

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

SINGLE AUDIT REPORT



FOR THE YEAR ENDED JUNE 30, 2006

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

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

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

MARSHALL COUNTY, TENNESSEE

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Audit Highlights

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

Scope

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

Results

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

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

Findings

The following are summaries of the audit findings:

MARSHALL COUNTY

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

OFFICE OF COUNTY MAYOR

- ◆ Competitive bids were not solicited for cleaning services. Tires and tubes were properly bid; however, a contract was not awarded, and the county continued to purchase from preferred vendors.
- ◆ Marshall County Public Library employees were not included in the county's retirement and health-care plans.

OTHER FINDINGS

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

INTRODUCTORY SECTION

Marshall County Officials
June 30, 2006

Officials

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

Board of County Commissioners

Sam Smith, Chairman
Dean Delk
Marion Joyce
Roy Bowden, Jr.
Mark Wilkerson
Kimberly Wing
Linda Williams-Lee
Mickey King
Lina Horner

Jennifer Harris
Roger Fagan
Joe Brandon
Richard Cheatham
Keith Hollingsworth
Phil Willis
Joe Harris
Richard Medley
Raynelle Smith

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

September 19, 2006

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Marshall County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 38, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Marshall County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements

for the county's governmental activities and discretely presented component units are not reasonably determinable.

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

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

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

In our opinion, except for the effects of the matter discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Marshall County, Tennessee, as of June 30, 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 September 19, 2006, on our consideration of Marshall County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 41 through 47 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the

methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marshall County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan" with a stylized flourish at the end.

John G. Morgan
Comptroller of the Treasury

JGM/rc

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds	
ASSETS					
Cash	\$ 150	\$ 0	\$ 0	\$ 2,100	\$ 2,250
Equity in Pooled Cash and Investments	1,806,549	339,053	5,952,828	701,853	8,800,283
Accounts Receivable	979,364	197,707	24,438	73,026	1,274,535
Allowance for Uncollectibles	(606,237)	0	0	0	(606,237)
Due from Other Governments	369,481	186,613	298,621	0	854,715
Due from Other Funds	2,316	0	0	0	2,316
Note Proceeds Receivable	0	0	0	164,000	164,000
Property Taxes Receivable	3,717,405	336,508	837,005	0	4,890,918
Allowance for Uncollectible Property Taxes	(72,853)	(6,303)	(19,703)	0	(98,859)
Total Assets	\$ 6,196,175	\$ 1,053,578	\$ 7,093,189	\$ 940,979	\$ 15,283,921
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 153,378	\$ 0	\$ 0	\$ 28,359	\$ 181,737
Accrued Payroll	175,762	19,001	0	5,669	200,432
Payroll Deductions Payable	1,124	0	0	0	1,124
Contracts Payable	0	0	0	93,500	93,500
Retainage Payable	0	0	0	10,256	10,256
Due to Other Funds	0	0	0	2,316	2,316
Due to Component Units	0	0	14,000	0	14,000
Due to State of Tennessee	0	0	0	541	541
Matured Bonds Payable	0	0	5,001	0	5,001
Matured Interest on Bonds	0	0	3,107	0	3,107
Current Liabilities Payable from Restricted Assets:					
Other Payables from Restricted Assets	0	42,885	0	0	42,885
Deferred Revenue - Current Property Taxes	3,513,852	319,441	775,786	0	4,609,079
Deferred Revenue - Delinquent Property Taxes	118,058	9,802	38,768	0	166,628
Other Deferred Revenues	422,265	162,677	167,285	0	752,227
Total Liabilities	\$ 4,384,439	\$ 553,806	\$ 1,003,947	\$ 140,641	\$ 6,082,833
Fund Balances					
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 928,666	\$ 928,666
Reserved for Alcohol and Drug Treatment	55,239	0	0	0	55,239
Reserved for Sexual Offender Registration	1,352	0	0	0	1,352
Reserved for Automation Purposes - General Sessions Court	12,806	0	0	0	12,806
Reserved for Automation Purposes - Juvenile Court	1,238	0	0	0	1,238
Reserved for Automation Purposes - Chancery Court	9,220	0	0	0	9,220
Other Local Education Reserves	0	0	2,104,250	0	2,104,250
Unreserved, Reported In:					
General Fund	1,731,881	0	0	0	1,731,881
Special Revenue Funds	0	499,772	0	630,567	1,130,339
Debt Service Fund	0	0	3,984,992	0	3,984,992
Capital Projects Funds (Deficit)	0	0	0	(758,895)	(758,895)
Total Fund Balances	\$ 1,811,736	\$ 499,772	\$ 6,089,242	\$ 800,338	\$ 9,201,088
Total Liabilities and Fund Balances	\$ 6,196,175	\$ 1,053,578	\$ 7,093,189	\$ 940,979	\$ 15,283,921

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

Exhibit B

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

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Education Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 4,834,497	\$ 683,637	\$ 3,673,913	\$ 0	\$ 102,994	\$ 9,295,041
Licenses and Permits	142,829	0	0	0	0	142,829
Fines, Forfeitures, and Penalties	73,244	0	0	0	57,519	130,763
Charges for Current Services	1,110,514	276	0	0	562,551	1,673,341
Other Local Revenues	226,996	214,154	563,603	6,521	30,822	1,042,096
Fees Received from County Officials	1,259,066	0	0	0	0	1,259,066
State of Tennessee	801,267	1,931,430	21,699	0	53,469	2,807,865
Federal Government	584,881	321,940	0	0	0	906,821
Other Governments and Citizens Groups	45,676	0	0	0	52,046	97,722
Total Revenues	\$ 9,078,970	\$ 3,151,437	\$ 4,259,215	\$ 6,521	\$ 859,401	\$ 17,355,544
<u>Expenditures</u>						
Current:						
General Government	\$ 1,351,790	\$ 0	\$ 0	\$ 0	\$ 57,210	\$ 1,409,000
Finance	1,019,479	0	0	0	0	1,019,479
Administration of Justice	730,112	0	0	0	93,881	823,993
Public Safety	3,229,556	0	0	0	11,667	3,241,223
Public Health and Welfare	2,369,289	0	0	0	564,901	2,934,190
Social, Cultural, and Recreational Services	80,300	0	0	0	0	80,300
Agricultural and Natural Resources	102,924	0	0	0	0	102,924
Other Operations	445,427	0	0	0	71,818	517,245
Highways	0	3,511,961	0	0	0	3,511,961
Debt Service:						
Principal on Debt	0	0	2,810,500	0	0	2,810,500
Interest on Debt	0	0	1,486,766	0	0	1,486,766
Other Debt Service	0	0	63,564	0	500	64,064
Capital Projects	0	0	0	7,674,421	1,507,527	9,181,948
Total Expenditures	\$ 9,328,877	\$ 3,511,961	\$ 4,360,830	\$ 7,674,421	\$ 2,307,504	\$ 27,183,593
Excess (Deficiency) of Revenues Over Expenditures	\$ (249,907)	\$ (360,524)	\$ (101,615)	\$ (7,667,900)	\$ (1,448,103)	\$ (9,828,049)

(Continued)

Exhibit B

Marshall 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	Education Capital Projects	Other Govern- mental Funds	
<u>Other Financing Sources (Uses)</u>						
Bonds Issued	\$ 0	\$ 0	\$ 0	\$ 7,050,000	\$ 0	\$ 7,050,000
Notes Issued	356,000	305,000	0	614,000	1,000,000	2,275,000
Other Loans Issued	\$ 0	\$ 0	\$ 0	\$ 3,900	\$ 205,100	\$ 209,000
Transfers In	0	0	610,381	0	68,063	678,444
Transfers Out	(242,371)	0	0	0	(633,913)	(876,284)
Total Other Financing Sources (Uses)	\$ 113,629	\$ 305,000	\$ 610,381	\$ 7,667,900	\$ 639,250	\$ 9,336,160
Net Change in Fund Balances	\$ (136,278)	\$ (55,524)	\$ 508,766	\$ 0	\$ (808,853)	\$ (491,889)
Fund Balance, July 1, 2005	1,948,014	555,296	5,580,476	0	1,609,191	9,692,977
Fund Balance, June 30, 2006	\$ 1,811,736	\$ 499,772	\$ 6,089,242	\$ 0	\$ 800,338	\$ 9,201,088

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

Exhibit C

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 788,964
Due from Other Governments	<u>257,714</u>
Total Assets	<u>\$ 1,046,678</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 257,714
Due to Litigants, Heirs, and Others	<u>788,964</u>
Total Liabilities	<u>\$ 1,046,678</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A. Reporting Entity

Marshall County is a public municipal corporation governed by an elected 18-member board. As required by GAAP, these financial statements present Marshall County (the primary government). Although required by GAAP, the financial statements of the Marshall County Public Library (special revenue and permanent funds) were not available from other auditors in time for inclusion in this report.

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

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

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

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

The Marshall County Board of Public Utilities provides water services for the citizens of Marshall County, and the Marshall County Commission appoints its governing body. The public utility may not issue debt without county approval, and its budget is subject to the County Commission’s approval. Water sales are the major source of funding, with the county being contingently liable for any debt.

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

Administrative Office:

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

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

Fund financial statements of Marshall County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, the county does not have any 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. All other governmental funds are aggregated into a single column on the fund financial statements. Fiduciary funds in total are reported in a single column.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Marshall County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

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

Fiduciary 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.

Marshall County reports the following major governmental funds:

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

Highway/Public Works Fund – This fund accounts for transactions of the county’s Highway Department.

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

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

Additionally, Marshall County reports the following fund type:

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

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

1. **Deposits and Investments**

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

The county trustee maintains a cash and internal investment pool that is used by all Marshall County, the Marshall County Board of Public Utilities, and the Marshall County School Department funds. Each fund’s portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund. Marshall County, the Marshall County School Department, and the Marshall County Board of Public Utilities have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and

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

All ambulance and property taxes receivable are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to one 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.

Most payables are disaggregated on the face of the financial statements. Current liabilities payable from restricted assets reflected in the Highway/Public Works Fund represent deposits placed with Marshall County for road damage and repairs (\$42,885).

Retainage payable in the primary government's nonmajor governmental funds represents amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the nonmajor governmental funds.

3. Capital Assets

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

4. Compensated Absences

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

5. Long-term Obligations

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

extent that the liabilities have matured (come due for payment) each period.

Governmental 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. Designations of fund balance represent tentative management plans that are subject to change. The General Fund had \$8,000 designated for paving the health department parking lot at June 30, 2006.

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 statement.

B. Fund Deficit

The Community Development/Industrial Park Fund had a fund deficit of \$814,407 at June 30, 2006. This fund deficit resulted from the unperformed portion of construction contracts of \$928,666 being reserved as encumbrances in the financial statements of this report. Funding for these future expenditures should be received subsequent to year-end.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Marshall County, Marshall County School Department, and the Marshall County Board of Public Utilities participate in an internal cash and investment pool through the Office of Trustee. The Marshall County School Department and the Marshall County Board of Public Utilities meet the criteria for discretely presented component units of Marshall County. Since Marshall County is presenting fund financial statements only, the financial information for the Marshall County School Department and the Marshall County Board of Public Utilities is not included in these fund financial statements. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected in the fund financial statements represents nonpooled amounts held separately by individual funds.

Deposits

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

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

Investments

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

Investment Balances. As of June 30, 2006, Marshall County had the following investments carried at fair value or cost. All investments are in the county trustee’s investment pool. Separate disclosures concerning pooled investments cannot be made for Marshall County, Marshall County School Department, and the Marshall County Board of Public Utilities since all pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value or Cost</u>
State Treasurer's Investment Pool	Daily	\$ <u>12,955</u>
Total		\$ <u><u>12,955</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. Marshall County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Marshall County has no investment policy that would further limit its investment choices. As of June 30, 2006, Marshall County's investment in the State Treasurer's Investment Pool was unrated.

B. Notes Receivable

Notes receivable at June 30, 2006, in the Community Development/Industrial Park Fund resulted from funding requests filed by the county with the Montgomery County Public Building Authority but not received until July 2006.

C. Construction Commitments

At June 30, 2006, the Community Development/Industrial Park Fund had uncompleted construction contracts of approximately \$928,666 for the construction of ambulance service facilities. Funding for these future expenditures is expected to be received from the issuance of debt.

D. 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	\$ 2,316

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

Due to/from primary government and component units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Component Unit: School Department: Education Capital Projects	Primary Government: General Debt Service	\$ 14,000

Interfund Transfers:

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

Transfers Out	Transfers In	
	General Debt Service Fund	Nonmajor Governmental Funds
General Fund	\$ 0	\$ 242,371
Nonmajor governmental funds	610,381	23,532
Total	\$ 610,381	\$ 265,903

Included in the above amount is \$197,840 transferred to the Public Library Fund (nonmajor governmental fund), whose financial statements were not available from other auditors in time for inclusion in this report.

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

E. Long-term Debt

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

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 25 years for bonds, up to 12 years for notes, and up to 28 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2006, will be retired from the General Debt Service Fund.

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

Purpose	Interest Rate	Original Amount of Issue	Balance 6-30-06
General Obligation Bonds	2 to 5 %	\$ 31,680,000	\$ 21,995,000
General Obligation Bonds - Refunding	2.1 to 4.25	19,080,000	13,630,000
Capital Outlay Notes	3.36 to 3.9	4,975,000	4,385,000
Capital Outlay Notes - Refunding	4.15	1,050,000	625,000
Other Loans	variable	6,456,000	2,743,100

In prior years, Marshall County entered into loan agreements with the Montgomery County Public Building Authority. Under three of these loan agreements, the authority loaned \$2,200,000, \$1,980,000, and \$1,500,000 to Marshall County for various renovation and construction projects. Under a fourth loan agreement, the authority has made \$2,000,000 available for loan to Marshall County on an as-needed basis for various renovation and construction projects. As of June 30, 2006, Marshall County had borrowed \$776,000 of the available \$2,000,000. The loans are repayable at interest rates that are tax-exempt variable rates determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with these loans. At June 30, 2006, the variable interest rates were 3.52 to 3.7 percent, and other fees amounted to approximately .2 percent (letter of credit fee) and .08 percent (remarketing fee) of the outstanding loan principal, and \$100 per month trustee fee per loan.

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

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 1,870,000	\$ 1,329,263	\$ 705,000	\$ 180,413
2008	2,130,000	1,267,538	735,000	154,385
2009	2,115,000	1,193,032	755,000	126,938
2010	2,140,000	1,111,976	425,000	98,865
2011	2,210,000	1,035,818	440,000	83,158
2012-2016	9,225,000	4,016,277	1,695,000	191,607
2017-2021	9,135,000	2,351,196	255,000	15,015
2022-2026	3,755,000	1,080,276	0	0
2027-2031	3,045,000	302,620	0	0
Total	\$ 35,625,000	\$ 13,687,996	\$ 5,010,000	\$ 850,381

Year Ending June 30	Other Loans (\$2,200,000)			Total
	Principal	Interest	Other Fees	
2007	\$ 185,200	\$ 21,144	\$ 2,835	\$ 209,179
2008	195,400	14,440	2,317	212,157
2009	203,500	7,367	1,670	212,537
Total	\$ 584,100	\$ 42,951	\$ 6,822	\$ 633,873

Year Ending June 30	Other Loans (\$1,980,000)			Total
	Principal	Interest	Other Fees	
2007	\$ 158,000	\$ 31,928	\$ 3,670	\$ 193,598
2008	167,000	26,209	3,227	196,436
2009	176,000	20,163	2,760	198,923
2010	185,000	13,792	2,267	201,059
2011	196,000	7,096	1,648	204,744
Total	\$ 882,000	\$ 99,188	\$ 13,572	\$ 994,760

Year Ending June 30	Other Loans (\$1,500,000)			Total
	Principal	Interest	Other Fees	
2007	\$ 103,000	\$ 29,709	\$ 3,563	\$ 136,272
2008	108,000	26,083	3,275	137,358
2009	114,000	22,282	2,972	139,254
2010	120,000	18,269	2,653	140,922
2011	126,000	14,045	2,317	142,362
2012-2013	273,000	14,537	3,457	290,994
Total	\$ 844,000	\$ 124,925	\$ 18,237	\$ 987,162

Year Ending June 30	Other Loans (\$2,000,000)			Total
	Principal	Interest	Other Fees	
2007	\$ 44,000	\$ 61,309	\$ 5,840	\$ 111,149
2008	45,000	59,681	5,716	110,397
2009	47,000	58,016	5,590	110,606
2010	48,000	56,277	5,459	109,736
2011	49,000	54,501	5,324	108,825
2012-2015	200,000	199,504	19,898	419,402
Total	\$ 433,000	\$ 489,288	\$ 47,827	\$ 970,115

There is \$6,089,242 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita amounted to \$1,331, based on the 2000 federal census. Total debt per capita, including bonds, notes, and other loans, amounted to \$1,621, 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:

	<u>Bonds</u>	<u>Notes</u>
Balance, July 1, 2005	\$ 30,330,000	\$ 3,025,000
Additions	7,050,000	2,275,000
Deductions	(1,755,000)	(290,000)
	<u>\$ 35,625,000</u>	<u>\$ 5,010,000</u>
Balance Due Within		
One Year	<u>\$ 1,870,000</u>	<u>\$ 705,000</u>
	<u>Other Loans</u>	<u>Compensated Absences</u>
Balance, July 1, 2005	\$ 3,299,600	\$ 102,171
Additions	209,000	180,124
Deductions	(765,500)	(170,552)
	<u>\$ 2,743,100</u>	<u>\$ 111,743</u>
Balance Due Within		
One Year	<u>\$ 490,200</u>	<u>\$ 111,743</u>

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

Defeasance of Prior Debt

In prior years, Marshall County defeased certain outstanding general obligation bonds by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. The trustee is empowered and required to pay all principal and interest on the defeased bonds as originally scheduled. Accordingly, the trust accounts and the defeased bonds are not included in the county's financial statements. At June 30, 2006, the 2000 School Refunding Bond was outstanding for \$7,480,000 and considered defeased.

IV. OTHER INFORMATION

A. Risk Management

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

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

B. Accounting 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 Marshall 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 Marshall 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. Marshall County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Marshall 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. Marshall County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Marshall County will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

C. Subsequent Event

On August 31, 2006, Terry Wallace left the Office of County Mayor and was succeeded by Joe Liggett.

D. Contingent Liabilities

The county is involved in several pending lawsuits. The county attorney estimates that the potential claims against the county not covered by

insurance resulting from such litigation would not materially affect the county's financial statements.

Marshall County is contingently liable for certain water revenue and tax bonds (\$1,797,825) issued or assumed by the Marshall County Board of Public Utilities, a component unit. In the event that revenues of the utility are insufficient to meet the debt service requirements, the payments are to be made by Marshall County from ad valorem taxes levied upon all property in the county.

E. Joint Ventures

The Marshall County Joint Economic Development Board is a joint venture between Marshall County, the City of Lewisburg, the Town of Chapel Hill, and the Town of Cornersville. The board comprises the county mayor, city mayor, town administrators, and 16 additional members. The purpose of the board is to foster communication and facilitate economic and community development between and among governmental entities, industry, and private citizens. The city, towns, and county provide the majority of funding for the board based on the percentage of its population compared to the total census of the county. Marshall County has been designated as the fiscal agent for the board and accounts for its activities through the Industrial/Economic Development Fund (special revenue fund), which is included in the financial statements of this report. Marshall County contributed \$47,063 to the operations of the board during the year ended June 30, 2006.

The Seventeenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Seventeenth Judicial District, Bedford, Lincoln, Moore, and Marshall Counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within the judicial district. Marshall County did not contribute to the DTF for the year ended June 30, 2006.

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

Administrative Office:

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

F. Retirement Commitments

Plan Description

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

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

Funding Policy

Marshall County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was 7.09 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Marshall County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2006, Marshall County's annual pension cost of \$655,121 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost

method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Marshall County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2003, was 12 years.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$655,121	100%	\$0
6-30-05	645,026	100	0
6-30-04	472,208	100	0

Required Supplementary Information

Schedule of Funding Progress for Marshall County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-05	\$16,857	\$17,922	\$1,065	94.06%	\$9,015	11.81%
6-30-03	14,543	15,742	1,199	92.38	7,915	15.15
6-30-01	12,698	14,046	1,348	90.40	7,014	19.22

G. Other Post-employment Benefits

In addition to the retirement commitments described above, Marshall County provides post-retirement health care benefits for retirees who have met the following eligibility requirements: (1) the employee must meet Tennessee Consolidated Retirement System requirements for retirement, (2) the employee must have been employed by the county 15 or more years, and (3) the employee must have been insured under the current medical insurance plan for at least five years. Currently, one retiree meets those eligibility requirements. The county will pay 83 percent of the cost of an

individual policy for a maximum of ten years or until the retiree reaches Medicare eligibility.

