

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

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**SINGLE AUDIT REPORT**



**FOR THE YEAR ENDED JUNE 30, 2007**



**ANNUAL FINANCIAL REPORT**  
**MARION COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2007**

*DEPARTMENT OF AUDIT*  
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*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
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*JENI PALADENI*  
*State Auditors*

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

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# ***Audit Highlights***

Annual Financial Report  
Marion County, Tennessee  
For the Year Ended June 30, 2007

## ***Scope***

We have audited the financial statements of each major fund and the aggregate remaining fund information of Marion County as of and for the year ended June 30, 2007.

## ***Results***

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

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

## ***Findings***

The following are summaries of the audit findings:

### **MARION COUNTY**

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ The county failed to perform steps set forth in the timeline included in their GASB Statement No. 34 implementation plan filed with the Comptroller's Office.

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### **OFFICE OF COUNTY MAYOR**

- ◆ The office did not issue purchase orders in some required instances, and in several instances, invoices were paid without documentation of the receipt of goods or services.
- ◆ The office did not maintain inventory records for assets owned by the general county government.

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

- ◆ The office did not implement adequate controls to protect its information resources.
  - ◆ The clerk did not require a depository holding county funds to pledge adequate securities to protect funds in excess of Federal Deposit Insurance Corporation coverage.
-

## **OFFICE OF SHERIFF**

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

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

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# INTRODUCTORY SECTION

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Marion County Officials  
June 30, 2007

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**Officials**

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

**Board of County Commissioners**

Robert Eugene Hargis, Chairman	Les Price
Donald Blansett	Marshall Raines, Sr.
Louin Campbell	Jody Rollins
James Easterly	Keith Smith
Doug Fitz-Gerald	Thomas Thompson
Robert Hudson	Melvin Turner
Delmer McNabb	Glen White
Ralph Pickett	

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## FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

January 28, 2008

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Marion County, Tennessee, as of and for the year ended June 30, 2007, as shown on pages 15 through 37, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Marion County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

government-wide financial statements for the county's governmental activities, business-type activities, and discretely presented component units are not reasonably determinable.

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

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Marion County, Tennessee, as of June 30, 2007, or the changes in its financial position for the year then ended.

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

Additionally, 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 Marion County, Tennessee, as of June 30, 2007, 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.

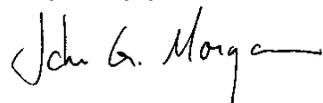
In accordance with Government Auditing Standards, we have also issued our report dated January 28, 2008, on our consideration of Marion County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison and pension information on pages 41 through 47 are not required parts of the basic financial statements but they do provide supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of

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

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

Very truly yours,

A handwritten signature in cursive script that reads "John G. Morgan". The signature is written in black ink and is positioned above the printed name.

John G. Morgan  
Comptroller of the Treasury

JGM/yu

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Marion County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2007

	Major Funds			Nonmajor	Total	
	Highway /	General	Rural	Funds		
	General	Debt	Debt	Other		
	Public	Service	Service	Governmental	Governmental	
	Works			Funds	Funds	
<u>ASSETS</u>						
Cash	\$ 200	\$ 0	\$ 0	\$ 0	\$ 82,465	\$ 82,665
Equity in Pooled Cash and Investments	1,755,962	413,729	1,189,516	2,192,297	749,967	6,301,471
Accounts Receivable	41,838	1,090	0	0	6,902	49,830
Due from Other Governments	383,184	330,558	1,367	3,635	296,399	1,015,143
Due from Other Funds	10,236	0	0	0	0	10,236
Property Taxes Receivable	3,927,815	0	536,951	1,427,346	0	5,892,112
Allowance for Uncollectible Property Taxes	(188,756)	0	(25,796)	(68,597)	0	(283,149)
<b>Total Assets</b>	<b>\$ 5,930,479</b>	<b>\$ 745,377</b>	<b>\$ 1,702,038</b>	<b>\$ 3,554,681</b>	<b>\$ 1,135,733</b>	<b>\$ 13,068,308</b>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Payroll Deductions Payable	\$ 3,160	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,160
Due to Other Funds	0	0	0	0	10,236	10,236
Deferred Revenue - Current Property Taxes	3,520,578	0	481,308	1,279,522	0	5,281,408
Deferred Revenue - Delinquent Property Taxes	185,513	0	25,343	67,413	0	278,269
Other Deferred Revenues	128,552	167,596	669	1,779	159,314	457,910
<b>Total Liabilities</b>	<b>\$ 3,837,803</b>	<b>\$ 167,596</b>	<b>\$ 507,320</b>	<b>\$ 1,348,714</b>	<b>\$ 169,550</b>	<b>\$ 6,030,983</b>
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 457,804	\$ 0	\$ 0	\$ 0	\$ 0	\$ 457,804
Reserved for Alcohol and Drug Treatment	118,084	0	0	0	0	118,084
Reserved for Drug Court	8,471	0	0	0	0	8,471
Reserved for Sexual Offender Registration	1,740	0	0	0	0	1,740
Reserved for Computer System - Register	69,567	0	0	0	0	69,567
Reserved for Automation Purposes - Circuit Court	1,686	0	0	0	0	1,686
Reserved for Automation Purposes - General Sessions Court	28,171	0	0	0	0	28,171
Reserved for Automation Purposes - Sheriff	8,665	0	0	0	0	8,665
Reserved for Capital Outlay	70,000	0	0	0	0	70,000
Reserved for Other General Purposes	0	0	0	0	1,879	1,879

(Continued)

Exhibit A

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

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)

Unreserved, Reported In:

	Major Funds			Nonmajor Funds	Total Govern- mental Funds
	Highway / Public Works	General Debt Service	Rural Debt Service	Other Govern- mental Funds	
General Fund	\$ 1,328,488	\$ 0	\$ 0	\$ 0	\$ 1,328,488
Special Revenue Funds	0	577,781	0	362,944	940,725
Debt Service Funds	0	0	1,194,718	2,205,967	601,360
Total Fund Balances	\$ 2,092,676	\$ 577,781	\$ 1,194,718	\$ 2,205,967	\$ 966,183
Total Liabilities and Fund Balances	\$ 5,930,479	\$ 745,377	\$ 1,702,038	\$ 3,554,681	\$ 1,135,733
					\$ 13,068,308

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

Exhibit B

Marion County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2007

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Rural Debt Service	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 3,868,234	\$ 23,937	\$ 470,839	\$ 1,228,869	\$ 1,639,021	\$ 7,230,900
Licenses and Permits	118,164	0	0	0	0	118,164
Fines, Forfeitures, and Penalties	173,782	0	0	0	35,366	209,148
Charges for Current Services	107,680	89,470	0	0	366,845	563,995
Other Local Revenues	332,244	7,593	0	0	75,664	415,501
Fees Received from County Officials	1,077,109	0	0	0	0	1,077,109
State of Tennessee	922,750	1,933,409	0	0	158,844	3,015,003
Federal Government	232,470	9,514	0	0	0	241,984
Other Governments and Citizens Groups	147,533	0	0	847,085	20,897	1,015,515
Total Revenues	\$ 6,979,966	\$ 2,063,923	\$ 470,839	\$ 2,075,954	\$ 2,296,637	\$ 13,887,319
<u>Expenditures</u>						
Current:						
General Government	\$ 1,047,977	\$ 0	\$ 0	\$ 0	\$ 3,460	\$ 1,051,437
Finance	181,718	0	0	0	353,007	534,725
Administration of Justice	655,342	0	0	0	7,284	662,626
Public Safety	2,536,221	0	0	0	60,899	2,597,120
Public Health and Welfare	700,918	0	0	0	635,108	1,336,026
Social, Cultural, and Recreational Services	145,298	0	0	0	0	145,298
Agriculture and Natural Resources	85,628	0	0	0	0	85,628
Other Operations	1,384,420	0	9,236	0	18,168	1,411,824
Highways	0	2,206,063	0	0	0	2,206,063
Debt Service:						
Principal on Debt	0	0	135,000	785,000	0	920,000
Interest on Debt	0	0	190,062	994,396	951,654	2,136,112
Other Debt Service	0	0	642	27,036	0	27,678
Total Expenditures	\$ 6,737,522	\$ 2,206,063	\$ 334,940	\$ 1,806,432	\$ 2,029,580	\$ 13,114,537
Excess (Deficiency) of Revenues						
Over Expenditures	\$ 242,444	\$ (142,140)	\$ 135,899	\$ 269,522	\$ 267,057	\$ 772,782

(Continued)

Exhibit B

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

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Rural Debt Service	Other Govern- mental Funds	
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0	\$ 10,000	\$ 0	\$ 0	\$ 140,000	\$ 150,000
Transfers Out	(150,000)	0	0	0	0	(150,000)
Total Other Financing Sources (Uses)	\$ (150,000)	\$ 10,000	\$ 0	\$ 0	\$ 140,000	\$ 0
Net Change in Fund Balances	\$ 92,444	\$ (132,140)	\$ 135,899	\$ 269,522	\$ 407,057	\$ 772,782
Fund Balance, July 1, 2006	2,000,232	709,921	1,058,819	1,936,445	559,126	6,264,543
Fund Balance, June 30, 2007	\$ 2,092,676	\$ 577,781	\$ 1,194,718	\$ 2,205,967	\$ 966,183	\$ 7,037,325

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

Exhibit C

Marion County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2007

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 907,513
Equity in Pooled Cash and Investments	67,715
Accounts Receivable	384
Due from Other Governments	535,040
Property Taxes Receivable	444,174
Allowance for Uncollectible Property Taxes	<u>(21,370)</u>
Total Assets	<u>\$ 1,933,456</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 983,177
Due to Litigants, Heirs, and Others	907,513
Due to Joint Ventures	<u>42,766</u>
Total Liabilities	<u>\$ 1,933,456</u>

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

**MARION COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2007**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Marion County has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and discretely presented component units. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement No. 34 and accounting principles generally accepted in the United States of America. Marion County has elected instead only to implement the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused Marion County's auditor to issue an adverse opinion on the county's financial statements.

Although Marion County's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement No. 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement No. 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

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

**A. Reporting Entity**

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

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

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

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

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

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

Administrative Office:

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

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

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

accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The financial statements of the Marion County Conservation Commission, a proprietary fund, were not available from other auditors for inclusion in this 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. The fiduciary funds in total are reported in a single column.

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

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

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds which have no measurement focus. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Marion County reports the following major governmental funds:

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

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

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

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

Additionally, Marion County reports the following fund type:

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

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

1. **Deposits and Investments**

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

The county trustee maintains a cash and internal investment pool that is used by all Marion County and Marion County School Department funds. Each fund’s portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Fund and the School Department’s Education Capital Projects Fund. Marion County and the Marion County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at

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

## **2. Receivables and Payables**

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.7 percent of total taxes levied.

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

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

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

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

**3. Capital Assets**

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

**4. Compensated Absences**

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

**5. Long-term Obligations**

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

Governmental funds recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**6. Fund Equity**

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

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

**A. Budgetary Information**

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

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

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

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

**B. The County Had Deposits That Were Exposed to Custodial Credit Risk**

The circuit court clerk did not require a depository holding county funds to pledge adequate securities to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2007, deposits at this depository exceeded FDIC coverage and collateral securities pledged by \$88,033. Section 5-8-201, Tennessee Code Annotated, provides for county officials to require any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of such county funds.

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

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

#### Deposits

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

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

**Custodial Credit Risk.** Custodial credit risk is the risk that in the event of a bank failure, Marion County's deposits may not be returned to it. Marion County does not have a formal policy that limits custodial credit risk for deposits. Separate disclosures concerning bank balances of pooled deposits cannot be made for Marion County and the discretely presented Marion County School Department since they pool their deposits and investments through the county trustee. As of June 30, 2007, bank balances of \$88,033 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized

\$ 88,033

This amount was in a nonpooled bank account reported in the fiduciary funds. Uninsured and uncollateralized deposits are a violation of state statutes.

### **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, 2007, Marion County had the following investments carried at cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Marion County and the School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
State Treasurer's Investment Pool	Daily	<u>\$ 15,916,258</u>
Total		<u><u>\$ 15,916,258</u></u>

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

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Marion County has no

investment policy that would further limit its investment choices. As of June 30, 2007, Marion County's investment in the State Treasurer's Investment Pool was unrated.

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

The composition of interfund balances as of June 30, 2007, is as follows:

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 10,236

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

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2007, consisted of the following amounts:

<u>Transfers Out</u>	<u>Transfers In</u>	
	Highway/ Public Works Fund	Nonmajor Govern- mental Fund
General Fund	\$ 10,000	\$ 140,000

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

**C. Capital Lease**

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

Since Marion County is presenting fund financial statements only, the present value of minimum lease payments under lease agreements has not been reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a

liability in the government-wide financial statements, but Marion County is not presenting government-wide financial statements. Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2007, were as follows:

Year Ending June 30	Governmental Funds
2008	\$ 69,656
2009	40,630
Total Minimum Lease Payments	\$ 110,286
Amount Representing Interest	(5,498)
Present Value of Minimum Lease Payments	<u>\$ 104,788</u>

**D. Long-term Debt**

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

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 25 years for bonds and up to three years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds included in long-term debt as of June 30, 2007, will be retired from the General Debt Service Fund, the Education Debt Service Fund, and the Rural Debt Service Fund. All capital outlay notes included in long-term debt as of June 30, 2007, will be retired from the General Fund and the Highway/Public Works Fund.

General obligation bonds, capital outlay notes, and the capital lease outstanding as of June 30, 2007, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
General Obligation Bonds	1.2 to 6%	\$ 48,115,000	\$ 23,200,000
General Obligation Bonds - Refunding	3.5 to 5	22,405,000	21,655,000
Capital Outlay Notes	3.25 to 3.5	316,370	110,649
Capital Lease	6.2	191,218	104,788

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2007, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2008	\$ 1,060,000	\$ 2,020,534	\$ 86,507	\$ 2,269
2009	1,360,000	1,956,695	24,142	845
2010	1,535,000	1,911,061	0	0
2011	1,615,000	1,844,966	0	0
2012	1,695,000	1,769,456	0	0
2013-2017	9,570,000	7,679,844	0	0
2018-2022	11,990,000	5,380,842	0	0
2023-2027	10,030,000	2,544,548	0	0
2028-2031	6,000,000	661,493	0	0
Total	\$ 44,855,000	\$ 25,769,439	\$ 110,649	\$ 3,114

There is \$4,002,045 available in the debt service funds to service general long-term debt. Bonded debt per capita totaled \$1,615, based on the 2000 federal census. Debt per capita, including bonds, notes, and the capital lease totaled \$1,623, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Bonds	Notes
Balance, July 1, 2006	\$ 45,775,000	\$ 279,516
Deductions	(920,000)	(165,867)
Balance, June 30, 2007	\$ 44,855,000	\$ 113,649
Balance Due Within One Year	\$ 1,060,000	\$ 86,507

	Capital Lease	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2006	\$ 165,876	\$ 311,202
Additions	0	19,017
Deductions	(61,088)	(7,300)
Balance, June 30, 2007	<u>\$ 104,788</u>	<u>\$ 322,919</u>
Balance Due Within One Year	<u>\$ 64,985</u>	<u>\$ 7,300</u>

Defeasance of Prior Debt

In prior years, Marion 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, 2007, the following outstanding bonds are considered defeased:

	<u>Amount</u>
1999 Rural School	\$ 13,945,000
1999 General Obligation	4,175,000
2001 Rural School	2,390,000

**IV. OTHER INFORMATION**

**A. Risk Management**

The county is exposed to various risks related to general liability, property, and casualty losses. During 2007, 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.

The county also joined the Tennessee Risk Management Trust (TN-RMT), a public entity risk pool established by the Tennessee School Boards Association, as association of member governments. The county pays annual premiums to the TN-RMT for workers' compensation insurance coverage. The creation of this pool provides for it to be self-sustaining through member premiums.

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

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

**B. Other Matters**

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

**C. Contingent Liabilities**

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

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

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Marion County has contracted with Solid Waste Disposal, Inc., a nonprofit corporation, to operate the county's landfill. The corporation has agreed to pay landfill closure costs estimated at \$650,000 for Area I and \$1,271,667 for Area II – Phase I and is currently setting aside a portion of its revenues for that purpose. However, Marion County is contingently liable for these costs. The contingent liability is based on the use of 100 percent of Area I and approximately 21 percent of the estimated capacity of Area II – Phase I. As

of the balance sheet date, the contingent liability would be estimated at \$650,000 for Area I and \$267,050 (\$1,271,667 x 21 percent) for Area II – Phase I. Marion County is responsible for all landfill postclosure care costs, which are estimated at \$189,800 for Area I and \$133,119 for Area II – Phase I. Postclosure care costs will be paid only after the date that the landfill stops accepting waste. The \$322,919 reported as landfill postclosure care liability at June 30, 2007, represents the cumulative amount reported to date based on 100 percent use of Area I (\$189,800) and approximately 21 percent of the estimated capacity of Area II – Phase I (\$133,119). The county will recognize the remaining estimated cost of postclosure care of \$500,781 for Area II – Phase I as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2007. Actual costs may vary from these estimates due to inflation, changes in technology, or changes in regulations.

**E. Joint Venture**

The Twelfth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twelfth Judicial District; Bledsoe, Franklin, Marion, Marion, Rhea, and Sequatchie counties; and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Marion County made no contributions to the DTF for the year ended June 30, 2007, and does not have any equity interest in the joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

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

**F. Jointly Governed Organization**

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

## **G. Retirement Commitments**

### **Employees**

#### **Plan Description**

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

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

#### **Funding Policy**

Marion County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2007, was 4.77 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Marion County is established and may be amended by the TCRS Board of Trustees.

