>	<b>\$ 17,974,685</b>

(Continued)

Exhibit F-5

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>State of Tennessee</u>					
<u>State Education Funds</u>					
Basic Education Program	\$ 14,742,227	\$ 0	\$ 0	\$ 0	\$ 14,742,227
School Food Service	0	0	22,670	0	22,670
Other State Education Funds	411,301	0	0	0	411,301
Career Ladder Program	247,020	0	0	0	247,020
Career Ladder - Extended Contract	106,790	0	0	0	106,790
Other Vocational	24,697	0	0	0	24,697
<u>Other State Revenues</u>					
State Revenue Sharing - T.V.A.	422,030	0	0	0	422,030
Other State Grants	26,336	0	0	0	26,336
Total State of Tennessee	\$ 15,980,401	\$ 0	\$ 22,670	\$ 0	\$ 16,003,071
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 773,909	\$ 0	\$ 773,909
Breakfast	0	0	223,265	0	223,265
Adult Education State Grant Program	115,896	0	0	0	115,896
Vocational Education - Basic Grants to States	0	122,482	0	0	122,482
Title I Grants to Local Education Agencies	0	903,022	0	0	903,022
Innovative Education Program Strategies	0	13,529	0	0	13,529
Special Education - Grants to States	34,674	861,140	0	0	895,814
Special Education Preschool Grants	0	39,108	0	0	39,108
Other Federal through State	45,106	282,387	0	0	327,493
Total Federal Government	\$ 195,676	\$ 2,221,668	\$ 997,174	\$ 0	\$ 3,414,518
Total	\$ 23,697,913	\$ 2,221,668	\$ 1,831,788	\$ 17,871,007	\$ 45,622,376

Marion County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Marion County School Department  
For the Year Ended June 30, 2006

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 7,645,539	
Career Ladder Program	158,105	
Career Ladder Extended Contracts	91,000	
Homebound Teachers	10,520	
Educational Assistants	210,147	
Certified Substitute Teachers	3,415	
Non-certified Substitute Teachers	165,821	
Social Security	492,682	
State Retirement	437,317	
Medical Insurance	1,121,520	
Employer Medicare	115,226	
Contracts with Other School Systems	2,200	
Other Contracted Services	62,703	
Instructional Supplies and Materials	47,638	
Textbooks	283,544	
Other Supplies and Materials	141,442	
Other Charges	2,550	
Regular Instruction Equipment	40,694	
Total Regular Instruction Program		\$ 11,032,063

Alternative Instruction Program

Teachers	\$ 80,334	
Career Ladder Program	1,000	
Social Security	4,877	
State Retirement	4,473	
Medical Insurance	10,752	
Employer Medicare	1,141	
Instructional Supplies and Materials	400	
Other Supplies and Materials	975	
Other Charges	275	
Total Alternative Instruction Program		104,227

Special Education Program

Teachers	\$ 1,016,030
Career Ladder Program	15,000
Homebound Teachers	6,107
Educational Assistants	144,352
Other Salaries & Wages	21,990
Certified Substitute Teachers	9,169

(Continued)

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Non-certified Substitute Teachers	\$	28,347	
Social Security		73,459	
State Retirement		61,900	
Medical Insurance		233,854	
Employer Medicare		17,180	
Contracts with Private Agencies		20,707	
Other Contracted Services		213,099	
Instructional Supplies and Materials		5,800	
Other Supplies and Materials		16,792	
Total Special Education Program			\$ 1,883,786

Vocational Education Program

Teachers	\$	716,316	
Career Ladder Program		11,500	
Certified Substitute Teachers		830	
Non-certified Substitute Teachers		7,652	
Social Security		44,004	
State Retirement		40,030	
Medical Insurance		91,854	
Employer Medicare		10,291	
Other Fringe Benefits		81	
Maintenance & Repair Services - Equipment		1,278	
Other Contracted Services		1,815	
Instructional Supplies and Materials		10,989	
Textbooks		9,788	
Other Supplies and Materials		44,631	
Vocational Instruction Equipment		43,162	
Total Vocational Education Program			1,034,221

Adult Education Program

Teachers	\$	57,854	
Social Security		3,582	
State Retirement		2,313	
Medical Insurance		5,054	
Employer Medicare		838	
Instructional Supplies and Materials		24,277	
Total Adult Education Program			93,918

(Continued)

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

General Purpose School Fund (Cont.)