H. Office of Central Accounting and Budgeting

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

I. Purchasing Laws

Office of County Mayor

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

Office of Highway Superintendent

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 4,834,497	\$ 0	\$ 4,834,497	\$ 4,943,681	\$ 4,943,681	\$ (109,184)
Licenses and Permits	142,829	0	142,829	115,000	115,000	27,829
Fines, Forfeitures, and Penalties	73,244	0	73,244	61,950	61,950	11,294
Charges for Current Services	1,110,514	0	1,110,514	1,081,647	1,081,647	28,867
Other Local Revenues	226,996	0	226,996	139,583	143,769	83,227
Fees Received from County Officials	1,259,066	0	1,259,066	1,132,500	1,132,500	126,566
State of Tennessee	801,267	0	801,267	1,053,260	1,269,579	(468,312)
Federal Government	584,881	0	584,881	470,394	473,994	110,887
Other Governments and Citizens Groups	45,676	0	45,676	39,728	39,728	5,948
Total Revenues	\$ 9,078,970	\$ 0	\$ 9,078,970	\$ 9,037,743	\$ 9,261,848	\$ (182,878)
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 184,434	\$ 0	\$ 184,434	\$ 378,263	\$ 201,470	\$ 17,036
Board of Equalization	1,019	0	1,019	1,872	1,872	853
Beer Board	111	0	111	812	812	701
Budget and Finance Committee	2,628	0	2,628	4,324	4,324	1,696
Other Boards and Committees	9,225	0	9,225	11,889	11,889	2,664
County Mayor/Executive	119,211	0	119,211	120,579	120,579	1,368
County Attorney	17,282	0	17,282	20,285	20,285	3,003
Election Commission	220,965	0	220,965	124,366	228,216	7,251
Register of Deeds	184,559	0	184,559	190,974	190,974	6,415
Planning	8,500	0	8,500	8,500	8,500	0
Building	91,235	0	91,235	95,299	95,299	4,064
Codes Compliance	72,207	0	72,207	60,202	77,702	5,495
County Buildings	440,414	0	440,414	368,198	460,648	20,234

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Finance</u>						
Accounting and Budgeting	\$ 284,468	\$ 0	\$ 284,468	\$ 300,185	\$ 300,185	\$ 15,717
Property Assessor's Office	209,010	(20,879)	188,131	231,614	231,614	43,483
Reappraisal Program	85,344	0	85,344	88,577	88,577	3,233
County Trustee's Office	150,198	0	150,198	150,567	152,067	1,869
County Clerk's Office	290,459	0	290,459	286,158	293,624	3,165
<u>Administration of Justice</u>						
Circuit Court	300,570	0	300,570	305,095	305,095	4,525
General Sessions Court	116,479	0	116,479	116,486	116,526	47
Chancery Court	173,850	0	173,850	191,854	191,854	18,004
Juvenile Court	139,213	0	139,213	140,113	140,313	1,100
<u>Public Safety</u>						
Sheriff's Department	1,373,289	0	1,373,289	1,423,528	1,417,573	44,284
Jail	1,242,541	0	1,242,541	1,150,544	1,246,430	3,889
Civil Defense	571,022	(9,901)	561,121	761,916	769,637	208,516
County Coroner/Medical Examiner	42,110	0	42,110	81,359	60,359	18,249
Other Public Safety	594	0	594	550	595	1
<u>Public Health and Welfare</u>						
Local Health Center	39,578	0	39,578	56,200	56,200	16,622
Rabies and Animal Control	32,897	0	32,897	0	49,600	16,703
Ambulance/Emergency Medical Services	2,059,523	0	2,059,523	2,063,850	2,068,850	9,327
Maternal and Child Health Services	7,521	0	7,521	9,000	9,000	1,479
Other Local Health Services	130,440	0	130,440	169,800	169,800	39,360
Regional Mental Health Center	27,700	0	27,700	0	27,700	0
Appropriation to State	20,100	0	20,100	47,800	20,100	0
Other Public Health and Welfare	51,530	0	51,530	56,530	56,530	5,000

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Social, Cultural, and Recreational Services</u>						
Senior Citizens Assistance	\$ 75,000	\$ 0	\$ 75,000	\$ 75,000	\$ 75,000	\$ 0
Libraries	0	0	0	197,840	0	0
Other Social, Cultural, and Recreational	5,300	0	5,300	5,300	5,300	0
<u>Agriculture & Natural Resources</u>						
Agriculture Extension Service	69,299	0	69,299	69,825	69,825	526
Forest Service	2,000	0	2,000	2,000	2,000	0
Soil Conservation	31,625	0	31,625	32,055	32,055	430
<u>Other Operations</u>						
Tourism	1,000	0	1,000	1,000	1,000	0
Housing and Urban Development	306,180	0	306,180	316,753	432,822	126,642
Veterans' Services	24,332	0	24,332	19,235	24,405	73
Employee Benefits	765	0	765	16,500	10,000	9,235
Miscellaneous	113,150	0	113,150	222,850	138,706	25,556
Total Expenditures	\$ 9,328,877	\$ (30,780)	\$ 9,298,097	\$ 9,975,647	\$ 9,985,912	\$ 687,815
Excess (Deficiency) of Revenues						
Over Expenditures	\$ (249,907)	\$ 30,780	\$ (219,127)	\$ (937,904)	\$ (724,064)	\$ 504,937
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 356,000	\$ 0	\$ 356,000	\$ 0	\$ 356,000	\$ 0
Other Loans Issued	0	0	0	356,000	0	0
Transfers Out	(242,371)	0	(242,371)	(347,064)	(565,904)	323,533
Total Other Financing Sources (Uses)	\$ 113,629	\$ 0	\$ 113,629	\$ 8,936	\$ (209,904)	\$ 323,533

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Net Change in Fund Balance	\$ (136,278)	\$ 30,780	\$ (105,498)	\$ (928,968)	\$ (933,968)	\$ 828,470
Fund Balance, July 1, 2005	1,948,014	(30,780)	1,917,234	1,847,540	1,847,540	69,694
Fund Balance, June 30, 2006	\$ 1,811,736	\$ 0	\$ 1,811,736	\$ 918,572	\$ 913,572	\$ 898,164

Exhibit D-2

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 683,637	\$ 640,660	\$ 640,660	\$ 42,977
Charges for Current Services	276	250	250	26
Other Local Revenues	214,154	15,000	170,707	43,447
State of Tennessee	1,931,430	2,132,011	2,108,075	(176,645)
Federal Government	321,940	55,000	327,089	(5,149)
Total Revenues	<u>\$ 3,151,437</u>	<u>\$ 2,842,921</u>	<u>\$ 3,246,781</u>	<u>\$ (95,344)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 158,241	\$ 167,508	\$ 167,508	\$ 9,267
Highway and Bridge Maintenance	1,347,450	1,406,212	1,397,287	49,837
Operation and Maintenance of Equipment	571,814	532,794	590,101	18,287
Other Charges	68,558	69,178	69,178	620
Employee Benefits	221,815	215,999	224,499	2,684
Capital Outlay	1,144,083	1,076,299	1,574,455	430,372
Total Expenditures	<u>\$ 3,511,961</u>	<u>\$ 3,467,990</u>	<u>\$ 4,023,028</u>	<u>\$ 511,067</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (360,524)</u>	<u>\$ (625,069)</u>	<u>\$ (776,247)</u>	<u>\$ 415,723</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 305,000	\$ 235,000	\$ 365,000	\$ (60,000)
Total Other Financing Sources (Uses)	<u>\$ 305,000</u>	<u>\$ 235,000</u>	<u>\$ 365,000</u>	<u>\$ (60,000)</u>
Net Change in Fund Balance	\$ (55,524)	\$ (390,069)	\$ (411,247)	\$ 355,723
Fund Balance, July 1, 2005	<u>555,296</u>	<u>442,640</u>	<u>442,640</u>	<u>112,656</u>
Fund Balance, June 30, 2006	<u>\$ 499,772</u>	<u>\$ 52,571</u>	<u>\$ 31,393</u>	<u>\$ 468,379</u>

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

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 Marshall County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

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

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

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

Special Purpose Fund – The Special Purpose Fund is used to account for revenues received from hotel/motel taxes.

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

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

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

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used in the acquisition or construction of major capital projects.

General Capital Projects Fund – The General Capital Projects Fund is used to account for general capital expenditures of the county.

Community Development/Industrial Park Fund – The Community Development/Industrial Park Fund is used to account for industrial park projects.

Highway Capital Projects Fund – The Highway Capital Projects Fund is used to account for highway-related expenditures of the county.

Exhibit E-1

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

		Special Revenue Funds					
		Courthouse and Jail Maintenance	Juvenile Services	Solid Waste / Sanitation	Industrial / Economic Development	Special Purpose	Drug Control
<u>ASSETS</u>							
Cash	\$	0	\$ 0	\$ 0	\$ 0	\$ 0	0
Equity in Pooled Cash and Investments		78,114	30,447	393,524	11,246	23,096	31,161
Accounts Receivable		1,998	3,345	56,540	0	10,825	102
Note Proceeds Receivable		0	0	0	0	0	0
Total Assets	\$	80,112	\$ 33,792	\$ 450,064	\$ 11,246	\$ 33,921	\$ 31,263
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Accounts Payable	\$	0	\$ 0	28,174	\$ 150	\$ 0	\$ 35
Accrued Payroll		0	0	4,122	1,547	0	0
Contracts Payable		0	0	0	0	0	0
Retainage Payable		0	0	0	0	0	0
Due to Other Funds		0	0	0	0	0	0
Due to State of Tennessee		0	0	0	0	0	541
Total Liabilities	\$	0	\$ 0	\$ 32,296	\$ 1,697	\$ 0	\$ 576
<u>Fund Balances</u>							
Reserved for Encumbrances	\$	0	\$ 0	\$ 0	\$ 0	\$ 0	0
Unreserved (Deficit)		80,112	33,792	417,768	9,549	33,921	30,687
Total Fund Balances	\$	80,112	\$ 33,792	\$ 417,768	\$ 9,549	\$ 33,921	\$ 30,687
Total Liabilities and Fund Balances	\$	80,112	\$ 33,792	\$ 450,064	\$ 11,246	\$ 33,921	\$ 31,263

(Continued)

Exhibit E-1

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

	<u>Special Revenue Funds (Cont.)</u>			<u>Capital Projects Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Other Special Revenue</u>	<u>Constitutional Officers - Fees</u>	<u>Total</u>	<u>Community Development/ Industrial Park</u>	<u>Highway Capital Projects</u>	<u>Total</u>	
<u>ASSETS</u>							
Cash	\$ 0	\$ 2,100	\$ 2,100	\$ 0	\$ 0	\$ 0	2,100
Equity in Pooled Cash and Investments	24,738	0	592,326	54,015	55,512	109,527	701,853
Accounts Receivable	0	216	73,026	0	0	0	73,026
Note Proceeds Receivable	0	0	0	164,000	0	164,000	164,000
Total Assets	\$ 24,738	\$ 2,316	\$ 667,452	\$ 218,015	\$ 55,512	\$ 273,527	\$ 940,979
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Accounts Payable	\$ 0	\$ 0	\$ 28,359	\$ 0	\$ 0	\$ 0	28,359
Accrued Payroll	0	0	5,669	0	0	0	5,669
Contracts Payable	0	0	0	93,500	0	93,500	93,500
Retainage Payable	0	0	0	10,256	0	10,256	10,256
Due to Other Funds	0	2,316	2,316	0	0	0	2,316
Due to State of Tennessee	0	0	541	0	0	0	541
Total Liabilities	\$ 0	\$ 2,316	\$ 36,885	\$ 103,756	\$ 0	\$ 103,756	\$ 140,641
<u>Fund Balances</u>							
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 928,666	\$ 0	\$ 928,666	928,666
Unreserved (Deficit)	24,738	0	630,567	(814,407)	55,512	(758,895)	(128,328)
Total Fund Balances	\$ 24,738	\$ 0	\$ 630,567	\$ 114,259	\$ 55,512	\$ 169,771	\$ 800,338
Total Liabilities and Fund Balances	\$ 24,738	\$ 2,316	\$ 667,452	\$ 218,015	\$ 55,512	\$ 273,527	\$ 940,979

Exhibit E-2

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

	Special Revenue Funds						
	Courthouse and Jail Maintenance	Juvenile Services	Solid Waste / Sanitation	Industrial / Economic Development	Special Purpose	Drug Control	Other Special Revenue
<u>Revenues</u>							
Local Taxes	\$ 45,070	\$ 0	\$ 0	\$ 0	\$ 57,924	\$ 0	0
Fines, Forfeitures, and Penalties	0	53,438	0	0	0	4,081	0
Charges for Current Services	0	0	558,220	0	0	0	0
Other Local Revenues	0	0	17,672	2,084	0	263	714
State of Tennessee	0	0	52,158	1,311	0	0	0
Other Governments and Citizens Groups	0	0	0	22,046	0	0	0
Total Revenues	\$ 45,070	\$ 53,438	\$ 628,050	\$ 25,441	\$ 57,924	\$ 4,344	\$ 714
<u>Expenditures</u>							
Current:							
General Government	\$ 57,210	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Administration of Justice	0	89,550	0	0	0	0	0
Public Safety	0	0	0	0	0	10,640	1,027
Public Health and Welfare	0	0	564,901	0	0	0	0
Other Operations	0	0	0	71,347	471	0	0
Debt Service:							
Other Debt Service	0	0	0	0	0	0	0
Capital Projects	0	0	0	0	0	0	0
Total Expenditures	\$ 57,210	\$ 89,550	\$ 564,901	\$ 71,347	\$ 471	\$ 10,640	\$ 1,027
Excess (Deficiency) of Revenues Over Expenditures	\$ (12,140)	\$ (36,112)	\$ 63,149	\$ (45,906)	\$ 57,453	\$ (6,296)	\$ (313)
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Other Loans Issued	0	0	0	0	0	0	0
Transfers In	0	0	0	47,063	0	0	0
Transfers Out	0	0	0	0	(23,532)	0	0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 47,063	\$ (23,532)	\$ 0	\$ 0
Net Change in Fund Balances	\$ (12,140)	\$ (36,112)	\$ 63,149	\$ 1,157	\$ 33,921	\$ (6,296)	\$ (313)
Fund Balance, July 1, 2005	92,252	69,904	354,619	8,392	0	36,983	25,051
Fund Balance, June 30, 2006	\$ 80,112	\$ 33,792	\$ 417,768	\$ 9,549	\$ 33,921	\$ 30,687	\$ 24,738

(Continued)

Exhibit E-2

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

	Special Revenue Funds (Cont.)		Capital Projects Funds				Total Nonmajor Governmental Funds
	Constitu - tional Officers - Fees	Total	General Capital Projects	Community Development/ Industrial Park	Highway Capital Projects	Total	
<u>Revenues</u>							
Local Taxes	\$ 0	\$ 102,994	\$ 0	\$ 0	\$ 0	\$ 0	\$ 102,994
Fines, Forfeitures, and Penalties	0	57,519	0	0	0	0	57,519
Charges for Current Services	4,331	562,551	0	0	0	0	562,551
Other Local Revenues	0	20,733	7,889	2,200	0	10,089	30,822
State of Tennessee	0	53,469	0	0	0	0	53,469
Other Governments and Citizens Groups	0	22,046	0	30,000	0	30,000	52,046
Total Revenues	\$ 4,331	\$ 819,312	\$ 7,889	\$ 32,200	\$ 0	\$ 40,089	\$ 859,401
<u>Expenditures</u>							
Current:							
General Government	\$ 0	\$ 57,210	\$ 0	\$ 0	\$ 0	\$ 0	\$ 57,210
Administration of Justice	4,331	93,881	0	0	0	0	93,881
Public Safety	0	11,667	0	0	0	0	11,667
Public Health and Welfare	0	564,901	0	0	0	0	564,901
Other Operations	0	71,818	0	0	0	0	71,818
Debt Service:							
Other Debt Service	0	0	0	0	500	500	500
Capital Projects	0	0	419,498	144,041	943,988	1,507,527	1,507,527
Total Expenditures	\$ 4,331	\$ 799,477	\$ 419,498	\$ 144,041	\$ 944,488	\$ 1,508,027	\$ 2,307,504
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ 19,835	\$ (411,609)	\$ (111,841)	\$ (944,488)	\$ (1,467,938)	\$ (1,448,103)
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Other Loans Issued	0	0	0	205,100	0	205,100	205,100
Transfers In	0	47,063	0	21,000	0	21,000	68,063
Transfers Out	0	(23,532)	(610,381)	0	0	(610,381)	(633,913)
Total Other Financing Sources (Uses)	\$ 0	\$ 23,531	\$ (610,381)	\$ 226,100	\$ 1,000,000	\$ 615,719	\$ 639,250
Net Change in Fund Balances	\$ 0	\$ 43,366	\$ (1,021,990)	\$ 114,259	\$ 55,512	\$ (852,219)	\$ (808,853)
Fund Balance, July 1, 2005	0	587,201	1,021,990	0	0	1,021,990	1,609,191
Fund Balance, June 30, 2006	\$ 0	\$ 630,567	\$ 0	\$ 114,259	\$ 55,512	\$ 169,771	\$ 800,338

Exhibit E-3

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 45,070	\$ 63,000	\$ 63,000	\$ (17,930)
Total Revenues	\$ 45,070	\$ 63,000	\$ 63,000	\$ (17,930)
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 57,210	\$ 86,200	\$ 86,200	\$ 28,990
Total Expenditures	\$ 57,210	\$ 86,200	\$ 86,200	\$ 28,990
Excess (Deficiency) of Revenues Over Expenditures	\$ (12,140)	\$ (23,200)	\$ (23,200)	\$ 11,060
Net Change in Fund Balance	\$ (12,140)	\$ (23,200)	\$ (23,200)	\$ 11,060
Fund Balance, July 1, 2005	92,252	88,289	88,289	3,963
Fund Balance, June 30, 2006	\$ 80,112	\$ 65,089	\$ 65,089	\$ 15,023

Exhibit E-4

Marshall County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Juvenile Services Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 53,438	\$ 50,000	\$ 50,000	\$ 3,438
Total Revenues	\$ 53,438	\$ 50,000	\$ 50,000	\$ 3,438
<u>Expenditures</u>				
<u>Administration of Justice</u>				
Juvenile Court	\$ 89,550	\$ 103,854	\$ 105,329	\$ 15,779
Total Expenditures	\$ 89,550	\$ 103,854	\$ 105,329	\$ 15,779
Excess (Deficiency) of Revenues Over Expenditures	\$ (36,112)	\$ (53,854)	\$ (55,329)	\$ 19,217
Net Change in Fund Balance	\$ (36,112)	\$ (53,854)	\$ (55,329)	\$ 19,217
Fund Balance, July 1, 2005	69,904	68,468	68,468	1,436
Fund Balance, June 30, 2006	\$ 33,792	\$ 14,614	\$ 13,139	\$ 20,653

Exhibit E-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 558,220	\$ 360,000	\$ 460,000	\$ 98,220
Other Local Revenues	17,672	15,000	15,000	2,672
State of Tennessee	52,158	61,557	61,557	(9,399)
Total Revenues	<u>\$ 628,050</u>	<u>\$ 436,557</u>	<u>\$ 536,557</u>	<u>\$ 91,493</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 546,632	\$ 499,678	\$ 599,678	\$ 53,046
Waste Pickup	18,269	28,761	28,761	10,492
Total Expenditures	<u>\$ 564,901</u>	<u>\$ 528,439</u>	<u>\$ 628,439</u>	<u>\$ 63,538</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 63,149</u>	<u>\$ (91,882)</u>	<u>\$ (91,882)</u>	<u>\$ 155,031</u>
Net Change in Fund Balance	\$ 63,149	\$ (91,882)	\$ (91,882)	\$ 155,031
Fund Balance, July 1, 2005	<u>354,619</u>	<u>324,793</u>	<u>324,793</u>	<u>29,826</u>
Fund Balance, June 30, 2006	<u>\$ 417,768</u>	<u>\$ 232,911</u>	<u>\$ 232,911</u>	<u>\$ 184,857</u>

Exhibit E-6

Marshall County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Industrial/Economic Development Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 2,084	\$ 0	\$ 0	\$ 2,084
State of Tennessee	1,311	0	1,400	(89)
Other Governments and Citizens Groups	22,046	69,110	22,047	(1)
Total Revenues	<u>\$ 25,441</u>	<u>\$ 69,110</u>	<u>\$ 23,447</u>	<u>\$ 1,994</u>
<u>Expenditures</u>				
<u>Other Operations</u>				
Other Economic and Community Development	\$ 71,347	\$ 72,500	\$ 73,900	\$ 2,553
Total Expenditures	<u>\$ 71,347</u>	<u>\$ 72,500</u>	<u>\$ 73,900</u>	<u>\$ 2,553</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (45,906)</u>	<u>\$ (3,390)</u>	<u>\$ (50,453)</u>	<u>\$ 4,547</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 47,063	\$ 0	\$ 47,063	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 47,063</u>	<u>\$ 0</u>	<u>\$ 47,063</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 1,157	\$ (3,390)	\$ (3,390)	\$ 4,547
Fund Balance, July 1, 2005	<u>8,392</u>	<u>9,627</u>	<u>9,627</u>	<u>(1,235)</u>
Fund Balance, June 30, 2006	<u><u>\$ 9,549</u></u>	<u><u>\$ 6,237</u></u>	<u><u>\$ 6,237</u></u>	<u><u>\$ 3,312</u></u>

Exhibit E-7

Marshall County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Special Purpose Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 57,924	\$ 0	\$ 72,800	\$ (14,876)
Total Revenues	\$ 57,924	\$ 0	\$ 72,800	\$ (14,876)
<u>Expenditures</u>				
<u>Other Operations</u>				
Other Economic and Community Development	\$ 471	\$ 0	\$ 500	\$ 29
Total Expenditures	\$ 471	\$ 0	\$ 500	\$ 29
Excess (Deficiency) of Revenues Over Expenditures	\$ 57,453	\$ 0	\$ 72,300	\$ (14,847)
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (23,532)	\$ 0	\$ (23,532)	\$ 0
Total Other Financing Sources (Uses)	\$ (23,532)	\$ 0	\$ (23,532)	\$ 0
Net Change in Fund Balance	\$ 33,921	\$ 0	\$ 48,768	\$ (14,847)
Fund Balance, July 1, 2005	0	0	0	0
Fund Balance, June 30, 2006	\$ 33,921	\$ 0	\$ 48,768	\$ (14,847)

Exhibit E-8

Marshall 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	\$ 4,081	\$ 2,000	\$ 2,000	\$ 2,081
Other Local Revenues	263	0	0	263
Total Revenues	<u>\$ 4,344</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 2,344</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 10,640	\$ 16,750	\$ 16,750	\$ 6,110
Total Expenditures	<u>\$ 10,640</u>	<u>\$ 16,750</u>	<u>\$ 16,750</u>	<u>\$ 6,110</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (6,296)</u>	<u>\$ (14,750)</u>	<u>\$ (14,750)</u>	<u>\$ 8,454</u>
Net Change in Fund Balance	\$ (6,296)	\$ (14,750)	\$ (14,750)	\$ 8,454
Fund Balance, July 1, 2005	<u>36,983</u>	<u>36,569</u>	<u>36,569</u>	<u>414</u>
Fund Balance, June 30, 2006	<u><u>\$ 30,687</u></u>	<u><u>\$ 21,819</u></u>	<u><u>\$ 21,819</u></u>	<u><u>\$ 8,868</u></u>