#### **Annual Pension Cost**

For the year ended June 30, 2007, Marion County's annual pension cost of \$346,961 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the

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

**Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-07	\$346,961	100%	\$0
6-30-06	203,306	100	0
6-30-05	189,110	100	0

**H. Purchasing Laws**

Office of County Mayor

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

Office of Highway Supervisor

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

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit D-1

Marion County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Fund  
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 3,868,234	\$ 0	\$ 0	\$ 3,868,234	\$ 3,758,098	\$ 3,848,098	\$ 20,136
Licenses and Permits	118,164	0	0	118,164	98,000	111,000	7,164
Fines, Forfeitures, and Penalties	173,782	0	0	173,782	173,900	174,134	(352)
Charges for Current Services	107,680	0	0	107,680	103,100	103,100	4,580
Other Local Revenues	332,244	0	0	332,244	249,100	292,852	39,392
Fees Received from County Officials	1,077,109	0	0	1,077,109	1,098,000	1,098,000	(20,891)
State of Tennessee	922,750	0	0	922,750	998,628	926,337	(3,587)
Federal Government	232,470	0	0	232,470	227,274	434,121	(201,651)
Other Governments and Citizens Groups	147,533	0	0	147,533	171,680	175,005	(27,472)
<b>Total Revenues</b>	<b>\$ 6,979,966</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 6,979,966</b>	<b>\$ 6,877,780</b>	<b>\$ 7,162,647</b>	<b>\$ (182,681)</b>
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 98,051	\$ 0	\$ 0	\$ 98,051	\$ 98,500	\$ 98,825	\$ 774
Board of Equalization	2,320	0	0	2,320	3,000	3,000	680
Beer Board	1,800	0	0	1,800	1,800	1,800	0
Budget and Finance Committee	4,025	0	0	4,025	3,000	4,025	0
County Mayor/Executive	134,634	0	0	134,634	138,285	138,285	3,651
Election Commission	154,962	0	0	154,962	163,589	163,589	8,627
Register of Deeds	155,802	0	0	155,802	149,981	159,626	3,824
Development	20,000	0	0	20,000	20,000	20,000	0
Building	101,154	0	0	101,154	98,659	101,859	705
County Buildings	340,547	0	0	340,547	469,884	469,968	129,421
Other General Administration	34,682	0	0	34,682	35,350	35,350	668
<u>Finance</u>							
Property Assessor's Office	139,371	0	0	139,371	172,000	174,000	34,629
Reappraisal Program	42,347	0	0	42,347	44,420	44,420	2,073

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Administration of Justice</u>							
Circuit Court	\$ 323,494	\$ 0	\$ 0	\$ 323,494	\$ 342,747	\$ 348,187	\$ 24,693
General Sessions Court	83,493	0	0	83,493	92,451	83,544	51
Chancery Court	106,664	0	0	106,664	106,823	107,347	683
Juvenile Court	141,691	0	0	141,691	150,638	145,293	3,602
<u>Public Safety</u>							
Sheriff's Department	1,369,304	0	0	1,369,304	1,401,102	1,472,806	103,502
Drug Enforcement	13,118	0	0	13,118	12,987	13,119	1
Jail	822,520	0	0	822,520	895,931	890,987	68,467
Fire Prevention and Control	193,862	0	0	193,862	193,863	193,863	1
Civil Defense	127,417	0	0	127,417	57,000	127,417	0
Rescue Squad	10,000	0	0	10,000	10,000	10,000	0
<u>Public Health and Welfare</u>							
Local Health Center	348,035	(558,792)	457,804	247,047	867,652	867,652	620,605
Ambulance/Emergency Medical Services	180,000	0	0	180,000	180,000	180,000	0
Alcohol and Drug Programs	6,399	0	0	6,399	6,400	6,400	1
Other Local Health Services	105,722	0	0	105,722	102,474	112,474	6,752
Regional Mental Health Center	12,430	0	0	12,430	12,430	12,430	0
General Welfare Assistance	2,500	0	0	2,500	2,500	2,500	0
Sanitation Education/Information	45,832	0	0	45,832	46,264	46,264	432
<u>Social, Cultural, and Recreational Services</u>							
Libraries	120,734	0	0	120,734	120,734	120,734	0
Parks and Fair Boards	14,064	0	0	14,064	23,505	23,505	9,441
Other Social, Cultural, and Recreational	10,500	0	0	10,500	10,500	10,500	0
<u>Agriculture &amp; Natural Resources</u>							
Agriculture Extension Service	46,512	0	0	46,512	46,514	46,514	2
Soil Conservation	37,116	0	0	37,116	28,297	38,797	1,681

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Agriculture &amp; Natural Resources (Cont.)</u>							
Other Agriculture & Natural Resources	\$ 2,000	\$ 0	\$ 0	\$ 2,000	\$ 0	\$ 2,000	\$ 0
<u>Other Operations</u>							
Industrial Development	8,583	0	0	8,583	8,583	8,583	0
Other Economic and Community Development	65,947	0	0	65,947	13,696	79,643	13,696
Airport	150,685	0	0	150,685	148,549	153,249	2,564
Veterans' Services	5,185	0	0	5,185	6,128	6,128	943
Other Charges	571,323	0	0	571,323	820,000	823,000	251,677
Employee Benefits	555,735	0	0	555,735	541,000	591,000	35,265
Payments to Cities	3,753	0	0	3,753	0	3,753	0
Miscellaneous	23,209	0	0	23,209	25,464	25,464	2,255
Total Expenditures	\$ 6,737,522	\$ (558,792)	\$ 457,804	\$ 6,636,534	\$ 7,672,700	\$ 7,967,900	\$ 1,331,366
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 242,444	\$ 558,792	\$ (457,804)	\$ 343,432	\$ (794,920)	\$ (805,253)	\$ 1,148,685
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (150,000)	\$ 0	\$ 0	\$ (150,000)	\$ (225,000)	\$ (225,000)	\$ 75,000
Total Other Financing Sources (Uses)	\$ (150,000)	\$ 0	\$ 0	\$ (150,000)	\$ (225,000)	\$ (225,000)	\$ 75,000
Net Change in Fund Balance							
Fund Balance, July 1, 2006	\$ 92,444	\$ 558,792	\$ (457,804)	\$ 193,432	\$ (1,019,920)	\$ (1,030,253)	\$ 1,223,685
	2,000,232	(558,792)	0	1,441,440	1,921,963	1,921,963	(480,523)
Fund Balance, June 30, 2007							
	\$ 2,092,676	\$ 0	\$ (457,804)	\$ 1,634,872	\$ 902,043	\$ 891,710	\$ 743,162

Exhibit D-2

Marion County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 23,937	\$ 28,500	\$ 20,308	\$ 3,629
Charges for Current Services	89,470	125,000	90,564	(1,094)
Other Local Revenues	7,593	3,500	7,700	(107)
State of Tennessee	1,933,409	2,308,997	1,902,916	30,493
Federal Government	9,514	0	9,514	0
Total Revenues	<u>\$ 2,063,923</u>	<u>\$ 2,465,997</u>	<u>\$ 2,031,002</u>	<u>\$ 32,921</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 235,755	\$ 230,587	\$ 242,941	\$ 7,186
Highway and Bridge Maintenance	923,440	1,013,000	1,019,040	95,600
Operation and Maintenance of Equipment	274,333	297,000	306,271	31,938
Other Charges	66,708	67,767	67,928	1,220
Employee Benefits	331,431	348,000	348,000	16,569
Capital Outlay	374,396	945,658	482,837	108,441
Total Expenditures	<u>\$ 2,206,063</u>	<u>\$ 2,902,012</u>	<u>\$ 2,467,017</u>	<u>\$ 260,954</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (142,140)</u>	<u>\$ (436,015)</u>	<u>\$ (436,015)</u>	<u>\$ 293,875</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 10,000	\$ 10,000	\$ 10,000	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (132,140)	\$ (426,015)	\$ (426,015)	\$ 293,875
Fund Balance, July 1, 2006	<u>709,921</u>	<u>689,830</u>	<u>689,830</u>	<u>20,091</u>
Fund Balance, June 30, 2007	<u>\$ 577,781</u>	<u>\$ 263,815</u>	<u>\$ 263,815</u>	<u>\$ 313,966</u>

Exhibit D-3

Marion County, Tennessee  
Schedule of Funding Progress – Pension Plan  
June 30, 2007

(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	\$ 14,151	\$ 14,151	0	100 %	\$ 6,380	0 %
6-30-03	13,052	13,052	0	100	6,108	0
6-30-01	12,101	12,101	0	100	5,622	0

**MARION COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2007**

**BUDGETARY INFORMATION**

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

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

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

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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

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

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

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

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

# Debt Service Fund

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

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

Exhibit E-1

Marion County, Tennessee  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2007

	Special Revenue Funds						Debt Service Fund	Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control	Constitutional - Officers - Fees	Total	Education Debt Service	
<u>ASSETS</u>								
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 82,465	\$ 82,465	\$ 0	\$ 82,465
Equity in Pooled Cash and Investments	47,287	3,763	67,822	144,008	0	262,880	487,087	749,967
Accounts Receivable	0	6,640	0	0	262	6,902	0	6,902
Due from Other Governments	0	54,295	0	0	0	54,295	242,104	296,399
<b>Total Assets</b>	<b>\$ 47,287</b>	<b>\$ 64,698</b>	<b>\$ 67,822</b>	<b>\$ 144,008</b>	<b>\$ 82,727</b>	<b>\$ 406,542</b>	<b>\$ 729,191</b>	<b>\$ 1,135,733</b>
<u>LIABILITIES AND FUND BALANCES</u>								
<u>Liabilities</u>								
Due to Other Funds	\$ 0	\$ 0	\$ 0	\$ 9,811	\$ 425	\$ 10,236	\$ 0	\$ 10,236
Other Deferred Revenues	0	31,483	0	0	0	31,483	127,831	159,314
<b>Total Liabilities</b>	<b>\$ 0</b>	<b>\$ 31,483</b>	<b>\$ 0</b>	<b>\$ 9,811</b>	<b>\$ 425</b>	<b>\$ 41,719</b>	<b>\$ 127,831</b>	<b>\$ 169,550</b>
<u>Fund Balances</u>								
Reserved for Other General Purposes	\$ 0	\$ 0	\$ 0	\$ 1,879	\$ 0	\$ 1,879	\$ 0	\$ 1,879
Unreserved	47,287	33,215	67,822	132,318	82,302	362,944	601,360	964,304
<b>Total Fund Balances</b>	<b>\$ 47,287</b>	<b>\$ 33,215</b>	<b>\$ 67,822</b>	<b>\$ 134,197</b>	<b>\$ 82,302</b>	<b>\$ 364,823</b>	<b>\$ 601,360</b>	<b>\$ 966,183</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 47,287</b>	<b>\$ 64,698</b>	<b>\$ 67,822</b>	<b>\$ 144,008</b>	<b>\$ 82,727</b>	<b>\$ 406,542</b>	<b>\$ 729,191</b>	<b>\$ 1,135,733</b>

Exhibit E-2

Marion County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2007

	Special Revenue Funds					Total	Debt	Total
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control	Constitu - tional Officers - Fees		Service Fund	
<u>Revenues</u>								
Local Taxes	\$ 9,212	\$ 263,464	\$ 0	\$ 0	\$ 0	\$ 272,676	\$ 1,366,345	\$ 1,639,021
Fines, Forfeitures, and Penalties	0	0	0	35,366	0	35,366	0	35,366
Charges for Current Services	0	10,269	0	0	356,576	366,845	0	366,845
Other Local Revenues	0	17,126	3,214	40,000	0	60,340	15,324	75,664
State of Tennessee	0	147,808	0	11,036	0	158,844	0	158,844
Other Governments and Citizens Groups	0	20,897	0	0	0	20,897	0	20,897
Total Revenues	\$ 9,212	\$ 459,564	\$ 3,214	\$ 86,402	\$ 356,576	\$ 914,968	\$ 1,381,669	\$ 2,296,637
<u>Expenditures</u>								
Current:								
General Government	\$ 3,460	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,460	\$ 0	\$ 3,460
Finance	0	0	0	0	353,007	353,007	0	353,007
Administration of Justice	0	0	0	0	7,284	7,284	0	7,284
Public Safety	0	0	0	60,899	0	60,899	0	60,899
Public Health and Welfare	0	635,108	0	0	0	635,108	0	635,108
Other Operations	124	3,899	32	399	0	4,454	13,714	18,168
Debt Service:								
Interest on Debt	0	0	0	0	0	0	951,654	951,654
Total Expenditures	\$ 3,584	\$ 639,007	\$ 32	\$ 61,298	\$ 360,291	\$ 1,064,212	\$ 965,368	\$ 2,029,580
Excess (Deficiency) of Revenues Over Expenditures	\$ 5,628	\$ (179,443)	\$ 3,182	\$ 25,104	\$ (3,715)	\$ (149,244)	\$ 416,301	\$ 267,057
<u>Other Financing Sources (Uses)</u>								
Transfers In	\$ 0	\$ 140,000	\$ 0	\$ 0	\$ 0	\$ 140,000	\$ 0	\$ 140,000
Total Other Financing Sources (Uses)	\$ 0	\$ 140,000	\$ 0	\$ 0	\$ 0	\$ 140,000	\$ 0	\$ 140,000
Net Change in Fund Balances	\$ 5,628	\$ (39,443)	\$ 3,182	\$ 25,104	\$ (3,715)	\$ (9,244)	\$ 416,301	\$ 407,057
Fund Balance, July 1, 2006	41,659	72,658	64,640	109,093	86,017	374,067	185,059	559,126
Fund Balance, June 30, 2007	\$ 47,287	\$ 33,215	\$ 67,822	\$ 134,197	\$ 82,302	\$ 364,823	\$ 601,360	\$ 966,183

Exhibit E-3

Marion County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Courthouse & Jail Maintenance Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 9,212	\$ 16,000	\$ 16,000	\$ (6,788)
Total Revenues	\$ 9,212	\$ 16,000	\$ 16,000	\$ (6,788)
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 3,460	\$ 15,000	\$ 15,000	\$ 11,540
<u>Other Operations</u>				
Other Charges	124	200	200	76
Total Expenditures	\$ 3,584	\$ 15,200	\$ 15,200	\$ 11,616
Excess (Deficiency) of Revenues Over Expenditures	\$ 5,628	\$ 800	\$ 800	\$ 4,828
Net Change in Fund Balance	\$ 5,628	\$ 800	\$ 800	\$ 4,828
Fund Balance, July 1, 2006	41,659	41,659	41,659	0
Fund Balance, June 30, 2007	\$ 47,287	\$ 42,459	\$ 42,459	\$ 4,828

Exhibit E-4

Marion County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 263,464	\$ 260,000	\$ 260,000	\$ 3,464
Charges for Current Services	10,269	9,000	9,000	1,269
Other Local Revenues	17,126	16,978	16,978	148
State of Tennessee	147,808	121,145	125,350	22,458
Other Governments and Citizens Groups	20,897	20,897	20,897	0
Total Revenues	<u>\$ 459,564</u>	<u>\$ 428,020</u>	<u>\$ 432,225</u>	<u>\$ 27,339</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 0	\$ 6,000	\$ 0	\$ 0
Convenience Centers	609,758	634,531	653,755	43,997
Other Waste Collection	25,350	20,897	25,350	0
<u>Other Operations</u>				
Other Charges	3,899	4,500	4,500	601
Total Expenditures	<u>\$ 639,007</u>	<u>\$ 665,928</u>	<u>\$ 683,605</u>	<u>\$ 44,598</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (179,443)</u>	<u>\$ (237,908)</u>	<u>\$ (251,380)</u>	<u>\$ 71,937</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 140,000	\$ 215,000	\$ 215,000	\$ (75,000)
Total Other Financing Sources (Uses)	<u>\$ 140,000</u>	<u>\$ 215,000</u>	<u>\$ 215,000</u>	<u>\$ (75,000)</u>
Net Change in Fund Balance	\$ (39,443)	\$ (22,908)	\$ (36,380)	\$ (3,063)
Fund Balance, July 1, 2006	<u>72,658</u>	<u>49,525</u>	<u>49,525</u>	<u>23,133</u>
Fund Balance, June 30, 2007	<u>\$ 33,215</u>	<u>\$ 26,617</u>	<u>\$ 13,145</u>	<u>\$ 20,070</u>

Exhibit E-5

Marion County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Health Department Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 3,214	\$ 700	\$ 700	\$ 2,514
Total Revenues	\$ 3,214	\$ 700	\$ 700	\$ 2,514
<u>Expenditures</u>				
<u>Other Operations</u>				
Other Charges	\$ 32	\$ 30	\$ 40	\$ 8
Total Expenditures	\$ 32	\$ 30	\$ 40	\$ 8
Excess (Deficiency) of Revenues Over Expenditures	\$ 3,182	\$ 670	\$ 660	\$ 2,522
Net Change in Fund Balance	\$ 3,182	\$ 670	\$ 660	\$ 2,522
Fund Balance, July 1, 2006	64,640	64,640	64,640	0
Fund Balance, June 30, 2007	\$ 67,822	\$ 65,310	\$ 65,300	\$ 2,522

Exhibit E-6

Marion County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 35,366	\$ 33,000	\$ 37,380	\$ (2,014)
Other Local Revenues	40,000	7,000	46,000	(6,000)
State of Tennessee	11,036	17,200	17,200	(6,164)
Total Revenues	<u>\$ 86,402</u>	<u>\$ 57,200</u>	<u>\$ 100,580</u>	<u>\$ (14,178)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 60,899	\$ 30,300	\$ 73,680	\$ 12,781
<u>Other Operations</u>				
Other Charges	399	1,000	1,000	601
Total Expenditures	<u>\$ 61,298</u>	<u>\$ 31,300</u>	<u>\$ 74,680</u>	<u>\$ 13,382</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 25,104</u>	<u>\$ 25,900</u>	<u>\$ 25,900</u>	<u>\$ (796)</u>
Net Change in Fund Balance	\$ 25,104	\$ 25,900	\$ 25,900	\$ (796)
Fund Balance, July 1, 2006	<u>109,093</u>	<u>110,683</u>	<u>110,683</u>	<u>(1,590)</u>
Fund Balance, June 30, 2007	<u>\$ 134,197</u>	<u>\$ 136,583</u>	<u>\$ 136,583</u>	<u>\$ (2,386)</u>