Support Services

Attendance

Supervisor/Director	\$	28,318	
Career Ladder Program		850	
Clerical Personnel		21,219	
Social Security		2,760	
State Retirement		2,224	
Medical Insurance		11,218	
Employer Medicare		646	
Travel		1,727	
Other Supplies and Materials		177	
Attendance Equipment		<u>27,485</u>	
Total Attendance	\$		96,624

Health Services

Medical Personnel	\$	92,331	
Social Security		5,413	
State Retirement		2,052	
Medical Insurance		12,408	
Employer Medicare		1,266	
Maintenance & Repair Services - Equipment		236	
Travel		2,681	
Other Contracted Services		1,678	
Drugs and Medical Supplies		4,600	
Other Supplies and Materials		393	
Other Charges		<u>116</u>	
Total Health Services			123,174

Other Student Support

Career Ladder Program	\$	7,000	
Guidance Personnel		363,217	
Clerical Personnel		17,580	
Other Salaries & Wages		26,843	
Social Security		24,193	
State Retirement		22,352	
Medical Insurance		53,480	
Employer Medicare		5,658	
Evaluation and Testing		<u>55,304</u>	
Total Other Student Support			575,627

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program

Supervisor/Director	\$	63,204	
Career Ladder Program		9,220	
Librarians		331,251	
Secretary(ies)		22,353	
Social Security		24,785	
State Retirement		22,853	
Medical Insurance		58,928	
Employer Medicare		5,797	
Travel		2,560	
Other Contracted Services		3,784	
Library Books/Media		75,000	
Other Supplies and Materials		856	
In Service/Staff Development		23,636	
Other Charges		8,876	
Total Regular Instruction Program			\$ 653,103

Special Education Program

Supervisor/Director	\$	59,670	
Career Ladder Program		7,000	
Secretary(ies)		19,428	
Social Security		5,321	
State Retirement		4,234	
Medical Insurance		9,648	
Employer Medicare		1,244	
Travel		5,352	
Other Contracted Services		20,610	
Other Supplies and Materials		21,919	
In Service/Staff Development		7,260	
Other Equipment		7,227	
Total Special Education Program			168,913

Vocational Education Program

Supervisor/Director	\$	34,835	
Career Ladder Program		1,000	
Social Security		1,936	
State Retirement		1,971	
Medical Insurance		4,377	
Employer Medicare		452	
Travel		4,750	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program (Cont.)

Other Supplies and Materials	\$	457	
In Service/Staff Development		1,825	
Other Charges		1,170	
Total Vocational Education Program			\$ 52,773

Adult Programs

Supervisor/Director	\$	57,830	
Other Salaries & Wages		22,932	
Social Security		4,671	
State Retirement		3,850	
Medical Insurance		8,645	
Employer Medicare		1,092	
Travel		971	
In Service/Staff Development		768	
Total Adult Programs			100,759

Board of Education

Board and Committee Members Fees	\$	11,700	
Social Security		725	
Unemployment Compensation		3,794	
Employer Medicare		170	
Other Fringe Benefits		645	
Audit Services		4,600	
Dues and Memberships		9,468	
Legal Services		10,268	
Travel		11,958	
Other Contracted Services		3,000	
Trustee's Commission		171,002	
Workers' Compensation Insurance		152,588	
Criminal Investigation of Applicants - TBI		5,280	
Other Charges		1,562	
Total Board of Education			386,760

Director of Schools

County Official/Administrative Officer	\$	90,945	
Career Ladder Program		1,000	
Secretary(ies)		30,096	
Clerical Personnel		23,499	
Social Security		8,902	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

State Retirement	\$	6,622	
Medical Insurance		22,514	
Employer Medicare		2,106	
Communication		42,466	
Dues and Memberships		3,078	
Maintenance & Repair Services - Equipment		13,091	
Postal Charges		1,578	
Travel		1,836	
Other Contracted Services		14,129	
Office Supplies		6,891	
Other Charges		255	
Total Director of Schools			\$ 269,008

