
ANNUAL FINANCIAL REPORT MARION COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2010



**ANNUAL FINANCIAL REPORT
MARION COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2010**

***DEPARTMENT OF AUDIT
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Comptroller of the Treasury***

***DIVISION OF COUNTY AUDIT
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This financial report is available at www.tn.gov/comptroller

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Audit Highlights

Annual Financial Report
Marion County, Tennessee
For the Year Ended June 30, 2010

Scope

We have audited the basic financial statements of Marion County as of and for the year ended June 30, 2010.

Results

Our report on the business-type activities is adverse and our report on the aggregate fund information is qualified because the financial statements of the Marion County Conservation Commission, the county's sole business-type activity and a nonmajor enterprise fund, had not been made available by other auditors as of the date of this report. Our report on the governmental activities, the aggregate discretely presented component units, and each major fund is unqualified.

Our audit resulted in 16 findings and recommendations, which we have reviewed with Marion County management. Detailed findings, recommendations, and management's responses are included in the Single Audit section of this report.

Findings and Best Practices

The following are summaries of the audit findings and best practices:

OFFICE OF COUNTY MAYOR

- ◆ The office had deficiencies in purchasing procedures.
- ◆ A cash shortage of \$27,170.93 existed in the Marion County Election Office at March 31, 2010.
- ◆ A cash shortage of \$87,023.91 existed in the Haletown Volunteer Fire Department at April 12, 2010.

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The extended school and summer camp programs had accounting deficiencies.
 - ◆ Competitive bids were not properly solicited for an oven hood.
 - ◆ The office had deficiencies in the use of credit cards.
 - ◆ The Food Service Department issued some purchase orders after the purchases were made.
-

OFFICE OF TRUSTEE

- ◆ Excess fees were not reported and paid to the county in compliance with state statute.
 - ◆ The trustee did not accurately prorate some collections.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ The office had deficiencies in computer system backup procedures.
 - ◆ The courts' software did not have adequate application controls.
-

OFFICE OF CLERK AND MASTER

- ◆ The office had deficiencies in maintaining and reconciling the execution dockets.
 - ◆ Deficiencies were noted in the maintenance of accounting records.
 - ◆ Improper procedures were used to disburse funds.
-

OFFICE OF SHERIFF

- ◆ Profits from commissary operations were not remitted to the county monthly.
-

OTHER FINDING

- ◆ Duties were not segregated adequately in the School Food Service Department and in the Offices of County Mayor, Highway Supervisor, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.
-

BEST PRACTICES

The Division of County Audit strongly believes that the items noted below are best practices that should be considered by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens in Marion County.

- A central system of accounting, budgeting, and purchasing has not been adopted.
- Marion County does not have an Audit Committee.

INTRODUCTORY SECTION

Marion County Officials

June 30, 2010

Officials

Howell Moss, County Mayor
John Graham, Highway Supervisor
Mark Griffith, Director of Schools
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	
Donald Blansett	Marshall Raines, Sr.
Louin Campbell	Jody Rollins
James Easterly	Keith Smith
Doug Fitz-Gerald	Thomas Thompson
Delmer McNabb	Melvin Turner
Ralph Pickett	Glenn White
Les Price	Wayne Willis

Board of Education

James Poston, Chairman
Julie Bennett
Terry Case
Russ Hood
Ola Mae Reeves

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
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INDEPENDENT AUDITOR'S REPORT

February 14, 2011

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 the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Marion County, Tennessee, as of and for the year ended June 30, 2010, which collectively comprise Marion County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Marion County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Marion County Emergency Communications District, which represent 1.31 percent and 1.01 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Marion County Emergency Communications District, is based on the report of other auditors.

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

The financial statements of the Marion County Conservation Commission, the county's sole business-type activity and a nonmajor enterprise fund, had not been made available by other auditors as of the date of this report. Accordingly, the financial statements do not include amounts for the business-type activities of Marion County, Tennessee, and the respective changes in financial position and cash flows for the Marion County Conservation Commission, which should be included to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements of the business-type activities and the aggregate remaining fund information are not reasonably determinable.

In our opinion, because of the omission of the financial statements of the Marion County Conservation Commission, as discussed in the preceding paragraph, 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 business-type activities of Marion County, Tennessee, as of June 30, 2010, or the changes in financial position and cash flows, where applicable, thereof for the year ended.