Exhibit E-7

Marion County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Education Debt Service Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,366,345	\$ 1,300,000	\$ 1,300,000	\$ 66,345
Other Local Revenues	15,324	0	15,000	324
Total Revenues	<u>\$ 1,381,669</u>	<u>\$ 1,300,000</u>	<u>\$ 1,315,000</u>	<u>\$ 66,669</u>
<u>Expenditures</u>				
<u>Other Operations</u>				
Other Charges	\$ 13,714	\$ 0	\$ 15,000	\$ 1,286
<u>Interest on Debt</u>				
Education	951,654	951,654	951,654	0
Total Expenditures	<u>\$ 965,368</u>	<u>\$ 951,654</u>	<u>\$ 966,654</u>	<u>\$ 1,286</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 416,301</u>	<u>\$ 348,346</u>	<u>\$ 348,346</u>	<u>\$ 67,955</u>
Net Change in Fund Balance	\$ 416,301	\$ 348,346	\$ 348,346	\$ 67,955
Fund Balance, July 1, 2006	<u>185,059</u>	<u>73,204</u>	<u>73,204</u>	<u>111,855</u>
Fund Balance, June 30, 2007	<u><u>\$ 601,360</u></u>	<u><u>\$ 421,550</u></u>	<u><u>\$ 421,550</u></u>	<u><u>\$ 179,810</u></u>

# Major Governmental Funds

## Debt Service Funds

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

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

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

Exhibit F-1

Marion County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 470,839	\$ 456,365	\$ 457,365	\$ 13,474
Total Revenues	\$ 470,839	\$ 456,365	\$ 457,365	\$ 13,474
<u>Expenditures</u>				
<u>Other Operations</u>				
Other Charges	\$ 9,236	\$ 9,500	\$ 10,000	\$ 764
<u>Principal on Debt</u>				
General Government	135,000	135,000	135,000	0
<u>Interest on Debt</u>				
General Government	190,062	190,063	190,063	1
<u>Other Debt Service</u>				
General Government	642	500	1,000	358
Total Expenditures	\$ 334,940	\$ 335,063	\$ 336,063	\$ 1,123
Excess (Deficiency) of Revenues Over Expenditures	\$ 135,899	\$ 121,302	\$ 121,302	\$ 14,597
Net Change in Fund Balance	\$ 135,899	\$ 121,302	\$ 121,302	\$ 14,597
Fund Balance, July 1, 2006	1,058,819	1,134,305	1,134,305	(75,486)
Fund Balance, June 30, 2007	\$ 1,194,718	\$ 1,255,607	\$ 1,255,607	\$ (60,889)

Exhibit F-2

Marion County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Rural Debt Service Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,228,869	\$ 1,202,284	\$ 1,204,784	\$ 24,085
Other Governments and Citizens Groups	847,085	0	847,085	0
Total Revenues	<u>\$ 2,075,954</u>	<u>\$ 1,202,284</u>	<u>\$ 2,051,869</u>	<u>\$ 24,085</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 785,000	\$ 785,000	\$ 785,000	\$ 0
<u>Interest on Debt</u>				
Education	994,396	994,397	994,397	1
<u>Other Debt Service</u>				
Education	27,036	26,100	28,600	1,564
Total Expenditures	<u>\$ 1,806,432</u>	<u>\$ 1,805,497</u>	<u>\$ 1,807,997</u>	<u>\$ 1,565</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 269,522</u>	<u>\$ (603,213)</u>	<u>\$ 243,872</u>	<u>\$ 25,650</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 847,085	\$ 0	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 847,085</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 269,522	\$ 243,872	\$ 243,872	\$ 25,650
Fund Balance, July 1, 2006	<u>1,936,445</u>	<u>1,971,671</u>	<u>1,971,671</u>	<u>(35,226)</u>
Fund Balance, June 30, 2007	<u>\$ 2,205,967</u>	<u>\$ 2,215,543</u>	<u>\$ 2,215,543</u>	<u>\$ (9,576)</u>

# Fiduciary Funds

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

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

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

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

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

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

Exhibit G-1

Marion County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2007

	Agency Funds					Total
	Cities- Sales Tax	Special School District	City School ADA - Richard City	Constitutional Officers - Agency	Judicial District Drug	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 907,513	\$ 0	\$ 907,513
Equity in Pooled Cash and Investments	0	82	24,867	0	42,766	67,715
Accounts Receivable	0	0	384	0	0	384
Due from Other Governments	491,324	0	43,716	0	0	535,040
Property Taxes Receivable	0	22,783	421,391	0	0	444,174
Allowance for Uncollectible Property Taxes	0	(1,126)	(20,244)	0	0	(21,370)
Total Assets	<u>\$ 491,324</u>	<u>\$ 21,739</u>	<u>\$ 470,114</u>	<u>\$ 907,513</u>	<u>\$ 42,766</u>	<u>\$ 1,933,456</u>
<u>LIABILITIES</u>						
Due to Other Taxing Units	\$ 491,324	\$ 21,739	\$ 470,114	\$ 0	\$ 0	\$ 983,177
Due to Litigants, Heirs, and Others	0	0	0	907,513	0	907,513
Due to Joint Ventures	0	0	0	0	42,766	42,766
Total Liabilities	<u>\$ 491,324</u>	<u>\$ 21,739</u>	<u>\$ 470,114</u>	<u>\$ 907,513</u>	<u>\$ 42,766</u>	<u>\$ 1,933,456</u>

Exhibit G-2

Marion County, Tennessee  
Combining Statements of Changes in Assets and Liabilities -  
All Agency Funds  
For the Year Ended June 30, 2007

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 2,805,314	\$ 2,805,314	\$ 0
Due from Other Governments	492,100	491,324	492,100	491,324
Total Assets	\$ 492,100	\$ 3,296,638	\$ 3,297,414	\$ 491,324
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 492,100	\$ 3,296,638	\$ 3,297,414	\$ 491,324
Total Liabilities	\$ 492,100	\$ 3,296,638	\$ 3,297,414	\$ 491,324
<u>Special School District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 125	\$ 20,073	\$ 20,116	\$ 82
Taxes Receivable	21,007	22,783	21,007	22,783
Allowance for Uncollectable Taxes	(1,211)	(1,126)	(1,211)	(1,126)
Total Assets	\$ 19,921	\$ 41,730	\$ 39,912	\$ 21,739
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 19,921	\$ 41,730	\$ 39,912	\$ 21,739
Total Liabilities	\$ 19,921	\$ 41,730	\$ 39,912	\$ 21,739
<u>City School ADA - Richard City Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 67,951	\$ 633,423	\$ 676,507	\$ 24,867
Accounts Receivable	528	384	528	384
Due from Other Governments	44,370	43,716	44,370	43,716
Taxes Receivable	395,691	421,391	395,691	421,391
Allowance for Uncollectable Taxes	(22,046)	(20,244)	(22,046)	(20,244)
Total Assets	\$ 486,494	\$ 1,078,670	\$ 1,095,050	\$ 470,114
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 486,494	\$ 1,078,670	\$ 1,095,050	\$ 470,114
Total Liabilities	\$ 486,494	\$ 1,078,670	\$ 1,095,050	\$ 470,114

(Continued)

Exhibit G-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 748,992	\$ 6,011,805	\$ 5,853,284	\$ 907,513
Total Assets	\$ 748,992	\$ 6,011,805	\$ 5,853,284	\$ 907,513
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 748,992	\$ 6,011,805	\$ 5,853,284	\$ 907,513
Total Liabilities	\$ 748,992	\$ 6,011,805	\$ 5,853,284	\$ 907,513
<u>Judicial District Drug Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 63,781	\$ 124,265	\$ 145,280	\$ 42,766
Total Assets	\$ 63,781	\$ 124,265	\$ 145,280	\$ 42,766
<u>Liabilities</u>				
Due to Joint Ventures	\$ 63,781	\$ 124,265	\$ 145,280	\$ 42,766
Total Liabilities	\$ 63,781	\$ 124,265	\$ 145,280	\$ 42,766
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 748,992	\$ 6,011,805	\$ 5,853,284	\$ 907,513
Equity in Pooled Cash and Investments	131,857	3,583,075	3,647,217	67,715
Accounts Receivable	528	384	528	384
Due from Other Governments	536,470	535,040	536,470	535,040
Taxes Receivable	416,698	444,174	416,698	444,174
Allowance for Uncollectable Taxes	(23,257)	(21,370)	(23,257)	(21,370)
Total Assets	\$ 1,811,288	\$ 10,553,108	\$ 10,430,940	\$ 1,933,456
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 998,515	\$ 4,417,038	\$ 4,432,376	\$ 983,177
Due to Litigants, Heirs, and Others	748,992	6,011,805	5,853,284	907,513
Due to Joint Ventures	63,781	124,265	145,280	42,766
Total Liabilities	\$ 1,811,288	\$ 10,553,108	\$ 10,430,940	\$ 1,933,456

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## MISCELLANEOUS SCHEDULES

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Exhibit H-1

Marion County, Tennessee  
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds  
For the Year Ended June 30, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Paid and/or Matured During Period	Outstanding 6-30-07
<b>NOTES PAYABLE</b>							
<u>Payable through Solid Waste/Sanitation Fund</u>							
Solid Waste Equipment	\$ 550,000	5.2 %	9-21-01	8-21-06	\$ 19,992	\$ 19,992	\$ 0
<u>Payable through General Fund</u>							
Health Department	70,000	3.5	3-17-06	3-14-09	70,000	22,537	47,463
<u>Payable through Highway/Public Works Fund</u>							
Excavator	246,370	3.25	11-30-05	12-16-07	186,524	123,338	63,186
Total Notes Payable					<u>\$ 276,516</u>	<u>\$ 165,867</u>	<u>\$ 110,649</u>
<b>CAPITAL LEASES PAYABLE</b>							
<u>Payable through General Fund</u>							
Sheriff's Vehicles	191,218	6.2	2-17-06	2-17-09	\$ 165,876	\$ 61,088	\$ 104,788
Total Capital Leases Payable					<u>\$ 165,876</u>	<u>\$ 61,088</u>	<u>\$ 104,788</u>
<b>BONDS PAYABLE</b>							
<u>Payable through General Debt Service Fund</u>							
General Obligation Bonds	5,200,000	4.25 to 5	5-1-1999	4-1-09	\$ 345,000	\$ 110,000	\$ 235,000
General Obligation Refunding Bonds, 2005 Series	4,460,000	3.5 to 4.2	7-1-05	4-1-25	4,435,000	25,000	4,410,000
Total Payable through General Debt Service Fund					<u>\$ 4,780,000</u>	<u>\$ 135,000</u>	<u>\$ 4,645,000</u>
<u>Payable through Education Debt Service Fund</u>							
General Obligation Bonds, 2006 Series	19,500,000	4 to 4.5	5-31-06	6-1-31	\$ 19,500,000	\$ 0	\$ 19,500,000
<u>Payable through Rural Debt Service Fund</u>							
Rural School Bonds, Series 1999	18,000,000	5.25 to 6	11-9-1999	4-1-09	\$ 1,700,000	\$ 540,000	\$ 1,160,000
Rural School Bonds, Series 2001	3,250,000	4.35 to 5	7-1-01	4-1-11	500,000	90,000	410,000
Rural School Refunding Bonds, Series 2001	15,385,000	4 to 5	8-1-01	4-1-24	14,775,000	70,000	14,705,000
Rural School Bonds, Series 2003	2,165,000	1.2 to 4	7-16-03	5-1-23	1,970,000	75,000	1,895,000
Rural School Refunding Bonds, Series 2005	2,560,000	3.5 to 4.2	7-1-05	4-1-25	2,550,000	10,000	2,540,000
Total Payable through Rural Debt Service					<u>\$ 21,495,000</u>	<u>\$ 785,000</u>	<u>\$ 20,710,000</u>
Total Bonds Payable					<u>\$ 45,775,000</u>	<u>\$ 920,000</u>	<u>\$ 44,855,000</u>

Exhibit H-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2008	\$ 1,060,000	\$ 2,020,534	\$ 3,080,534
2009	1,360,000	1,956,695	3,316,695
2010	1,535,000	1,911,061	3,446,061
2011	1,615,000	1,844,966	3,459,966
2012	1,695,000	1,769,456	3,464,456
2013	1,760,000	1,696,072	3,456,072
2014	1,835,000	1,618,691	3,453,691
2015	1,905,000	1,537,076	3,442,076
2016	1,995,000	1,456,911	3,451,911
2017	2,075,000	1,371,094	3,446,094
2018	2,180,000	1,281,099	3,461,099
2019	2,265,000	1,183,909	3,448,909
2020	2,370,000	1,081,879	3,451,879
2021	2,485,000	973,744	3,458,744
2022	2,690,000	860,211	3,550,211
2023	2,825,000	736,294	3,561,294
2024	2,785,000	605,634	3,390,634
2025	1,545,000	470,520	2,015,520
2026	1,395,000	397,100	1,792,100
2027	1,480,000	335,000	1,815,000
2028	1,545,000	269,100	1,814,100
2029	1,630,000	200,018	1,830,018
2030	1,375,000	127,125	1,502,125
2031	1,450,000	65,250	1,515,250
<b>Total</b>	<b>\$ 44,855,000</b>	<b>\$ 25,769,439</b>	<b>\$ 70,624,439</b>

Exhibit H-3

Marion County, Tennessee  
Schedule of Transfers  
For the Year Ended June 30, 2007

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Highway/Public Works	Bridge construction	\$ 10,000
General	Solid Waste/Sanitation	Operating expenses	<u>140,000</u>
Total Transfers			<u>\$ 150,000</u>

Exhibit H-4

Marion County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u> , and County Commission	\$ 74,031 (1) \$	50,000	RLI Insurance
Highway Supervisor	Section 8-24-102, <u>TCA</u> , and County Commission	63,476 (2)	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	56,069	921,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	56,069	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	56,069	50,000	"
Circuit Court Clerk Clerk and Master	Section 8-24-102, <u>TCA</u> and Chancery Court Judge	56,069 63,353 (3)	50,000	"
Register	Section 8-24-102, <u>TCA</u>	56,069	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	62,276 (4)	25,000	"
Employee Blanket Bond Coverage:				
General County Employees (excluding Highway Employees)			150,000	Local Government Insurance Pool
Highway Department Employees			10,000	C.N.A. Surety

- (1) Includes local salary supplement of \$9,272.
- (2) Includes local salary supplement of \$1,800.
- (3) Includes special commissioner fees of \$7,284.
- (4) Includes law enforcement training supplement of \$600.

Exhibit H-5

Marion County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
For the Year Ended June 30, 2007

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 3,070,586	\$ 0	\$ 0	\$ 0	\$ 0
Trustee's Collections - Prior Year	200,718	0	0	0	0
Circuit/Clerk & Master Collections - Prior Years	101,465	0	0	0	0
Interest and Penalty	34,255	0	0	0	0
Payments in-Lieu-of Taxes - T.V.A.	31,815	0	0	0	0
Payments in-Lieu-of Taxes - Local Utilities	7,218	0	0	0	0
Payments in-Lieu-of Taxes - Other	255	0	0	0	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	0	0	263,464	0	0
Litigation Tax - General	126,929	0	0	0	0
Litigation Tax - Special Purpose	56,110	9,212	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	23,369	0	0	0	0
Business Tax	208,922	0	0	0	0
Mineral Severance Tax	0	0	0	0	0
Other County Local Option Taxes	3,090	0	0	0	0
<u>Statutory Local Taxes</u>					
Bank Excise Tax	960	0	0	0	0
Interstate Telecommunications Tax	2,542	0	0	0	0
Total Local Taxes	<u>\$ 3,868,234</u>	<u>\$ 9,212</u>	<u>\$ 263,464</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Cable TV Franchise	\$ 31,705	\$ 0	\$ 0	\$ 0	\$ 0
<u>Permits</u>					
Beer Permits	2,377	0	0	0	0
Building Permits	84,082	0	0	0	0
Total Licenses and Permits	<u>\$ 118,164</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 50,662	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	11,670	0	0	0	0

(Continued)

Exhibit H-5

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

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Circuit Court (Cont.)</u>					
Drug Control Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 31,838
Jail Fees	843	0	0	0	0
DUI Treatment Fines	2,223	0	0	0	0
<u>Criminal Court</u>					
Data Entry Fee - Criminal Court	846	0	0	0	0
<u>General Sessions Court</u>					
Fines	31,711	0	0	0	0
Officers Costs	38,289	0	0	0	0
Game and Fish Fines	1,027	0	0	0	0
Drug Court Fees	8,471	0	0	0	0
Jail Fees	5,621	0	0	0	0
DUI Treatment Fines	8,759	0	0	0	0
Data Entry Fee - General Sessions Court	11,022	0	0	0	0
<u>Juvenile Court</u>					
Fines	1,515	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	805	0	0	0	0
Data Entry Fee - Chancery Court	318	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	0	0	3,528
Total Fines, Forfeitures, and Penalties	\$ 173,782	\$ 0	\$ 0	\$ 0	\$ 35,366
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Patient Charges	\$ 141	\$ 0	\$ 0	\$ 0	\$ 0
Work Release Charges for Board	9,611	0	0	0	0
Other General Service Charges	0	0	0	0	0
<u>Fees</u>					
Airport Fees	47,446	0	0	0	0
Copy Fees	1,765	0	0	0	0
Telephone Commissions	17,685	0	0	0	0
Vending Machine Collections	9,553	0	0	0	0