Office of the Principal

Principals	\$	519,594	
Career Ladder Program		14,000	
Assistant Principals		147,093	
Secretary(ies)		294,187	
Other Salaries & Wages		3,646	
Social Security		58,524	
State Retirement		45,959	
Medical Insurance		152,495	
Employer Medicare		13,687	
Other Contracted Services		12,951	
Administration Equipment		28,991	
Total Office of the Principal			1,291,127

Fiscal Services

Supervisor/Director	\$	62,946	
Accountants/Bookkeepers		74,931	
Social Security		8,266	
State Retirement		4,026	
Medical Insurance		23,914	
Employer Medicare		1,933	
Data Processing Services		8,544	
Dues and Memberships		889	
Maintenance & Repair Services - Equipment		274	
Travel		1,060	
Data Processing Supplies		6,899	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Office Supplies	\$	1,779	
Other Charges		287	
Total Fiscal Services			\$ 195,748

Operation of Plant

Custodial Personnel	\$	422,164	
Other Salaries & Wages		1,050	
Social Security		25,513	
State Retirement		11,263	
Medical Insurance		105,379	
Employer Medicare		5,967	
Disposal Fees		13,866	
Other Contracted Services		12,918	
Custodial Supplies		119,834	
Electricity		762,886	
Natural Gas		330,556	
Water and Sewer		73,655	
Other Supplies and Materials		10,151	
Building and Contents Insurance		156,711	
Other Charges		700	
Total Operation of Plant			2,052,613

Maintenance of Plant

Maintenance Personnel	\$	161,806	
Social Security		9,600	
State Retirement		4,725	
Medical Insurance		30,624	
Employer Medicare		2,245	
Maintenance & Repair Services - Buildings		12,734	
Maintenance & Repair Services - Equipment		23,722	
Maintenance & Repair Services - Vehicles		1,767	
Other Contracted Services		16,489	
Other Supplies and Materials		99,833	
Other Charges		537	
Administration Equipment		191,221	
Maintenance Equipment		17,731	
Total Maintenance of Plant			573,034

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation

Supervisor/Director	\$	8,495	
Social Security		510	
State Retirement		467	
Medical Insurance		1,046	
Employer Medicare		119	
Contracts with Parents		9,811	
Contracts with Vehicle Owners		853,079	
Travel		733	
Other Contracted Services		750	
Total Transportation			\$ 875,010

Central and Other

Supervisor/Director	\$	112,104	
Clerical Personnel		22,829	
Other Salaries & Wages		18,000	
Social Security		9,126	
State Retirement		6,265	
Medical Insurance		16,945	
Employer Medicare		2,134	
Maintenance & Repair Services - Equipment		28	
Travel		3,586	
Other Contracted Services		19,667	
Office Supplies		1,890	
Other Supplies and Materials		17,640	
In Service/Staff Development		450	
Other Charges		155	
Other Equipment		3,232	
Total Central and Other			234,051

Operation of Non-Instructional Services

Community Services

Part-time Personnel	\$	2,554	
Other Salaries & Wages		125,640	
Social Security		7,762	
State Retirement		4,923	
Employer Medicare		1,814	
Other Fringe Benefits		2,806	
Other Contracted Services		2,000	
Other Supplies and Materials		5,329	

(Continued)

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services (Cont.)

Other Charges	\$ 2,273	
Total Community Services		\$ 155,101

Early Childhood Education

Teachers	\$ 126,565	
Educational Assistants	43,626	
Social Security	9,484	
State Retirement	8,235	
Medical Insurance	48,966	
Employer Medicare	2,218	
Other Contracted Services	1,742	
Food Supplies	323	
Instructional Supplies and Materials	26,891	
In Service/Staff Development	671	
Other Equipment	55,373	
Total Early Childhood Education		324,094

Capital Outlay

Regular Capital Outlay

Other Contracted Services	\$ 354	
Building Improvements	322,678	
Land	98,500	
Other Capital Outlay	262,156	
Total Regular Capital Outlay		683,688

Principal on Debt

Education

Principal on Notes	\$ 240,467	
Total Education		240,467

Interest on Debt

Education

Interest on Notes	\$ 23,064	
Total Education		23,064

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 845,548	
Total Education		845,548