Exhibit E-9

Marshall County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Other Special Revenue Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 714	\$ 0	\$ 0	\$ 714
Total Revenues	\$ 714	\$ 0	\$ 0	\$ 714
<u>Expenditures</u>				
<u>Public Safety</u>				
Other Emergency Management	\$ 1,027	\$ 4,400	\$ 4,400	\$ 3,373
Total Expenditures	\$ 1,027	\$ 4,400	\$ 4,400	\$ 3,373
Excess (Deficiency) of Revenues Over Expenditures	\$ (313)	\$ (4,400)	\$ (4,400)	\$ 4,087
Net Change in Fund Balance	\$ (313)	\$ (4,400)	\$ (4,400)	\$ 4,087
Fund Balance, July 1, 2005	25,051	25,051	25,051	0
Fund Balance, June 30, 2006	\$ 24,738	\$ 20,651	\$ 20,651	\$ 4,087

Major Governmental Fund

General Debt Service Fund

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

Exhibit F

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,673,913	\$ 3,255,225	\$ 3,255,225	\$ 418,688
Other Local Revenues	563,603	236,000	236,000	327,603
State of Tennessee	21,699	20,000	20,000	1,699
Total Revenues	<u>\$ 4,259,215</u>	<u>\$ 3,511,225</u>	<u>\$ 3,511,225</u>	<u>\$ 747,990</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 560,979	\$ 560,980	\$ 560,980	\$ 1
Highways and Streets	44,460	44,460	44,460	0
Education	2,205,061	2,303,061	2,303,061	98,000
<u>Interest on Debt</u>				
General Government	383,058	447,166	442,351	59,293
Highways and Streets	19,087	20,738	20,738	1,651
Education	1,084,621	1,037,369	1,091,869	7,248
<u>Other Debt Service</u>				
General Government	56,209	85,000	60,000	3,791
Highways and Streets	315	0	315	0
Education	7,040	35,000	10,000	2,960
Total Expenditures	<u>\$ 4,360,830</u>	<u>\$ 4,533,774</u>	<u>\$ 4,533,774</u>	<u>\$ 172,944</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (101,615)</u>	<u>\$ (1,022,549)</u>	<u>\$ (1,022,549)</u>	<u>\$ 920,934</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 610,381	\$ 650,000	\$ 650,000	\$ (39,619)
Total Other Financing Sources (Uses)	<u>\$ 610,381</u>	<u>\$ 650,000</u>	<u>\$ 650,000</u>	<u>\$ (39,619)</u>
Net Change in Fund Balance	\$ 508,766	\$ (372,549)	\$ (372,549)	\$ 881,315
Fund Balance, July 1, 2005	<u>5,580,476</u>	<u>5,336,166</u>	<u>5,336,166</u>	<u>244,310</u>
Fund Balance, June 30, 2006	<u>\$ 6,089,242</u>	<u>\$ 4,963,617</u>	<u>\$ 4,963,617</u>	<u>\$ 1,125,625</u>

Fiduciary Funds

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

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

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

Exhibit G-1

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

	<u>Agency Funds</u>		
	<u>Cities - Sales Tax</u>	<u>Constitu - tional Officers - Agency</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 0	\$ 788,964	\$ 788,964
Due from Other Governments	257,714	0	257,714
Total Assets	<u>\$ 257,714</u>	<u>\$ 788,964</u>	<u>\$ 1,046,678</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 257,714	\$ 0	\$ 257,714
Due to Litigants, Heirs, and Others	0	788,964	788,964
Total Liabilities	<u>\$ 257,714</u>	<u>\$ 788,964</u>	<u>\$ 1,046,678</u>

Exhibit G-2

Marshall County, Tennessee
Combining Statement 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	\$ 1,514,925	\$ 1,514,925	\$ 0
Due From Other Governments	201,736	257,714	201,736	257,714
Total Assets	\$ 201,736	\$ 1,772,639	\$ 1,716,661	\$ 257,714
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 201,736	\$ 1,772,639	\$ 1,716,661	\$ 257,714
Total Liabilities	\$ 201,736	\$ 1,772,639	\$ 1,716,661	\$ 257,714
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 671,528	\$ 6,284,901	\$ 6,167,465	\$ 788,964
Total Assets	\$ 671,528	\$ 6,284,901	\$ 6,167,465	\$ 788,964
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 671,528	\$ 6,284,901	\$ 6,167,465	\$ 788,964
Total Liabilities	\$ 671,528	\$ 6,284,901	\$ 6,167,465	\$ 788,964
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 671,528	\$ 6,284,901	\$ 6,167,465	\$ 788,964
Equity in Pooled Cash and Investments	0	1,514,925	1,514,925	0
Due From Other Governments	201,736	257,714	201,736	257,714
Total Assets	\$ 873,264	\$ 8,057,540	\$ 7,884,126	\$ 1,046,678
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 201,736	\$ 1,772,639	\$ 1,716,661	\$ 257,714
Due to Litigants, Heirs, and Others	671,528	6,284,901	6,167,465	788,964
Total Liabilities	\$ 873,264	\$ 8,057,540	\$ 7,884,126	\$ 1,046,678

MISCELLANEOUS SCHEDULES

Exhibit H-1

Marshall County, Tennessee
Schedule of Changes in Long-Term Notes, Other Loans, and Bonds
For the Year Ended June 30, 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	Outstanding 6-30-06
NOTES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
School Refunding	\$ 1,050,000	4.15 %	12-1-01	5-1-12	\$ 715,000	\$ 0	\$ 90,000	\$ 625,000
General Projects (52%), Education (25%), and Highway (23%)	2,700,000	3.36	12-1-02	12-14-14	2,310,000	0	200,000	2,110,000
Road Construction (Highway)	1,000,000	3.75	2-21-06	3-1-09	0	1,000,000	0	1,000,000
General Projects (28%), Education (48%), and Highway (24%)	1,275,000	3.9	3-10-06	3-1-18	0	1,275,000	0	1,275,000
Total Notes Payable					<u>\$ 3,025,000</u>	<u>\$ 2,275,000</u>	<u>\$ 290,000</u>	<u>\$ 5,010,000</u>
OTHER LOANS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
General Projects (81%), Schools (19%)	2,200,000	variable	4-17-1996	5-25-09	\$ 759,600	\$ 0	\$ 175,500	\$ 584,100
Schools	1,980,000	variable	11-25-1996	5-25-11	1,032,000	0	150,000	882,000
Courthouse Renovations	1,500,000	variable	1-22-1998	5-25-13	941,000	0	97,000	844,000
Schools, Highway, and EMS Projects	(1)	variable	6-16-05	5-25-33	567,000	209,000	343,000	433,000
Total Other Loans Payable					<u>\$ 3,299,600</u>	<u>\$ 209,000</u>	<u>\$ 765,500</u>	<u>\$ 2,743,100</u>
BONDS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
School Refunding	6,110,000	3.3 to 3.9	3-1-1999	3-1-09	\$ 2,330,000	\$ 0	\$ 715,000	\$ 1,615,000
School Bonds	8,300,000	4.75 to 5	12-1-00	12-1-20	455,000	0	105,000	350,000
School Bonds	5,900,000	4.4 to 4.5	1-1-01	12-1-20	5,485,000	0	115,000	5,370,000
School Bonds	2,430,000	3.25 to 4	9-1-01	9-1-13	2,125,000	0	110,000	2,015,000
General Obligation Bond	8,000,000	2 to 4.5	9-1-03	3-1-28	7,425,000	0	215,000	7,210,000
School Refunding	4,995,000	2.1 to 4.25	7-7-04	4-1-13	4,535,000	0	490,000	4,045,000
School Refunding	7,975,000	3.47	3-17-05	6-1-20	7,975,000	0	5,000	7,970,000
School Bonds	7,050,000	3.7	1-1-06	5-1-31	0	7,050,000	0	7,050,000
Total Bonds Payable					<u>\$ 30,330,000</u>	<u>\$ 7,050,000</u>	<u>\$ 1,755,000</u>	<u>\$ 35,625,000</u>

(1) Total amount available for draws from the Montgomery County Public Building Authority is \$1,224,000 of an authorized \$2,000,000.

Exhibit H-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2007	\$ 1,870,000	\$ 1,329,263	\$ 3,199,263
2008	2,130,000	1,267,538	3,397,538
2009	2,115,000	1,193,032	3,308,032
2010	2,140,000	1,111,976	3,251,976
2011	2,210,000	1,035,818	3,245,818
2012	2,300,000	954,662	3,254,662
2013	1,930,000	868,111	2,798,111
2014	1,840,000	793,736	2,633,736
2015	1,545,000	729,701	2,274,701
2016	1,610,000	670,067	2,280,067
2017	1,685,000	607,494	2,292,494
2018	1,745,000	542,060	2,287,060
2019	1,820,000	473,443	2,293,443
2020	1,900,000	401,758	2,301,758
2021	1,985,000	326,441	2,311,441
2022	690,000	274,498	964,498
2023	715,000	246,878	961,878
2024	750,000	217,855	967,855
2025	785,000	186,785	971,785
2026	815,000	154,260	969,260
2027	855,000	120,465	975,465
2028	895,000	85,030	980,030
2029	415,000	47,915	462,915
2030	430,000	32,560	462,560
2031	450,000	16,650	466,650
Total	\$ 35,625,000	\$ 13,687,996	\$ 49,312,996

Exhibit H-3

Marshall 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	Public Library	Provide funds for operations	\$ 197,840
General	Industrial/Economic Development	Provide funds for operations	23,531
General	Community Development/Industrial Park	Provide funds for operations	21,000
Special Purpose	Industrial/Economic Development	Provide funds for operations	23,532
General Capital Projects	General Debt Service	To close projects	<u>610,381</u>
Total Transfers			<u>\$ 876,284</u>

Exhibit H-4

Marshall 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>	\$ 62,969	\$ 50,000	Auto Owners Mutual Insurance Company
Highway Superintendent	Section 8-24-102, <u>TCA</u>	59,452	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	54,048	1,350,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	54,048	50,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	54,048	50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	54,048	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Judge	58,379 (1)	50,000	"
Register	Section 8-24-102, <u>TCA</u>	54,048	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	59,452 (2)	25,000	"
Director of Accounts and Budgets	Chapter 17, Private Acts of 2005, and County Commission	58,171 (3)	50,000	"
<u>Other Bonds</u>				
County Employees			150,000	Local Government Property and Casualty Fund

(1) Includes special commissioner fees of \$4,331.

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

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

Exhibit H-5

Marshall 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	Juvenile Services	Solid Waste / Sanitation	Industrial / Economic Development	Special Purpose	Drug Control
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 3,861,603	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Trustee's Collections - Prior Year	152,592	0	0	0	0	0	0
Trustee's Collections - Bankruptcy	30,946	0	0	0	0	0	0
Circuit/Clerk & Master Collections - Prior Years	31,599	0	0	0	0	0	0
Interest and Penalty	26,954	0	0	0	0	0	0
Payments in-Lieu-of Taxes - T.V.A.	2,036	0	0	0	0	0	0
Payments in-Lieu-of Taxes - Local Utilities	28,497	0	0	0	0	0	0
Payments in-Lieu-of Taxes - Other	538	0	0	0	0	0	0
<u>County Local Option Taxes</u>							
Local Option Sales Tax	167,299	0	0	0	0	0	0
Hotel/Motel Tax	22,396	22,396	0	0	0	57,924	0
Wheel Tax	60,011	0	0	0	0	0	0
Litigation Tax - General	120,300	0	0	0	0	0	0
Litigation Tax - Special Purpose	0	22,674	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	0	0
Business Tax	143,540	0	0	0	0	0	0
Mineral Severance Tax	0	0	0	0	0	0	0
Adequate Facilities/Development Tax	76,559	0	0	0	0	0	0
<u>Statutory Local Taxes</u>							
Bank Excise Tax	25,481	0	0	0	0	0	0
Wholesale Beer Tax	81,727	0	0	0	0	0	0
Interstate Telecommunications Tax	2,419	0	0	0	0	0	0
Total Local Taxes	\$ 4,834,497	\$ 45,070	\$ 0	\$ 0	\$ 0	\$ 57,924	\$ 0
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Cable TV Franchise	\$ 17,893	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Permits</u>							
Beer Permits	1,710	0	0	0	0	0	0
Building Permits	123,226	0	0	0	0	0	0
Total Licenses and Permits	\$ 142,829	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0

Exhibit H-5

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

	Special Revenue Funds						
	General	Courthouse and Jail Maintenance	Juvenile Services	Solid Waste / Sanitation	Industrial / Economic Development	Special Purpose	Drug Control
<u>Fines, Forfeitures, and Penalties</u>							
<u>Circuit Court</u>							
Fines	\$ 691	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Officers Costs	1,575	0	0	0	0	0	0
Drug Control Fines	0	0	0	0	0	0	1,473
Data Entry Fee - Circuit Court	3,228	0	0	0	0	0	0
Courtroom Security Fee	32	0	0	0	0	0	0
<u>General Sessions Court</u>							
Fines	12,437	0	0	0	0	0	0
Officers Costs	26,952	0	0	0	0	0	0
Game and Fish Fines	824	0	0	0	0	0	0
Drug Control Fines	0	0	0	0	0	0	2,608
Interpreter Fees	125	0	0	0	0	0	0
DUI Treatment Fines	3,304	0	0	0	0	0	0
Data Entry Fee - General Sessions Court	6,503	0	0	0	0	0	0
Courtroom Security Fee	106	0	0	0	0	0	0
<u>Juvenile Court</u>							
Fines	11,298	0	0	0	0	0	0
Officers Costs	174	0	0	0	0	0	0
Data Entry Fee - Juvenile Court	1,090	0	0	0	0	0	0
<u>Chancery Court</u>							
Officers Costs	2,603	0	0	0	0	0	0
Data Entry Fee - Chancery Court	2,302	0	0	0	0	0	0
<u>Other Courts - In-county</u>							
Fines	0	0	53,438	0	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 73,244	\$ 0	\$ 53,438	\$ 0	\$ 0	\$ 0	4,081
<u>Charges for Current Services</u>							
<u>General Service Charges</u>							
Surcharge - Host Agency	\$ 0	\$ 0	\$ 0	558,220	\$ 0	\$ 0	0
Patient Charges	980,601	0	0	0	0	0	0
Zoning Studies	50,855	0	0	0	0	0	0
Work Release Charges for Board	7,148	0	0	0	0	0	0
Water Sales	31,256	0	0	0	0	0	0

Exhibit H-5

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

	Special Revenue Funds						
	General	Courthouse and Jail Maintenance	Juvenile Services	Solid Waste / Sanitation	Industrial / Economic Development	Special Purpose	Drug Control
<u>Charges for Current Services (Cont.)</u>							
<u>Fees</u>							
Copy Fees	\$ 7,072	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Telephone Commissions	13,742	0	0	0	0	0	0
Vending Machine Collections	310	0	0	0	0	0	0
Special Commissioner Fees/Special Master Fees	0	0	0	0	0	0	0
Data Processing Fee - Register	14,396	0	0	0	0	0	0
Data Processing Fee - Sheriff	3,834	0	0	0	0	0	0
Sexual Offender Registration Fees - Sheriff	1,300	0	0	0	0	0	0
Total Charges for Current Services	\$ 1,110,514	\$ 0	\$ 0	\$ 558,220	\$ 0	\$ 0	0
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Lease/Rentals	14,770	0	0	0	0	0	0
Sale of Materials and Supplies	1,694	0	0	0	0	0	0
Sale of Gasoline	0	0	0	0	0	0	0
Sale of Maps	1,622	0	0	0	0	0	0
Sale of Recycled Materials	0	0	0	17,435	0	0	0
Miscellaneous Refunds	27,805	0	0	0	40	0	104
Expenditure Credits	134,784	0	0	0	0	0	0
<u>Nonrecurring Items</u>							
Accrued Interest on Debt Issues	0	0	0	0	0	0	0
Insurance Recovery	27,861	0	0	237	0	0	0
Sale of Equipment	4,933	0	0	0	0	0	0
Damages Recovered from Individuals	1,380	0	0	0	0	0	0
Contributions & Gifts	4,312	0	0	0	2,044	0	159
Performance Bond Forfeitures	0	0	0	0	0	0	0
<u>Other Local Revenues</u>							
Other Local Revenues	7,835	0	0	0	0	0	0
Total Other Local Revenues	\$ 226,996	\$ 0	\$ 0	\$ 17,672	\$ 2,084	\$ 0	263

Exhibit H-5

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

	Special Revenue Funds						
	General	Courthouse and Jail Maintenance	Juvenile Services	Solid Waste / Sanitation	Industrial / Economic Development	Special Purpose	Drug Control
<u>Fees Received from County Officials</u>							
<u>Fees-In-Lieu of Salary</u>							
County Clerk	\$ 283,035	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Circuit Court Clerk	42,305	0	0	0	0	0	0
General Sessions Court Clerk	144,064	0	0	0	0	0	0
Clerk and Master	103,489	0	0	0	0	0	0
Juvenile Court Clerk	18,304	0	0	0	0	0	0
Register	182,727	0	0	0	0	0	0
Sheriff	12,590	0	0	0	0	0	0
Trustee	472,552	0	0	0	0	0	0
Total Fees Received from County Officials	\$ 1,259,066	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 10,080	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Solid Waste Grants	0	0	0	21,396	0	0	0
<u>Public Safety Grants</u>							
Law Enforcement Training Programs	10,893	0	0	0	0	0	0
<u>Health and Welfare Grants</u>							
Other Health and Welfare Grants	130,164	0	0	0	0	0	0
<u>Public Works Grants</u>							
Bridge Program	0	0	0	0	0	0	0
State Aid Program	0	0	0	0	0	0	0
Litter Program	0	0	0	30,762	0	0	0
<u>Other State Revenues</u>							
Income Tax	46,765	0	0	0	0	0	0
Beer Tax	17,212	0	0	0	0	0	0
Alcoholic Beverage Tax	35,454	0	0	0	0	0	0
State Revenue Sharing - T.V.A.	99,815	0	0	0	0	0	0
Contracted Prisoner Boarding	425,185	0	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	0
Petroleum Special Tax	0	0	0	0	0	0	0
Reappraisal Program Reimbursement	9,319	0	0	0	0	0	0
Registrar's Salary Supplement	16,380	0	0	0	0	0	0

Exhibit H-5

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

	Special Revenue Funds						
	General	Courthouse and Jail Maintenance	Juvenile Services	Solid Waste / Sanitation	Industrial / Economic Development	Special Purpose	Drug Control
<u>State of Tennessee (Cont.)</u>							
<u>Other State Revenues (Cont.)</u>							
Other State Grants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,311	\$ 0	\$ 0
Total State of Tennessee	\$ 801,267	\$ 0	\$ 0	\$ 52,158	\$ 1,311	\$ 0	\$ 0
<u>Federal Government</u>							
<u>Federal Through State</u>							
Disaster Relief	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Homeland Security Grants	269,786	0	0	0	0	0	0
Other Federal through State	313,895	0	0	0	0	0	0
<u>Direct Federal Revenue</u>							
Medicare	1,200	0	0	0	0	0	0
Total Federal Government	\$ 584,881	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Governments and Citizens Groups</u>							
<u>Other Governments</u>							
Prisoner Board	\$ 25,805	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contributions	25	0	0	0	22,046	0	0
Contracted Services	7,799	0	0	0	0	0	0
<u>Citizens Groups</u>							
Donations	0	0	0	0	0	0	0
<u>Other</u>							
Other	12,047	0	0	0	0	0	0
Total Other Governments and Citizens Groups	\$ 45,676	\$ 0	\$ 0	\$ 0	\$ 22,046	\$ 0	\$ 0
Total	\$ 9,078,970	\$ 45,070	\$ 53,438	\$ 628,050	\$ 25,441	\$ 57,924	\$ 4,344

Exhibit H-5

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

	Special Revenue Funds			Debt Service Fund	Capital Projects Funds			Total
	Other Special Revenue	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Community Development/ Industrial Park	Education Capital Projects	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 0	\$ 0	\$ 294,779	\$ 842,221	\$ 0	\$ 0	\$ 0	\$ 4,998,603
Trustee's Collections - Prior Year	0	0	10,559	28,986	0	0	0	192,137
Trustee's Collections - Bankruptcy	0	0	2,354	6,728	0	0	0	40,028
Circuit/Clerk & Master Collections - Prior Years	0	0	2,412	6,993	0	0	0	41,004
Interest and Penalty	0	0	2,102	5,862	0	0	0	34,918
Payments in-Lieu-of Taxes - T.V.A.	0	0	155	443	0	0	0	2,634
Payments in-Lieu-of Taxes - Local Utilities	0	0	2,168	6,195	0	0	0	36,860
Payments in-Lieu-of Taxes - Other	0	0	41	117	0	0	0	696
<u>County Local Option Taxes</u>								
Local Option Sales Tax	0	0	0	1,777,985	0	0	0	1,945,284
Hotel/Motel Tax	0	0	0	0	0	0	0	102,716
Wheel Tax	0	0	180,033	960,175	0	0	0	1,200,219
Litigation Tax - General	0	0	0	0	0	0	0	120,300
Litigation Tax - Special Purpose	0	0	0	0	0	0	0	22,674
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	32,669	0	0	0	32,669
Business Tax	0	0	0	0	0	0	0	143,540
Mineral Severance Tax	0	0	187,095	0	0	0	0	187,095
Adequate Facilities/Development Tax	0	0	0	0	0	0	0	76,559
<u>Statutory Local Taxes</u>								
Bank Excise Tax	0	0	1,939	5,539	0	0	0	32,959
Wholesale Beer Tax	0	0	0	0	0	0	0	81,727
Interstate Telecommunications Tax	0	0	0	0	0	0	0	2,419
Total Local Taxes	\$ 0	\$ 0	\$ 683,637	\$ 3,673,913	\$ 0	\$ 0	\$ 0	\$ 9,295,041
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,893
<u>Permits</u>								
Beer Permits	0	0	0	0	0	0	0	1,710
Building Permits	0	0	0	0	0	0	0	123,226
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 142,829