(Continued)

Exhibit H-5

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

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control
<u>Charges for Current Services (Cont.)</u>					
<u>Fees (Cont.)</u>					
Constitutional Officers' Fees and Commissions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Data Processing Fee - Register	15,326	0	0	0	0
Data Processing Fee - Sheriff	4,473	0	0	0	0
Sexual Offender Registration Fees - Sheriff	1,680	0	0	0	0
<u>Other Charges for Services</u>					
Other Charges for Services	0	0	10,269	0	0
Total Charges for Current Services	\$ 107,680	\$ 0	\$ 10,269	\$ 0	\$ 0
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 268,578	\$ 0	\$ 0	\$ 3,214	\$ 0
Lease/Rentals	27,500	0	0	0	0
Miscellaneous Refunds	5,241	0	17,126	0	0
<u>Nonrecurring Items</u>					
Sale of Equipment	0	0	0	0	0
Sale of Property	30,925	0	0	0	0
Contributions & Gifts	0	0	0	0	40,000
Total Other Local Revenues	\$ 332,244	\$ 0	\$ 17,126	\$ 3,214	\$ 40,000
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
County Clerk	\$ 66,500	\$ 0	\$ 0	\$ 0	\$ 0
Trustee	234,505	0	0	0	0
<u>Fees-In-Lieu of Salary</u>					
Circuit Court Clerk	188,149	0	0	0	0
General Sessions Court Clerk	293,143	0	0	0	0
Clerk and Master	100,007	0	0	0	0
Register	186,271	0	0	0	0
Sheriff	8,534	0	0	0	0
Total Fees Received from County Officials	\$ 1,077,109	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit H-5

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

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 11,250	\$ 0	\$ 0	\$ 0	\$ 0
Airport Maintenance Program	9,907	0	0	0	0
State Reappraisal Grant	11,675	0	0	0	0
Other General Government Grants	0	0	0	0	6,978
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	10,200	0	0	0	0
<u>Health and Welfare Grants</u>					
Health Department Programs	198,017	0	0	0	0
<u>Public Works Grants</u>					
State Aid Program	0	0	0	0	0
Litter Program	24,033	0	0	0	0
<u>Other State Revenues</u>					
Income Tax	189,054	0	0	0	0
Beer Tax	18,753	0	0	0	0
Alcoholic Beverage Tax	44,859	0	0	0	0
Mixed Drink Tax	1,777	0	0	0	0
State Revenue Sharing - T.V.A.	231,635	0	115,818	0	0
Contracted Prisoner Boarding	39,970	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0
Petroleum Special Tax	0	0	0	0	0
Registrar's Salary Supplement	16,380	0	0	0	0
Other State Grants	115,240	0	31,990	0	0
Other State Revenues	0	0	0	0	4,058
Total State of Tennessee	\$ 922,750	\$ 0	\$ 147,808	\$ 0	\$ 11,036
<u>Federal Government</u>					
<u>Federal Through State</u>					
Disaster Relief	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Homeland Security Grants	157,486	0	0	0	0
Other Federal through State	55,357	0	0	0	0
<u>Direct Federal Revenue</u>					
Other Direct Federal Revenue	19,627	0	0	0	0
Total Federal Government	\$ 232,470	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit H-5

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

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Health Department	Drug Control
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 5,155	\$ 0	\$ 20,897	\$ 0	\$ 0
Contracted Services	142,378	0	0	0	0
Total Other Governments and Citizens Groups	<u>\$ 147,533</u>	<u>\$ 0</u>	<u>\$ 20,897</u>	<u>\$ 0</u>	<u>\$ 0</u>
 Total	 <u>\$ 6,979,966</u>	 <u>\$ 9,212</u>	 <u>\$ 459,564</u>	 <u>\$ 3,214</u>	 <u>\$ 86,402</u>

(Continued)

Exhibit H-5

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

	Special Revenue Funds		Debt Service Funds			Total
	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	Education Debt Service	
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 0	\$ 0	\$ 414,978	\$ 1,153,862	\$ 0	\$ 4,639,426
Trustee's Collections - Prior Year	0	0	30,608	12,165	0	243,491
Circuit/Clerk & Master Collections - Prior Years	0	0	15,177	36,250	0	152,892
Interest and Penalty	0	0	4,680	12,238	0	51,173
Payments in-Lieu-of Taxes - T.V.A.	0	0	4,346	11,561	0	47,722
Payments in-Lieu-of Taxes - Local Utilities	0	0	986	2,623	0	10,827
Payments in-Lieu-of Taxes - Other	0	0	64	170	0	489
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	0	1,366,345	1,629,809
Litigation Tax - General	0	0	0	0	0	126,929
Litigation Tax - Special Purpose	0	0	0	0	0	65,322
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	23,369
Business Tax	0	0	0	0	0	208,922
Mineral Severance Tax	0	23,937	0	0	0	23,937
Other County Local Option Taxes	0	0	0	0	0	3,090
<u>Statutory Local Taxes</u>						
Bank Excise Tax	0	0	0	0	0	960
Interstate Telecommunications Tax	0	0	0	0	0	2,542
Total Local Taxes	\$ 0	\$ 23,937	\$ 470,839	\$ 1,228,869	\$ 1,366,345	\$ 7,230,900
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 31,705
<u>Permits</u>						
Beer Permits	0	0	0	0	0	2,377
Building Permits	0	0	0	0	0	84,082
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 118,164
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50,662
Officers Costs	0	0	0	0	0	11,670

(Continued)

Exhibit H-5

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

	Special Revenue Funds		Debt Service Funds			Total
	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	Education Debt Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Circuit Court (Cont.)</u>						
Drug Control Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	31,838
Jail Fees	0	0	0	0	0	843
DUI Treatment Fines	0	0	0	0	0	2,223
<u>Criminal Court</u>						
Data Entry Fee - Criminal Court	0	0	0	0	0	846
<u>General Sessions Court</u>						
Fines	0	0	0	0	0	31,711
Officers Costs	0	0	0	0	0	38,289
Game and Fish Fines	0	0	0	0	0	1,027
Drug Court Fees	0	0	0	0	0	8,471
Jail Fees	0	0	0	0	0	5,621
DUI Treatment Fines	0	0	0	0	0	8,759
Data Entry Fee - General Sessions Court	0	0	0	0	0	11,022
<u>Juvenile Court</u>						
Fines	0	0	0	0	0	1,515
<u>Chancery Court</u>						
Officers Costs	0	0	0	0	0	805
Data Entry Fee - Chancery Court	0	0	0	0	0	318
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	0	0	0	0	0	3,528
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	209,148
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Patient Charges	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	141
Work Release Charges for Board	0	0	0	0	0	9,611
Other General Service Charges	0	89,470	0	0	0	89,470
<u>Fees</u>						
Airport Fees	0	0	0	0	0	47,446
Copy Fees	0	0	0	0	0	1,765
Telephone Commissions	0	0	0	0	0	17,685
Vending Machine Collections	0	0	0	0	0	9,553

(Continued)

Exhibit H-5

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

	Special Revenue Funds		Debt Service Funds			Total
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	Education Debt Service	
<u>Charges for Current Services (Cont.)</u>						
<u>Fees (Cont.)</u>						
Constitutional Officers' Fees and Commissions	\$ 356,576	\$ 0	\$ 0	\$ 0	\$ 0	\$ 356,576
Data Processing Fee - Register	0	0	0	0	0	15,326
Data Processing Fee - Sheriff	0	0	0	0	0	4,473
Sexual Offender Registration Fees - Sheriff	0	0	0	0	0	1,680
<u>Other Charges for Services</u>						
Other Charges for Services	0	0	0	0	0	10,269
Total Charges for Current Services	\$ 356,576	\$ 89,470	\$ 0	\$ 0	\$ 0	\$ 563,995
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,973	\$ 282,765
Lease/Rentals	0	0	0	0	0	27,500
Miscellaneous Refunds	0	1,393	0	0	4,351	28,111
<u>Nonrecurring Items</u>						
Sale of Equipment	0	6,200	0	0	0	6,200
Sale of Property	0	0	0	0	0	30,925
Contributions & Gifts	0	0	0	0	0	40,000
Total Other Local Revenues	\$ 0	\$ 7,593	\$ 0	\$ 0	\$ 15,324	\$ 415,501
<u>Fees Received from County Officials</u>						
<u>Excess Fees</u>						
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 66,500
Trustee	0	0	0	0	0	234,505
<u>Fees-In-Lieu of Salary</u>						
Circuit Court Clerk	0	0	0	0	0	188,149
General Sessions Court Clerk	0	0	0	0	0	293,143
Clerk and Master	0	0	0	0	0	100,007
Register	0	0	0	0	0	186,271
Sheriff	0	0	0	0	0	8,534
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,077,109

(Continued)

Exhibit H-5

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

	Special Revenue Funds		Debt Service Funds			Total
	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	Education Debt Service	
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	11,250
Airport Maintenance Program	0	0	0	0	0	9,907
State Reappraisal Grant	0	0	0	0	0	11,675
Other General Government Grants	0	0	0	0	0	6,978
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	0	0	0	0	0	10,200
<u>Health and Welfare Grants</u>						
Health Department Programs	0	0	0	0	0	198,017
<u>Public Works Grants</u>						
State Aid Program	0	129,995	0	0	0	129,995
Litter Program	0	0	0	0	0	24,033
<u>Other State Revenues</u>						
Income Tax	0	0	0	0	0	189,054
Beer Tax	0	0	0	0	0	18,753
Alcoholic Beverage Tax	0	0	0	0	0	44,859
Mixed Drink Tax	0	0	0	0	0	1,777
State Revenue Sharing - T.V.A.	0	0	0	0	0	347,453
Contracted Prisoner Boarding	0	0	0	0	0	39,970
Gasoline and Motor Fuel Tax	0	1,781,070	0	0	0	1,781,070
Petroleum Special Tax	0	22,344	0	0	0	22,344
Registrar's Salary Supplement	0	0	0	0	0	16,380
Other State Grants	0	0	0	0	0	147,230
Other State Revenues	0	0	0	0	0	4,058
Total State of Tennessee	\$ 0	\$ 1,933,409	\$ 0	\$ 0	\$ 0	3,015,003
<u>Federal Government</u>						
<u>Federal Through State</u>						
Disaster Relief	\$ 0	\$ 2,309	\$ 0	\$ 0	\$ 0	2,309
Homeland Security Grants	0	0	0	0	0	157,486
Other Federal through State	0	7,205	0	0	0	62,562
<u>Direct Federal Revenue</u>						
Other Direct Federal Revenue	0	0	0	0	0	19,627
Total Federal Government	\$ 0	\$ 9,514	\$ 0	\$ 0	\$ 0	241,984

(Continued)

Exhibit H-5

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

	Special Revenue Funds		Debt Service Funds			Total
	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	Education Debt Service	
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 0	\$ 0	\$ 0	\$ 847,085	\$ 0	\$ 873,137
Contracted Services	0	0	0	0	0	142,378
Total Other Governments and Citizens Groups	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 847,085</u>	<u>\$ 0</u>	<u>\$ 1,015,515</u>
Total	<u>\$ 356,576</u>	<u>\$ 2,063,923</u>	<u>\$ 470,839</u>	<u>\$ 2,075,954</u>	<u>\$ 1,381,669</u>	<u>\$ 13,887,319</u>

Exhibit H-6

Marion County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2007

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	41,625	
Audit Services		4,450	
Legal Services		51,654	
Travel		322	
Total County Commission			\$ 98,051

Board of Equalization

Board and Committee Members Fees	\$	2,320	
Total Board of Equalization			2,320

Beer Board

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

Budget and Finance Committee

Board and Committee Members Fees	\$	4,025	
Total Budget and Finance Committee			4,025

County Mayor/Executive

County Official/Administrative Officer	\$	74,031	
Accountants/Bookkeepers		25,377	
Secretary(ies)		25,377	
Other Salaries & Wages		8,525	
Maintenance & Repair Services - Vehicles		135	
Travel		561	
Gasoline		628	
Total County Mayor/Executive			134,634

Election Commission

County Official/Administrative Officer	\$	50,462	
Deputy(ies)		25,377	
Election Commission		6,225	
Election Workers		42,919	
Contracts with Private Agencies		4,619	
Postal Charges		594	
Printing, Stationery, and Forms		9,882	
Travel		4,992	
Other Charges		2,992	
Data Processing Equipment		6,900	
Total Election Commission			154,962

(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds

County Official/Administrative Officer	\$	56,069	
Deputy(ies)		26,458	
Clerical Personnel		25,377	
Other Salaries & Wages		25,377	
Operating Lease Payments		10,284	
Maintenance & Repair Services - Equipment		2,285	
Travel		307	
Office Equipment		9,645	
Total Register of Deeds			\$ 155,802

Development

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

Building

Supervisor/Director	\$	49,600	
Clerical Personnel		25,377	
Other Salaries & Wages		7,082	
In-Service Training		490	
Contracts with Government Agencies		8,500	
Travel		10,105	
Total Building			101,154

County Buildings

Attendants	\$	21,521	
Custodial Personnel		23,446	
Other Salaries & Wages		1,417	
Other Contracted Services		13,404	
Utilities		226,531	
Other Supplies and Materials		42,312	
Building Improvements		5,302	
Office Equipment		6,614	
Total County Buildings			340,547

Other General Administration

Maintenance Personnel	\$	31,340	
Communication		627	
Travel		2,715	
Total Other General Administration			34,682

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	56,069	
Secretary(ies)		25,377	
Clerical Personnel		23,971	
Temporary Personnel		2,000	
Other Salaries & Wages		25,377	
Audit Services		3,300	
Data Processing Services		567	
Travel		1,942	
Other Contracted Services		768	
Total Property Assessor's Office			\$ 139,371

Reappraisal Program

Clerical Personnel	\$	11,334	
Other Salaries & Wages		25,366	
Data Processing Services		3,278	
Travel		2,369	
Total Reappraisal Program			42,347

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	56,069	
Deputy(ies)		200,966	
Temporary Personnel		2,960	
Overtime Pay		241	
Other Salaries & Wages		22,558	
Jury and Witness Fees		13,728	
Debt Collection Services		572	
Operating Lease Payments		26,400	
Total Circuit Court			323,494

General Sessions Court

Judge(s)	\$	78,100	
Travel		3,417	
Library Books/Media		1,391	
Uniforms		585	
Total General Sessions Court			83,493

Chancery Court

County Official/Administrative Officer	\$	56,069	
Accountants/Bookkeepers		25,501	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Part-time Personnel	\$	400	
Other Salaries & Wages		24,694	
Total Chancery Court			\$ 106,664

Juvenile Court

Judge(s)	\$	46,780	
Assistant(s)		27,495	
Probation Officer(s)		25,377	
Clerical Personnel		25,377	
Temporary Personnel		9,040	
Travel		4,786	
Other Contracted Services		2,129	
Office Supplies		707	
Total Juvenile Court			141,691

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	61,676	
Deputy(ies)		479,254	
Accountants/Bookkeepers		7,009	
Salary Supplements		10,200	
Dispatchers/Radio Operators		235,119	
Attendants		35,038	
Custodial Personnel		18,318	
Temporary Personnel		14,157	
Overtime Pay		128,616	
Other Salaries & Wages		45,562	
In-Service Training		5,615	
Operating Lease Payments		26,444	
Rentals		1,870	
Other Contracted Services		900	
Gasoline		85,496	
Instructional Supplies and Materials		64,409	
Tires and Tubes		7,240	
Uniforms		6,053	
Vehicle Parts		36,955	
Other Charges		15,458	
Principal on Capital Leases		61,088	
Interest on Capital Leases		8,568	
Communication Equipment		479	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Law Enforcement Equipment	\$ 13,780	
Total Sheriff's Department		\$ 1,369,304

Drug Enforcement

Deputy(ies)	\$ 2,000	
Other Contracted Services	11,118	
Total Drug Enforcement		13,118

Jail

Guards	\$ 358,691	
Cafeteria Personnel	41,391	
Overtime Pay	39,480	
Other Salaries & Wages	14,453	
In-Service Training	974	
Medical and Dental Services	216,314	
Transportation - Other than Students	1,562	
Food Supplies	108,870	
Prisoners Clothing	2,690	
Uniforms	449	
Other Charges	37,646	
Total Jail		822,520

Fire Prevention and Control

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

Civil Defense

Contributions	\$ 7,000	
Equipment and Machinery Parts	120,417	
Total Civil Defense		127,417

Rescue Squad

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

Public Health and Welfare

Local Health Center

Contributions	\$ 57,506	
Other Contracted Services	157,862	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Principal on Notes	\$	22,537	
Interest on Notes		2,450	
Building Construction		107,680	
Total Local Health Center			\$ 348,035

Ambulance/Emergency Medical Services

Ambulance Services	\$	180,000	
Total Ambulance/Emergency Medical Services			180,000

Alcohol and Drug Programs

Other Salaries & Wages	\$	2,400	
Other Supplies and Materials		3,999	
Total Alcohol and Drug Programs			6,399

Other Local Health Services

Contracts with Government Agencies	\$	1,000	
Contracts with Other Public Agencies		73,974	
Pauper Burials		2,700	
Other Contracted Services		28,048	
Total Other Local Health Services			105,722

Regional Mental Health Center

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

General Welfare Assistance

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

Sanitation Education/Information

Guards	\$	14,050	
Clerical Personnel		19,694	
Other Fringe Benefits		1,600	
Travel		2,289	
Gasoline		500	
Instructional Supplies and Materials		5,043	
Library Books/Media		2,270	
Other Supplies and Materials		28	
Other Equipment		358	
Total Sanitation Education/Information			45,832

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Social, Cultural, and Recreational Services

Libraries

Contributions	\$ 120,734	
Total Libraries		\$ 120,734

Parks and Fair Boards

Custodial Personnel	\$ 9,064	
Contributions	5,000	
Total Parks and Fair Boards		14,064

Other Social, Cultural, and Recreational

Contributions	\$ 500	
Chemicals	10,000	
Total Other Social, Cultural, and Recreational		10,500

Agriculture & Natural Resources

Agriculture Extension Service

Contributions	\$ 46,512	
Total Agriculture Extension Service		46,512

Soil Conservation

Clerical Personnel	\$ 25,377	
Matching Share	7,328	
Travel	202	
Office Supplies	817	
Refunds	3,172	
Other Charges	220	
Total Soil Conservation		37,116

Other Agriculture & Natural Resources

Contributions	\$ 2,000	
Total Other Agriculture & Natural Resources		2,000

Other Operations

Industrial Development

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

Other Economic and Community Development

Other Charges	\$ 65,947	
Total Other Economic and Community Development		65,947

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Other Operations (Cont.)