Also, in our opinion, because of the omission of the financial statements of the Marion County Conservation, as discussed above, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of Marion County, Tennessee, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, and each major fund of Marion County, Tennessee, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 14, 2011, 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.

As described in Note V.C., Marion County has adopted the provisions of Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which became effective for the year ended June 30, 2010.

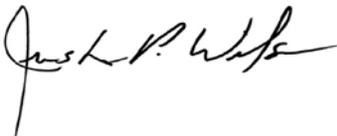
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part

of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison, pension, and other postemployment benefits information on pages 66 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 the nonmajor governmental funds and the General Debt Service and Rural Debt Service funds, combining and individual fund financial statements of the Marion County School Department (a discretely presented component unit), 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 the nonmajor governmental funds and the General Debt Service and Rural Debt Service funds, combining and individual fund financial statements of the Marion County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke extending downwards from the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Marion County, Tennessee
Statement of Net Assets
June 30, 2010

	<u>Component Units</u>		
	<u>Primary Government Governmental Activities</u>	<u>Marion County School Department</u>	<u>Marion County Emergency Communications District</u>
<u>ASSETS</u>			
Cash	\$ 105,209	\$ 41,339	\$ 541,011
Equity in Pooled Cash and Investments	9,194,390	3,229,055	0
Inventories	0	86,647	0
Accounts Receivable	20,910	25,064	13,428
Due from Other Governments	807,101	532,661	0
Property Taxes Receivable	6,480,016	5,418,312	0
Allowance for Uncollectible Property Taxes	(378,796)	(316,839)	0
Prepaid Items	0	0	2,654
Deferred Charges - Debt Issuance Costs	60,828	0	0
Assets Not Depreciated:			
Land	2,575,833	1,133,836	0
Construction in Progress	502,122	0	1,264
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	7,514,822	44,456,858	0
Infrastructure	6,746,027	0	0
Other Capital Assets	727,483	190,448	170,834
Total Assets	\$ 34,355,945	\$ 54,797,381	\$ 729,191
<u>LIABILITIES</u>			
Accounts Payable	\$ 89,905	\$ 257,914	\$ 432
Accrued Payroll	0	57,237	0
Payroll Deductions Payable	3,492	0	1,349
Accrued Interest Payable	190,318	0	0
Deferred Revenue - Current Property Taxes	5,753,951	4,810,881	0
Noncurrent Liabilities:			
Due Within One Year	1,949,038	49,694	0
Due in More Than One Year	43,196,745	649,507	0
Total Liabilities	\$ 51,183,449	\$ 5,825,233	\$ 1,781
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 9,907,279	\$ 45,457,444	\$ 0
Invested in Capital Assets	0	0	172,098
Restricted for:			
General Purposes	325,011	103,103	0
Courthouse and Jail Maintenance	12,587	0	0
Solid Waste/Sanitation	99,033	0	0
Drug Control	160,269	0	0
Highway/Public Works	756,991	0	0
School Federal Projects	0	8,353	0
Central Cafeteria	0	992,174	0
Debt Service	6,274,804	0	0
Capital Projects	1,574,633	0	0
Unrestricted	(35,938,111)	2,411,074	555,312
Total Net Assets (Deficit)	\$ (16,827,504)	\$ 48,972,148	\$ 727,410

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

Exhibit B

Marion County, Tennessee
Statement of Activities
For the Year Ended June 30, 2010