Exhibit H-5

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

	Special Revenue Funds			Debt Service Fund	Capital Projects Funds			Total
	Other Special Revenue	Constitutional - Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Community Development/ Industrial Park	Education Capital Projects	
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	691
Officers Costs	0	0	0	0	0	0	0	1,575
Drug Control Fines	0	0	0	0	0	0	0	1,473
Data Entry Fee - Circuit Court	0	0	0	0	0	0	0	3,228
Courtroom Security Fee	0	0	0	0	0	0	0	32
<u>General Sessions Court</u>								
Fines	0	0	0	0	0	0	0	12,437
Officers Costs	0	0	0	0	0	0	0	26,952
Game and Fish Fines	0	0	0	0	0	0	0	824
Drug Control Fines	0	0	0	0	0	0	0	2,608
Interpreter Fees	0	0	0	0	0	0	0	125
DUI Treatment Fines	0	0	0	0	0	0	0	3,304
Data Entry Fee - General Sessions Court	0	0	0	0	0	0	0	6,503
Courtroom Security Fee	0	0	0	0	0	0	0	106
<u>Juvenile Court</u>								
Fines	0	0	0	0	0	0	0	11,298
Officers Costs	0	0	0	0	0	0	0	174
Data Entry Fee - Juvenile Court	0	0	0	0	0	0	0	1,090
<u>Chancery Court</u>								
Officers Costs	0	0	0	0	0	0	0	2,603
Data Entry Fee - Chancery Court	0	0	0	0	0	0	0	2,302
<u>Other Courts - In-county</u>								
Fines	0	0	0	0	0	0	0	53,438
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	130,763
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Surcharge - Host Agency	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	558,220
Patient Charges	0	0	0	0	0	0	0	980,601
Zoning Studies	0	0	0	0	0	0	0	50,855
Work Release Charges for Board	0	0	0	0	0	0	0	7,148
Water Sales	0	0	0	0	0	0	0	31,256

Exhibit H-5

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

	Special Revenue Funds			Debt Service Fund	Capital Projects Funds			Total
	Other Special Revenue	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Community Development/ Industrial Park	Education Capital Projects	
<u>Charges for Current Services (Cont.)</u>								
<u>Fees</u>								
Copy Fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	7,072
Telephone Commissions	0	0	0	0	0	0	0	13,742
Vending Machine Collections	0	0	276	0	0	0	0	586
Special Commissioner Fees/Special Master Fees	0	4,331	0	0	0	0	0	4,331
Data Processing Fee - Register	0	0	0	0	0	0	0	14,396
Data Processing Fee - Sheriff	0	0	0	0	0	0	0	3,834
Sexual Offender Registration Fees - Sheriff	0	0	0	0	0	0	0	1,300
Total Charges for Current Services	\$ 0	\$ 4,331	\$ 276	\$ 0	\$ 0	\$ 0	\$ 0	1,673,341
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 0	\$ 0	\$ 0	\$ 563,603	\$ 7,639	\$ 0	\$ 0	571,242
Lease/Rentals	0	0	0	0	0	0	0	14,770
Sale of Materials and Supplies	0	0	0	0	0	0	0	1,694
Sale of Gasoline	0	0	18,062	0	0	0	0	18,062
Sale of Maps	0	0	0	0	0	0	0	1,622
Sale of Recycled Materials	0	0	0	0	0	0	0	17,435
Miscellaneous Refunds	0	0	0	0	250	0	0	28,199
Expenditure Credits	0	0	0	0	0	0	0	134,784
<u>Nonrecurring Items</u>								
Accrued Interest on Debt Issues	0	0	0	0	0	0	6,521	6,521
Insurance Recovery	0	0	32,268	0	0	0	0	60,366
Sale of Equipment	0	0	125,957	0	0	0	0	130,890
Damages Recovered from Individuals	714	0	0	0	0	0	0	2,094
Contributions & Gifts	0	0	0	0	0	0	0	6,515
Performance Bond Forfeitures	0	0	37,856	0	0	0	0	37,856
<u>Other Local Revenues</u>								
Other Local Revenues	0	0	11	0	0	2,200	0	10,046
Total Other Local Revenues	\$ 714	\$ 0	\$ 214,154	\$ 563,603	\$ 7,889	\$ 2,200	\$ 6,521	1,042,096

Exhibit H-5

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

	Special Revenue Funds			Debt Service Fund	Capital Projects Funds			Total
	Other Special Revenue	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Community Development/ Industrial Park	Education Capital Projects	
<u>Fees Received from County Officials</u>								
<u>Fees-In-Lieu of Salary</u>								
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	283,035
Circuit Court Clerk	0	0	0	0	0	0	0	42,305
General Sessions Court Clerk	0	0	0	0	0	0	0	144,064
Clerk and Master	0	0	0	0	0	0	0	103,489
Juvenile Court Clerk	0	0	0	0	0	0	0	18,304
Register	0	0	0	0	0	0	0	182,727
Sheriff	0	0	0	0	0	0	0	12,590
Trustee	0	0	0	0	0	0	0	472,552
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,259,066
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	10,080
Solid Waste Grants	0	0	0	0	0	0	0	21,396
<u>Public Safety Grants</u>								
Law Enforcement Training Programs	0	0	0	0	0	0	0	10,893
<u>Health and Welfare Grants</u>								
Other Health and Welfare Grants	0	0	0	0	0	0	0	130,164
<u>Public Works Grants</u>								
Bridge Program	0	0	52,693	0	0	0	0	52,693
State Aid Program	0	0	239,614	0	0	0	0	239,614
Litter Program	0	0	0	0	0	0	0	30,762
<u>Other State Revenues</u>								
Income Tax	0	0	0	0	0	0	0	46,765
Beer Tax	0	0	0	0	0	0	0	17,212
Alcoholic Beverage Tax	0	0	0	0	0	0	0	35,454
State Revenue Sharing - T.V.A.	0	0	7,595	21,699	0	0	0	129,109
Contracted Prisoner Boarding	0	0	0	0	0	0	0	425,185
Gasoline and Motor Fuel Tax	0	0	1,609,996	0	0	0	0	1,609,996
Petroleum Special Tax	0	0	21,532	0	0	0	0	21,532
Reappraisal Program Reimbursement	0	0	0	0	0	0	0	9,319
Registrar's Salary Supplement	0	0	0	0	0	0	0	16,380

Exhibit H-5

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

	Special Revenue Funds			Debt Service Fund	Capital Projects Funds			Total
	Other Special Revenue	Constitutional - Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Community Development/ Industrial Park	Education Capital Projects	
<u>State of Tennessee (Cont.)</u>								
<u>Other State Revenues (Cont.)</u>								
Other State Grants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,311
Total State of Tennessee	\$ 0	\$ 0	\$ 1,931,430	\$ 21,699	\$ 0	\$ 0	\$ 0	\$ 2,807,865
<u>Federal Government</u>								
<u>Federal Through State</u>								
Disaster Relief	\$ 0	\$ 0	\$ 274,068	\$ 0	\$ 0	\$ 0	\$ 0	\$ 274,068
Homeland Security Grants	0	0	0	0	0	0	0	269,786
Other Federal through State	0	0	47,872	0	0	0	0	361,767
<u>Direct Federal Revenue</u>								
Medicare	0	0	0	0	0	0	0	1,200
Total Federal Government	\$ 0	\$ 0	\$ 321,940	\$ 0	\$ 0	\$ 0	\$ 0	\$ 906,821
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Prisoner Board	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,805
Contributions	0	0	0	0	0	0	0	22,071
Contracted Services	0	0	0	0	0	0	0	7,799
<u>Citizens Groups</u>								
Donations	0	0	0	0	0	30,000	0	30,000
<u>Other</u>								
Other	0	0	0	0	0	0	0	12,047
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 30,000	\$ 0	\$ 97,722
Total	\$ 714	\$ 4,331	\$ 3,151,437	\$ 4,259,215	\$ 7,889	\$ 32,200	\$ 6,521	\$ 17,355,544

Exhibit H-6

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

General Fund

General Government

County Commission

Other Per Diem & Fees	\$	8,400	
Social Security		521	
Extension Service Medicare		122	
Audit Services		39,724	
Communication		1,168	
Contracts with Private Agencies		2,521	
Dues and Memberships		3,314	
Evaluation and Testing		3,935	
Legal Notices, Recording, and Court Costs		20	
Travel		4,927	
Periodicals		1,400	
Liability Insurance		62,843	
Workers' Compensation Insurance		50	
Liability Claims		5,487	
Land		50,002	
Total County Commission			\$ 184,434

Board of Equalization

Board and Committee Members Fees	\$	940	
Social Security		58	
Extension Service Medicare		14	
Workers' Compensation Insurance		7	
Total Board of Equalization			1,019

Beer Board

Board and Committee Members Fees	\$	100	
Social Security		6	
Extension Service Medicare		1	
Workers' Compensation Insurance		4	
Total Beer Board			111

Budget and Finance Committee

Board and Committee Members Fees	\$	2,425	
Social Security		150	
Extension Service Medicare		35	
Workers' Compensation Insurance		18	
Total Budget and Finance Committee			2,628

Other Boards and Committees

Board and Committee Members Fees	\$	8,525	
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(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

Other Boards and Committees (Cont.)

Social Security	\$	529	
Extension Service Medicare		124	
Workers' Compensation Insurance		47	
Total Other Boards and Committees			\$ 9,225

County Mayor/Executive

County Official/Administrative Officer	\$	62,969	
Secretary(ies)		26,299	
Longevity Pay		750	
Social Security		5,475	
Extension Service Medicare		1,281	
State Retirement		6,344	
Employee and Dependent Insurance		8,626	
Communication		2,638	
Dues and Memberships		1,435	
Postal Charges		520	
Travel		461	
Office Supplies		572	
Premiums on Corporate Surety Bonds		135	
Workers' Compensation Insurance		394	
Other Charges		56	
Office Equipment		1,256	
Total County Mayor/Executive			119,211

County Attorney

Social Security	\$	930	
Extension Service Medicare		217	
State Retirement		1,063	
Consultants		15,000	
Workers' Compensation Insurance		72	
Total County Attorney			17,282

Election Commission

Supervisor/Director	\$	45,941	
Deputy(ies)		21,306	
Part-time Personnel		756	
Election Commission		1,870	
In-Service Training		1,250	
Social Security		3,725	
Extension Service Medicare		871	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

State Retirement	\$	4,768	
Employee and Dependent Insurance		13,448	
Communication		2,252	
Data Processing Services		5,420	
Dues and Memberships		599	
Legal Notices, Recording, and Court Costs		848	
Maintenance & Repair Services - Office Equipment		599	
Postal Charges		2,203	
Printing, Stationery, and Forms		137	
Travel		1,179	
Office Supplies		1,318	
Workers' Compensation Insurance		318	
Office Equipment		8,307	
Voting Machines		103,850	
Total Election Commission			\$ 220,965

Register of Deeds

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		63,460	
Longevity Pay		750	
In-Service Training		1,075	
Social Security		6,458	
Extension Service Medicare		1,510	
State Retirement		7,593	
Employee and Dependent Insurance		23,091	
Communication		1,559	
Contracts with Government Agencies		135	
Data Processing Services		17,966	
Dues and Memberships		558	
Maintenance & Repair Services - Office Equipment		932	
Postal Charges		1,448	
Office Supplies		3,244	
Premiums on Corporate Surety Bonds		68	
Workers' Compensation Insurance		547	
Office Equipment		117	
Total Register of Deeds			184,559

Planning

Contracts with Government Agencies	\$	8,500	
Total Planning			8,500

(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

Building

Investigator(s)	\$	42,291	
Secretary(ies)		22,984	
In-Service Training		697	
Social Security		3,996	
Extension Service Medicare		934	
State Retirement		4,628	
Employee and Dependent Insurance		8,509	
Communication		1,202	
Dues and Memberships		150	
Maintenance & Repair Services - Equipment		17	
Maintenance & Repair Services - Office Equipment		160	
Maintenance & Repair Services - Vehicles		27	
Postal Charges		652	
Travel		546	
Gasoline		968	
Office Supplies		617	
Workers' Compensation Insurance		2,857	
Total Building			\$ 91,235

Codes Compliance

Investigator(s)	\$	39,288	
In-Service Training		319	
Social Security		2,349	
Extension Service Medicare		549	
State Retirement		2,785	
Employee and Dependent Insurance		6,165	
Communication		1,108	
Legal Services		10,920	
Legal Notices, Recording, and Court Costs		11	
Maintenance & Repair Services - Office Equipment		80	
Maintenance & Repair Services - Vehicles		604	
Postal Charges		179	
Travel		1,660	
Gasoline		3,012	
Office Supplies		385	
Road Signs		120	
Workers' Compensation Insurance		2,528	
Office Equipment		75	
Other Equipment		70	
Total Codes Compliance			72,207

(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

County Buildings

Maintenance Personnel	\$	19,453	
Longevity Pay		400	
Overtime Pay		764	
Social Security		1,280	
Extension Service Medicare		299	
State Retirement		1,462	
Employee and Dependent Insurance		2,130	
Unemployment Compensation		4,328	
Advertising		14	
Communication		251	
Contracts with Private Agencies		154,687	
Janitorial Services		62,726	
Maintenance & Repair Services - Vehicles		1,419	
Pest Control		1,260	
Disposal Fees		2,017	
Custodial Supplies		3,767	
Electricity		84,296	
Gasoline		2,652	
Natural Gas		38,750	
Uniforms		195	
Water and Sewer		4,484	
Workers' Compensation Insurance		4,086	
Other Charges		4	
Building Improvements		49,690	
Total County Buildings			\$ 440,414

Finance

Accounting and Budgeting

Supervisor/Director	\$	57,171
Accountants/Bookkeepers		129,106
Longevity Pay		2,800
In-Service Training		600
Social Security		10,923
Extension Service Medicare		2,555
State Retirement		12,252
Employee and Dependent Insurance		28,571
Communication		2,498
Contracts with Private Agencies		15,352
Maintenance & Repair Services - Office Equipment		5,441
Postal Charges		4,691

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Finance (Cont.)

Accounting and Budgeting (Cont.)

Office Supplies	\$	3,342	
Premiums on Corporate Surety Bonds		1,121	
Workers' Compensation Insurance		901	
Office Equipment		7,144	
Total Accounting and Budgeting			\$ 284,468

Property Assessor's Office

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		69,636	
Secretary(ies)		21,588	
Longevity Pay		1,350	
In-Service Training		305	
Social Security		8,776	
Extension Service Medicare		2,052	
State Retirement		10,366	
Employee and Dependent Insurance		15,067	
Communication		2,396	
Data Processing Services		8,371	
Dues and Memberships		1,662	
Legal Services		381	
Maintenance & Repair Services - Office Equipment		568	
Postal Charges		2,187	
Travel		1,702	
Office Supplies		1,663	
Other Supplies and Materials		3,580	
Premiums on Corporate Surety Bonds		68	
Workers' Compensation Insurance		1,773	
Office Equipment		1,471	
Total Property Assessor's Office			209,010

Reappraisal Program

Assistant(s)	\$	22,609	
Deputy(ies)		15,394	
Secretary(ies)		19,275	
Social Security		3,258	
Extension Service Medicare		762	
State Retirement		4,031	
Employee and Dependent Insurance		9,293	
Data Processing Services		3,254	
Maintenance & Repair Services - Vehicles		2,536	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program (Cont.)

Postal Charges	\$	800	
Travel		12	
Gasoline		1,577	
Workers' Compensation Insurance		1,583	
Office Equipment		960	
Total Reappraisal Program			\$ 85,344

County Trustee's Office

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		46,110	
Longevity Pay		300	
In-Service Training		749	
Social Security		6,000	
Extension Service Medicare		1,408	
State Retirement		7,122	
Employee and Dependent Insurance		14,109	
Communication		2,172	
Contracts with Private Agencies		3,804	
Dues and Memberships		473	
Legal Services		1,602	
Legal Notices, Recording, and Court Costs		22	
Maintenance & Repair Services - Office Equipment		2,110	
Postal Charges		4,215	
Office Supplies		2,375	
Premiums on Corporate Surety Bonds		3,138	
Workers' Compensation Insurance		441	
Total County Trustee's Office			150,198

County Clerk's Office

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		113,289	
Part-time Personnel		5,364	
Longevity Pay		1,900	
In-Service Training		593	
Social Security		10,347	
Extension Service Medicare		2,420	
State Retirement		11,350	
Employee and Dependent Insurance		22,831	
Communication		2,959	
Contracts with Private Agencies		5,778	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Data Processing Services	\$	2,561	
Dues and Memberships		448	
Legal Services		981	
Maintenance & Repair Services - Office Equipment		4,104	
Postal Charges		12,065	
Office Supplies		6,666	
Premiums on Corporate Surety Bonds		135	
Workers' Compensation Insurance		745	
Office Equipment		31,875	
Total County Clerk's Office			\$ 290,459

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		128,798	
Attendants		5,550	
Longevity Pay		1,550	
Jury and Witness Fees		20,519	
In-Service Training		316	
Other Per Diem & Fees		346	
Social Security		11,109	
Extension Service Medicare		2,598	
State Retirement		12,080	
Employee and Dependent Insurance		23,441	
Communication		4,790	
Data Processing Services		20,544	
Dues and Memberships		473	
Maintenance & Repair Services - Office Equipment		1,260	
Postal Charges		3,461	
Other Contracted Services		450	
Office Supplies		8,036	
Premiums on Corporate Surety Bonds		183	
Workers' Compensation Insurance		789	
Office Equipment		229	
Total Circuit Court			300,570

General Sessions Court

Judge(s)	\$	76,082
Part-time Personnel		10,196
Other Salaries & Wages		13,934

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Social Security	\$	6,213	
Extension Service Medicare		1,453	
State Retirement		5,394	
Communication		1,514	
Dues and Memberships		215	
Travel		462	
Office Supplies		51	
Workers' Compensation Insurance		965	
Total General Sessions Court			\$ 116,479

Chancery Court

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		61,684	
Salary Supplements		558	
Longevity Pay		800	
In-Service Training		971	
Social Security		6,986	
Extension Service Medicare		1,634	
State Retirement		7,743	
Employee and Dependent Insurance		16,748	
Communication		2,546	
Contracts with Private Agencies		6,092	
Dues and Memberships		438	
Maintenance & Repair Services - Office Equipment		846	
Postal Charges		3,995	
Office Supplies		2,823	
Premiums on Corporate Surety Bonds		270	
Workers' Compensation Insurance		1,116	
Office Equipment		4,552	
Total Chancery Court			173,850

Juvenile Court

Probation Officer(s)	\$	29,415	
Youth Service Officer(s)		29,415	
Guidance Personnel		38,842	
Longevity Pay		700	
In-Service Training		444	
Social Security		6,056	
Extension Service Medicare		1,416	
State Retirement		6,974	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Employee and Dependent Insurance	\$	12,840	
Communication		2,631	
Maintenance & Repair Services - Office Equipment		748	
Postal Charges		806	
Travel		1,000	
Office Supplies		1,383	
Workers' Compensation Insurance		425	
Other Charges		6,020	
Office Equipment		98	
Total Juvenile Court			\$ 139,213

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	59,452
Assistant(s)		44,440
Deputy(ies)		532,287
Accountants/Bookkeepers		26,460
Salary Supplements		23,565
Dispatchers/Radio Operators		93,447
Longevity Pay		5,950
Overtime Pay		59,234
In-Service Training		10,893
Social Security		50,794
Extension Service Medicare		11,879
State Retirement		52,955
Employee and Dependent Insurance		112,328
Unemployment Compensation		136
Communication		5,383
Contracts with Private Agencies		1,496
Data Processing Services		6,671
Dues and Memberships		1,770
Maintenance & Repair Services - Equipment		862
Maintenance & Repair Services - Office Equipment		196
Maintenance & Repair Services - Vehicles		17,159
Pest Control		300
Postal Charges		1,680
Transportation - Other than Students		2,461
Tuition		2,000
Disposal Fees		500
Gasoline		50,677

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Law Enforcement Supplies	\$	5,200	
Office Supplies		3,920	
Tires and Tubes		5,443	
Uniforms		5,921	
Utilities		21,660	
Liability Insurance		47,738	
Premiums on Corporate Surety Bonds		817	
Workers' Compensation Insurance		27,650	
Other Charges		5,223	
Law Enforcement Equipment		1,916	
Motor Vehicles		72,648	
Office Equipment		178	
Total Sheriff's Department			\$ 1,373,289

Jail

Supervisor/Director	\$	32,835
Salary Supplements		13,666
Guards		379,799
Clerical Personnel		23,466
Cafeteria Personnel		20,201
Longevity Pay		2,450
Overtime Pay		63,702
Social Security		32,327
Extension Service Medicare		7,560
State Retirement		29,623
Employee and Dependent Insurance		94,713
Unemployment Compensation		9,642
Communication		3,612
Contracts with Private Agencies		4,488
Data Processing Services		9,529
Maintenance & Repair Services - Equipment		200
Maintenance & Repair Services - Office Equipment		267
Medical and Dental Services		188,844
Pest Control		875
Postal Charges		1,167
Disposal Fees		1,501
Food Supplies		124,197
Uniforms		1,900
Utilities		113,202
Other Supplies and Materials		61,027

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Workers' Compensation Insurance	\$	18,502	
Other Equipment		<u>3,246</u>	
Total Jail			\$ 1,242,541

Civil Defense

Supervisor/Director	\$	34,682	
Truck Drivers		12,285	
Secretary(ies)		22,984	
Part-time Personnel		11,731	
Longevity Pay		850	
In-Service Training		665	
Social Security		5,298	
Extension Service Medicare		1,239	
State Retirement		4,149	
Employee and Dependent Insurance		10,258	
Unemployment Compensation		970	
Communication		1,824	
Contracts with Government Agencies		2,441	
Dues and Memberships		35	
Maintenance & Repair Services - Equipment		401	
Maintenance & Repair Services - Office Equipment		686	
Maintenance & Repair Services - Vehicles		19,529	
Postal Charges		591	
Travel		498	
Other Contracted Services		31,500	
Diesel Fuel		10,121	
Gasoline		3,948	
Office Supplies		1,114	
Utilities		21,107	
Other Supplies and Materials		299,719	
Excess Risk Insurance		7,700	
Liability Insurance		15,912	
Vehicle and Equipment Insurance		8,138	
Workers' Compensation Insurance		12,280	
Other Charges		3,141	
Motor Vehicles		24,525	
Other Equipment		<u>701</u>	
Total Civil Defense			571,022

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

County Coroner/Medical Examiner

Assistant(s)	\$	1,904	
Supervisor/Director		5,000	
Social Security		413	
Extension Service Medicare		97	
State Retirement		135	
Other Contracted Services		34,561	
Total County Coroner/Medical Examiner	\$		42,110

Other Public Safety

Communication	\$	594	
Total Other Public Safety			594

Public Health and Welfare

Local Health Center

Communication	\$	5,656	
Janitorial Services		17,187	
Maintenance & Repair Services - Equipment		245	
Maintenance & Repair Services - Office Equipment		110	
Pest Control		370	
Postal Charges		15	
Disposal Fees		753	
Drugs and Medical Supplies		459	
Office Supplies		1,047	
Utilities		12,068	
Other Charges		189	
Furniture and Fixtures		1,404	
Other Equipment		75	
Total Local Health Center			39,578

Rabies and Animal Control

Assistant(s)	\$	11,440	
Overtime Pay		1,494	
Social Security		826	
Extension Service Medicare		193	
State Retirement		125	
Employee and Dependent Insurance		2,480	
Communication		345	
Contracts with Government Agencies		7,428	
Contracts with Private Agencies		2,842	
Maintenance & Repair Services - Vehicles		2,471	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Rabies and Animal Control (Cont.)