Total General Purpose School Fund \$ 24,068,501

(Continued)

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	408,648	
Educational Assistants		121,675	
Certified Substitute Teachers		4,014	
Non-certified Substitute Teachers		4,899	
Social Security		31,939	
State Retirement		26,029	
Medical Insurance		108,164	
Employer Medicare		7,470	
Other Fringe Benefits		2,593	
Other Contracted Services		10,601	
Instructional Supplies and Materials		110,243	
Regular Instruction Equipment		20,259	
Total Regular Instruction Program			\$ 856,534

Special Education Program

Teachers	\$	57,644	
Educational Assistants		140,576	
Other Salaries & Wages		20,980	
Social Security		12,677	
State Retirement		7,881	
Medical Insurance		69,494	
Employer Medicare		2,965	
Other Fringe Benefits		5,836	
Other Contracted Services		59,200	
Other Supplies and Materials		110,767	
Total Special Education Program			488,020

Vocational Education Program

Other Salaries & Wages	\$	25,075	
Social Security		1,555	
State Retirement		1,379	
Medical Insurance		3,971	
Employer Medicare		364	
Other Fringe Benefits		113	
Instructional Supplies and Materials		12,279	
Other Supplies and Materials		1,433	
Vocational Instruction Equipment		63,983	
Total Vocational Education Program			110,152

(Continued)

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

School Federal Projects Fund (Cont.)

Support Services

Health Services

Medical Personnel	\$	29,852	
Social Security		1,851	
State Retirement		872	
Medical Insurance		4,759	
Employer Medicare		433	
Other Fringe Benefits		826	
Total Health Services			\$ 38,593

Other Student Support

Other Salaries & Wages	\$	139,994	
Social Security		8,614	
State Retirement		6,612	
Medical Insurance		4,392	
Employer Medicare		2,014	
Other Fringe Benefits		640	
Travel		3,623	
Other Contracted Services		865	
In Service/Staff Development		7,808	
Other Charges		6,931	
Total Other Student Support			181,493

Regular Instruction Program

Supervisor/Director	\$	61,374	
Secretary(ies)		19,812	
In-Service Training		3,220	
Social Security		4,653	
State Retirement		4,131	
Medical Insurance		16,471	
Employer Medicare		1,088	
Other Fringe Benefits		367	
Travel		958	
Other Contracted Services		3,396	
Other Supplies and Materials		5,292	
In Service/Staff Development		62,259	
Other Equipment		20,274	
Total Regular Instruction Program			203,295

Special Education Program

Psychological Personnel	\$	129,615	
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(Continued)

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Secretary(ies)	\$	17,164	
Other Salaries & Wages		119,079	
Social Security		16,185	
State Retirement		14,180	
Medical Insurance		24,119	
Employer Medicare		3,785	
Other Fringe Benefits		7,471	
Travel		7,735	
Other Contracted Services		1,517	
In Service/Staff Development		23,364	
Total Special Education Program			\$ 364,214

Vocational Education Program

Travel	\$	1,996	
Other Charges		793	
Total Vocational Education Program			2,789

Transportation

Other Salaries & Wages	\$	14,163	
Social Security		878	
State Retirement		338	
Medical Insurance		10,655	
Employer Medicare		205	
Other Fringe Benefits		398	
Contracts with Parents		187	
Gasoline		308	
Total Transportation			27,132

Total School Federal Projects Fund \$ 2,272,222

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	57,071	
Accountants/Bookkeepers		24,840	
Cafeteria Personnel		584,492	
Other Salaries & Wages		20,201	
Social Security		41,864	
State Retirement		17,927	

(Continued)

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Medical Insurance	\$	103,439	
Employer Medicare		9,793	
Other Fringe Benefits		17,285	
Communication		5,538	
Travel		2,367	
Other Contracted Services		52,903	
Food Preparation Supplies		44,921	
Food Supplies		666,451	
Other Supplies and Materials		8,597	
Trustee's Commission		281	
In Service/Staff Development		7,170	
Other Charges		11,619	
Food Service Equipment		19,174	
Total Food Service			\$ 1,695,933