Airport

Supervisor/Director	\$	26,558	
Temporary Personnel		7,995	
Other Fringe Benefits		3,991	
Travel		550	
Fuel Oil		27,361	
Office Supplies		1,654	
Utilities		8,731	
Liability Insurance		2,685	
Other Charges		1,790	
Airport Improvement		18,029	
Other Construction		51,341	
Total Airport			\$ 150,685

Veterans' Services

Supervisor/Director	\$	5,128	
Other Charges		57	
Total Veterans' Services			5,185

Other Charges

Audit Services	\$	2,000	
Dues and Memberships		11,023	
Legal Notices, Recording, and Court Costs		3,213	
Maintenance & Repair Services - Equipment		53,778	
Office Supplies		101,766	
Building and Contents Insurance		19,063	
Liability Insurance		81,389	
Premiums on Corporate Surety Bonds		16,089	
Trustee's Commission		95,265	
Vehicle and Equipment Insurance		36,500	
Workers' Compensation Insurance		91,214	
Other Charges		37,328	
Office Equipment		22,695	
Total Other Charges			571,323

Employee Benefits

Social Security	\$	210,040	
State Retirement		148,304	
Employee and Dependent Insurance		190,898	
Unemployment Compensation		6,493	
Total Employee Benefits			555,735

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Other Operations (Cont.)

Payments to Cities

Contracts with Other Public Agencies	\$ 3,753	
Total Payments to Cities		\$ 3,753

Miscellaneous

Investigator(s)	\$ 21,164	
Travel	1,800	
Other Supplies and Materials	225	
Refunds	20	
Total Miscellaneous		<u>23,209</u>

Total General Fund		\$ 6,737,522
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Courthouse & Jail Maintenance Fund

General Government

County Buildings

Maintenance & Repair Services - Buildings	\$ 3,460	
Total County Buildings		\$ 3,460

Other Operations

Other Charges

Trustee's Commission	\$ 124	
Total Other Charges		<u>124</u>

Total Courthouse & Jail Maintenance Fund		3,584
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Solid Waste/Sanitation Fund

Public Health and Welfare

Convenience Centers

Truck Drivers	\$ 50,570
Part-time Personnel	123,139
Other Salaries & Wages	6,468
Social Security	13,784
Unemployment Compensation	1,135
Maintenance & Repair Services - Equipment	3,743
Matching Share	6,000
Disposal Fees	196,802
Diesel Fuel	9,673
Tires and Tubes	2,138
Uniforms	1,374
Utilities	13,915

(Continued)

Exhibit H-6

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

<u>Solid Waste/Sanitation Fund (Cont.)</u>			
<u>Public Health and Welfare (Cont.)</u>			
<u>Convenience Centers (Cont.)</u>			
Other Supplies and Materials	\$	8,899	
Other Charges		652	
Principal on Notes		19,992	
Interest on Notes		135	
Maintenance Equipment		134,361	
Motor Vehicles		<u>16,978</u>	
Total Convenience Centers	\$		609,758
 <u>Other Waste Collection</u>			
Tires and Tubes	\$	<u>25,350</u>	
Total Other Waste Collection			25,350
 <u>Other Operations</u>			
<u>Other Charges</u>			
Trustee's Commission	\$	<u>3,899</u>	
Total Other Charges			<u>3,899</u>
Total Solid Waste/Sanitation Fund			\$ 639,007
 <u>Health Department Fund</u>			
<u>Other Operations</u>			
<u>Other Charges</u>			
Trustee's Commission	\$	<u>32</u>	
Total Other Charges			<u>\$ 32</u>
Total Health Department Fund			32
 <u>Drug Control Fund</u>			
<u>Public Safety</u>			
<u>Drug Enforcement</u>			
Clerical Personnel	\$	2,400	
Overtime Pay		17,525	
In-Service Training		63	
Social Security		990	
Confidential Drug Enforcement Payments		4,000	
Veterinary Services		317	
Animal Food and Supplies		474	
Law Enforcement Supplies		248	
Utilities		602	
Motor Vehicles		<u>34,280</u>	
Total Drug Enforcement	\$		60,899

(Continued)

Exhibit H-6

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

Drug Control Fund (Cont.)

Other Operations

Other Charges

Trustee's Commission	\$ 399	
Total Other Charges		\$ 399

Total Drug Control Fund \$ 61,298

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$ 154,922	
Total County Trustee's Office		\$ 154,922

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 198,085	
Total County Clerk's Office		198,085

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$ 7,284	
Total Chancery Court		<u>7,284</u>

Total Constitutional Officers - Fees Fund 360,291

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 61,676	
Assistant(s)	79,731	
Accountants/Bookkeepers	63,610	
Salary Supplements	1,800	
Communication	8,999	
Data Processing Services	4,523	
Dues and Memberships	3,664	
Evaluation and Testing	1,683	
Legal Notices, Recording, and Court Costs	252	
Maintenance & Repair Services - Office Equipment	513	
Postal Charges	362	
Travel	1,963	
Other Contracted Services	4,852	
Office Supplies	800	
Other Charges	<u>1,327</u>	
Total Administration		\$ 235,755

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance

Foremen	\$	52,501	
Equipment Operators		58,699	
Truck Drivers		223,376	
Laborers		195,584	
Operating Lease Payments		1,000	
Rentals		1,008	
Asphalt - Cold Mix		4,856	
Asphalt - Hot Mix		269,579	
Asphalt - Liquid		51,588	
Crushed Stone		48,543	
Pipe - Metal		7,599	
Road Signs		6,538	
Other Supplies and Materials		2,569	
Total Highway and Bridge Maintenance			\$ 923,440

Operation and Maintenance of Equipment

Mechanic(s)	\$	77,391	
Nightwatchmen		26,644	
Diesel Fuel		47,994	
Equipment and Machinery Parts		57,780	
Garage Supplies		9,285	
Gasoline		39,975	
Lubricants		4,271	
Propane Gas		1,526	
Tires and Tubes		9,467	
Total Operation and Maintenance of Equipment			274,333

Other Charges

Electricity	\$	7,476	
Water and Sewer		120	
Building and Contents Insurance		1,461	
Liability Insurance		6,572	
Trustee's Commission		18,190	
Vehicle and Equipment Insurance		32,889	
Total Other Charges			66,708

Employee Benefits

Social Security	\$	64,392	
State Retirement		39,454	
Employee and Dependent Insurance		168,917	

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits (Cont.)

Workers' Compensation Insurance	\$ 58,668	
Total Employee Benefits		\$ 331,431

Capital Outlay

Principal on Notes	\$ 123,338	
Interest on Notes	4,239	
Building Improvements	1,640	
Communication Equipment	996	
Motor Vehicles	87,956	
Office Equipment	1,286	
State Aid Projects	154,594	
Other Construction	347	
Total Capital Outlay		<u>374,396</u>

Total Highway/Public Works Fund		\$ 2,206,063
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General Debt Service Fund

Other Operations

Other Charges

Trustee's Commission	\$ 9,236	
Total Other Charges		\$ 9,236

Principal on Debt

General Government

Principal on Bonds	\$ 135,000	
Total General Government		135,000

Interest on Debt

General Government

Interest on Bonds	\$ 190,062	
Total General Government		190,062

Other Debt Service

General Government

Other Charges	\$ 642	
Total General Government		<u>642</u>

Total General Debt Service Fund		334,940
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(Continued)

Exhibit H-6

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

<u>Rural Debt Service Fund</u>		
<u>Principal on Debt</u>		
<u>Education</u>		
Principal on Bonds	\$ 785,000	
Total Education		\$ 785,000
 <u>Interest on Debt</u>		
<u>Education</u>		
Interest on Bonds	\$ 994,396	
Total Education		994,396
 <u>Other Debt Service</u>		
<u>Education</u>		
Trustee's Commission	\$ 24,065	
Other Charges	2,971	
Total Education		<u>27,036</u>
Total Rural Debt Service Fund		\$ 1,806,432
 <u>Education Debt Service Fund</u>		
<u>Other Operations</u>		
<u>Other Charges</u>		
Trustee's Commission	\$ 13,714	
Total Other Charges		\$ 13,714
 <u>Interest on Debt</u>		
<u>Education</u>		
Interest on Bonds	\$ 951,654	
Total Education		<u>951,654</u>
Total Education Debt Service Fund		<u>965,368</u>
Total Governmental Funds - Primary Government		<u>\$ 13,114,537</u>

Exhibit H-7

Marion County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balances - City Agency Funds  
For the Year Ended June 30, 2007

	Cities Sales Tax Fund	Special School District Fund	City School ADA - Richard City Fund	Total
<u>Cash Receipts</u>				
Current Property Taxes	\$ 0	\$ 18,936	\$ 328,488	\$ 347,424
Trustee's Collections - Prior Years	0	971	20,668	21,639
Circuit/Clerk and Master Collections - Prior Years	0	0	10,931	10,931
Interest and Penalty	0	166	3,410	3,576
Payments in-Lieu-of Taxes - T.V.A.	0	0	2,887	2,887
Payments in-Lieu-of Taxes - Local Utilities	0	0	774	774
Payments in-Lieu-of Taxes - Other	0	0	27	27
Local Option Sales Tax	2,805,314	0	245,467	3,050,781
Hotel/Motel Tax	0	0	2,369	2,369
Bank Excise Tax	0	0	7,678	7,678
Wholesale Beer Tax	0	0	10,161	10,161
Interstate Telecommunications Tax	0	0	374	374
Marriage Licenses	0	0	189	189
Total Cash Receipts	<u>\$ 2,805,314</u>	<u>\$ 20,073</u>	<u>\$ 633,423</u>	<u>\$ 3,458,810</u>
<u>Cash Disbursements</u>				
Remittance of Revenues Collected	\$ 2,777,261	\$ 19,716	\$ 666,600	\$ 3,463,577
Trustee's Commission	28,053	400	9,907	38,360
Total Cash Disbursements	<u>\$ 2,805,314</u>	<u>\$ 20,116</u>	<u>\$ 676,507</u>	<u>\$ 3,501,937</u>
Excess of Cash Receipts Over (Under)				
Cash Disbursements	\$ 0	\$ (43)	\$ (43,084)	\$ (43,127)
Cash Balance, July 1, 2006	0	125	67,951	68,076
Cash Balance, June 30, 2007	<u>\$ 0</u>	<u>\$ 82</u>	<u>\$ 24,867</u>	<u>\$ 24,949</u>

**ANNUAL FINANCIAL REPORT**  
**MARION COUNTY SCHOOL DEPARTMENT**  
**A COMPONENT UNIT OF MARION COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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

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

*JAMES R. ARNETTE*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

*ANITA SCARLETT, CPA*  
*Auditor 4*

*KATHY CLEMENTS, CGFM*  
*JESSICA COX, CPA, CGFM*  
*JENI PALADENI*  
*State Auditors*

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

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

Annual Financial Report  
Marion County School Department  
For the Year Ended June 30, 2007

## ***Scope***

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Marion County School Department as of and for the year ended June 30, 2007.

## ***Results***

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

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

## ***Findings***

The following are summaries of the audit findings:

### **MARION COUNTY SCHOOL DEPARTMENT**

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ The School Department failed to perform steps set forth in the timeline included in their GASB Statement No. 34 implementation plan filed with the Comptroller's Office.
- ◆ The School Department did not maintain inventory records for assets owned by the department.

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### **OTHER FINDINGS**

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

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## INTRODUCTORY SECTION

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Marion County School Officials  
June 30, 2007

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**Officials**

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

**Board of Education**

James Poston, Chairman  
Bedford Allison  
Terry Case  
Russ Hood  
Ola Mae Reeves

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## FINANCIAL SECTION

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

**INDEPENDENT AUDITOR'S REPORT**

January 28, 2008

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

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Marion County School Department, a component unit of Marion County, Tennessee, as of and for the year ended June 30, 2007, as shown on pages 15 through 32, which collectively comprise a portion of the Marion County School Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Marion County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

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

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Marion County School Department as of June 30, 2007, or the changes in its financial position thereof for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Marion County School Department as of June 30, 2007, 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 January 28, 2008, on our consideration of the Marion County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 35 through 37 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Very truly yours,

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

John G. Morgan  
Comptroller of the Treasury

JGM/yu

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Marion County, Tennessee  
Balance Sheet - Governmental Funds  
Marion County School Department  
June 30, 2007

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General Purpose School</u>	<u>Education Capital Projects</u>	<u>Funds Other Govern-mental Funds</u>	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 2,825	\$ 2,825
Equity in Pooled Cash and Investments	927,208	15,908,606	953,897	17,789,711
Accounts Receivable	30,144	0	0	30,144
Due from Other Governments	691,264	0	66,445	757,709
Due from Other Funds	126,250	0	0	126,250
Property Taxes Receivable	4,848,378	0	0	4,848,378
Allowance for Uncollectible Property Taxes	(232,988)	0	0	(232,988)
<b>Total Assets</b>	<b>\$ 6,390,256</b>	<b>\$ 15,908,606</b>	<b>\$ 1,023,167</b>	<b>\$ 23,322,029</b>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 87,214	\$ 0	\$ 1,689	\$ 88,903
Accrued Payroll	45,019	0	0	45,019
Contracts Payable	0	1,891,443	0	1,891,443
Due to Other Funds	0	0	126,250	126,250
Deferred Revenue - Current Property Taxes	4,345,721	0	0	4,345,721
Deferred Revenue - Delinquent Property Taxes	228,977	0	0	228,977
Other Deferred Revenues	264,628	0	0	264,628
<b>Total Liabilities</b>	<b>\$ 4,971,559</b>	<b>\$ 1,891,443</b>	<b>\$ 127,939</b>	<b>\$ 6,990,941</b>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 16,875	\$ 13,712,749	\$ 0	\$ 13,729,624
Other Local Education Reserves	32,527	0	0	32,527
Reserved for Career Ladder - Extended Contract	2,766	0	0	2,766
Reserved for Career Ladder Program	7,206	0	0	7,206
Reserved for Technology	56,561	0	0	56,561
Reserved for Title I Grants to Local Education Agencies	0	0	12,554	12,554
Reserved for Special Education - Grants to States	0	0	1,365	1,365
Other Federal Reserves	0	0	123	123
Unreserved, Reported In:				
General Fund	1,302,762	0	0	1,302,762
Special Revenue Funds	0	0	881,186	881,186
Capital Projects Funds	0	304,414	0	304,414
<b>Total Fund Balances</b>	<b>\$ 1,418,697</b>	<b>\$ 14,017,163</b>	<b>\$ 895,228</b>	<b>\$ 16,331,088</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,390,256</b>	<b>\$ 15,908,606</b>	<b>\$ 1,023,167</b>	<b>\$ 23,322,029</b>

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

Exhibit B

Marion County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Marion County School Department  
For the Year Ended June 30, 2007

	Major Funds		Nonmajor	Total
	General Purpose School	Education Capital Projects	Other Governmental Funds	
<u>Revenues</u>				
Local Taxes	\$ 7,313,122	\$ 0	\$ 0	\$ 7,313,122
Licenses and Permits	2,185	0	0	2,185
Charges for Current Services	200,216	0	773,736	973,952
Other Local Revenues	48,658	901,368	43,259	993,285
State of Tennessee	16,959,755	0	22,986	16,982,741
Federal Government	200,364	0	3,004,189	3,204,553
<b>Total Revenues</b>	<b>\$ 24,724,300</b>	<b>\$ 901,368</b>	<b>\$ 3,844,170</b>	<b>\$ 29,469,838</b>
<u>Expenditures</u>				
Current:				
Instruction	\$ 15,307,753	\$ 0	\$ 1,093,778	\$ 16,401,531
Support Services	7,819,313	0	807,448	8,626,761
Operation of Non-Instructional Services	536,228	0	1,898,597	2,434,825
Capital Outlay	375,232	0	0	375,232
Debt Service:				
Principal on Debt	42,935	0	0	42,935
Interest on Debt	20,214	0	0	20,214
Other Debt Service	847,085	0	0	847,085
Capital Projects	0	4,527,985	0	4,527,985
<b>Total Expenditures</b>	<b>\$ 24,948,760</b>	<b>\$ 4,527,985</b>	<b>\$ 3,799,823</b>	<b>\$ 33,276,568</b>
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (224,460)	\$ (3,626,617)	\$ 44,347	\$ (3,806,730)
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 19,540	\$ 0	\$ 0	\$ 19,540
Transfers In	41,863	0	0	41,863
Transfers Out	0	0	(41,863)	(41,863)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 61,403</b>	<b>\$ 0</b>	<b>\$ (41,863)</b>	<b>\$ 19,540</b>
Net Change in Fund Balances	\$ (163,057)	\$ (3,626,617)	\$ 2,484	\$ (3,787,190)
Fund Balance, July 1, 2006	1,581,754	17,643,780	892,744	20,118,278
Fund Balance, June 30, 2007	\$ 1,418,697	\$ 14,017,163	\$ 895,228	\$ 16,331,088

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

Exhibit C-1

Marion County School Department  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
June 30, 2007

	Other Trust Fund
	<u>Private Purpose Trust Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash in Bank	\$ 108,290
Equity in Pooled Cash and Investments	6,345
Investments	<u>416,354</u>
Total Assets	<u>\$ 530,989</u>
<u>NET ASSETS</u>	
Funds Held in Trust for Scholarships	<u>\$ 530,989</u>
Total Net Assets	<u>\$ 530,989</u>

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

Exhibit C-2

Marion County School Department  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Year Ended June 30, 2007

	Other Trust Fund
	Private Purpose Trust Fund
<u>ADDITIONS</u>	
Contributions and Gifts	\$ 1,495
Interest Income	37,472
Total Additions	<u>\$ 38,967</u>
<u>DEDUCTIONS</u>	
Scholarship Disbursements	\$ 8,250
Trustee's Commission	2
Total Deductions	<u>\$ 8,252</u>
Change in Net Assets	\$ 30,715
Net Assets, July 1, 2006	<u>500,274</u>
Net Assets, June 30, 2007	<u><u>\$ 530,989</u></u>

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

**MARION COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF MARION COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2007**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The School Department has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement No. 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 No. 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement No. 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

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

**A. Reporting Entity**

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

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

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

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

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The fiduciary fund is reported in a single column.