Gasoline	\$	1,187	
Uniforms		231	
Other Supplies and Materials		1,835	
Total Rabies and Animal Control			\$ 32,897

Ambulance/Emergency Medical Services

Supervisor/Director	\$	44,391	
Medical Personnel		10,000	
Paraprofessionals		1,240,811	
Longevity Pay		8,350	
In-Service Training		8,267	
Social Security		76,529	
Extension Service Medicare		17,898	
State Retirement		83,126	
Employee and Dependent Insurance		163,704	
Unemployment Compensation		1,154	
Communication		5,714	
Dues and Memberships		465	
Licenses		160	
Maintenance & Repair Services - Equipment		4,827	
Maintenance & Repair Services - Office Equipment		550	
Maintenance & Repair Services - Vehicles		23,370	
Pest Control		640	
Postal Charges		685	
Travel		3,024	
Diesel Fuel		31,394	
Gasoline		13,586	
Office Supplies		2,300	
Tires and Tubes		2,177	
Uniforms		11,023	
Utilities		6,326	
Other Supplies and Materials		36,350	
Liability Insurance		17,351	
Vehicle and Equipment Insurance		3,000	
Workers' Compensation Insurance		130,573	
Motor Vehicles		105,510	
Office Equipment		276	
Other Equipment		5,992	
Total Ambulance/Emergency Medical Services			2,059,523

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Maternal and Child Health Services

Contracts with Government Agencies	\$	4,500	
Contracts with Other Public Agencies		<u>3,021</u>	
Total Maternal and Child Health Services	\$		7,521

Other Local Health Services

Paraprofessionals	\$	54,873	
Secretary(ies)		41,256	
Social Security		5,929	
Extension Service Medicare		1,387	
State Retirement		5,747	
Employee and Dependent Insurance		16,688	
Travel		3,151	
Workers' Compensation Insurance		1,269	
Other Charges		<u>140</u>	
Total Other Local Health Services			130,440

Regional Mental Health Center

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

Appropriation to State

Contracts with Government Agencies	\$	<u>20,100</u>	
Total Appropriation to State			20,100

Other Public Health and Welfare

Contracts with Private Agencies	\$	5,530	
Contributions		<u>46,000</u>	
Total Other Public Health and Welfare			51,530

Social, Cultural, and Recreational Services

Senior Citizens Assistance

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

Other Social, Cultural, and Recreational

Contributions	\$	<u>5,300</u>	
Total Other Social, Cultural, and Recreational			5,300

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Agriculture & Natural Resources

Agriculture Extension Service

Assistant(s)	\$	8,891	
Supervisor/Director		13,144	
Secretary(ies)		5,432	
Educational Assistants		6,635	
Social Security		1,299	
Extension Service Medicare		495	
State Retirement		3,480	
Communication		3,875	
Dues and Memberships		30	
Janitorial Services		11,525	
Maintenance & Repair Services - Office Equipment		284	
Custodial Supplies		910	
Office Supplies		87	
Utilities		10,578	
Other Supplies and Materials		1,500	
Office Equipment		<u>1,134</u>	
Total Agriculture Extension Service			\$ 69,299

Forest Service

Contributions	\$	<u>2,000</u>	
Total Forest Service			2,000

Soil Conservation

Assistant(s)	\$	23,550	
Longevity Pay		250	
Social Security		1,441	
Extension Service Medicare		337	
State Retirement		1,687	
Employee and Dependent Insurance		4,255	
Workers' Compensation Insurance		<u>105</u>	
Total Soil Conservation			31,625

Other Operations

Tourism

Contributions	\$	<u>1,000</u>	
Total Tourism			1,000

Housing and Urban Development

Contributions	\$	2,285	
Other Contracted Services		<u>303,895</u>	
Total Housing and Urban Development			306,180

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services

Supervisor/Director	\$	15,542	
Social Security		972	
Extension Service Medicare		227	
Communication		1,758	
Dues and Memberships		50	
Maintenance & Repair Services - Office Equipment		377	
Postal Charges		575	
Transportation - Other than Students		4,270	
Travel		176	
Office Supplies		337	
Workers' Compensation Insurance		48	
Total Veterans' Services			\$ 24,332

Employee Benefits

Employee and Dependent Insurance	\$	765	
Total Employee Benefits			765

Miscellaneous

Bank Charges	\$	724	
Contributions		1,000	
Fiscal Agent Charges		95	
Trustee's Commission		107,322	
Other Charges		4,009	
Total Miscellaneous			113,150

Total General Fund \$ 9,328,877

Courthouse & Jail Maintenance Fund

General Government

County Buildings

Maintenance & Repair Services - Buildings	\$	56,714	
Trustee's Commission		496	
Total County Buildings			\$ 57,210

Total Courthouse & Jail Maintenance Fund 57,210

Juvenile Services Fund

Administration of Justice

Juvenile Court

Probation Officer(s)	\$	48,649	
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(Continued)

Exhibit H-6

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

Juvenile Services Fund (Cont.)
Administration of Justice (Cont.)
Juvenile Court (Cont.)

Other Fringe Benefits	\$	30,220	
Penalties		7,685	
Trustee's Commission		551	
Other Charges		2,445	
Total Juvenile Court			\$ 89,550

Total Juvenile Services Fund \$ 89,550

Solid Waste/Sanitation Fund
Public Health and Welfare
Sanitation Management

Education Media Personnel	\$	36,978
Equipment Operators - Light Guards		22,984
Secretary(ies)		10,354
Part-time Personnel		11,765
Longevity Pay		8,715
Board and Committee Members Fees		350
In-Service Training		108
Social Security		1,457
Extension Service Medicare		5,487
State Retirement		1,288
Employee and Dependent Insurance		5,048
Advertising		11,933
Communication		1,350
Contracts with Public Carriers		2,211
Dues and Memberships		15,927
Janitorial Services		510
Maintenance & Repair Services - Equipment		975
Maintenance & Repair Services - Office Equipment		3,293
Maintenance & Repair Services - Vehicles		426
Postal Charges		11,190
Printing, Stationery, and Forms		636
Rentals		7,799
Travel		650
Remittance of Revenue Collected		10,094
Disposal Fees		279,110
Other Contracted Services		15,683
Diesel Fuel		112
Electricity		5,595
		375

(Continued)

Exhibit H-6

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Management (Cont.)

Gasoline	\$	2,109	
Office Supplies		804	
Uniforms		270	
Water and Sewer		525	
Other Supplies and Materials		63	
Liability Insurance		6,164	
Trustee's Commission		5,516	
Vehicle and Equipment Insurance		5,000	
Workers' Compensation Insurance		2,406	
Other Charges		3,799	
Motor Vehicles		5,500	
Other Equipment		11,642	
Other Capital Outlay		30,431	
Total Sanitation Management			\$ 546,632

Waste Pickup

Contracts with Private Agencies	\$	18,269	
Total Waste Pickup			18,269

Total Solid Waste/Sanitation Fund \$ 564,901

Industrial/Economic Development Fund

Other Operations

Other Economic and Community Development

Supervisor/Director	\$	35,135	
In-Service Training		2,305	
Social Security		2,222	
Extension Service Medicare		520	
State Retirement		2,491	
Employee and Dependent Insurance		4,288	
Advertising		2,919	
Communication		1,188	
Data Processing Services		163	
Dues and Memberships		3,113	
Maintenance & Repair Services - Office Equipment		166	
Maintenance & Repair Services - Vehicles		42	
Postal Charges		1,188	
Travel		5,841	
Gasoline		680	
Office Supplies		396	

(Continued)

Exhibit H-6

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

Industrial/Economic Development Fund (Cont.)

Other Operations (Cont.)

Other Economic and Community Development (Cont.)

Periodicals	\$	140	
Workers' Compensation Insurance		166	
Other Charges		8,384	
Total Other Economic and Community Development			\$ 71,347

Total Industrial/Economic Development Fund \$ 71,347

Special Purpose Fund

Other Operations

Other Economic and Community Development

Trustee's Commission	\$	471	
Total Other Economic and Community Development			\$ 471

Total Special Purpose Fund 471

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	2,500	
Other Supplies and Materials		8,084	
Trustee's Commission		56	
Total Drug Enforcement			\$ 10,640

Total Drug Control Fund 10,640

Other Special Revenue Fund

Public Safety

Other Emergency Management

Other Supplies and Materials	\$	1,027	
Total Other Emergency Management			\$ 1,027

Total Other Special Revenue Fund 1,027

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	4,331	
Total Chancery Court			\$ 4,331

Total Constitutional Officers - Fees Fund 4,331

(Continued)

Exhibit H-6

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	59,452	
Assistant(s)		28,488	
Accountants/Bookkeepers		28,488	
Salary Supplements		5,600	
Part-time Personnel		354	
Longevity Pay		2,000	
Overtime Pay		3,000	
Board and Committee Members Fees		465	
Social Security		7,764	
Extension Service Medicare		1,816	
State Retirement		8,607	
Dues and Memberships		2,696	
Legal Notices, Recording, and Court Costs		792	
Maintenance & Repair Services - Equipment		2,092	
Maintenance & Repair Services - Office Equipment		664	
Postal Charges		690	
Travel		2,489	
Office Supplies		1,394	
Other Charges		1,390	
Total Administration			\$ 158,241

Highway and Bridge Maintenance

Foremen	\$	68,931
Equipment Operators		350,528
Truck Drivers		140,871
Laborers		74,464
Longevity Pay		9,350
Overtime Pay		25,357
Social Security		40,526
Extension Service Medicare		9,477
State Retirement		44,930
Asphalt		306,651
Concrete		1,523
Crushed Stone		224,150
Explosives and Drilling Supplies		111
Fertilizer, Lime, and Seed		5,503
General Construction Materials		6,412
Pipe		22,306
Road Signs		12,519
Salt		2,917

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Small Tools	\$	448	
Wood Products		476	
Total Highway and Bridge Maintenance			\$ 1,347,450

Operation and Maintenance of Equipment

Foremen	\$	39,104	
Mechanic(s)		91,654	
Longevity Pay		2,050	
Overtime Pay		4,567	
Social Security		8,200	
Extension Service Medicare		1,918	
State Retirement		9,755	
Laundry Service		10,242	
Diesel Fuel		65,094	
Equipment and Machinery Parts		198,566	
Garage Supplies		19,990	
Gasoline		35,906	
Lubricants		7,951	
Tires and Tubes		54,007	
Other Supplies and Materials		22,810	
Total Operation and Maintenance of Equipment			571,814

Other Charges

Communication	\$	5,748	
Electricity		8,159	
Water and Sewer		1,191	
Liability Insurance		20,000	
Premiums on Corporate Surety Bonds		270	
Trustee's Commission		26,432	
Vehicle and Equipment Insurance		6,758	
Total Other Charges			68,558

Employee Benefits

Employee and Dependent Insurance	\$	133,816	
Workers' Compensation Insurance		87,999	
Total Employee Benefits			221,815

Capital Outlay

Bridge Construction	\$	149,195	
Highway Equipment		395,503	

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay (Cont.)

Motor Vehicles	\$	44,739	
Plant Operation Equipment		7,943	
State Aid Projects		546,703	
Total Capital Outlay			\$ 1,144,083

Total Highway/Public Works Fund \$ 3,511,961

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	215,000	
Principal on Notes		105,910	
Principal on Other Loans		240,069	
Total General Government			\$ 560,979

Highways and Streets

Principal on Notes	\$	44,460	
Total Highways and Streets			44,460

Education

Principal on Bonds	\$	1,540,000	
Principal on Notes		139,630	
Principal on Other Loans		525,431	
Total Education			2,205,061

Interest on Debt

General Government

Interest on Bonds	\$	284,942	
Interest on Notes		39,322	
Interest on Other Loans		58,794	
Total General Government			383,058

Highways and Streets

Interest on Notes	\$	16,507	
Interest on Other Loans		2,580	
Total Highways and Streets			19,087

Education

Interest on Bonds	\$	985,003	
Interest on Notes		48,099	

(Continued)

Exhibit H-6

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

General Debt Service Fund (Cont.)

Interest on Debt (Cont.)

Education (Cont.)

Interest on Other Loans	\$ 51,519	
Total Education		\$ 1,084,621

Other Debt Service

General Government

Contracts with Private Agencies	\$ 4,355	
Trustee's Commission	51,854	
Total General Government		56,209

Highways and Streets

Contracts with Private Agencies	\$ 315	
Total Highways and Streets		315

Education

Contracts with Private Agencies	\$ 7,040	
Total Education		7,040

Total General Debt Service Fund \$ 4,360,830

General Capital Projects Fund

Capital Projects

Administration of Justice Projects

Supervisor/Director	\$ 13,127	
Social Security	816	
Extension Service Medicare	191	
Architects	5,470	
Contracts with Private Agencies	31,470	
Trustee's Commission	76	
Workers' Compensation Insurance	220	
Building Construction	368,128	
Total Administration of Justice Projects		\$ 419,498

Total General Capital Projects Fund 419,498

Community Development/Industrial Park Fund

Capital Projects

Public Health and Welfare Projects

Architects	\$ 33,571	
Building Construction	110,470	
Total Public Health and Welfare Projects		\$ 144,041

Total Community Development/Industrial Park Fund 144,041

(Continued)

Exhibit H-6

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

<u>Highway Capital Projects Fund</u>			
<u>Other Debt Service</u>			
<u>Highways and Streets</u>			
Other Debt Issuance Charges	\$ 500		
Total Highways and Streets		\$ 500	
<u>Capital Projects</u>			
<u>Highway & Street Capital Projects</u>			
Highway Construction	\$ 943,988		
Total Highway & Street Capital Projects		943,988	
Total Highway Capital Projects Fund			\$ 944,488
<u>Education Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Education Capital Projects</u>			
Contributions	\$ 7,542,769		
Underwriter's Discount	70,500		
Other Debt Issuance Charges	61,152		
Total Education Capital Projects		\$ 7,674,421	
Total Education Capital Projects Fund			7,674,421
Total Governmental Funds - Primary Government			<u>\$ 27,183,593</u>

Exhibit H-7

Marshall County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2006

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 1,514,925
Total Cash Receipts	<u>\$ 1,514,925</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,499,776
Trustee's Commission	15,149
Total Cash Disbursements	<u>\$ 1,514,925</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2005	<u>0</u>
Cash Balance, June 30, 2006	<u><u>\$ 0</u></u>

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

JEFF BAILEY, CPA, CGFM, CFE
Audit Manager

WILMA JOHNSTON, CPA, CGFM, CFE
RACHELLE CABADING, CFE
Auditor 4s

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

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

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

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

Scope

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

Results

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

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

Findings

The following are summaries of the audit findings:

MARSHALL COUNTY SCHOOL DEPARTMENT

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

OTHER FINDING

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

INTRODUCTORY SECTION

Marshall County School Officials
June 30, 2006

Official

John David Pierce, Director of Schools

Board of Education

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

Timothy Harrison
Ann Tears
John McCullough
Todd Tietgens

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

September 19, 2006

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

To the Director of Schools and the Board of Education:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Marshall County School Department, a component unit of Marshall County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 29 which collectively comprise a portion of the Marshall County School Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Marshall County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

in government-wide financial statements for the School Department's governmental activities are not reasonably determinable.

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

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

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Marshall County School Department as of June 30, 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 September 19, 2006, on our consideration of the Marshall County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 33 through 35 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marshall County School Department's basic financial statements. The introductory section, combining and individual nonmajor governmental funds, budgetary comparison schedules of nonmajor governmental funds, and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor

governmental funds, budgetary comparison schedules of nonmajor governmental funds, and the miscellaneous schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/rc

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Major Funds		Nonmajor	Total
	General Purpose School	Education Capital Projects	Funds	
			Other Governmental Funds	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 1,766	\$ 1,766
Equity in Pooled Cash and Investments	2,067,401	6,532,311	368,324	8,968,036
Accounts Receivable	15,605	0	110,007	125,612
Due from Other Governments	507,631	0	69,259	576,890
Due from Primary Government	0	14,000	0	14,000
Property Taxes Receivable	8,913,195	0	0	8,913,195
Allowance for Uncollectible Property Taxes	(170,981)	0	0	(170,981)
Prepaid Items	162,349	0	0	162,349
Total Assets	\$ 11,495,200	\$ 6,546,311	\$ 549,356	\$ 18,590,867
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 6,437	\$ 0	\$ 0	\$ 6,437
Payroll Deductions Payable	702,026	0	0	702,026
Contracts Payable	0	310,539	0	310,539
Retainage Payable	0	32,622	0	32,622
Deferred Revenue - Current Property Taxes	8,442,373	0	0	8,442,373
Deferred Revenue - Delinquent Property Taxes	273,046	0	0	273,046
Other Deferred Revenues	170,939	0	12,530	183,469
Total Liabilities	\$ 9,594,821	\$ 343,161	\$ 12,530	\$ 9,950,512
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 22,630	\$ 5,544,579	\$ 0	\$ 5,567,209
Reserved for Career Ladder - Extended Contract	17,303	0	0	17,303
Reserved for Career Ladder Program	2,811	0	0	2,811
Reserved for Title I Grants to Local Education Agencies	0	0	11,197	11,197
Reserved for Special Education - Grants to States	0	0	265,100	265,100
Other Federal Reserves	0	0	2,682	2,682
Unreserved, Reported In:				
General Fund	1,857,635	0	0	1,857,635
Special Revenue Funds	0	0	257,847	257,847
Capital Projects Fund	0	658,571	0	658,571
Total Fund Balances	\$ 1,900,379	\$ 6,203,150	\$ 536,826	\$ 8,640,355
Total Liabilities and Fund Balances	\$ 11,495,200	\$ 6,546,311	\$ 549,356	\$ 18,590,867

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

Exhibit B

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

	Major Funds		Nonmajor Funds		Total Governmental Funds
	General Purpose School	Education Capital Projects	Other Governmental Funds		
<u>Revenues</u>					
Local Taxes	\$ 10,655,049	\$ 0	\$ 0	\$ 10,655,049	
Licenses and Permits	2,176	0	0	2,176	
Charges for Current Services	74,571	0	1,235,359	1,309,930	
Other Local Revenues	62,792	90,345	4,212	157,349	
State of Tennessee	16,627,090	0	28,971	16,656,061	
Federal Government	136,700	0	2,786,653	2,923,353	
Other Governments and Citizens Groups	614,000	6,928,769	0	7,542,769	
Total Revenues	\$ 28,172,378	\$ 7,019,114	\$ 4,055,195	\$ 39,246,687	
<u>Expenditures</u>					
Current:					
Instruction	\$ 17,314,205	\$ 0	\$ 1,220,996	\$ 18,535,201	
Support Services	10,494,425	0	498,733	10,993,158	
Operation of Non-Instructional Services	0	0	2,165,340	2,165,340	
Capital Projects	0	829,964	0	829,964	
Total Expenditures	\$ 27,808,630	\$ 829,964	\$ 3,885,069	\$ 32,523,663	
Excess (Deficiency) of Revenues Over Expenditures	\$ 363,748	\$ 6,189,150	\$ 170,126	\$ 6,723,024	
<u>Other Financing Sources (Uses)</u>					
Transfers In	\$ 43,723	\$ 0	\$ 0	\$ 43,723	
Transfers Out	0	0	(43,723)	(43,723)	
Total Other Financing Sources (Uses)	\$ 43,723	\$ 0	\$ (43,723)	\$ 0	
Net Change in Fund Balances	\$ 407,471	\$ 6,189,150	\$ 126,403	\$ 6,723,024	
Fund Balance, July 1, 2005	1,492,908	14,000	410,423	1,917,331	
Fund Balance, June 30, 2006	\$ 1,900,379	\$ 6,203,150	\$ 536,826	\$ 8,640,355	

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A. Reporting Entity

The School Department operates the public school system in the county, and the voters of Marshall County elect its board. The School Department is a component unit of Marshall County, the primary government. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the Marshall 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 or fiduciary funds to report. An emphasis is placed on major funds within the governmental category.

Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements.

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

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

The School Department reports the following major governmental funds:

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

Education Capital Projects Fund – This fund accounts for School Department construction, renovation projects, and other capital purchases.

Additionally, the School Department reports the following fund type:

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.

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

1. **Deposits and Investments**

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

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

2. Receivables and Payables

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to one 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. Prepaid Items

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

4. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. The School Department does not maintain capital assets records, as

required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, the School Department does not present government-wide statements.