Total Central Cafeteria Fund \$ 1,695,933

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Architects	\$	227,205	
Fiscal Agent Charges		22	
Total Education Capital Projects			\$ 227,227

Total Education Capital Projects Fund 227,227

Total Governmental Funds - Marion County School Department \$ 28,263,883

**SINGLE AUDIT REPORT**  
**MARION COUNTY, TENNESSEE**  
**AND**  
**MARION COUNTY SCHOOL DEPARTMENT**  
**FOR THE YEAR ENDED JUNE 30, 2006**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

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

*ARTHUR L. ALEXANDER*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

*MICHAEL FORD, CPA, CGFM*  
*Auditor 4*

*KATHY CLEMENTS, CGFM*  
*TIMOTHY SCOTTON*  
*JENI PALADENI*  
*State Auditors*

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

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

February 28, 2007

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

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

We have audited the financial statements of each major fund and the aggregate remaining fund information of Marion County, Tennessee, and the Marion County School Department as of and for the year ended June 30, 2006, which collectively comprise a portion of Marion County's and the Marion County School Department's basic financial statements and have issued our reports thereon dated February 28, 2007. Our reports on the financial statements of Marion County, Tennessee, and the Marion County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Marion County School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.02, 06.03(A,B), 06.04, 06.08, 06.09, 06.10, 06.11, 06.13, and 06.14.

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marion County's and the Marion County School Department's financial statements are free of material misstatement, we performed tests of 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 06.01, 06.03(C), 06.05, 06.06, 06.07, and 06.12.

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

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

Very truly yours,



John G. Morgan  
Comptroller of the Treasury

JGM/yu



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

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

February 28, 2007

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

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

Compliance

We have audited the compliance of Marion County and the Marion County School Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of their major federal programs for the year ended June 30, 2006. Marion County's and the Marion County School Department's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of their major federal programs is the responsibility of Marion County's and the Marion County School Department's management. Our responsibility is to express an opinion on Marion County's and the Marion County School Department's compliance based on our audit.

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

test basis, evidence about Marion County's and the Marion County School Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Marion County's and the Marion County School Department's compliance with those requirements.

In our opinion, Marion County and the Marion County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2006.

#### Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect the Marion County School Department's ability to administer major federal programs in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.14 and 06.15.

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 the applicable requirements of laws, regulations, contracts, and grants 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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

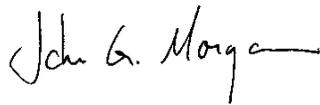
#### Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Marion County, Tennessee, and the Marion County School Department as of and for the year ended June 30, 2006, and have issued our reports thereon dated February 28, 2007. Our reports on the financial statements of Marion County and the Marion County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting

Standards Board Statement No. 34. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Very truly yours,

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

John G. Morgan  
Comptroller of the Treasury

JGM/yu

Marion County, Tennessee, and the Marion County School Department  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For Year Ended June 30, 2006

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 100,523
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	223,265
National School Lunch Program	10.555	N/A	773,909
Total U.S. Department of Agriculture			\$ 1,097,697
U.S. Department of Justice:			
Direct Program:			
Edward Byrne Memorial State and Local Law Enforcement			
Assistance Discretionary Grants Program	16.580	DJ-BX-1030	\$ 13,958
Public Safety Partnership and Community Policing Grants	16.710	(2)	159,743
Passed-through State Department of Finance and Administration:			
Edward Byrne Memorial State and Local Law Enforcement			
Assistance Discretionary Grants Program	16.580	(3)	101,964 (5)
Passed-through Hamilton County Sheriff's Department:			
Edward Byrne Memorial State and Local Law Enforcement			
Assistance Discretionary Grants Program	16.580	(2)	25,077 (5)
Total U.S. Department of Justice			\$ 300,742
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Airport Improvement Program	20.106	Z-03-014247-00	\$ 470,668
Total U.S. Department of Transportation			\$ 470,668
Appalachian Regional Commission:			
Passed-through Tennessee Valley Authority:			
Appalachian Area Development	23.002	00040299	\$ 62,880
Total Appalachian Regional Commission			\$ 62,880
U.S. General Services Administration:			
Passed-through State Secretary of State:			
Election Reform Payments	39.011	(2)	\$ 228,000
Total U.S. General Services Administration:			\$ 228,000
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-05-022242-00	\$ 115,895
Passed-through State Department of Education:			
Title I Grants to Local Education Agencies	84.010	N/A	934,150
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	916,016
Special Education - Preschool Grants	84.173	N/A	33,822
Vocational Education - Basic Grants to States	84.048	N/A	122,482
Safe and Drug-Free Schools and Communities - State Grants	84.186	N/A	26,391
Assistive Technology	84.224	GG-05-10919-00	33,654
State Grants for Innovative Programs	84.298	(2)	13,529
Education Technology State Grants	84.318	(2)	16,003
Improving Teacher Quality State Grants	84.367	(2)	286,180
Hurricane Education Recovery	84.938	(2)	30,690
Total U.S. Department of Education			\$ 2,528,812