Functions/Programs	Program Revenues					Primary Government		Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Marion County School Department	Marion County Emergency Communications District	Net (Expense) Revenue and Changes in Net Assets		
								Marion County School Department	Marion County Emergency Communications District	
Primary Government:										
Governmental Activities:										
General Government	\$ 1,021,425	\$ 402,127	\$ 18,524	\$ 0	\$ (600,774)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	751,613	655,144	9,985	0	(86,484)	0	0	0	0	0
Administration of Justice	1,512,499	632,997	13,850	0	(865,652)	0	0	0	0	0
Public Safety	3,388,592	209,331	180,454	32,432	(2,966,375)	0	0	0	0	0
Public Health and Welfare	1,136,833	10,284	57,717	168,682	(900,150)	0	0	0	0	0
Social, Cultural, and Recreational Services	167,552	0	18,000	0	(149,552)	0	0	0	0	0
Agriculture and Natural Resources	83,236	0	0	0	(83,236)	0	0	0	0	0
Other Operations	729,038	85,224	16,000	1,195,309	567,495	0	0	0	0	0
Highways/Public Works	2,321,925	103,340	1,746,017	136,005	(336,563)	0	0	0	0	0
Interest on Long-term Debt	1,929,930	0	0	0	(1,929,930)	0	0	0	0	0
Other Debt Service	29,520	0	841,336	0	811,816	0	0	0	0	0
Total Governmental Activities	\$ 13,072,163	\$ 2,098,447	\$ 2,901,883	\$ 1,532,428	\$ (6,539,405)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Primary Government	\$ 13,072,163	\$ 2,098,447	\$ 2,901,883	\$ 1,532,428	\$ (6,539,405)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Component Units:										
Marion County School Department	\$ 34,642,212	\$ 1,048,791	\$ 4,449,481	\$ 28,920	\$ 0	\$ (29,115,020)	\$ 0	\$ 0	\$ 0	\$ 0
Marion County Emergency Communications District	325,846	121,446	201,404	0	0	0	0	0	(2,996)	0
Total Component Units	\$ 34,968,058	\$ 1,170,237	\$ 4,650,885	\$ 28,920	\$ 0	\$ (29,115,020)	\$ 0	\$ 0	\$ (2,996)	\$ 0

(Continued)

Exhibit B

Marion County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Primary Government		Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities		Marion County Emergency Communications District	
					Marion County School Department	Marion County	Emergency Communications District	
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes					\$ 3,738,723	\$ 4,694,693	\$	0
Property Taxes Levied for Debt Service					1,846,144	0		0
Local Option Sales Taxes					1,637,479	2,850,168		0
Hotel/Motel Tax					0	11,638		0
Litigation Tax - General					94,630	0		0
Litigation Tax - Special Purpose					10,784	0		0
Litigation Tax - Jail, Workhouse, or Courthouse					19,960	0		0
Business Tax					215,492	0		0
Mineral Severance Tax					4,346	0		0
Wholesale Beer Tax					0	113,258		0
Other Local Taxes					2,053	1,331		0
Grants and Contributions Not Restricted to Specific Programs					630,383	20,034,048		10,000
Unrestricted Investment Earnings					226,586	26,728		6,503
Miscellaneous					34,226	66,543		0
Total General Revenues					\$ 8,460,806	\$ 27,798,407	\$	16,503
Change in Net Assets					\$ 1,921,401	\$ (1,316,613)	\$	13,507
Net Assets (Deficit), July 1, 2009					(18,748,905)	50,284,728		713,903
Prior-period Adjustment					0	4,033		0
Net Assets (Deficit), June 30, 2010					\$ (16,827,504)	\$ 48,972,148	\$	727,410

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

Exhibit C-1

Marion County, Tennessee
 Balance Sheet
 Governmental Funds
 June 30, 2010

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway/ Public Works	General Debt Service	Rural Debt Service	Other Governmental Funds		
Cash	\$ 200	\$ 0	\$ 0	\$ 0	\$ 0	\$ 105,009	\$ 105,209
Equity in Pooled Cash and Investments	781,986	431,496	1,710,838	3,296,302	2,953,040	9,173,662	9,173,662
Accounts Receivable	10,881	3,734	0	0	6,295	20,910	20,910
Due from Other Governments	160,569	321,761	0	0	324,771	807,101	807,101
Due from Other Funds	26,943	0	0	0	133	27,076	27,076
Property Taxes Receivable	4,318,849	0	657,550	1,503,617	0	6,480,016	6,480,016
Allowance for Uncollectible Property Taxes	(252,481)	0	(36,725)	(89,590)	0	(378,796)	(378,796)
Total Assets	\$ 5,046,947	\$ 756,991	\$ 2,331,663	\$ 4,710,329	\$ 3,389,248	\$ 16,235,178	\$ 16,235,178