5. Compensated Absences

In prior years, it was the School Department's policy to allow employees to accumulate earned but unused vacation benefits; however, this policy changed, and employees must now use all vacation in the year earned. A liability exists for previously accumulated vacation benefits, and this liability for vacation benefits is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. It is the School Department's policy to permit employees to accumulate earned but unused sick pay benefits. There is no liability for unpaid accumulated sick leave since the School Department does not have a policy to pay any amounts when employees separate from service with the government.

6. Fund Equity

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

II. 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. 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 Marshall County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Purpose School Fund major categories: Instruction – Regular Instruction Program, Support Services – Attendance, etc.). Management may make revisions within major categories, but only the Marshall County Commission may transfer appropriations between major

categories. During the year, several supplementary appropriations were necessary.

The School Department's budgetary basis of accounting is consistent with 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 statement.

B. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the Support Services - Adult Programs major appropriation category (the legal level of control) of the General Purpose School Fund by \$10,084. Also, expenditures exceeded total appropriations in the Central Cafeteria Fund, special revenue fund, by \$6,217. These overexpenditures were funded by greater than anticipated revenues.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

Investments

Legal Provisions. Marshall County, the School Department’s primary government, is 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, Marshall County had the following investments carried at fair value or cost. All investments are in the county trustee’s investment pool. Separate disclosures concerning pooled investments cannot be made for Marshall County, Marshall County Board of Public Utilities, and the discretely presented Marshall County School Department since all pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value or Cost</u>
State Treasurer's Investment Pool	Daily	<u>\$ 12,955</u>
Total		<u><u>\$ 12,955</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. Marshall County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Marshall County has no investment policy that would further limit its investment choices. As of June 30, 2006, Marshall County's investment in the State Treasurer's Investment Pool was unrated.

B. Construction Commitments

At June 30, 2006, the School Department had uncompleted construction contracts of approximately \$5,544,579 in the Education Capital Projects Fund for construction, renovation, and repairs of schools. Funding has been received for these future expenditures.

C. Interfund Receivables, Payables, and Transfers

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Component Unit:		
School Department:	Primary Government:	
Education Capital Projects	General Debt Service	\$ 14,000

Interfund Transfers:

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

<u>Transfers Out</u>	<u>Transfers In</u>
	General Purpose School Fund
Nonmajor governmental fund	\$ 43,723
Total	<u>\$ 43,723</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.

D. Long-term Debt

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

Changes in Long-term Liabilities

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

	<u>Compensated Absences</u>
Balance, July 1, 2005	\$ 64,395
Deductions	<u>(3,932)</u>
Balance, June 30, 2006	<u>\$ 60,463</u>
Balance Due Within One Year	<u>\$ 45,000</u>

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

IV. OTHER INFORMATION

A. Risk Management

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

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

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 Marshall 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 Marshall 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

The School Department's attorney advised that there were no pending lawsuits as of June 30, 2006.

D. Retirement Commitments

Plan Description

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

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

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

SCHOOL TEACHERS

Plan Description

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

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Marshall County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2006, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Marshall County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2006, 2005, and 2004, were \$818,429, \$805,257, and \$474,889, respectively, equal to the required contributions for each year.

E. Other Post-employment Benefits

In addition to the retirement commitments described above, the School Department provides post-retirement health-care benefits for retirees who have met the following eligibility requirements: (1) the employee must meet Tennessee Consolidated Retirement System requirements for retirement, (2) the employee must have been employed by the School Department 15 or more years, and (3) the employee must have been insured under the current medical insurance plan for at least five years. Currently, five non-certified/classified and 25 certified school retirees meet those eligibility requirements. The School Department pays 83 percent of non-certified/classified and 38 percent of certified medical premiums for retirees' individual policy.

F. Purchasing Law

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit C

Marshall County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
School Department
General Purpose School Fund
For the Year Ended June 30, 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	\$ 10,655,049	\$ 0	\$ 0	\$ 10,655,049	\$ 10,179,000	\$ 10,179,000	\$ 476,049
Licenses and Permits	2,176	0	0	2,176	3,000	3,000	(824)
Charges for Current Services	74,571	0	0	74,571	65,750	65,750	8,821
Other Local Revenues	62,792	0	0	62,792	68,500	68,500	(5,708)
State of Tennessee	16,627,090	0	0	16,627,090	16,378,129	16,495,717	131,373
Federal Government	136,700	0	0	136,700	66,204	101,204	35,496
Other Governments and Citizens Groups	614,000	0	0	614,000	0	615,000	(1,000)
Total Revenues	\$ 28,172,378	\$ 0	\$ 0	\$ 28,172,378	\$ 26,760,583	\$ 27,528,171	\$ 644,207
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 14,383,993	\$ (8,628)	\$ 15,215	\$ 14,390,580	\$ 14,336,776	\$ 14,733,835	\$ 343,255
Alternative Instruction Program	61,295	0	0	61,295	61,853	61,853	558
Special Education Program	1,732,810	0	0	1,732,810	1,826,718	1,826,718	93,908
Vocational Education Program	1,086,615	0	4,671	1,091,286	1,108,472	1,108,472	17,186
Adult Education Program	49,492	0	0	49,492	49,881	49,881	389
<u>Support Services</u>							
Attendance	153,879	0	0	153,879	94,808	154,165	286
Health Services	124,689	0	0	124,689	137,105	137,105	12,416
Other Student Support	623,943	(1,433)	110	622,620	607,600	635,137	12,517
Regular Instruction Program	917,786	0	0	917,786	902,447	922,447	4,661
Special Education Program	73,711	0	0	73,711	74,554	74,554	843
Vocational Education Program	87,704	0	0	87,704	95,469	95,469	7,765
Adult Programs	96,496	0	0	96,496	86,412	86,412	(10,084)
Board of Education	516,033	0	0	516,033	486,525	531,703	15,670
Director of Schools	132,242	0	0	132,242	125,251	132,251	9

(Continued)

Exhibit C

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	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>							
Office of the Principal	\$ 1,682,415	\$ 0	\$ 1,451	\$ 1,683,866	\$ 1,705,470	\$ 1,705,470	\$ 21,604
Fiscal Services	181,415	0	0	181,415	193,942	193,942	12,527
Operation of Plant	2,576,555	0	0	2,576,555	2,403,581	2,653,581	77,026
Maintenance of Plant	1,268,287	(5,950)	1,183	1,263,520	1,397,663	1,357,663	94,143
Transportation	1,787,811	0	0	1,787,811	1,611,703	1,838,703	50,892
Central and Other	271,459	0	0	271,459	281,696	281,696	10,237
Total Expenditures	<u>\$ 27,808,630</u>	<u>\$ (16,011)</u>	<u>\$ 22,630</u>	<u>\$ 27,815,249</u>	<u>\$ 27,587,926</u>	<u>\$ 28,581,057</u>	<u>\$ 765,808</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 363,748	\$ 16,011	\$ (22,630)	\$ 357,129	\$ (827,343)	\$ (1,052,886)	\$ 1,410,015
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 615,000	\$ 0	\$ 0
Transfers In	43,723	0	0	43,723	12,000	12,000	31,723
Total Other Financing Sources (Uses)	<u>\$ 43,723</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 43,723</u>	<u>\$ 627,000</u>	<u>\$ 12,000</u>	<u>\$ 31,723</u>
Net Change in Fund Balance	\$ 407,471	\$ 16,011	\$ (22,630)	\$ 400,852	\$ (200,343)	\$ (1,040,886)	\$ 1,441,738
Fund Balance, July 1, 2005	<u>1,492,908</u>	<u>(16,011)</u>	<u>0</u>	<u>1,476,897</u>	<u>1,411,909</u>	<u>1,411,909</u>	<u>64,988</u>
Fund Balance, June 30, 2006	<u>\$ 1,900,379</u>	<u>\$ 0</u>	<u>\$ (22,630)</u>	<u>\$ 1,877,749</u>	<u>\$ 1,211,566</u>	<u>\$ 371,023</u>	<u>\$ 1,506,726</u>

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

A. BUDGETARY INFORMATION

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

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

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

B. EXPENDITURES EXCEEDED APPROPRIATIONS

Expenditures exceeded appropriations approved by the Marshall County Commission in the Support Services - Adult Programs major appropriation category (the level of control) of the General Purpose School Fund by \$10,084. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

School Federal Projects Fund – The School Federal Projects Fund is used to account for restricted federal revenues which must be expended on specific education programs.

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

Exhibit D-1

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

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,766	\$ 1,766
Equity in Pooled Cash and Investments	209,720	158,604	368,324
Accounts Receivable	0	110,007	110,007
Due from Other Governments	69,259	0	69,259
Total Assets	<u>\$ 278,979</u>	<u>\$ 270,377</u>	<u>\$ 549,356</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Other Deferred Revenues	\$ 0	\$ 12,530	\$ 12,530
Total Liabilities	<u>\$ 0</u>	<u>\$ 12,530</u>	<u>\$ 12,530</u>
<u>Fund Balances</u>			
Reserved for Title I Grants to Local Education Agencies	\$ 11,197	\$ 0	\$ 11,197
Reserved for Special Education - Grants to States	265,100	0	265,100
Other Federal Reserves	2,682	0	2,682
Unreserved	0	257,847	257,847
Total Fund Balances	<u>\$ 278,979</u>	<u>\$ 257,847</u>	<u>\$ 536,826</u>
Total Liabilities and Fund Balances	<u>\$ 278,979</u>	<u>\$ 270,377</u>	<u>\$ 549,356</u>

Exhibit D-2

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

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 1,235,359	\$ 1,235,359
Other Local Revenues	0	4,212	4,212
State of Tennessee	0	28,971	28,971
Federal Government	1,892,879	893,774	2,786,653
Total Revenues	<u>\$ 1,892,879</u>	<u>\$ 2,162,316</u>	<u>\$ 4,055,195</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,220,996	\$ 0	\$ 1,220,996
Support Services	498,733	0	498,733
Operation of Non-Instructional Services	0	2,165,340	2,165,340
Total Expenditures	<u>\$ 1,719,729</u>	<u>\$ 2,165,340</u>	<u>\$ 3,885,069</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 173,150</u>	<u>\$ (3,024)</u>	<u>\$ 170,126</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	<u>\$ (43,723)</u>	<u>\$ 0</u>	<u>\$ (43,723)</u>
Total Other Financing Sources (Uses)	<u>\$ (43,723)</u>	<u>\$ 0</u>	<u>\$ (43,723)</u>
Net Change in Fund Balances	\$ 129,427	\$ (3,024)	\$ 126,403
Fund Balance, July 1, 2005	149,552	260,871	410,423
Fund Balance, June 30, 2006	<u>\$ 278,979</u>	<u>\$ 257,847</u>	<u>\$ 536,826</u>

Exhibit D-3

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,892,879	\$ 1,947,082	\$ 1,947,082	\$ (54,203)
Total Revenues	\$ 1,892,879	\$ 1,947,082	\$ 1,947,082	\$ (54,203)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 688,300	\$ 691,940	\$ 707,279	\$ 18,979
Special Education Program	532,696	700,399	693,183	160,487
<u>Support Services</u>				
Other Student Support	131,542	145,051	151,113	19,571
Regular Instruction Program	137,949	160,423	145,084	7,135
Special Education Program	178,721	299,766	293,910	115,189
Vocational Education Program	5,013	5,013	5,013	0
Transportation	45,508	50,374	57,384	11,876
Total Expenditures	\$ 1,719,729	\$ 2,052,966	\$ 2,052,966	\$ 333,237
Excess (Deficiency) of Revenues Over Expenditures	\$ 173,150	\$ (105,884)	\$ (105,884)	\$ 279,034
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 0	\$ 29,230	\$ (29,230)
Transfers Out	(43,723)	(43,667)	(72,897)	29,174
Total Other Financing Sources (Uses)	\$ (43,723)	\$ (43,667)	\$ (43,667)	\$ (56)
Net Change in Fund Balance	\$ 129,427	\$ (149,551)	\$ (149,551)	\$ 278,978
Fund Balance, July 1, 2005	149,552	149,551	149,551	1
Fund Balance, June 30, 2006	\$ 278,979	\$ 0	\$ 0	\$ 278,979

Exhibit D-4

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 1,235,359	\$ 0	\$ 1,235,359	\$ 1,205,521	\$ 1,205,521	\$ 29,838
Other Local Revenues	4,212	0	4,212	1,117	1,117	3,095
State of Tennessee	28,971	0	28,971	28,480	28,480	491
Federal Government	893,774	0	893,774	794,063	794,063	99,711
Total Revenues	<u>\$ 2,162,316</u>	<u>\$ 0</u>	<u>\$ 2,162,316</u>	<u>\$ 2,029,181</u>	<u>\$ 2,029,181</u>	<u>\$ 133,135</u>
<u>Expenditures</u>						
<u>Operation of Non-Instructional Services</u>						
Food Service	\$ 2,165,340	\$ (78)	\$ 2,165,262	\$ 2,159,045	\$ 2,159,045	\$ (6,217)
Total Expenditures	<u>\$ 2,165,340</u>	<u>\$ (78)</u>	<u>\$ 2,165,262</u>	<u>\$ 2,159,045</u>	<u>\$ 2,159,045</u>	<u>\$ (6,217)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (3,024)</u>	<u>\$ 78</u>	<u>\$ (2,946)</u>	<u>\$ (129,864)</u>	<u>\$ (129,864)</u>	<u>\$ 126,918</u>
Net Change in Fund Balance	\$ (3,024)	\$ 78	\$ (2,946)	\$ (129,864)	\$ (129,864)	\$ 126,918
Fund Balance, July 1, 2005	<u>260,871</u>	<u>(78)</u>	<u>260,793</u>	<u>258,291</u>	<u>258,291</u>	<u>2,502</u>
Fund Balance, June 30, 2006	<u>\$ 257,847</u>	<u>\$ 0</u>	<u>\$ 257,847</u>	<u>\$ 128,427</u>	<u>\$ 128,427</u>	<u>\$ 129,420</u>

MISCELLANEOUS SCHEDULES

Exhibit E-1

Marshall County, Tennessee
Schedule of Transfers
Marshall 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	\$ 43,723
Total Transfers			\$ 43,723

Exhibit E-2

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

<u>Official</u>	<u>Authorization for Salary</u>	<u>Salary Paid During Period</u>	<u>Bond</u>	<u>Surety</u>
Director of Schools	State Board of Education and Marshall County Board of Education	\$ 93,242 (1)	(2)	
<u>Other Bonds</u>				
Board of Education Employees			150,000	Tennessee School Boards Risk Management Trust

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

(2) Covered under county's employee blanket bond.

Exhibit E-3

Marshall County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
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	\$ 8,211,703	\$ 0	\$ 0	\$ 0	\$ 8,211,703
Trustee's Collections - Prior Year	294,131	0	0	0	294,131
Trustee's Collections - Bankruptcy	65,301	0	0	0	65,301
Circuit/Clerk & Master Collections - Prior Years	44,438	0	0	0	44,438
Interest and Penalty	54,702	0	0	0	54,702
Payments in-Lieu-of Taxes - T.V.A.	4,316	0	0	0	4,316
Payments in-Lieu-of Taxes - Local Utilities	55,348	0	0	0	55,348
Payments in-Lieu-of Taxes - Other	1,707	0	0	0	1,707
<u>County Local Option Taxes</u>					
Local Option Sales Tax	1,864,759	0	0	0	1,864,759
<u>Statutory Local Taxes</u>					
Bank Excise Tax	54,008	0	0	0	54,008
Interstate Telecommunications Tax	4,636	0	0	0	4,636
Total Local Taxes	\$ 10,655,049	\$ 0	\$ 0	\$ 0	\$ 10,655,049
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 2,176	\$ 0	\$ 0	\$ 0	\$ 2,176
Total Licenses and Permits	\$ 2,176	\$ 0	\$ 0	\$ 0	\$ 2,176
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Lunch Payments - Children	\$ 0	\$ 0	\$ 716,282	\$ 0	\$ 716,282
Lunch Payments - Adults	0	0	61,139	0	61,139
Income from Breakfast	0	0	32,790	0	32,790
A la carte Sales	0	0	425,148	0	425,148
School Based Health Services - FFS	261	0	0	0	261
Receipts from Individual Schools	71,486	0	0	0	71,486
TBI Criminal Background Fees	2,824	0	0	0	2,824
Total Charges for Current Services	\$ 74,571	\$ 0	\$ 1,235,359	\$ 0	\$ 1,309,930
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 4,019	\$ 90,345	\$ 94,364
Sale of Materials and Supplies	1,781	0	0	0	1,781
Miscellaneous Refunds	45,638	0	0	0	45,638
<u>Nonrecurring Items</u>					
Insurance Recovery	190	0	0	0	190
Sale of Equipment	9,081	0	0	0	9,081
Damages Recovered from Individuals	1,275	0	0	0	1,275
<u>Other Local Revenues</u>					
Other Local Revenues	4,827	0	193	0	5,020
Total Other Local Revenues	\$ 62,792	\$ 0	\$ 4,212	\$ 90,345	\$ 157,349
<u>State of Tennessee</u>					
<u>State Education Funds</u>					
Basic Education Program	\$ 15,981,069	\$ 0	\$ 0	\$ 0	\$ 15,981,069
School Food Service	0	0	28,971	0	28,971

(Continued)

Exhibit E-3

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>State of Tennessee (Cont.)</u>					
<u>State Education Funds (Cont.)</u>					
Driver Education	\$ 10,326	\$ 0	\$ 0	\$ 0	\$ 10,326
Other State Education Funds	57,428	0	0	0	57,428
Career Ladder Program	276,651	0	0	0	276,651
Career Ladder - Extended Contract	90,051	0	0	0	90,051
<u>Other State Revenues</u>					
State Revenue Sharing - T.V.A.	211,565	0	0	0	211,565
Total State of Tennessee	\$ 16,627,090	\$ 0	\$ 28,971	\$ 0	\$ 16,656,061
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 730,238	\$ 0	\$ 730,238
Breakfast	0	0	161,462	0	161,462
USDA - Other	0	0	2,074	0	2,074
Adult Education State Grant Program	83,879	0	0	0	83,879
Vocational Education - Basic Grants to States	0	100,262	0	0	100,262
Other Vocational	0	1	0	0	1
Title I Grants to Local Education Agencies	0	551,119	0	0	551,119
Innovative Education Program Strategies	0	17,407	0	0	17,407
Special Education - Grants to States	0	954,164	0	0	954,164
Special Education Preschool Grants	0	30,124	0	0	30,124
Eisenhower Professional Development State Grants	0	205,894	0	0	205,894
Other Federal through State	52,821	33,908	0	0	86,729
Total Federal Government	\$ 136,700	\$ 1,892,879	\$ 893,774	\$ 0	\$ 2,923,353
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 614,000	\$ 0	\$ 0	\$ 6,928,769	\$ 7,542,769
Total Other Governments and Citizens Groups	\$ 614,000	\$ 0	\$ 0	\$ 6,928,769	\$ 7,542,769
Total	\$ 28,172,378	\$ 1,892,879	\$ 2,162,316	\$ 7,019,114	\$ 39,246,687

Exhibit E-4

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 9,768,536	
Career Ladder Program	164,120	
Career Ladder Extended Contracts	87,000	
Educational Assistants	574,506	
Certified Substitute Teachers	77,048	
Non-certified Substitute Teachers	107,766	
Social Security	629,582	
State Retirement	587,074	
Medical Insurance	1,681,394	
Dental Insurance	6,659	
Unemployment Compensation	14,126	
Employer Medicare	148,124	
Maintenance & Repair Services - Equipment	43,019	
Travel	2,137	
Other Contracted Services	13,982	
Instructional Supplies and Materials	199,983	
Textbooks	211,204	
Regular Instruction Equipment	67,733	
Total Regular Instruction Program		\$ 14,383,993

Alternative Instruction Program

Teachers	\$ 48,045	
Career Ladder Program	3,000	
Social Security	3,028	
State Retirement	2,807	
Medical Insurance	3,430	
Dental Insurance	40	
Unemployment Compensation	37	
Employer Medicare	708	
Instructional Supplies and Materials	200	
Total Alternative Instruction Program		61,295

Special Education Program

Teachers	\$ 917,516
Career Ladder Program	22,500
Homebound Teachers	40,685
Educational Assistants	224,724
Speech Pathologist	113,805
Certified Substitute Teachers	768

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Non-certified Substitute Teachers	\$	8,380	
Social Security		78,341	
State Retirement		75,039	
Medical Insurance		202,396	
Dental Insurance		809	
Unemployment Compensation		1,980	
Employer Medicare		18,335	
Contracts with Other Public Agencies		1,274	
Contracts with Private Agencies		16,688	
Maintenance & Repair Services - Equipment		722	
Other Contracted Services		2,398	
Instructional Supplies and Materials		6,450	
Total Special Education Program			\$ 1,732,810

Vocational Education Program

Teachers	\$	794,431	
Career Ladder Program		12,000	
Certified Substitute Teachers		1,200	
Non-certified Substitute Teachers		4,545	
Social Security		47,618	
State Retirement		44,373	
Medical Insurance		137,311	
Dental Insurance		533	
Unemployment Compensation		873	
Employer Medicare		11,142	
Instructional Supplies and Materials		29,702	
Textbooks		1,755	
Other Charges		1,132	
Total Vocational Education Program			1,086,615

Adult Education Program

Teachers	\$	36,911	
Social Security		2,289	
State Retirement		549	
Unemployment Compensation		147	
Employer Medicare		535	
Instructional Supplies and Materials		9,061	
Total Adult Education Program			49,492

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services

Attendance

Supervisor/Director	\$	67,884	
Career Ladder Program		4,000	
Other Salaries & Wages		44,635	
Social Security		6,854	
State Retirement		6,333	
Medical Insurance		17,674	
Dental Insurance		46	
Unemployment Compensation		126	
Employer Medicare		1,592	
Communication		224	
Travel		2,500	
Other Supplies and Materials		625	
Other Charges		100	
Attendance Equipment		1,286	
Total Attendance			\$ 153,879

Health Services

Medical Personnel	\$	88,045	
Other Salaries & Wages		4,760	
Social Security		5,459	
State Retirement		5,685	
Medical Insurance		16,438	
Dental Insurance		137	
Unemployment Compensation		276	
Employer Medicare		1,277	
Other Supplies and Materials		2,612	
Total Health Services			124,689

Other Student Support

Career Ladder Program	\$	7,000	
Guidance Personnel		374,849	
Attendants		17,681	
Other Salaries & Wages		620	
Social Security		22,275	
State Retirement		21,489	
Medical Insurance		83,904	
Dental Insurance		214	
Unemployment Compensation		503	
Employer Medicare		5,412	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Evaluation and Testing	\$	22,938	
Other Contracted Services		61,466	
Other Supplies and Materials		3,583	
Other Charges		2,009	
Total Other Student Support			\$ 623,943

Regular Instruction Program

Supervisor/Director	\$	185,319	
Career Ladder Program		18,000	
Librarians		407,575	
Education Media Personnel		66,321	
Instructional Computer Personnel		32,473	
Other Salaries & Wages		2,642	
Social Security		42,453	
State Retirement		37,664	
Medical Insurance		74,587	
Dental Insurance		301	
Unemployment Compensation		606	
Employer Medicare		9,928	
Communication		742	
Travel		3,742	
Other Contracted Services		4,171	
Library Books/Media		20,761	
Other Supplies and Materials		5,676	
In Service/Staff Development		4,825	
Total Regular Instruction Program			917,786

Special Education Program

Career Ladder Program	\$	1,500	
Psychological Personnel		48,685	
Social Security		2,936	
State Retirement		2,760	
Medical Insurance		9,473	
Dental Insurance		46	
Unemployment Compensation		42	
Employer Medicare		687	
Communication		2,428	
Travel		4,002	
In Service/Staff Development		75	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)
Support Services (Cont.)
Special Education Program (Cont.)