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

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

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds which have no measurement focus. Revenues are recognized when earned, and expenses are recorded when a liability is incurred,

regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The School Department reports the following major governmental funds:

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

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

Additionally, the School Department reports the following fund types:

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

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

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

1. **Deposits and Investments**

State statutes authorize Marion 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 Marion County and Marion School Department funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the primary government's General Fund and the School Department's Education Capital Projects Fund. Marion County and the Marion County School Department have adopted a policy of

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

## **2. Receivables and Payables**

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.7 percent of total taxes levied.

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

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

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

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

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

**3. Capital Assets**

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

**4. Compensated Absences**

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

**5. Long-term Obligations**

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

**6. Fund Equity**

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

## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### Budgetary Information

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

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

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

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

## III. DETAILED NOTES ON ALL FUNDS

### A. Deposits and Investments

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

#### Deposits

**Legal Provisions.** All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer.

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

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

### **Investments**

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

**Investment Balances.** As of June 30, 2007, Marion County had the following investments carried at fair value or cost. Except for the School Department's Private Purpose Trust Fund, all investments are in the county trustee's investment pool. All other investments are nonpooled investments. Separate disclosures concerning pooled investments cannot be made for Marion County and the discretely presented Marion County School Department since both pool their deposits and investments through the county trustee.

Investment	Maturities	Fair Value or Cost
Pooled Investments:		
State Treasurer's Investment Pool	Daily	\$ 15,916,258
Nonpooled Investments:		
Corporate Bonds - Countrywide Homes	9-15-09	58,196
Corporate Bonds - Bellsouth	11-15-12	57,341
Corporate Bonds - Public Service Co.	3-1-13	57,450
Corporate Bonds - JP Morgan Chase & Co.	3-1-15	56,027
Corporate Bonds - Verizon	2-15-16	68,198
Federal Home Loan Mortgage Corp.	9-15-11	59,676
Federal Home Loan Mortgage Corp.	9-15-13	<u>59,466</u>
Total		<u>\$ 16,332,612</u>

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

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Marion County has no investment policy that would further limit its investment choices. As of June 30, 2007, Marion County's investment in the State Treasurer's Investment Pool was unrated. The following is the rating given each nonpooled investment by Moody's Investor's Service and Standard & Poor's Ratings:

Investment	Moody's Investor's Service	Standard & Poor's Rating
Corporate Bonds - Countrywide Homes	A3	A
Corporate Bonds - Bellsouth	A2	A
Corporate Bonds - Public Service Co.	A3	A-
Corporate Bonds - JP Morgan Chase & Co.	Aa2	AA-
Corporate Bonds - Verizon	A3	A
Federal Home Loan Mortgage Corp.	Aaa	AAA

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of the county's investment in a single issuer. Marion County places no limit on the amount the county may invest in one

issuer. More than five percent of the county's investments are in the State Treasurer's Investment Pool. These investments are 97.45 percent of the county's total investments and the entire investment of the Education Capital Project Fund.

The nonpooled investments (\$416,354) represent the entire investments of the School Department's Private Purpose Trust Fund. These investments are as follows: Corporate Bonds - Countrywide Homes (14%), Corporate Bonds - Bellsouth (14%), Corporate Bonds - Public Service Co (14%), Corporate Bonds - JP Morgan Chase & Co. (13%), Corporate Bonds - Verizon (16%), and Federal Home Loan Corporation (29%).

**Custodial Credit Risk.** Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School Department has a custodial credit risk exposure of \$416,354 for all of the investments in corporate bonds because the related securities are uninsured, unregistered, and held by government's brokerage firm which is also the counterparty for these particular securities. The School Department does not have a formal policy that limits custodial credit risk for investments.

**B. Construction Commitments**

At June 30, 2007, the School Department had uncompleted construction contracts of approximately \$13,712,749 for school construction and renovation projects. Funding had been received for these future expenditures.

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

The composition of interfund balances as of June 30, 2007, is as follows:

**Due to/from other funds:**

Receivable Fund	Payable Fund	Amount
General Purpose School	Nonmajor governmental	\$ 126,250

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

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2007, consisted of the following amount:

<u>Transfers Out</u>	<u>Transfers In</u> General Purpose School Fund
Nonmajor governmental fund	\$ 41,863
Total	<u>\$ 41,863</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.

Capital Outlay Notes

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

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

Capital outlay notes outstanding as of June 30, 2007, are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-07</u>
Capital Outlay Notes	0 to 4.55%	\$ 590,000	\$ 462,258

The annual requirements to amortize all notes outstanding as of June 30, 2007, including interest payments, are presented in the following table:

Year Ending June 30	Notes	
	Principal	Interest
2008	\$ 44,511	\$ 18,637
2009	46,161	16,988
2010	47,888	15,261
2011	49,694	13,454
2012	42,585	11,564
2013-2017	231,419	26,288
Total	\$ 462,258	\$ 102,192

Debt per capita totaled \$17, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

Governmental Activities:

	Notes
Balance, July 1, 2006	\$ 505,193
Deductions	<u>(42,935)</u>
Balance, June 30, 2007	<u>\$ 462,258</u>
Balance Due Within One Year	<u>\$ 44,511</u>

#### IV. OTHER INFORMATION

##### A. Risk Management

The School Department decided to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property, casualty, and workers' compensation. Settle claims have not exceeded this commercial coverage in the current year.

The School Department provides health insurance to its employees through the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the

state does not retain any risk for losses by this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

**B. Subsequent Event**

Dr. Fred Taylor retired as director of schools on June 30, 2007, and was succeeded by Mark Griffith effective July 1, 2007.

**C. Contingent Liabilities**

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

**D. Retirement Commitments**

**Employees**

**Plan Description**

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

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

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

## **School Teachers**

### **Plan Description**

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the 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 <http://www.treasury.state.tn.us>.

### **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for Marion County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2007, was 6.13 percent of annual covered payroll. The employer contribution requirement for Marion

County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2007, 2006, and 2005 were \$821,047, \$698,334, and \$680,767, respectively, equal to the required contributions for each year.

**E. Purchasing Law**

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

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit D-1

Marion County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Marion County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 7,313,122	\$ 0	\$ 0	\$ 7,313,122	\$ 7,169,011	\$ 7,169,011	\$ 144,111
Licenses and Permits	2,185	0	0	2,185	2,300	2,300	(115)
Charges for Current Services	200,216	0	0	200,216	230,384	230,384	(30,168)
Other Local Revenues	48,658	0	0	48,658	85,150	65,150	(16,492)
State of Tennessee	16,959,755	0	0	16,959,755	16,959,683	17,041,691	(81,936)
Federal Government	200,364	0	0	200,364	147,393	186,827	13,537
Total Revenues	\$ 24,724,300	\$ 0	\$ 0	\$ 24,724,300	\$ 24,593,921	\$ 24,695,363	\$ 28,937
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 11,648,787	\$ 0	\$ 0	\$ 11,648,787	\$ 11,615,953	\$ 11,692,511	\$ 43,724
Alternative Instruction Program	110,300	0	0	110,300	110,582	110,582	282
Special Education Program	2,080,393	0	0	2,080,393	2,091,464	2,116,464	36,071
Vocational Education Program	1,259,468	0	0	1,259,468	1,266,568	1,266,568	7,100
Adult Education Program	208,805	0	0	208,805	208,810	214,550	5,745
<u>Support Services</u>							
Attendance	98,207	0	0	98,207	98,438	98,438	231
Health Services	156,787	0	0	156,787	173,110	173,110	16,323
Other Student Support	619,188	0	0	619,188	615,412	620,412	1,224
Regular Instruction Program	736,364	0	0	736,364	743,150	743,150	6,786
Special Education Program	132,410	0	0	132,410	137,046	137,046	4,636
Vocational Education Program	74,528	0	0	74,528	75,762	79,262	4,734
Adult Programs	101,905	0	0	101,905	112,349	106,609	4,704
Board of Education	411,314	0	0	411,314	437,780	459,260	47,946
Director of Schools	285,268	0	0	285,268	289,480	289,480	4,212
Office of the Principal	1,305,511	0	0	1,305,511	1,339,641	1,339,641	34,130

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Fiscal Services	\$ 225,910	\$ 0	\$ 0	\$ 225,910	\$ 228,895	\$ 228,895	\$ 2,985
Human Services/Personnel	113,433	0	0	113,433	115,182	115,182	1,749
Operation of Plant	2,069,089	0	0	2,069,089	2,256,785	2,256,785	187,696
Maintenance of Plant	386,175	0	0	386,175	460,687	460,687	74,512
Transportation	887,431	0	0	887,431	925,192	925,192	37,761
Central and Other	215,793	0	0	215,793	272,355	272,355	56,562
<u>Operation of Non-Instructional Services</u>							
Community Services	195,624	0	0	195,624	240,129	240,129	44,505
Early Childhood Education	340,604	0	0	340,604	336,664	348,048	7,444
<u>Capital Outlay</u>							
Regular Capital Outlay	375,232	(268,515)	16,875	123,592	169,052	169,052	45,460
<u>Principal on Debt</u>							
Education	42,935	0	0	42,935	42,935	42,935	0
<u>Interest on Debt</u>							
Education	20,214	0	0	20,214	20,214	20,214	0
<u>Other Debt Service</u>							
Education	847,085	0	0	847,085	847,086	847,086	1
Total Expenditures	\$ 24,948,760	\$ (268,515)	\$ 16,875	\$ 24,697,120	\$ 25,230,721	\$ 25,373,643	\$ 676,523
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (224,460)	\$ 268,515	\$ (16,875)	\$ 27,180	\$ (636,800)	\$ (678,280)	\$ 705,460
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 19,540	\$ 0	\$ 0	\$ 19,540	\$ 0	\$ 20,000	\$ (460)
Transfers In	41,863	0	0	41,863	47,658	47,658	(5,795)
Total Other Financing Sources (Uses)	\$ 61,403	\$ 0	\$ 0	\$ 61,403	\$ 47,658	\$ 67,658	\$ (6,255)
Net Change in Fund Balance							
Fund Balance, July 1, 2006	\$ (163,057)	\$ 268,515	\$ (16,875)	\$ 88,583	\$ (589,142)	\$ (610,622)	\$ 699,205
	1,581,754	(268,515)	0	1,313,239	1,297,723	1,297,723	15,516
Fund Balance, June 30, 2007							
	\$ 1,418,697	\$ 0	\$ (16,875)	\$ 1,401,822	\$ 708,581	\$ 687,101	\$ 714,721

**MARION COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF MARION COUNTY, TENNESSEE  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2007**

**BUDGETARY INFORMATION**

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

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

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

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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

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

Exhibit E-1

Marion County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Marion County School Department  
June 30, 2007

	<u>Special Revenue</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>ASSETS</u>			
Cash	\$ 0	\$ 2,825	\$ 2,825
Equity in Pooled Cash and Investments	75,536	878,361	953,897
Due from Other Governments	66,445	0	66,445
Total Assets	<u>\$ 141,981</u>	<u>\$ 881,186</u>	<u>\$ 1,023,167</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 1,689	\$ 0	\$ 1,689
Due to Other Funds	126,250	0	126,250
Total Liabilities	<u>\$ 127,939</u>	<u>\$ 0</u>	<u>\$ 127,939</u>
<u>Fund Balances</u>			
Reserved for Title I Grants to Local Education Agencies	\$ 12,554	\$ 0	\$ 12,554
Reserved for Special Education - Grants to States	1,365	0	1,365
Other Federal Reserves	123	0	123
Unreserved	0	881,186	881,186
Total Fund Balances	<u>\$ 14,042</u>	<u>\$ 881,186</u>	<u>\$ 895,228</u>
Total Liabilities and Fund Balances	<u>\$ 141,981</u>	<u>\$ 881,186</u>	<u>\$ 1,023,167</u>

Exhibit E-2

Marion County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Marion County School Department  
For the Year Ended June 30, 2007

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 773,736	\$ 773,736
Other Local Revenues	0	43,259	43,259
State of Tennessee	0	22,986	22,986
Federal Government	1,951,831	1,052,358	3,004,189
Total Revenues	<u>\$ 1,951,831</u>	<u>\$ 1,892,339</u>	<u>\$ 3,844,170</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,093,778	\$ 0	\$ 1,093,778
Support Services	807,448	0	807,448
Operation of Non-Instructional Services	0	1,898,597	1,898,597
Total Expenditures	<u>\$ 1,901,226</u>	<u>\$ 1,898,597</u>	<u>\$ 3,799,823</u>
Excess (Deficiency) of Revenues Over Expenditures			
	<u>\$ 50,605</u>	<u>\$ (6,258)</u>	<u>\$ 44,347</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (41,863)	\$ 0	\$ (41,863)
Total Other Financing Sources (Uses)	<u>\$ (41,863)</u>	<u>\$ 0</u>	<u>\$ (41,863)</u>
Net Change in Fund Balances			
Fund Balance, July 1, 2006	\$ 8,742	\$ (6,258)	\$ 2,484
	<u>5,300</u>	<u>887,444</u>	<u>892,744</u>
Fund Balance, June 30, 2007	<u>\$ 14,042</u>	<u>\$ 881,186</u>	<u>\$ 895,228</u>

Exhibit E-3

Marion County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Marion County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,951,831	\$ 2,175,285	\$ 2,176,034	\$ (224,203)
Total Revenues	\$ 1,951,831	\$ 2,175,285	\$ 2,176,034	\$ (224,203)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 638,103	\$ 783,991	\$ 780,991	\$ 142,888
Special Education Program	374,296	408,393	409,142	34,846
Vocational Education Program	81,379	75,545	81,244	(135)
<u>Support Services</u>				
Health Services	40,391	40,435	40,435	44
Other Student Support	161,905	184,764	188,140	26,235
Regular Instruction Program	184,001	209,118	212,118	28,117
Special Education Program	386,270	386,312	386,312	42
Vocational Education Program	2,325	11,400	2,325	0
Transportation	32,556	32,969	32,969	413
Total Expenditures	\$ 1,901,226	\$ 2,132,927	\$ 2,133,676	\$ 232,450
Excess (Deficiency) of Revenues Over Expenditures	\$ 50,605	\$ 42,358	\$ 42,358	\$ 8,247
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (41,863)	\$ (47,658)	\$ (47,658)	\$ 5,795
Total Other Financing Sources (Uses)	\$ (41,863)	\$ (47,658)	\$ (47,658)	\$ 5,795
Net Change in Fund Balance	\$ 8,742	\$ (5,300)	\$ (5,300)	\$ 14,042
Fund Balance, July 1, 2006	5,300	5,300	5,300	0
Fund Balance, June 30, 2007	\$ 14,042	\$ 0	\$ 0	\$ 14,042

Exhibit E-4

Marion County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Marion County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 773,736	\$ 779,000	\$ 779,000	\$ (5,264)
Other Local Revenues	43,259	35,000	35,000	8,259
State of Tennessee	22,986	22,000	22,000	986
Federal Government	1,052,358	1,000,000	1,000,000	52,358
Total Revenues	<u>\$ 1,892,339</u>	<u>\$ 1,836,000</u>	<u>\$ 1,836,000</u>	<u>\$ 56,339</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,898,597	\$ 2,094,958	\$ 2,094,958	\$ 196,361
Total Expenditures	<u>\$ 1,898,597</u>	<u>\$ 2,094,958</u>	<u>\$ 2,094,958</u>	<u>\$ 196,361</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (6,258)</u>	<u>\$ (258,958)</u>	<u>\$ (258,958)</u>	<u>\$ 252,700</u>
Net Change in Fund Balance	\$ (6,258)	\$ (258,958)	\$ (258,958)	\$ 252,700
Fund Balance, July 1, 2006	<u>887,444</u>	<u>887,444</u>	<u>887,444</u>	<u>0</u>
Fund Balance, June 30, 2007	<u>\$ 881,186</u>	<u>\$ 628,486</u>	<u>\$ 628,486</u>	<u>\$ 252,700</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit F-1

Marion County, Tennessee  
Schedule of Changes in Long-term Notes  
Marion County School Department  
For the Year Ended June 30, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Paid and/or Matured During Period	Outstanding 6-30-07
<u>NOTES PAYABLE</u>							
<u>Payable through General Purpose School Fund</u>							
School Improvement and Technology Enhancement	\$ 90,000	0 %	1-10-01	1-10-11	\$ 45,000	\$ 9,000	\$ 36,000
South Pittsburg High School HVAC	500,000	4.55	5-16-05	3-16-17	460,193	33,935	426,258
Total Notes Payable					<u>\$ 505,193</u>	<u>\$ 42,935</u>	<u>\$ 462,258</u>

Exhibit F-2

Marion County, Tennessee  
Schedule of Investments  
Marion County School Department  
June 30, 2007

<u>Fund and Type</u>	<u>Amount</u>
<u>Private Purpose Trust Fund</u>	
Corporate Bonds - Countrywide Homes	\$ 58,196
Corporate Bonds - Bellsouth	57,341
Corporate Bonds - Public Service Co.	57,450
Corporate Bonds - JP Morgan Chase & Co.	56,027
Corporate Bonds - Verizon	68,198
Federal Home Loan Mortgage Corp.	<u>119,142</u>
 Total Investments	 <u>\$ 416,354</u>

Exhibit F-3

Marion County, Tennessee  
Schedule of Transfers  
Marion County School Department  
For the Year Ended June 30, 2007

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 41,863</u>
Total			<u><u>\$ 41,863</u></u>

Exhibit F-4

Marion County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Marion County School Department  
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Marion County Board of Education	\$ 94,415 (1) \$	50,000	RLI Insurance
Other Bonds:				
Public Employee Dishonesty			150,000	Ace Fire Underwriters Insurance Company

(1) Includes chief executive officer training supplement of \$900.