ASSETS

LIABILITIES AND FUND BALANCES

Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 89,905	\$ 89,905
Payroll Deductions Payable	3,492	0	0	0	0	3,492
Due to Other Funds	133	0	0	0	6,215	6,348
Deferred Revenue - Current Property Taxes	3,834,878	0	589,178	1,329,895	0	5,753,951
Deferred Revenue - Delinquent Property Taxes	202,823	0	27,727	73,965	0	304,515
Other Deferred Revenues	13,483	153,518	0	0	162,999	330,000
Total Liabilities	\$ 4,054,809	\$ 153,518	\$ 616,905	\$ 1,403,860	\$ 259,119	\$ 6,488,211
Fund Balances						
Reserved for Encumbrances	\$ 285,079	\$ 0	\$ 0	\$ 0	\$ 0	\$ 285,079
Reserved for Alcohol and Drug Treatment	151,831	0	0	0	0	151,831
Reserved for Drug Court	16,403	0	0	0	0	16,403
Reserved for Sexual Offender Registration	9,805	0	0	0	0	9,805
Reserved for Computer System - Register	59,203	0	0	0	0	59,203
Reserved for Automation Purposes - Circuit Court	3,924	0	0	0	0	3,924
Reserved for Automation Purposes - General Sessions Court	52,509	0	0	0	0	52,509
Reserved for Automation Purposes - Chancery Court	272	0	0	0	0	272

(Continued)

Exhibit C-1

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

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Highway/ Public Works	General Debt Service	Rural Debt Service	Other Governmental Funds			
\$	21,129	0	0	0	0	0	21,129	
	3,340	0	0	0	0	0	3,340	
	6,595	0	0	0	0	0	6,595	
	382,048	0	0	0	0	0	382,048	
	0	603,473	0	0	340,877	0	944,350	
	0	0	1,714,758	3,306,469	1,214,619	0	6,235,846	
	0	0	0	0	1,574,633	0	1,574,633	
\$	992,138	603,473	1,714,758	3,306,469	3,130,129	0	9,746,967	
\$	5,046,947	756,991	2,331,663	4,710,329	3,389,248	0	16,235,178	

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)
Reserved for Automation Purposes - Sheriff
Reserved for Automation Purposes - County Clerk
Reserved for Other General Purposes
Unreserved, Reported In:
General Fund
Special Revenue Funds
Debt Service Funds
Capital Projects Funds
Total Fund Balances

Total Liabilities and Fund Balances

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

Marion County, Tennessee
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Assets
June 30, 2010

Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	9,746,967
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	2,575,833	
Add: construction in progress		502,122	
Add: buildings and improvements net of accumulated depreciation		7,514,822	
Add: infrastructure net of accumulated depreciation		6,746,027	
Add: other capital assets net of accumulated depreciation		<u>727,483</u>	18,066,287
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(315,386)	
Less: bonds payable		(44,575,000)	
Less: capital leases payable		(7,583)	
Add: deferred charges - debt issuance costs		60,828	
Less: compensated absences payable		(61,633)	
Less: other postemployment benefits liability		(81,234)	
Less: landfill postclosure care costs liability		(88,080)	
Less: accrued interest on bonds		(188,870)	
Less: accrued interest on notes		(1,448)	
Less: other deferred revenue - premium on debt		<u>(16,867)</u>	(45,275,273)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>634,515</u>
Net assets (deficit) of governmental activities (Exhibit A)		\$	<u><u>(16,827,504)</u></u>

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

Marion County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway /	General	Rural	Governmental	Funds	
		Public Works	Debt Service	Debt Service			
<u>Revenues</u>							
Local Taxes	\$ 4,150,249	\$ 4,346	\$ 520,957	\$ 1,361,494	\$ 1,651,439	\$ 7,688,485	
Licenses and Permits	137,975	0	0	0	0	137,975	
Fines, Forfeitures, and Penalties	112,003	0	0	0	78,518	190,521	
Charges for Current Services	118,110	103,340	0	0	374,711	596,161	
Other Local Revenues	384,300	1,327	0	0	32,937	418,564	
Fees Received from County Officials	848,741	0	0	0	0	848,741	
State of Tennessee	1,421,159	1,883,134	0	0	181,211	3,485,504	
Federal Government	770,963	0	0	0	0	770,963	
Other Governments and Citizens Groups	168,262	0	0	841,336	0	1,009,598	
Total Revenues	\$ 8,111,762	\$ 1,992,147	\$ 520,957	\$ 2,202,830	\$ 2,318,816	\$ 15,146,512	
<u>Expenditures</u>							
Current:							
General Government	\$ 2,781,762	\$ 0	\$ 0	\$ 0	\$ 5,124	\$ 2,786,886	
Finance	285,767	0	0	0	375,826	661,593	
Administration of Justice	1,374,163	0	0	0	0	1,374,163	
Public Safety	2,889,501	0	0	0	68,009	2,957,510	
Public Health and Welfare	563,277	0	0	0	517,293	1,080,570	
Social, Cultural, and Recreational Services	151,057	0	0	0	0	151,057	
Agriculture and Natural Resources	75,164	0	0	0	0	75,164	
Other Operations	2,465,980	0	10,289	0	19,510	2,495,779	
Highways	0	2,147,249	0	0	0	2,147,249	
Debt Service:							
Principal on Debt	0	0	2,191,572	905,000	475,000	3,571,572	
Interest on Debt	0	0	196,853	877,556	860,450	1,934,859	
Other Debt Service	0	0	61,754	28,594	0	90,348	
Total Expenditures	\$ 10,586,671	\$ 2,147,249	\$ 2,460,468	\$ 1,811,150	\$ 2,321,212	\$ 19,326,750	
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,474,909)	\$ (155,102)	\$ (1,939,511)	\$ 391,680	\$ (2,396)	\$ (4,180,238)	