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services:			
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families	93.558	Z-05-022333-00	\$ 14,416
Total U.S. Department of Health and Human Services			\$ 14,416
U.S. Office of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-04-022470-00	\$ 8,955
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(4)	26,011
Total U.S. Office of Homeland Security			\$ 34,966
Total Expenditures of Federal Awards			\$ 4,738,181

<u>State Grants</u>		<u>Contract Number</u>	
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 11,590
Juvenile Services Program - State Department of Children's Services	N/A	(2)	11,150
Waste Tire Storage and Disposal - State Department of Environment and Conservation	N/A	(2)	15,056
Litter Program - State Department of Transportation	N/A	(2)	30,821
Governor's Highway Safety Grant - State Department of Transportation	N/A	(2)	6,898
Safety Grant - State Department of Transportation	N/A	STP-H-5800(33)	11,882
Airport Maintenance Program - State Department of Transportation	N/A	(2)	13,016
2000 Home Program - State Housing Development Agency	N/A	(2)	
Tennessee Industrial Infrastructure Program - State Department of Economic and Community Development	N/A	GG-04-10895-01	67,593
Princess Theater Renovation - State Department of Economic and Community Development	N/A	(2)	4,749
Virtual Schools - State Department of Education	N/A	(2)	22,311
Voluntary Pre-K for Tennessee - State Department of Education	N/A	(2)	324,094
Safe Schools Act - State Department of Education	N/A	(2)	25,484
Adult Basic Education - State Department of Education	N/A	(2)	31,956
Families First - State Department of Education	N/A	(2)	7,406
School to Work Program - State Department of Human Services	N/A	(2)	26,336
Jobs for Tennessee Graduates - State Department of Education	N/A	(2)	24,697
Total State Grants			\$ 635,039

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) - Z-99-088321-00: \$93,774; Information not available: \$8,190
- (4) - 3217-EM-TN: \$7,211; Information not available: \$18,800
- (5) - Total Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program (CFDA No. 16.580) passed-through state and local governments \$127,041.

Marion County, Tennessee, and the Marion County School Department  
Schedule of Audit Findings Not Corrected  
June 30, 2006

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Marion County, Tennessee, and the Marion County School Department for the year ended June 30, 2005, which have not been corrected.

**MARION COUNTY AND MARION COUNTY SCHOOL DEPARTMENT**

Finding Number	Page Number	Subject
05.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principals

**OFFICE OF COUNTY MAYOR**

Finding Number	Page Number	Subject
05.02	13	Ambulance Service accounts receivable balances were not established
05.03	13	The office had deficiencies in its purchasing procedures
05.04	14	The office did not maintain inventory records

**OFFICE OF DIRECTOR OF SCHOOLS**

Finding Number	Page Number	Subject
05.05(B)	14	Invoices were paid without documentation that goods had been received or services had been rendered
05.06	15	The office did not maintain inventory records

**OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.08	16	The office did not develop a disaster recovery plan
05.09	17	The office had not entered into a formal hardware and software maintenance contract

**OFFICE OF SHERIFF**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.10	17	Collections were not deposited within three days

**OTHER FINDINGS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.11	17	A central system of accounting, budgeting, and purchasing had not been adopted
05.12	18	Duties were not segregated adequately in the Offices of County Mayor, Highway Supervisor, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2006**

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**PART I, SUMMARY OF AUDITOR'S RESULTS**

1. Adverse opinions were issued on the financial statements of Marion County and the Marion County School Department.
2. The audit of the financial statements of Marion County and the Marion County School Department disclosed reportable conditions in internal control. None of these conditions were considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Marion County, and one instance of noncompliance that is material to the financial statements of the Marion County School Department.
4. The audit disclosed one reportable condition in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.533 and 10.555), Airport Improvement Program (CFDA No. 20.106), Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: the Special Education – Grants to States and the Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Marion County and the Marion County School Department did not qualify as low-risk auditees.