## Exhibit F-5

Marion County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 Marion County School Department  
 For the Year Ended June 30, 2007

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 3,821,352	\$ 0	\$ 0	\$ 0	\$ 3,821,352
Trustee's Collections - Prior Year	216,398	0	0	0	216,398
Circuit/Clerk & Master Collections - Prior Years	125,189	0	0	0	125,189
Interest and Penalty	39,244	0	0	0	39,244
Payments in-Lieu-of Taxes - T.V.A.	36,248	0	0	0	36,248
Payments in-Lieu-of Taxes - Local Utilities	8,909	0	0	0	8,909
Payments in-Lieu-of Taxes - Other	314	0	0	0	314
<u>County Local Option Taxes</u>					
Local Option Sales Tax	2,828,782	0	0	0	2,828,782
Hotel/Motel Tax	27,253	0	0	0	27,253
<u>Statutory Local Taxes</u>					
Bank Excise Tax	88,369	0	0	0	88,369
Wholesale Beer Tax	117,121	0	0	0	117,121
Interstate Telecommunications Tax	3,943	0	0	0	3,943
Total Local Taxes	\$ 7,313,122	\$ 0	\$ 0	\$ 0	\$ 7,313,122
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 2,185	\$ 0	\$ 0	\$ 0	\$ 2,185
Total Licenses and Permits	\$ 2,185	\$ 0	\$ 0	\$ 0	\$ 2,185
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Summer School	\$ 2,375	\$ 0	\$ 0	\$ 0	\$ 2,375
Lunch Payments - Children	0	0	434,587	0	434,587
Lunch Payments - Adults	0	0	44,715	0	44,715
Income from Breakfast	0	0	45,245	0	45,245
A la carte Sales	0	0	249,189	0	249,189
Receipts from Individual Schools	3,543	0	0	0	3,543
Community Service Fees - Children	190,050	0	0	0	190,050
TBI Criminal Background Fees	4,248	0	0	0	4,248
Total Charges for Current Services	\$ 200,216	\$ 0	\$ 773,736	\$ 0	\$ 973,952
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 43,259	\$ 901,368	\$ 944,627
Lease/Rentals	326	0	0	0	326
Miscellaneous Refunds	45,263	0	0	0	45,263
<u>Nonrecurring Items</u>					
Damages Recovered from Individuals	47	0	0	0	47
Contributions and Gifts	2,650	0	0	0	2,650
<u>Other Local Revenues</u>					
Other Local Revenues	372	0	0	0	372
Total Other Local Revenues	\$ 48,658	\$ 0	\$ 43,259	\$ 901,368	\$ 993,285
<u>State of Tennessee</u>					
<u>State Education Funds</u>					
Basic Education Program	\$ 15,530,400	\$ 0	\$ 0	\$ 0	\$ 15,530,400

(Continued)

Exhibit F-5

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>State of Tennessee (Cont.)</u>					
<u>State Education Funds (Cont.)</u>					
School Food Service	\$ 0	\$ 0	\$ 22,986	\$ 0	\$ 22,986
Driver Education	10,130	0	0	0	10,130
Other State Education Funds	494,784	0	0	0	494,784
Career Ladder Program	246,123	0	0	0	246,123
Career Ladder - Extended Contract	106,746	0	0	0	106,746
Other Vocational	24,632	0	0	0	24,632
<u>Other State Revenues</u>					
State Revenue Sharing - T.V.A.	479,816	0	0	0	479,816
Other State Revenues	67,124	0	0	0	67,124
<b>Total State of Tennessee</b>	<b>\$ 16,959,755</b>	<b>\$ 0</b>	<b>\$ 22,986</b>	<b>\$ 0</b>	<b>\$ 16,982,741</b>
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 811,654	\$ 0	\$ 811,654
Breakfast	0	0	240,704	0	240,704
Adult Education State Grant Program	82,797	0	0	0	82,797
Vocational Education - Basic Grants to States	0	88,135	0	0	88,135
Other Vocational	23,497	0	0	0	23,497
Title I Grants to Local Education Agencies	0	763,964	0	0	763,964
Innovative Education Program Strategies	0	6,556	0	0	6,556
Special Education - Grants to States	59,207	811,328	0	0	870,535
Special Education Preschool Grants	0	37,536	0	0	37,536
Safe and Drug-Free Schools - State Grants	0	5,005	0	0	5,005
Eisenhower Professional Development State Grants	0	239,307	0	0	239,307
Other Federal through State	34,863	0	0	0	34,863
<b>Total Federal Government</b>	<b>\$ 200,364</b>	<b>\$ 1,951,831</b>	<b>\$ 1,052,358</b>	<b>\$ 0</b>	<b>\$ 3,204,553</b>
<b>Total</b>	<b>\$ 24,724,300</b>	<b>\$ 1,951,831</b>	<b>\$ 1,892,339</b>	<b>\$ 901,368</b>	<b>\$ 29,469,838</b>

Exhibit F-6

Marion County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Marion County School Department  
For the Year Ended June 30, 2007

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 8,079,406	
Career Ladder Program	138,940	
Career Ladder Extended Contracts	95,500	
Homebound Teachers	6,916	
Educational Assistants	199,830	
Certified Substitute Teachers	8,666	
Non-certified Substitute Teachers	160,002	
Social Security	515,453	
State Retirement	515,035	
Medical Insurance	1,214,336	
Employer Medicare	120,494	
Other Fringe Benefits	10	
Other Contracted Services	23,075	
Instructional Supplies and Materials	47,275	
Textbooks	268,983	
Other Supplies and Materials	229,546	
Other Charges	2,550	
Regular Instruction Equipment	22,770	
Total Regular Instruction Program		\$ 11,648,787

Alternative Instruction Program

Teachers	\$ 84,045	
Career Ladder Program	1,000	
Social Security	5,163	
State Retirement	5,213	
Medical Insurance	10,370	
Employer Medicare	1,208	
Other Contracted Services	151	
Instructional Supplies and Materials	400	
Other Supplies and Materials	1,250	
Other Equipment	1,500	
Total Alternative Instruction Program		110,300

Special Education Program

Teachers	\$ 1,096,719
Career Ladder Program	19,843
Homebound Teachers	6,539
Educational Assistants	162,869
Speech Pathologist	86,575

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Other Salaries and Wages	\$ 22,670	
Certified Substitute Teachers	8,108	
Non-certified Substitute Teachers	24,510	
Social Security	83,860	
State Retirement	82,215	
Medical Insurance	307,520	
Employer Medicare	19,612	
Contracts with Private Agencies	21,022	
Other Contracted Services	86,957	
Instructional Supplies and Materials	5,600	
Other Supplies and Materials	45,774	
Total Special Education Program		\$ 2,080,393

Vocational Education Program

Teachers	\$ 725,658	
Career Ladder Program	12,000	
Certified Substitute Teachers	5,452	
Non-certified Substitute Teachers	7,778	
Social Security	44,522	
State Retirement	45,218	
Medical Insurance	107,765	
Employer Medicare	10,412	
Other Fringe Benefits	93	
Maintenance and Repair Services - Equipment	1,353	
Other Contracted Services	8,132	
Instructional Supplies and Materials	7,940	
Textbooks	104,127	
Other Supplies and Materials	46,789	
Vocational Instruction Equipment	132,229	
Total Vocational Education Program		1,259,468

Adult Education Program

Teachers	\$ 125,935
Career Ladder Program	2,000
Other Salaries and Wages	13,800
Social Security	8,775
State Retirement	7,294
Medical Insurance	14,035
Employer Medicare	2,052

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Adult Education Program (Cont.)

Other Contracted Services	\$	1,068	
Instructional Supplies and Materials		30,179	
Other Supplies and Materials		1,278	
Other Charges		478	
Other Equipment		1,911	
Total Adult Education Program			\$ 208,805

Support Services

Attendance

Supervisor/Director	\$	49,730	
Career Ladder Program		850	
Clerical Personnel		21,864	
Social Security		4,109	
State Retirement		4,144	
Medical Insurance		13,258	
Employer Medicare		961	
Travel		2,388	
Other Supplies and Materials		903	
Total Attendance			98,207

Health Services

Medical Personnel	\$	72,410	
Other Salaries and Wages		39,244	
Social Security		6,548	
State Retirement		3,454	
Medical Insurance		23,360	
Employer Medicare		1,531	
Maintenance and Repair Services - Equipment		250	
Travel		3,306	
Other Contracted Services		1,869	
Drugs and Medical Supplies		3,738	
Other Supplies and Materials		847	
Other Charges		230	
Total Health Services			156,787

Other Student Support

Career Ladder Program	\$	7,000	
Guidance Personnel		379,625	
Clerical Personnel		18,120	

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Other Salaries and Wages	\$	29,450	
Social Security		25,344	
State Retirement		26,370	
Medical Insurance		63,057	
Employer Medicare		5,927	
Evaluation and Testing		63,700	
Travel		595	
Total Other Student Support			\$ 619,188

Regular Instruction Program

Supervisor/Director	\$	65,087	
Career Ladder Program		9,000	
Librarians		384,672	
Secretary(ies)		23,040	
Social Security		28,314	
State Retirement		29,217	
Medical Insurance		69,024	
Employer Medicare		6,622	
Travel		2,458	
Other Contracted Services		4,120	
Library Books/Media		75,000	
Other Supplies and Materials		418	
In Service/Staff Development		31,290	
Other Charges		8,102	
Total Regular Instruction Program			736,364

Special Education Program

Supervisor/Director	\$	61,475	
Career Ladder Program		6,000	
Social Security		4,166	
State Retirement		4,136	
Medical Insurance		5,142	
Employer Medicare		974	
Maintenance and Repair Services - Equipment		500	
Travel		6,405	
Other Contracted Services		392	
Other Supplies and Materials		33,871	
In Service/Staff Development		9,349	
Total Special Education Program			132,410

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program

Supervisor/Director	\$	38,782	
Career Ladder Program		1,000	
In-Service Training		1,000	
Social Security		2,243	
State Retirement		2,500	
Medical Insurance		8,868	
Employer Medicare		525	
Consultants		2,500	
Travel		5,045	
Other Supplies and Materials		550	
In Service/Staff Development		9,849	
Other Charges		1,666	
Total Vocational Education Program			\$ 74,528

Adult Programs

Supervisor/Director	\$	60,689	
Career Ladder Program		1,000	
Other Salaries and Wages		19,644	
Social Security		4,676	
State Retirement		4,719	
Medical Insurance		8,868	
Employer Medicare		1,094	
Travel		1,044	
In Service/Staff Development		171	
Total Adult Programs			101,905

Board of Education

Board and Committee Members Fees	\$	11,700	
Social Security		725	
Unemployment Compensation		2,513	
Employer Medicare		170	
Other Fringe Benefits		645	
Audit Services		4,800	
Dues and Memberships		9,812	
Legal Services		35,012	
Travel		14,528	
Other Contracted Services		3,000	
Trustee's Commission		172,312	
Workers' Compensation Insurance		149,292	

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Criminal Investigation of Applicants - TBI	\$	4,512	
Other Charges		<u>2,293</u>	
Total Board of Education	\$		411,314

Director of Schools

County Official/Administrative Officer	\$	93,515	
Career Ladder Program		900	
Secretary(ies)		31,008	
Clerical Personnel		24,216	
Social Security		9,288	
State Retirement		8,422	
Medical Insurance		22,825	
Employer Medicare		2,172	
Communication		41,469	
Dues and Memberships		3,046	
Maintenance and Repair Services - Equipment		9,969	
Postal Charges		2,353	
Travel		2,868	
Other Contracted Services		27,153	
Office Supplies		5,871	
Other Charges		<u>193</u>	
Total Director of Schools			285,268

Office of the Principal

Principals	\$	529,437	
Career Ladder Program		13,000	
Assistant Principals		154,221	
Secretary(ies)		298,176	
Other Salaries and Wages		2,735	
Social Security		59,683	
State Retirement		56,601	
Medical Insurance		167,387	
Employer Medicare		13,958	
Other Contracted Services		<u>10,313</u>	
Total Office of the Principal			1,305,511

Fiscal Services

Supervisor/Director	\$	64,842	
Accountants/Bookkeepers		88,010	

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Other Salaries and Wages	\$	4,742	
Social Security		9,492	
State Retirement		7,517	
Medical Insurance		24,200	
Employer Medicare		2,220	
Data Processing Services		8,510	
Dues and Memberships		738	
Maintenance and Repair Services - Equipment		590	
Travel		1,228	
Data Processing Supplies		5,800	
Office Supplies		2,170	
Other Charges		487	
Administration Equipment		5,364	
Total Fiscal Services			\$ 225,910

Human Services/Personnel

Supervisor/Director	\$	63,785	
Secretary(ies)		21,864	
Social Security		5,218	
State Retirement		4,953	
Medical Insurance		13,122	
Employer Medicare		1,220	
Travel		1,222	
Office Supplies		1,904	
Other Charges		145	
Total Human Services/Personnel			113,433

Operation of Plant

Custodial Personnel	\$	438,670	
Social Security		26,551	
State Retirement		18,724	
Medical Insurance		128,203	
Employer Medicare		6,209	
Disposal Fees		15,997	
Other Contracted Services		13,738	
Custodial Supplies		120,661	
Electricity		773,285	
Natural Gas		282,803	
Water and Sewer		93,212	

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Other Supplies and Materials	\$ 10,593	
Building and Contents Insurance	138,093	
Other Charges	2,350	
Total Operation of Plant		\$ 2,069,089

Maintenance of Plant

Maintenance Personnel	\$ 172,776	
Social Security	10,327	
State Retirement	8,241	
Medical Insurance	37,792	
Employer Medicare	2,415	
Maintenance and Repair Services - Buildings	1,842	
Maintenance and Repair Services - Equipment	19,761	
Maintenance and Repair Services - Vehicles	2,990	
Other Contracted Services	28,463	
Other Supplies and Materials	100,573	
Other Charges	995	
Total Maintenance of Plant		386,175

Transportation

Supervisor/Director	\$ 8,733	
Social Security	523	
State Retirement	535	
Medical Insurance	752	
Employer Medicare	122	
Contracts with Parents	12,233	
Contracts with Vehicle Owners	767,657	
Travel	1,000	
Other Contracted Services	1,676	
Diesel Fuel	79,373	
Other Charges	14,827	
Total Transportation		887,431

Central and Other

Supervisor/Director	\$ 51,893	
Other Salaries and Wages	13,938	
Social Security	3,820	
State Retirement	3,184	
Medical Insurance	8,111	

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Central and Other (Cont.)