Other Charges	\$ 1,077	
Total Special Education Program		\$ 73,711

Vocational Education Program

Supervisor/Director	\$ 63,702	
Career Ladder Program	1,000	
Secretary(ies)	5,498	
Social Security	4,583	
State Retirement	4,137	
Medical Insurance	4,331	
Dental Insurance	5	
Unemployment Compensation	47	
Employer Medicare	1,072	
Communication	1,459	
Other Contracted Services	688	
Other Charges	1,182	
Total Vocational Education Program		87,704

Adult Programs

Supervisor/Director	\$ 46,000	
Career Ladder Program	1,000	
Other Salaries & Wages	16,106	
Social Security	3,757	
State Retirement	3,528	
Medical Insurance	9,685	
Unemployment Compensation	102	
Employer Medicare	879	
Communication	995	
Travel	1,115	
In Service/Staff Development	722	
Other Equipment	12,607	
Total Adult Programs		96,496

Board of Education

Board and Committee Members Fees	\$ 7,000
Social Security	434
Employer Medicare	102
Communication	49
Dues and Memberships	5,917

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Legal Services	\$	715	
Travel		269	
Other Contracted Services		676	
Liability Insurance		33,282	
Trustee's Commission		241,470	
Workers' Compensation Insurance		214,022	
In Service/Staff Development		145	
Criminal Investigation of Applicants - TBI		4,512	
Other Charges		7,440	
Total Board of Education			\$ 516,033

Director of Schools

County Official/Administrative Officer	\$	93,242	
Social Security		5,598	
State Retirement		5,128	
Life Insurance		886	
Medical Insurance		11,169	
Dental Insurance		46	
Unemployment Compensation		42	
Employer Medicare		1,344	
Communication		5,294	
Dues and Memberships		1,601	
Travel		3,697	
Office Supplies		381	
Other Charges		819	
Administration Equipment		2,995	
Total Director of Schools			132,242

Office of the Principal

Principals	\$	623,936	
Career Ladder Program		16,000	
Assistant Principals		226,814	
Secretary(ies)		181,061	
Clerical Personnel		179,183	
Social Security		73,230	
State Retirement		73,188	
Medical Insurance		141,670	
Dental Insurance		502	
Unemployment Compensation		1,223	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Employer Medicare	\$	17,126	
Communication		1,883	
Dues and Memberships		3,950	
Travel		150	
Other Contracted Services		8,138	
Office Supplies		6,119	
Other Charges		116,200	
Administration Equipment		12,042	
Total Office of the Principal			\$ 1,682,415

Fiscal Services

Supervisor/Director	\$	42,080	
Internal Audit Personnel		12,209	
Accountants/Bookkeepers		77,650	
Social Security		7,961	
State Retirement		7,743	
Medical Insurance		12,576	
Unemployment Compensation		126	
Employer Medicare		1,862	
Data Processing Services		200	
Travel		1,418	
Other Contracted Services		12,625	
Data Processing Supplies		1,049	
Administration Equipment		3,916	
Total Fiscal Services			181,415

Operation of Plant

Supervisor/Director	\$	45,847	
Secretary(ies)		30,859	
Custodial Personnel		669,673	
Social Security		43,779	
State Retirement		38,445	
Medical Insurance		144,095	
Dental Insurance		401	
Unemployment Compensation		2,012	
Employer Medicare		10,239	
Disposal Fees		50,589	
Custodial Supplies		166,731	
Electricity		957,173	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Natural Gas	\$	201,798	
Water and Sewer		103,092	
Other Supplies and Materials		3,712	
Boiler Insurance		5,195	
Building and Contents Insurance		94,649	
Plant Operation Equipment		8,266	
Total Operation of Plant			\$ 2,576,555

Maintenance of Plant

Maintenance Personnel	\$	335,992	
Other Salaries & Wages		568	
Social Security		19,672	
State Retirement		22,510	
Medical Insurance		63,261	
Dental Insurance		365	
Unemployment Compensation		577	
Employer Medicare		4,601	
Communication		1,942	
Maintenance & Repair Services - Buildings		226,028	
Maintenance & Repair Services - Equipment		198,937	
Other Contracted Services		85,404	
Other Supplies and Materials		10,578	
Other Charges		1,332	
Maintenance Equipment		5,838	
Other Capital Outlay		290,682	
Total Maintenance of Plant			1,268,287

Transportation

Supervisor/Director	\$	38,939	
Mechanic(s)		99,459	
Bus Drivers		478,581	
Clerical Personnel		24,127	
Other Salaries & Wages		19,358	
Social Security		36,751	
State Retirement		42,071	
Medical Insurance		244,905	
Dental Insurance		801	
Unemployment Compensation		2,285	
Employer Medicare		8,595	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Communication	\$	1,941	
Medical and Dental Services		5,037	
Travel		91	
Gasoline		191,803	
Tires and Tubes		28,999	
Vehicle Parts		81,361	
Vehicle and Equipment Insurance		29,223	
Other Charges		10,338	
Transportation Equipment		443,146	
Total Transportation			\$ 1,787,811

Central and Other

Clerical Personnel	\$	90,553	
Social Security		5,383	
State Retirement		6,420	
Life Insurance		13,042	
Medical Insurance		85,341	
Dental Insurance		46	
Unemployment Compensation		126	
Employer Medicare		1,259	
Other Fringe Benefits		50,769	
Postal Charges		5,957	
Travel		977	
Office Supplies		3,402	
Other Supplies and Materials		514	
Other Charges		5,120	
Data Processing Equipment		2,550	
Total Central and Other			271,459

Total General Purpose School Fund \$ 27,808,630

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	422,945
Educational Assistants		64,942
Certified Substitute Teachers		2,138
Social Security		25,417
State Retirement		27,171

(Continued)

Exhibit E-4

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Medical Insurance	\$	98,491	
Dental Insurance		410	
Unemployment Compensation		630	
Employer Medicare		5,944	
Maintenance & Repair Services - Equipment		25	
Other Contracted Services		10,000	
Instructional Supplies and Materials		7,992	
Other Charges		9,961	
Regular Instruction Equipment		12,234	
Total Regular Instruction Program			\$ 688,300

Special Education Program

Teachers	\$	92,506	
Educational Assistants		209,361	
Certified Substitute Teachers		403	
Non-certified Substitute Teachers		2,160	
Social Security		17,553	
State Retirement		19,469	
Medical Insurance		86,076	
Dental Insurance		382	
Unemployment Compensation		1,013	
Employer Medicare		4,104	
Contracts with Private Agencies		18,595	
Instructional Supplies and Materials		70,248	
Textbooks		1,578	
Other Charges		9,248	
Total Special Education Program			532,696

Support Services

Other Student Support

Attendants	\$	24,238	
Social Security		1,346	
State Retirement		867	
Medical Insurance		9,350	
Dental Insurance		46	
Unemployment Compensation		131	
Employer Medicare		314	
Travel		6,612	
Other Supplies and Materials		43,648	

(Continued)

Exhibit E-4

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Other Equipment	\$ 44,990	
Total Other Student Support		\$ 131,542

Regular Instruction Program

Supervisor/Director	\$ 68,601	
Secretary(ies)	24,918	
Social Security	5,545	
State Retirement	5,177	
Medical Insurance	12,557	
Dental Insurance	91	
Unemployment Compensation	84	
Employer Medicare	1,297	
Communication	2,000	
Travel	1,287	
Other Supplies and Materials	500	
In Service/Staff Development	14,834	
Other Charges	1,058	
Total Regular Instruction Program		137,949

Special Education Program

Supervisor/Director	\$ 60,486	
Secretary(ies)	23,330	
Clerical Personnel	53,672	
Social Security	8,357	
State Retirement	8,889	
Medical Insurance	13,632	
Dental Insurance	144	
Unemployment Compensation	178	
Employer Medicare	1,954	
Travel	6,707	
Other Contracted Services	571	
Other Supplies and Materials	500	
Other Charges	301	
Total Special Education Program		178,721

Vocational Education Program

Supervisor/Director	\$ 5,013	
Total Vocational Education Program		5,013

(Continued)

Exhibit E-4

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Transportation

Bus Drivers	\$	33,108	
Social Security		1,937	
State Retirement		2,345	
Medical Insurance		7,473	
Dental Insurance		46	
Unemployment Compensation		145	
Employer Medicare		454	
Total Transportation		<u>45,508</u>	\$ <u>45,508</u>

Total School Federal Projects Fund \$ 1,719,729

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	44,112	
Clerical Personnel		26,416	
Cafeteria Personnel		745,302	
Social Security		45,503	
State Retirement		47,727	
Medical Insurance		280,374	
Dental Insurance		1,309	
Unemployment Compensation		2,850	
Employer Medicare		10,645	
Other Fringe Benefits		251	
Communication		5,129	
Transportation - Other than Students		3,218	
Travel		5,656	
Other Contracted Services		28,226	
Food Supplies		832,277	
Office Supplies		9,325	
Uniforms		1,367	
Other Supplies and Materials		52,872	
In Service/Staff Development		2,110	
Food Service Equipment		20,671	
Total Food Service		<u>2,165,340</u>	\$ <u>2,165,340</u>

Total Central Cafeteria Fund 2,165,340

(Continued)

Exhibit E-4

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

<u>Education Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Education Capital Projects</u>		
Architects	\$ 233,789	
Contracts with Private Agencies	61,935	
Other Debt Issuance Charges	714	
Building Construction	493,199	
Land	<u>40,327</u>	
Total Education Capital Projects		\$ <u>829,964</u>
Total Education Capital Projects Fund		\$ <u>829,964</u>
Total Governmental Funds - School Department		\$ <u><u>32,523,663</u></u>

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

JEFF BAILEY, CPA, CGFM, CFE
Audit Manager

WILMA JOHNSTON, CPA, CGFM, CFE
RACHELLE CABADING, CFE
Auditor 4s

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

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

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

Annual Financial Report
Marshall County Board of Public Utilities
For the Year Ended June 30, 2006

Scope

We have audited the basic financial statements of the Marshall County Board of Public Utilities as of and for the year ended June 30, 2006.

Results

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

Our audit resulted in one finding and recommendation, which we have reviewed with board management. The detailed finding and recommendation is included in the Single Audit Report.

Finding

The following are summaries of the audit findings:

OTHER FINDING

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

INTRODUCTORY SECTION

Marshall County Board of Public Utilities Officials
June 30, 2006

Official

Jessie Whaley, Jr., Manager

Marshall County Board of Public Utilities Directors

Roy Bowden, Jr., Chairman
Joe Brandon
William Blalock

Sam Smith
Michael Waggoner

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

September 19, 2006

Marshall County Board of Public Utilities
Marshall County, Tennessee

To the Board of Public Utilities:

We have audited the accompanying basic financial statements of the Marshall County Board of Public Utilities, a component unit of Marshall County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 13 through 27. These financial statements are the responsibility of the Marshall County Board of Public Utilities' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Marshall County Board of Public Utilities as of June 30, 2006, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 19, 2006, on our consideration of the Marshall County Board of Public Utilities' internal control over financial reporting and our tests of its compliance with certain

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

The management of the Marshall County Board of Public Utilities did not prepare a management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the Marshall County Board of Public Utilities' basic financial statements. The introductory section and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The miscellaneous schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section 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/rc

BASIC FINANCIAL STATEMENTS

Exhibit A

Marshall County, Tennessee
Statement of Net Assets
Marshall County Board of Public Utilities
June 30, 2006

ASSETS

Current Assets:	
Cash	\$ 774
Equity in Pooled Cash and Investments	2,448,988
Inventories	19,595
Accounts Receivable	146,003
Total Current Assets	<u>\$ 2,615,360</u>
Noncurrent Assets:	
Restricted Assets:	
Customer Deposits	\$ 47,104
Revenue Bond Future Debt Service Account	69,416
Capital Assets:	
Land	65,610
Buildings and Improvements	227,534
Accumulated Depreciation - Building and Improvements	(9,703)
Machinery and Equipment	514,963
Accumulated Depreciation - Machinery and Equipment	(285,019)
Other Capital Assets	10,539,901
Accumulated Depreciation - Other Capital Assets	(3,187,287)
Total Noncurrent Assets	<u>\$ 7,982,519</u>
Total Assets	<u>\$ 10,597,879</u>

LIABILITIES

Current Liabilities:	
Accounts Payable	\$ 13,938
Accrued Payroll	15,951
Accrued Leave - Current	12,313
Contracts Payable	22,993
Due to Other Taxing Units	9,761
Revenue Bonds Payable - Current	88,943
Accrued Interest Payable	5,190
Total Current Liabilities	<u>\$ 169,089</u>
Noncurrent Liabilities:	
Customer Deposits Payable	\$ 13,000
Other Payables from Restricted Assets	34,103
Revenue Bonds Payable - Long-term	1,708,882
Total Noncurrent Liabilities	<u>\$ 1,755,985</u>
Total Liabilities	<u>\$ 1,925,074</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$ 6,100,804
Restricted for Debt Service	69,416
Unrestricted	<u>2,502,585</u>
Total Net Assets	<u>\$ 8,672,805</u>

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

Exhibit B

Marshall County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Assets
Marshall County Board of Public Utilities
For the Year Ended June 30, 2006

Operating Revenues

Charges for Current Services	\$ 1,441,635
Other Local Revenues	6,627
Total Operating Revenues	<u>\$ 1,448,262</u>

Operating Expenses

Other Economic and Community Development	\$ 1,293,725
Depreciation	291,931
Total Operating Expenses	<u>\$ 1,585,656</u>
Operating Income (Loss)	<u>\$ (137,394)</u>

Nonoperating Revenues (Expenses)

Investment Income	\$ 91,906
Contribution From Primary Government (Adequate Facilities Tax)	300,000
Interest Expense	(61,852)
Community Development Block Grant	430,267
Water and Waste Disposal Systems for Rural Communities Grant	285,300
Total Nonoperating Revenues (Expenses)	<u>\$ 1,045,621</u>

Income (Loss) Before Contributions	\$ 908,227
Capital Contributions	359,923
Change in Net Assets	<u>\$ 1,268,150</u>
Net Assets, July 1, 2005	<u>7,404,655</u>
Net Assets, June 30, 2006	<u>\$ 8,672,805</u>

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

Exhibit C

Marshall County, Tennessee
Statement of Cash Flows
Marshall County Board of Public Utilities
For the Year Ended June 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers and Users	\$ 1,504,290
Other Receipts (Payments)	6,627
Payments to Suppliers	(909,155)
Payments to Employees	(347,691)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 254,071</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Contribution from Primary Government (Adequate Facilities Tax)	\$ 300,000
Net Cash Provided By (Used In) NonCapital Financing Activities	<u>\$ 300,000</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING
ACTIVITIES

Purchase of Capital Assets	\$ (2,740,048)
Capital Contributions	359,923
Note Proceeds	667,000
Capital Grants Received	715,567
Principal Payments on Other Long-term Debt	(125,739)
Interest Payments on Other Long-term Debt	(61,852)
Net Cash Provided By (Used For) Capital And Related Financing Activities	<u>\$ (1,185,149)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	\$ 91,906
Net Cash Provided By (Used In) Investing Activities	<u>\$ 91,906</u>

Increase (Decrease) In Cash	\$ (539,172)
Cash, July 1, 2005	<u>3,105,454</u>
Cash, June 30, 2006	<u><u>\$ 2,566,282</u></u>

(Continued)

Exhibit C

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

Reconciliation of Cash with Statement of Net Assets

Cash Per Net Assets	\$ 774
Equity in Pooled Cash and Investments per Net Assets	2,448,988
Restricted Customer Deposits	47,104
Restricted Revenue Bond Future Debt Service Account	<u>69,416</u>
Cash, June 30, 2006	<u><u>\$ 2,566,282</u></u>
Reconciliation of Operating Income (Loss)	
to Net Cash Provided (Used) By Operating Activities:	
Operating Income (Loss)	\$ (137,394)
Adjustments to Reconcile Operating Income (Loss) to	
Net Cash Provided by (Used) Operating Activities:	
Depreciation	291,931
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	578
(Increase) Decrease in Due From Other Governments	2,981
(Increase) Decrease in Due From Other Funds	59,096
(Increase) Decrease in Inventories	1,336
Increase (Decrease) in Accounts Payable	(3,571)
Increase (Decrease) in Accrued Payroll	10,015
Increase (Decrease) in Payroll Deductions Payable	(319)
Increase (Decrease) in Accrued Interest Payable	(1,695)
Increase (Decrease) in Due to Other Taxing Units	(327)
Increase (Decrease) in Customer Deposits	28,403
Increase (Decrease) in Other Payables from Restricted Assets	(300)
Increase (Decrease) in Accrued Leave	<u>3,337</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ 254,071</u></u>

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

**MARSHALL COUNTY BOARD OF PUBLIC UTILITIES
A COMPONENT UNIT OF MARSHALL COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2006**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The following are the more significant accounting policies of the utility:

A. Reporting Entity

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

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

The utility accounts for its activities in a single proprietary fund (enterprise fund). Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Marshall County Board of Public Utilities has elected not to follow subsequent private-sector guidance.

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

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

C. Assets, Liabilities, and Net Assets

1. Deposits and Investments

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

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

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

2. Receivables and Payables

Accounts receivable for water sales are shown without an allowance for uncollectibles. The utility does not provide an allowance for

uncollectible accounts because of its ability to stop service for nonpaying customers.

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

3. Inventories

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

4. Restricted Assets

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

5. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the enterprise fund is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	40
Machinery and Equipment	3 - 5
Other Capital Assets	40

6. Compensated Absences

It is the utility's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the Marshall County Board of Public Utilities does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred.

7. Income Taxes

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

8. Net Assets

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

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

II. DETAILED NOTES

A. Deposits and Investments

Marshall County, the Marshall County School Department, and the Marshall County Board of Public Utilities participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. The utility's portion of this pool is displayed on the statements of net assets as Equity in Pooled Cash and Investments, customer deposits, and revenue bond future debt service account. Cash reflected on the statement of net assets represents nonpooled amounts held separately by the Board of Public Utilities.

Deposits

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

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

Investments

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

Investment Balances. As of June 30, 2006, Marshall County had the following investments carried at fair value or cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Marshall County, Marshall County School Department, and the Marshall County Board of Public Utilities since all pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value or Cost</u>
State Treasurer's Investment Pool	Daily	<u>\$ 12,955</u>
Total		<u><u>\$ 12,955</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. Marshall County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Marshall County has no investment policy that would further limit its investment choices. As of June 30, 2006, Marshall County's investment in the State Treasurer's Investment Pool was unrated.

B. Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows:

Business-type Activities:

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets				
Not Depreciated:				
Land	\$ 65,610	\$ 0	\$ 0	\$ 65,610
Construction in Progress	1,447,917	0	1,447,917	0
Total Capital Assets				
Not Depreciated	<u>\$ 1,513,527</u>	<u>\$ 0</u>	<u>\$ 1,447,917</u>	<u>\$ 65,610</u>
Capital Assets				
Depreciated:				
Buildings and				
Improvements	\$ 103,477	\$ 124,057	\$ 0	\$ 227,534
Machinery and Equipment	367,680	147,283	0	514,963
Other Capital Assets	7,945,477	2,594,424	0	10,539,901
Total Capital Assets				
Depreciated	<u>\$ 8,416,634</u>	<u>\$ 2,865,764</u>	<u>\$ 0</u>	<u>\$ 11,282,398</u>

Business-type Activities (Cont):

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 5,565	\$ 4,138	\$ 0	\$ 9,703
Machinery and Equipment	233,304	51,715	0	285,019
Other Capital Assets	2,951,209	236,078	0	3,187,287
Total Accumulated Depreciation	<u>\$ 3,190,078</u>	<u>\$ 291,931</u>	<u>\$ 0</u>	<u>\$ 3,482,009</u>
Total Capital Assets Depreciated, Net	<u>\$ 5,226,556</u>	<u>\$ 2,573,833</u>	<u>\$ 0</u>	<u>\$ 7,800,389</u>
Business-type Activities Capital Assets, Net	<u>\$ 6,740,083</u>	<u>\$ 2,573,833</u>	<u>\$ 1,447,917</u>	<u>\$ 7,865,999</u>

Depreciation expense totaled \$291,931 for the year ended June 30, 2006.