## **PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

Findings and recommendations, as a result of our examination are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written responses of the county mayor and director of schools are quoted in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

### **MARION COUNTY AND MARION COUNTY SCHOOL DEPARTMENT**

**FINDING 06.01**      **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**  
(Material Noncompliance Under Government Auditing Standards)

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

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

### **RECOMMENDATION**

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

**OFFICE OF COUNTY MAYOR**

**FINDING 06.02      **AMBULANCE SERVICE ACCOUNTS RECEIVABLE BALANCES WERE NOT ESTABLISHED****

(Internal Control – Reportable Condition Under Government Auditing Standards)

Effective July 1, 2003, the county sold its Ambulance Service operations to a local hospital but retained the outstanding accounts receivable. We noted in the audit for the year ended June 30, 2003, that management had not determined an accurate list of accounts receivable and had not instituted efforts to collect these balances. During the 2003-06 years, the county did collect some of the accounts receivable. However, as of June 30, 2006, the county still had not determined an accurate list of the remaining accounts receivable of the Ambulance Service and had not instituted collection procedures for the unpaid balances.

**RECOMMENDATION**

Since the county no longer owns the Ambulance Service, management should determine an accurate list of accounts receivable for the Ambulance Service and institute efforts to collect these balances or the County Commission should determine whether efforts to collect these aging accounts receivable should cease and be declared uncollectible.

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**FINDING 06.03      **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES****

(A. and B. Internal Control – Reportable Condition Under Government Auditing Standards; C. Noncompliance Under Government Auditing Standards)

Our examination of purchasing procedures revealed the following deficiencies:

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

RECOMMENDATION

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

---

FINDING 06.04      **THE OFFICE DID NOT MAINTAIN INVENTORY RECORDS**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

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

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FINDING 06.05      **AN INTERFUND LOAN WAS NOT AUTHORIZED IN ACCORDANCE WITH STATE STATUTES**  
(Noncompliance Under Government Auditing Standards)

During the year, the Rural Debt Service Fund transferred \$300,000 to the General Fund to provide cash for operations. This transfer was, in effect, an interfund loan and was not approved by the state director of Local Finance as required by Section 9-21-408, Tennessee Code Annotated. This loan was repaid to the Rural Debt Service Fund prior to June 30, 2006.

RECOMMENDATION

All interfund loans should be approved by the state director of Local Finance as required by state statute.

---

**FINDING 06.06      THE OFFICE DID NOT FILE REPORTS ON DEBT OBLIGATIONS WITH THE STATE DIRECTOR OF LOCAL FINANCE**

(Noncompliance Under Government Auditing Standards)

The office did not file Reports on Debt Obligations with the state director of Local Finance for a capital lease for patrol cars (\$191,218) and an interfund loan (\$300,000). Section 9-21-151, Tennessee Code Annotated, requires that within 45 days following the issuance of debt, the county must provide to the state director of Local Finance certain information, such as a description of the purchase for which the debt was issued, a description of the debt obligation, and an itemized description of the costs of issuance.

**RECOMMENDATION**

All debt obligations should be reported to the state director of Local Finance as required by state statute.

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**OFFICE OF DIRECTOR OF SCHOOLS**

**FINDING 06.07      EXPENDITURES AND OTHER USES EXCEEDED TOTAL APPROPRIATIONS**

(Noncompliance Under Government Auditing Standards)

Expenditures and other uses exceeded total appropriations approved by the County Commission in the School Federal Projects Fund by \$120,314.