Employer Medicare	\$	893	
Travel		794	
Other Contracted Services		74,647	
Office Supplies		210	
Other Supplies and Materials		11,733	
In Service/Staff Development		57	
Other Equipment		46,513	
Total Central and Other			\$ 215,793

Operation of Non-Instructional Services

Community Services

Other Salaries and Wages	\$	148,470	
Non-certified Substitute Teachers		6,439	
Social Security		9,454	
State Retirement		7,725	
Employer Medicare		2,220	
Other Fringe Benefits		3,432	
Travel		1,203	
Other Contracted Services		2,560	
Other Supplies and Materials		11,725	
Other Charges		2,396	
Total Community Services			195,624

Early Childhood Education

Teachers	\$	137,885	
Educational Assistants		45,770	
Non-certified Substitute Teachers		3,454	
Social Security		10,738	
State Retirement		10,636	
Medical Insurance		48,180	
Employer Medicare		2,511	
Other Fringe Benefits		936	
Other Contracted Services		1,434	
Instructional Supplies and Materials		68,281	
In Service/Staff Development		3,420	
Other Equipment		7,359	
Total Early Childhood Education			340,604

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Capital Outlay

Regular Capital Outlay

Other Contracted Services	\$ 52,200	
Building Improvements	13,392	
Land	251,640	
Other Capital Outlay	58,000	
Total Regular Capital Outlay		\$ 375,232

Principal on Debt

Education

Principal on Notes	\$ 42,935	
Total Education		42,935

Interest on Debt

Education

Interest on Notes	\$ 20,214	
Total Education		20,214

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 847,085	
Total Education		847,085

Total General Purpose School Fund \$ 24,948,760

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 322,765	
Educational Assistants	111,603	
Non-certified Substitute Teachers	5,734	
Social Security	26,438	
State Retirement	24,850	
Medical Insurance	90,951	
Employer Medicare	6,230	
Other Fringe Benefits	2,200	
Other Contracted Services	17,217	
Instructional Supplies and Materials	16,861	
Regular Instruction Equipment	13,254	
Total Regular Instruction Program		\$ 638,103

(Continued)

Exhibit F-6

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program

Teachers	\$	9,334	
Educational Assistants		150,576	
Speech Pathologist		51,227	
Other Salaries and Wages		22,208	
Social Security		13,652	
State Retirement		11,955	
Medical Insurance		64,465	
Employer Medicare		3,193	
Other Fringe Benefits		6,295	
Other Contracted Services		5,140	
Other Supplies and Materials		36,251	
Total Special Education Program			\$ 374,296

Vocational Education Program

Other Salaries and Wages	\$	23,203	
Social Security		1,439	
State Retirement		1,422	
Employer Medicare		336	
Other Contracted Services		2,200	
Instructional Supplies and Materials		13,142	
Other Supplies and Materials		726	
Vocational Instruction Equipment		38,911	
Total Vocational Education Program			81,379

Support Services

Health Services

Medical Personnel	\$	30,721	
Social Security		1,905	
State Retirement		1,465	
Medical Insurance		5,004	
Employer Medicare		445	
Other Fringe Benefits		851	
Total Health Services			40,391

Other Student Support

Other Salaries and Wages	\$	124,573	
Social Security		7,655	
State Retirement		7,042	
Medical Insurance		2,710	

(Continued)

Exhibit F-6

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Employer Medicare	\$	1,791	
Other Fringe Benefits		605	
Travel		3,256	
Other Contracted Services		866	
In Service/Staff Development		5,833	
Other Charges		7,574	
Total Other Student Support			\$ 161,905

Regular Instruction Program

Supervisor/Director	\$	63,180	
Secretary(ies)		20,484	
In-Service Training		4,645	
Social Security		4,879	
State Retirement		5,135	
Medical Insurance		17,482	
Employer Medicare		1,141	
Other Fringe Benefits		418	
Travel		518	
Other Contracted Services		8,859	
Other Supplies and Materials		2,927	
In Service/Staff Development		29,639	
Other Equipment		24,694	
Total Regular Instruction Program			184,001

Special Education Program

Psychological Personnel	\$	137,981	
Secretary(ies)		18,204	
Other Salaries and Wages		124,132	
Social Security		16,958	
State Retirement		16,936	
Medical Insurance		25,487	
Employer Medicare		3,966	
Other Fringe Benefits		7,877	
Travel		7,126	
Other Contracted Services		2,949	
Other Supplies and Materials		4,529	
In Service/Staff Development		20,125	
Total Special Education Program			386,270

(Continued)

Exhibit F-6

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Vocational Education Program

Travel	\$ 1,931	
Other Charges	394	
Total Vocational Education Program		\$ 2,325

Transportation

Other Salaries and Wages	\$ 16,645	
Social Security	1,032	
State Retirement	794	
Medical Insurance	12,824	
Employer Medicare	241	
Other Fringe Benefits	468	
Maintenance and Repair Services - Vehicles	278	
Gasoline	274	
Total Transportation		<u>32,556</u>

Total School Federal Projects Fund \$ 1,901,226

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 63,737	
Accountants/Bookkeepers	28,766	
Cafeteria Personnel	619,400	
Other Salaries and Wages	24,564	
Social Security	45,088	
State Retirement	30,578	
Medical Insurance	109,404	
Employer Medicare	10,545	
Other Fringe Benefits	18,578	
Communication	6,422	
Travel	3,146	
Other Contracted Services	68,627	
Food Preparation Supplies	49,787	
Food Supplies	721,457	
Other Supplies and Materials	9,906	
Trustee's Commission	431	
In Service/Staff Development	10,486	
Other Charges	9,284	
Food Service Equipment	68,391	
Total Food Service		<u>\$ 1,898,597</u>

Total Central Cafeteria Fund 1,898,597

(Continued)

Exhibit F-6

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

<u>Education Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Education Capital Projects</u>		
Architects	\$ 647,470	
Consultants	73,777	
Other Contracted Services	37,435	
Trustee's Commission	9,016	
Building Construction	<u>3,760,287</u>	
Total Education Capital Projects		<u>\$ 4,527,985</u>
Total Education Capital Projects Fund		<u>\$ 4,527,985</u>
Total Governmental Funds - Marion County School Department		<u><u>\$ 33,276,568</u></u>

**SINGLE AUDIT REPORT**  
**MARION COUNTY, TENNESSEE**  
**AND**  
**MARION COUNTY SCHOOL DEPARTMENT**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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

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

*JAMES R. ARNETTE*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

*ANITA SCARLETT, CPA*  
*Auditor 4*

*KATHY CLEMENTS, CGFM*  
*JESSICA COX, CPA, CGFM*  
*JENI PALADENI*  
*State Auditors*

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

January 28, 2008

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

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

We have audited the financial statements of each major fund and the aggregate remaining fund information of Marion County, Tennessee, and the Marion County School Department as of and for the year ended June 30, 2007, which collectively comprise a portion of Marion County's and the Marion County School Department's basic financial statements and have issued our reports thereon dated January 28, 2008. Our reports on the financial statements of Marion County, Tennessee, and the Marion County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marion County's and the Marion County School Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Marion County's and the Marion County School Department's internal control over financial

reporting. Accordingly, we do not express an opinion on the effectiveness of Marion County's and the Marion County School Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 07.03, 07.04, 07.05, and 07.09.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Marion County's and the Marion County School Department's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 07.04 to be a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marion County's and the Marion County School Department's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 07.01, 07.02, 07.06, and 07.07.

We consider item 07.08 described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations. We also noted certain matters that we reported to the management of Marion County and the Marion County School Department in separate communications.

This report is intended solely for the information and use of management, the county mayor, director of schools, highway supervisor, County Commission, Board of Education, others within Marion County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

John G. Morgan  
Comptroller of the Treasury

JGM/yu



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

January 28, 2008

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

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

Compliance

We have audited the compliance of Marion County and the Marion County School Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of their major federal programs for the year ended June 30, 2007. Marion County's and the Marion County School Department's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of their major federal programs is the responsibility of Marion County's and the Marion County School Department's management. Our responsibility is to express an opinion on Marion County's and the Marion County School Department's compliance based on our audit.

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

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

In our opinion, Marion County and the Marion County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2007.

#### Internal Control Over Compliance

The management of Marion County and the Marion County School Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Marion County's and the Marion County School Department's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Marion County's and the Marion County School Department's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Marion County and the Marion County School Department as of and for the year ended June 30, 2007, and have issued our reports thereon dated January 28, 2008. Our reports on the financial statements of Marion County and the Marion County School

Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise a portion of Marion County's and the Marion County School Department's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the county mayor, director of schools, highway supervisor, County Commission, Board of Education, others within Marion County, 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.

Yours very truly,

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/yu

Marion County, Tennessee, and the Marion County School Department  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For Year Ended June 30, 2007

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 78,347
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	240,704
National School Lunch Program	10.555	N/A	811,654
Total U.S. Department of Agriculture			\$ 1,130,705
U.S. Department of Justice:			
Direct Program:			
Public Safety Partnership and Community Policing Grants	16.710	(2)	\$ 18,027
Passed-through State Department of Finance and Administration:			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	Z-99-088467-00	15,360 (4)
Passed-through Hamilton County Sheriff's Department:			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	(2)	6,978 (4)
Total U.S. Department of Justice			\$ 40,365
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Airport Improvement Program	20.106	Z-03-014247-00	\$ 30,248
Total U.S. Department of Transportation			\$ 30,248
Appalachian Regional Commission:			
Passed-through Tennessee Valley Authority:			
Appalachian Area Development	23.002	TN-15216-1-302	\$ 3,723
Total Appalachian Regional Commission			\$ 3,723
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-07-033715-00	\$ 82,797
Passed-through State Department of Education:			
Title I Grants to Local Education Agencies	84.010	N/A	751,410
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	834,647
Special Education - Preschool Grants	84.173	N/A	42,822
Vocational Education - Basic Grants to States	84.048	N/A	111,632
Safe and Drug-Free Schools and Communities - State Grants	84.186	N/A	4,890
Assistive Technology	84.224	GG-05-10919-00	34,522
State Grants for Innovative Programs	84.298	(2)	6,556
Education Technology State Grants	84.318	(2)	6,698
Improving Teacher Quality State Grants	84.367	(2)	232,614
Hurricane Education Recovery	84.938	(2)	22,770
Total U.S. Department of Education			\$ 2,131,358
U.S. Department of Health and Human Services:			
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families	93.558	Z-07-034240-00	\$ 12,093
Total U.S. Department of Health and Human Services			\$ 12,093

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Office of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(3)	\$ 15,540
Homeland Security Grant Program	97.067	Z-05-025185-00	157,495
Total U.S. Office of Homeland Security			<u>\$ 173,035</u>
Total Expenditures of Federal Awards			<u>\$ 3,521,527</u>
State Grants			
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 11,675
Juvenile Services Program - State Department of Children's Services	N/A	(2)	11,250
Waste Tire Storage and Disposal - State Department of Environment and Conservation	N/A	Z-03-011346-00	31,990
Health Department Grant - State Department of Health	N/A	Z-07-031535-00	198,017
Driver's Beware - State Department of Transportation	N/A	Z-07-036129-00	41,236
Litter Program - State Department of Transportation	N/A	(2)	24,033
Governor's Highway Safety Grant - State Department of Transportation	N/A	Z-07-035879-00	4,992
Vote Wise Training Grant - State Department of Elections	N/A	Z-07-037865-00	1,000
Certified Equipment Grant - State Department of Elections	N/A	Z-07-037451-00	2,065
Airport Maintenance Program - State Department of Transportation	N/A	(2)	9,907
Tennessee Industrial Infrastructure Program - State Department of Economic and Community Development	N/A	GG-04-10895-01	65,947
Virtual Schools - State Department of Education	N/A	(2)	22,775
Voluntary Pre-K for Tennessee - State Department of Education	N/A	(2)	340,605
Adult Basic Education - State Department of Education	N/A	Z-07-033715-00	27,599
Families First - State Department of Education	N/A	Z-07-034240-00	6,511
Jobs for Tennessee Graduates - State Department of Education	N/A	(2)	<u>24,632</u>
Total State Grants			<u>\$ 824,234</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) - 3217-EM-TN: \$6,026; 115-99115-00: \$9,514.
- (4) - Total Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program (CFDA No. 16.580) passed-through state and local governments \$22,338.

Marion County, Tennessee, and the Marion County School Department  
Schedule of Audit Findings Not Corrected  
June 30, 2007

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Marion County, Tennessee, and the Marion County School Department for the year ended June 30, 2006, which have not been corrected.

**MARION COUNTY AND MARION COUNTY SCHOOL DEPARTMENT**

Finding Number	Page Number	Subject
06.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

**OFFICE OF COUNTY MAYOR**

Finding Number	Page Number	Subject
06.03(A, B)	13	Purchase orders were not issued in some required instances, and several invoices were paid without documentation that goods had been received or services had been rendered
06.04	14	The office did not maintain inventory records

**OFFICE OF DIRECTOR OF SCHOOLS**

Finding Number	Page Number	Subject
06.09	16	The office did not maintain inventory records

**OFFICE OF SHERIFF**

Finding Number	Page Number	Subject
06.12	17	Collections were not deposited within three days

## OTHER FINDINGS

Finding Number	Page Number	Subject
06.13	18	A central system of accounting, budgeting, and purchasing had not been adopted
06.14	18	Duties were not segregated adequately in the Offices of County Mayor, Highway Supervisor, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2007**

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

1. Adverse opinions were issued on the financial statements of Marion County and the Marion County School Department.
2. The audit of the financial statements of Marion County and the Marion County School Department disclosed significant deficiencies in internal control. One of these conditions was considered to be a material weakness in Marion County and the Marion County School Department.
3. The audit disclosed two instances of noncompliance that were material to the financial statements of Marion County, and two instances of noncompliance that were material to the financial statements of the Marion County School Department.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.533 and 10.555), Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: the Special Education – Grants to States and the Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Marion County and the Marion County School Department did not qualify as low-risk auditees.

## PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

### MARION COUNTY AND MARION COUNTY SCHOOL DEPARTMENT

#### FINDING 07.01      **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

(Material Noncompliance Under Government Auditing Standards)

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

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement 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 No. 34, established by the Comptroller of the Treasury. Marion County’s and the Marion County School Department’s financial statements are presented in compliance with these requirements.

#### RECOMMENDATION

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

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**FINDING 07.02      MARION COUNTY AND THE MARION COUNTY SCHOOL DEPARTMENT HAVE NOT COMPLETED THE STEPS SET FORTH IN THE IMPLEMENTATION PLAN FOR GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 34 FILED WITH THE COMPTROLLER OF THE TREASURY**

(Material Noncompliance Under Government Auditing Standards)

As noted in finding 07.01, Marion County and the Marion County School Department have not taken the necessary steps to present their financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34. To encourage local governments to comply with GASB Statement No. 34, the Tennessee General Assembly passed legislation (Sections 9-3-401 through 9-3-405, Tennessee Code Annotated) requiring local governments that were not in compliance with GASB Statement No. 34 to file an implementation plan with the Comptroller of the Treasury showing the steps and the timeline the local government would follow to implement the standard no later than June 30, 2008. An examination of the plan Marion County and the Marion County School Department filed with the Comptroller's Office shows that the county and the School Department failed to perform the steps in accordance with the timeline set forth in their plan. If Marion County and the Marion County School Department do not comply with GASB Statement No. 34 by June 30, 2008, the statutes further provide that the state may withhold certain state funds from the county and the School Department.

**RECOMMENDATION**

Marion County and the Marion County School Department should take the necessary steps to ensure compliance with GASB Statement No. 34 by June 30, 2008.

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**OFFICE OF COUNTY MAYOR**

**FINDING 07.03      THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**

(Internal Control – Significant Deficiency Under Government Auditing Standards)

Our examination of purchasing procedures revealed the following deficiencies:

- A. Purchase orders were not issued in some required instances. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments.
  
- B. In several instances, invoices were paid without documentation that goods had been received or services had been rendered. This practice weakens controls over the purchasing process. We extended our audit procedures and determined that these goods were received and services were rendered.

RECOMMENDATION

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

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**OFFICES OF COUNTY MAYOR AND DIRECTOR OF SCHOOLS**

**FINDING 07.04**      **THE OFFICES OF COUNTY MAYOR AND DIRECTOR OF SCHOOLS DID NOT MAINTAIN INVENTORY RECORDS**  
(Internal Control – Material Weakness Under Government Auditing Standards)

The Offices of County Mayor and Director of Schools did not maintain inventory records for assets owned by the general county government and the School Department. Generally accepted accounting principles require accountability for all county- and School Department-owned assets, such as vehicles, furniture, and equipment. Without inventory records, the offices cannot adequately control their assets.

RECOMMENDATION

The Offices of County Mayor and Director of Schools should maintain inventory records for all county- and School Department-owned assets.

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

**FINDING 07.05**      **THE OFFICE DID NOT IMPLEMENT ADEQUATE CONTROLS TO PROTECT ITS INFORMATION RESOURCES**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The office did not implement adequate controls to protect its information resources. This finding does not identify specific vulnerabilities that could allow someone to exploit the office’s information system or misuse county funds. Disclosing those vulnerabilities could present a potential security risk by providing the readers with information that might be confidential pursuant to Section 10-7-504(i), Tennessee Code Annotated. We provided the official with detailed information regarding the specific vulnerabilities we identified, as well as our recommendations for improvement.

RECOMMENDATION

The office should ensure that adequate controls over information systems and the resources associated with those systems are implemented. Also, the office should take steps to establish or improve any compensating controls until these conditions are remedied.

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**FINDING 07.06      THE CIRCUIT COURT CLERK DID NOT REQUIRE A DEPOSITORY TO ADEQUATELY COLLATERALIZE FUNDS**  
(Noncompliance Under Government Auditing Standards)

The circuit court clerk did not require a depository holding county funds to pledge adequate securities to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2007, deposits at this depository exceeded FDIC coverage by \$88,033. Section 5-8-201, Tennessee Code Annotated, provides for county officials to require any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of such county funds.

**RECOMMENDATION**

The clerk should require all depositories to pledge adequate securities to protect county funds exceeding FDIC coverage as required by state statute.

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**OFFICE OF SHERIFF**

**FINDING 07.07      COLLECTIONS WERE NOT DEPOSITED WITHIN THREE DAYS**  
(Noncompliance Under Government Auditing Standards)

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

**RECOMMENDATION**

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

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**OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 07.08      A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**  
(Internal Control – Control Deficiency Under Government Auditing Standards)

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

RECOMMENDATION

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

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FINDING 07.09      **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY MAYOR, HIGHWAY SUPERVISOR, DIRECTOR OF SCHOOLS, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

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

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

There were no findings and questioned costs for federal awards.

**MARION COUNTY, TENNESSEE, AND THE  
MARION COUNTY SCHOOL DEPARTMENT  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2007**

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

**County Mayor – Summary Schedule of Prior Year's Findings**

**FINDINGS 06.14 and 06.15**

Although the County Mayor's Office as a whole lacks sufficient segregation of duties, additional controls are in place over the expenditures of federal funds and reporting to federal agencies that we feel mitigate the lack of segregation of duties as it pertains to federal awards.

**Director of Schools – Summary Schedule of Prior Year's Findings**

**FINDINGS 06.14 and 06.15**

Although the School Department as a whole lacks sufficient segregation of duties, additional controls are in place over the expenditures of federal funds and reporting to federal agencies that we feel mitigate the lack of segregation of duties as it pertains to federal awards.