C. Long-term Debt

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

Revenue bonds of the utility outstanding as of June 30, 2006, were as follows:

	FHA Bonds	FHA Bonds	FHA Bonds	FHA Bonds
Original Amount of Issue	\$ 625,000	\$ 188,000	\$ 849,000	\$ 667,000
Balance, June 30, 2006	120,600	181,326	830,526	665,373
Date of Issue	5-1-1981	2-20-03	6-22-04	3-17-06
Interest Rate	5%	4.625%	4.375%	4.5%

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

Year Ending June 30	Principal	Interest
2007	\$ 88,943	\$ 82,780
2008	47,174	76,420
2009	43,932	74,520
2010	21,643	71,579
2011	22,626	70,596
2012-16	132,513	336,594
2017-21	161,722	304,375
2022-26	201,949	264,152
2027-31	252,186	213,891
2032-36	314,924	151,137
2037-41	387,237	72,835
2042-44	122,976	6,077
Total	<u>\$ 1,797,825</u>	<u>\$ 1,724,956</u>

Changes in Long-term Liabilities

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

	<u>Bonds</u>
Balance, July 1, 2005	\$ 1,256,564
Additions	667,000
Deductions	<u>(125,739)</u>
Balance, June 30, 2006	<u>\$ 1,797,825</u>
Balance Due Within One Year	<u>\$ 88,943</u>

III. OTHER INFORMATION

A. Risk Management

The Marshall County Board of Public Utilities is exposed to various risks related to general liability, property, and casualty losses. The Board of Public Utilities joined the Local Government Property and Casualty Fund (LGPCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The utility

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

The utility joined the Local Government Workers' Compensation Fund (LGWCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The utility pays annual premiums to the LGWCF for its workers' compensation coverage. The creation of the LGWCF provides for it to be self-sustaining through member premiums.

B. Accounting 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 also 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 Marshall 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 Marshall 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. Marshall County Board of Public Utilities had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Marshall County Board of Public Utilities 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. Marshall County Board of Public Utilities was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Marshall County Board of Public Utilities will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

C. Related-Party Transaction

Land used by the Marshall County Board of Public Utilities is owned by Marshall County.

D. Contingent Liabilities

The utility's attorney advised that there were no pending lawsuits.

E. Retirement Commitments

Plan Description

Employees of Marshall County, including the Board of Public Utilities, are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with

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

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

Since the Marshall County Board of Public Utilities participates in Marshall County's plan, retirement information for the Marshall County Board of Public Utilities is not available separately from the retirement information provided for the county. Complete disclosure for the county's participation in the TCRS is described in footnote IV.E. of the Annual Financial Report of Marshall County, Tennessee.

F. Purchasing Policy

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

MISCELLANEOUS SCHEDULES

Exhibit D-1

Marshall County, Tennessee
Schedule of Changes in Revenue Bonds
Marshall County Board of Public Utilities
For the Year Ended June 30, 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	Outstanding 6-30-06
<u>WATER REVENUE AND TAX BOND</u>								
FHA	\$ 625,000	5 %	5-1-1981	5-7-09	\$ 233,229	\$ 0	\$ 112,629	\$ 120,600
FHA	188,000	4.625	2-20-03	3-20-41	183,422	0	2,096	181,326
FHA	849,000	4.375	6-22-04	6-22-42	839,913	0	9,387	830,526
FHA	667,000	4.5	3-17-06	3-17-44	0	667,000	1,627	665,373
Total					\$ 1,256,564	\$ 667,000	\$ 125,739	\$ 1,797,825

Exhibit D-2

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

Year Ending June 30	(1) \$667,000 Issue Principal Requirements	(1) \$849,000 Issue Principal Requirements	(1) \$188,000 Issue Principal Requirements	\$625,000 Issue Principal Requirements	Total Principal Requirements
2007	\$ 6,944	\$ 9,803	\$ 2,196	\$ 70,000	\$ 88,943
2008	7,263	10,240	2,300	27,371	47,174
2009	7,597	10,698	2,408	23,229	43,932
2010	7,946	11,175	2,522	0	21,643
2011	8,311	11,674	2,641	0	22,626
2012	8,693	12,195	2,766	0	23,654
2013	9,092	12,739	2,897	0	24,728
2014	9,510	13,308	3,033	0	25,851
2015	9,947	13,902	3,177	0	27,026
2016	10,404	17,523	3,327	0	31,254
2017	10,882	15,171	3,484	0	29,537
2018	11,381	15,848	3,649	0	30,878
2019	11,904	16,555	3,821	0	32,280
2020	12,451	17,294	4,002	0	33,747
2021	13,023	18,066	4,191	0	35,280
2022	13,622	18,873	4,389	0	36,884
2023	14,247	19,715	4,596	0	38,558
2024	14,902	20,595	4,813	0	40,310
2025	15,586	21,515	5,040	0	42,141
2026	16,302	22,475	5,279	0	44,056
2027	17,051	23,478	5,528	0	46,057
2028	17,835	24,526	5,789	0	48,150
2029	18,654	25,621	6,063	0	50,338
2030	19,511	26,765	6,349	0	52,625
2031	20,407	27,960	6,649	0	55,016
2032	21,345	29,208	6,963	0	57,516
2033	22,325	30,511	7,292	0	60,128
2034	23,351	31,873	7,636	0	62,860
2035	24,424	33,296	7,997	0	65,717
2036	25,546	34,782	8,375	0	68,703
2037	26,719	36,335	8,771	0	71,825
2038	27,947	37,957	9,185	0	75,089
2039	29,231	39,651	9,619	0	78,501
2040	30,574	41,421	10,073	0	82,068
2041	31,978	43,270	4,506	0	79,754
2042	33,447	34,508	0	0	67,955
2043	34,984	0	0	0	34,984
2044	20,037	0	0	0	20,037
Total	\$ 665,373	\$ 830,526	\$ 181,326	\$ 120,600	\$ 1,797,825

(Continued)

Exhibit D-2

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

Year Ending June 30	(1) \$667,000 Issue Interest Requirements	(1) \$849,000 Issue Interest Requirements	(1) \$188,000 Issue Interest Requirements	\$625,000 Issue Interest Requirements	Total Interest Requirements
2007	\$ 29,800	\$ 36,140	\$ 8,340	\$ 8,500	\$ 82,780
2008	29,481	35,703	8,236	3,000	76,420
2009	29,147	35,245	8,128	2,000	74,520
2010	28,798	34,767	8,014	0	71,579
2011	28,433	34,268	7,895	0	70,596
2012	28,051	33,747	7,770	0	69,568
2013	27,652	33,202	7,639	0	68,493
2014	27,234	32,634	7,503	0	67,371
2015	26,797	32,039	7,359	0	66,195
2016	26,340	31,418	7,209	0	64,967
2017	25,862	30,770	7,052	0	63,684
2018	25,362	30,092	6,887	0	62,341
2019	24,840	29,384	6,715	0	60,939
2020	24,293	28,645	6,534	0	59,472
2021	23,721	27,873	6,345	0	57,939
2022	23,122	27,066	6,147	0	56,335
2023	22,497	26,233	5,940	0	54,670
2024	21,842	25,344	5,723	0	52,909
2025	21,158	24,423	5,496	0	51,077
2026	20,442	23,462	5,257	0	49,161
2027	19,693	22,458	5,008	0	47,159
2028	18,909	21,410	4,747	0	45,066
2029	18,090	20,314	4,473	0	42,877
2030	17,233	19,170	4,187	0	40,590
2031	16,337	17,975	3,887	0	38,199
2032	15,399	16,726	3,573	0	35,698
2033	14,419	15,421	3,244	0	33,084
2034	13,393	14,059	2,900	0	30,352
2035	12,320	12,636	2,539	0	27,495
2036	11,198	11,149	2,161	0	24,508
2037	10,025	9,595	1,765	0	21,385
2038	8,797	7,972	1,351	0	18,120
2039	7,513	6,277	917	0	14,707
2040	6,170	4,506	463	0	11,139
2041	4,766	2,657	61	0	7,484
2042	3,297	732	0	0	4,029
2043	1,760	0	0	0	1,760
2044	288	0	0	0	288
Total	\$ 714,479	\$ 815,512	\$ 181,465	\$ 13,500	\$ 1,724,956

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

Exhibit D-3

Marshall County, Tennessee
Schedule of Bonds of Principal Officials
Marshall County Board of Public Utilities
For the Year Ended June 30, 2006

<u>Official</u>	<u>Bond</u>	<u>Surety</u>
Directors	\$ 1,000,000	Local Government Property and Casualty Fund
Employees	150,000	"
Manager	200,000	Auto Owners Mutual Insurance Company

Exhibit D-4

Marshall County, Tennessee
Schedule of Detailed Revenues and Expenses
Marshall County Board of Public Utilities
For the Year Ended June 30, 2006

Revenues

Operating Revenues

Charges for Current Services

General Service Charges

Water Sales	\$ 1,244,835
Forfeited Discounts	24,160
Water Tap Sales	127,260
Service Charges	45,380
Total Charges for Current Services	<u>\$ 1,441,635</u>

Other Local Revenues

Recurring Items

Miscellaneous Refunds	\$ 568
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Nonrecurring Items

Sale of Equipment	50
Damages Recovered from Individuals	5,828
Other Local Revenues	181
Total Other Local Revenues	<u>\$ 6,627</u>
Total Operating Revenues	<u>\$ 1,448,262</u>

Nonoperating Revenues

Investment Income	\$ 91,906
Community Development Block Grant	430,267
Water and Waste Disposal Systems for Rural Communities Grant	285,300
Contribution From Primary Government (Adequate Facilities Tax)	300,000
Total Nonoperating Revenues	<u>\$ 1,107,473</u>

Total Revenues	<u>\$ 2,555,735</u>
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(Continued)

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

ExpensesOperating ExpensesOther Economic and Community Development

Assistants	\$	34,131
Supervisor/Director		48,185
Accountants/Bookkeepers		91,674
Equipment Operators		28,772
Laborers		122,788
Longevity Pay		1,700
Overtime Pay		20,441
Board and Committee Members Fees		900
In-Service Training		1,226
Social Security		20,438
Extension Service Medicare		4,780
State Retirement		23,640
Employee and Dependent Insurance		54,666
Architects		11,244
Audit Services		3,553
Communication		4,913
Contracts with Government Agencies		498,600
Contract with Private Agencies		47,066
Dues and Memberships		1,186
Engineering Services		1,346
Evaluation and Testing		3,057
Legal Services		10,734
Legal Notices, Recording and Court Costs		819
Licenses		740
Maintenance & Repair Services - Buildings		160
Maintenance & Repair Services - Equipment		2,002
Maintenance & Repair Services - Office Equipment		3,236
Maintenance & Repair Services - Vehicles		17,252
Pest Control		175

(Continued)

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

Expenses (Cont.)

Operating Expenses (Cont.)

Other Economic and Community Development (Cont.)

Postal Charges	\$	9,035
Travel		887
Custodial Supplies		1,331
Fertilizer, Lime and Seed		355
Gasoline		34,165
General Construction Materials		69,424
Office Supplies		5,412
Small Tools		805
Tires and Tubes		3,607
Uniforms		2,276
Utilities		26,087
Liability Insurance		16,974
Premiums on Corporate Surety Bonds		72
Trustee's Commission		18,281
Vehicle and Equipment Insurance		3,000
Workman's Compensation Insurance		7,795
Depreciation		291,931
Fines, Assessments and Penalties		2,457
Other Charges		7,507
Communication Equipment		7,839
Furniture and Fixtures		77
Office Equipment		108
Plant Operation Equipment		16,578
Other Equipment		229
Total Other Economic and Community Development	\$	<u>1,585,656</u>
Total Operating Expenses	\$	<u>1,585,656</u>

Nonoperating Expenses

General Government Debt Service

Interest Expense	\$	61,852
Total Nonoperating Expenses	\$	<u>61,852</u>

Total Expenses	\$	<u><u>1,647,508</u></u>
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Marshall County, Tennessee
Schedule of Utility Rates and Water Usage
Marshall County Board of Public Utilities
June 30, 2006

Utility Rates in Effect

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

Gallons of Water	Year Ended June 30	
	2005	2006
Purchased	210,365,000	220,571,400
Metered	(158,665,992)	(168,533,325)
Total Leaks and Unidentified Loss	<u>51,699,008</u>	<u>52,038,075</u>
Percentage of Metered Sales to Amounts Purchased	75.4%	76.4%
Average Number of Customers	2,451	2,571

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

JEFF BAILEY, CPA, CGFM, CFE
Audit Manager

WILMA JOHNSTON, CPA, CGFM, CFE
RACHELLE CABADING, CFE
Auditor 4s

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

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

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

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

September 19, 2006

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

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

We have audited the financial statements of each major fund and the aggregate remaining fund information of Marshall County, Tennessee, and the Marshall County School Department, as of and for the year ended June 30, 2006, which collectively comprise a portion of Marshall County's and the Marshall County School Department's basic financial statements and have issued our reports thereon dated September 19, 2006. We have also audited the basic financial statements of the Marshall County Board of Public Utilities, as of and for the year ended June 30, 2006, and have issued our report thereon dated September 19, 2006. Our reports on the financial statements of Marshall County, Tennessee, and the Marshall County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Marshall County Board of Public Utilities expresses an unqualified opinion. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marshall County's, the Marshall County School Department's, and the Marshall County Board of Public Utilities' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control

over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Marshall County's, the Marshall County School Department's, and the Marshall County Board of Public Utilities' ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.03, 06.04, and 06.05.

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.

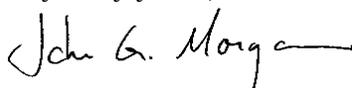
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marshall County's, the Marshall County School Department's, and the Marshall County Board of Public Utilities' financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 06.01 and 06.02.

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

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

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/rc



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

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

September 19, 2006

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

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

Compliance

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

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

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

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

Internal Control Over Compliance

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

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

Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Marshall County, Tennessee, and the Marshall County School Department, as of and for the year ended June 30, 2006, and have issued our reports thereon dated September 19, 2006. We have also audited the basic financial statements of the Marshall County Board of Public Utilities, as of and for the year ended June 30, 2006, and have issued our report thereon dated September 19, 2006. Our reports on the financial statements of Marshall County and the Marshall County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Marshall County Board of Public Utilities expresses an unqualified opinion. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been

subjected to the auditing procedures applied in the audit of these financial statements and, in our opinion, is fairly stated, in all material respects, in relation to these financial statements taken as a whole.

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/rc

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

Federal/Pass Through Agency/State Grantor Program Title	Federal CFDA Number	Pass- Through Agency's Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Water and Waste Disposal Systems For Rural Communities	10.760	N/A	\$ 285,300
Watershed Protection and Flood Prevention	10.904	N/A	274,068
Passed-through State Department of Agriculture:			
Food Distribution - Noncash Assistance	10.550	(2)	101,529
Passed-through State Department of Education:			
Nutrition Cluster:			
School Breakfast Program	10.553	(2)	161,462
National School Lunch Program	10.555	(2)	730,238
Summer Food Service Program For Children	10.559	(2)	2,074
Total U.S. Department of Agriculture			<u>\$ 1,554,671</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grant/State's Program	14.228	GG-04-11061-00	\$ 430,267
Passed-through State Housing Development Agency:			
HOME Investment Partnerships Program	14.239	HM-03-50	303,859
Total U.S. Department of Housing and Urban Development			<u>\$ 734,126</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	CPD05-01139-00	\$ 57,446
Total U.S. Department of Transportation			<u>\$ 57,446</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	(3)	\$ 83,879
Hurricane Education Recovery	84.938	N/A	37,942
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	595,405
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	806,714
Special Education - Preschool Grants	84.173	N/A	30,227
Vocational Education - Basic Grants to States	84.048	N/A	100,263
Safe and Drug-Free Schools And Communities - State Grants	84.186	(2)	13,002
State Grants for Innovative Programs	84.298	N/A	10,457
Education Technology State Grants	84.318	(2)	10,900
Improving Teacher Quality State Grants	84.367	N/A	180,312
English Language Acquisition Grant	84.365	N/A	16,173
Total U.S. Department of Education			<u>\$ 1,885,274</u>
U.S. Department of Election Assistance Commission:			
Passed-through State Department of State:			
Help America Vote Act Requirements Payments	90.401	N/A	\$ 103,850
Total U.S. Department of Election Assistance Commission			<u>\$ 103,850</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Human Services:			
Temporary Assistance for Needy Families	93.558	Z-05-027203-00	\$ 1,144
Temporary Assistance for Needy Families	93.558	Z-06-027203-00	13,735
Total U.S. Department of Health and Human Services			<u>\$ 14,879</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	(4)	\$ 297,612
Homeland Security Grant Program	97.067	Z-05-025186-00	2,364
Total U.S. Department of Homeland Security			<u>\$ 299,976</u>
Total Expenditures of Federal Awards			<u>\$ 4,650,222</u>

(Continued)

Marshall County, Tennessee, Marshall County School Department,
and the Marshall County Board of Public Utilities
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
		Contract Number	
<u>State Grants</u>			
Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 9,319
Adult Education - State Department of Education	N/A	Z-06-027796-00	9,149
Adult Education - State Department of Education	N/A	Z-05-022243-00	13,147
Safe Schools Act - State Department of Education	N/A	(2)	27,537
Job Opportunities and Basic Skills Training - State Department of Education	N/A	Z-06-027203-00	7,056
Job Opportunities and Basic Skills Training - State Department of Education	N/A	Z-05-027203-00	538
Juvenile Justice - State Commission on Children and Youth	N/A	Z-06-002623-00	10,080
Litter Grant - State Department of Transportation	N/A	Z-06-027989-00	30,241
Litter Grant - State Department of Transportation	N/A	Z-05-021528-00	521
Nursing Grant - State Department of Health	N/A	Z-06-026018-00	139,594
Farmer's Market Grant - State Department of Agriculture	N/A	Z-06-031141-00	1,311
Optional Waste Tire Grant - State Department of Environment & Conservation	N/A	Z-03-011341-00	21,396
Total State Grants			<u>\$ 269,889</u>

CFDA – Catalog of Federal Domestic Assistance

N/A – Not Applicable

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

(2) Information not available.

(3) Z-05-022243-00: \$49,460; Z-060027796-00: \$34,419.

(4) Z-04-022471-01: \$236,285; GG-05011701-00: \$10,000; Z-040020123-02: \$51,327.

Marshall County, Tennessee, the Marshall County School Department,
and the Marshall County Board of Public Utilities
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 Marshall County, Tennessee, the Marshall County School Department, and the Marshall County Board of Public Utilities for the year ended June 30, 2005, which have not been corrected.

MARSHALL COUNTY AND MARSHALL COUNTY SCHOOL DEPARTMENT

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

OFFICE OF COUNTY MAYOR

Finding Number	Page Number	Subject
05.02	13	Competitive bids were not solicited for certain purchases

OTHER FINDINGS

Finding Number	Page Number	Subject
05.12	21	Duties were not adequately segregated in the Offices of Trustee; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; and Sheriff
05.13	21	A central system of purchasing had not been adopted

**MARSHALL COUNTY, TENNESSEE
MARSHALL COUNTY SCHOOL DEPARTMENT
AND
MARSHALL COUNTY BOARD OF PUBLIC UTILITIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2006**

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Adverse opinions were issued on the financial statements of Marshall County and the Marshall County School Department. An unqualified opinion was issued on the financial statements of the Marshall County Board of Public Utilities.
2. The audit of the financial statements of Marshall County, the Marshall County School Department, and the Marshall County Board of Public Utilities disclosed reportable conditions in internal control. None of these conditions was considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Marshall County, and one instance that is material to the financial statements of the Marshall County School Department. The Marshall County Board of Public Utilities did not have any material instances of noncompliance.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. Community Development Block Grant/State's Program (CFDA No. 14.228); HOME Investment Partnerships Program (CFDA No. 14.239); Title I Grants to Local Educational Agencies (CFDA No. 84.010); the Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children (CFDA Nos. 10.553, 10.555, and 10.559); the Special Education Cluster: Special Education Grants to States and Special Education Preschool Grants (CFDA Nos. 84.027 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. Marshall County, the Marshall County School Department, and the Marshall County Board of Public Utilities did not qualify as low-risk auditees.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. Officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

MARSHALL COUNTY AND MARSHALL COUNTY SCHOOL DEPARTMENT

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

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

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement No. 34 to issue a financial report in compliance with Financial Reporting Standards for County Governments, Component Units of County Governments, and Special School Districts That Do Not Implement Governmental Accounting Standards Board Statement 34, established by the Comptroller of the Treasury. Marshall County’s and the Marshall County School Department’s financial statements are presented in compliance with these requirements.

RECOMMENDATION

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

OFFICE OF COUNTY MAYOR

FINDING 06.02 COMPETITIVE BIDS WERE NOT SOLICITED FOR CERTAIN PURCHASES
(Noncompliance Under Government Auditing Standards)

Competitive bids were not solicited for cleaning services for county buildings (\$98,329). Tires and tubes (\$65,234) were properly bid; however, a contract was not awarded, and the county continued to purchase from preferred vendors. Sections 5-14-201 through 5-14-206, Tennessee Code Annotated, provide for all purchases exceeding \$5,000 to be made after public advertisement and solicitation of competitive bids.

RECOMMENDATION

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

FINDING 06.03 MARSHALL COUNTY PUBLIC LIBRARY EMPLOYEES DID NOT RECEIVE COUNTY BENEFITS
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Marshall County Public Library operates as a department within the county’s General Fund. A significant portion of the library’s expenditures for the year was paid through an appropriation of the county’s General Fund (\$197,840), which is included in the financial statements of this report. Although the employees of the library are employees of Marshall County, they were not included in the county’s retirement and health-care plans. Effective July 1, 2006, the library employees were added to the county’s retirement and health-care plans.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 06.04 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE; COUNTY CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; CLERK AND MASTER; REGISTER; AND SHERIFF
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

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

FINDING 06.05 **A CENTRAL SYSTEM OF PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

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

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

There were no findings and questioned costs for federal awards.

**MARSHALL COUNTY, TENNESSEE
MARSHALL COUNTY SCHOOL DEPARTMENT
AND
MARSHALL COUNTY BOARD OF PUBLIC UTILITIES
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2006**

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