Section 5-9-401, Tennessee Code Annotated, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

**RECOMMENDATION**

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

**MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS (DIRECT QUOTE)**

It was our understanding in finance meetings with State Department of Education officials that Fund 142 (School Federal Projects Fund) amendments were not required at the County Commission level. After learning of the current requirement, management intends to include Fund 142 amendments for approval by the County Commission. All of our department/grant supervisors will be made aware of this requirement.

**FINDING 06.08      THE OFFICE HAD DEFICIENCIES DOCUMENTING THAT GOODS HAD BEEN RECEIVED OR SERVICES HAD BEEN RENDERED**

(Internal Control – Reportable Condition Under Government Auditing Standards)

In several instances, invoices were paid without documentation that goods had been received or services had been rendered. This practice weakens controls over the purchasing process. We extended our audit procedures and determined that these goods were received and services were rendered.

**RECOMMENDATION**

The office should improve purchasing procedures by obtaining documentation that goods have been received or services rendered before invoices are paid.

---

**FINDING 06.09      THE OFFICE DID NOT MAINTAIN INVENTORY RECORDS**

(Internal Control – Reportable Condition Under Government Auditing Standards)

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

**RECOMMENDATION**

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

---

**OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

**FINDING 06.10      THE OFFICE DID NOT DEVELOP A DISASTER RECOVERY PLAN**

(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

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

---

FINDING 06.11      **THE OFFICE HAD NOT ENTERED INTO A FORMAL HARDWARE AND SOFTWARE MAINTENANCE CONTRACT**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

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

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**OFFICE OF SHERIFF**

FINDING 06.12      **COLLECTIONS WERE NOT DEPOSITED WITHIN THREE DAYS**  
(Noncompliance Under Government Auditing Standards)

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

RECOMMENDATION

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

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**OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 06.13**      **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

**RECOMMENDATION**

County officials should consider adopting the County Financial Management System of 1981 or a private act which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

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**FINDING 06.14**      **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY MAYOR, HIGHWAY SUPERVISOR, DIRECTOR OF SCHOOLS, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**  
(Internal Control – Reportable Condition Under Government Auditing Standards and OMB Circular A-133)

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

**MANAGEMENT’S RESPONSE – COUNTY MAYOR (DIRECT QUOTE)**

Due to limited resources and personnel, management is not able to segregate duties among employees properly.

**MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS (DIRECT QUOTE)**

Management’s limited budget resources for additional personnel preclude us from being able to properly segregate duties among existing employees.

## REBUTTAL

We have not recommended hiring additional employees. We realize that due to limited resources and personnel, management may not be able to fully segregate duties among employees. However, as noted above, our professional standards require that we bring this matter to your attention.

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

Federal/Pass-through Agency	Finding Number	Federal CFDA Numbers	Criteria	Explanation	Amount Questioned
U.S. Department of Agriculture: Passed-through State Department of Education: Child Nutrition Cluster:	06.15		Circular A-133, Section 500(c)(3)	Reportable Condition in Internal Control See Finding 06.14 - Duties were not segregated adequately in the Offices of County Mayor and Director of Schools	\$ 0
School Breakfast Program		10.553			
School Lunch Program		10.555			
U.S. Department of Transportation: Passed-through State Department of Transportation: Airport Improvement Program		20.106			
U.S. Department of Education: Passed-through State Department of Education: Title I Grants to Local Educational Agencies		84.010			
Special Education Cluster: Special Education - Grants to States		84.027			
Special Education - Preschool Grants		84.173			

**MARION COUNTY, TENNESSEE, AND THE  
MARION COUNTY SCHOOL DEPARTMENT  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2006**

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

**Office of County Mayor – Corrective Action Plan for Current Year Findings**

**FINDINGS 06.14 and 06.15**

Contact Person: Howell Moss, County Mayor

Corrective action planned: Due to limited resources and personnel, management is not able to segregate duties among employees properly.

Anticipated completion date: None

**Office of Director of Schools – Corrective Action Plan for Current Year Findings**

**FINDINGS 06.14 and 06.15**

Contact Person: Dr. Fred Taylor, Director of Schools

Corrective action planned: Management's limited budget resources for additional personnel preclude us from being able to properly segregate duties among existing employees.

Anticipated completion date: None