(Continued)

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 Governmental Funds		
<u>Other Financing Sources (Uses)</u>							
Bonds Issued	\$ 0	\$ 0	\$ 2,105,000	\$ 0	\$ 0	\$ 1,570,000	\$ 3,675,000
Notes Issued	2,286,000	0	0	0	0	0	2,286,000
Premiums on Debt Issued	0	0	17,124	0	0	0	17,124
Proceeds from Sale of Capital Assets	6,250	0	0	0	0	0	6,250
Insurance Recovery	0	0	0	0	0	23,808	23,808
Transfers In	0	10,000	0	0	0	65,000	75,000
Transfers Out	(75,000)	0	0	0	0	0	(75,000)
Total Other Financing Sources (Uses)	\$ 2,217,250	\$ 10,000	\$ 2,122,124	\$ 0	\$ 0	\$ 1,658,808	\$ 6,008,182
Net Change in Fund Balances	\$ (257,659)	\$ (145,102)	\$ 182,613	\$ 391,680	\$ 1,656,412	\$ 1,827,944	\$ 1,827,944
Fund Balance, July 1, 2009	1,249,797	748,575	1,532,145	2,914,789	1,473,717	1,473,717	7,919,023
Fund Balance, June 30, 2010	\$ 992,138	\$ 603,473	\$ 1,714,758	\$ 3,306,469	\$ 3,130,129	\$ 3,130,129	\$ 9,746,967

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

Exhibit C-4

Marion County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2010

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ 1,827,944
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 3,513,919	
Less: current-year depreciation expense	<u>(919,205)</u>	2,594,714
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Less: proceeds from the sale of capital assets	\$ (28,108)	
Less: loss on disposal of capital assets	<u>(30,889)</u>	(58,997)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2010	\$ 634,515	
Less: deferred delinquent property taxes and other deferred June 30, 2009	<u>(789,670)</u>	(155,155)
(4) The issuance of long-term debt (e.g., bonds, notes, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Less: note proceeds	\$ (2,286,000)	
Less: bond proceeds	(3,675,000)	
Less: changes in premium on debt issuance	(16,867)	
Add: principal payments on notes	2,133,332	
Add: principal payments on bonds	1,535,000	
Add: principal payments on capital leases	21,853	
Add: change in deferred issuance cost	<u>60,828</u>	(2,226,854)
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ 4,849	
Change in compensated absences payable	2,912	
Change in landfill postclosure care costs liability	(6,405)	
Change in other postemployment benefits liability	<u>(61,607)</u>	(60,251)
Change in net assets of governmental activities (Exhibit B)		<u>\$ 1,921,401</u>

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

Exhibit D

Marion County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2010

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 833,640
Equity in Pooled Cash and Investments	92,650
Accounts Receivable	19,362
Due from Other Governments	534,445
Property Taxes Receivable	401,700
Allowance for Uncollectible Property Taxes	<u>(23,524)</u>
Total Assets	<u>\$ 1,858,273</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 952,852
Due to Litigants, Heirs, and Others	852,768
Due to Joint Ventures	<u>52,653</u>
Total Liabilities	<u>\$ 1,858,273</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, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The following are the more significant accounting policies of 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) and its component units. Although required by GAAP, the financial statements of the Marion County Conservation Commission, a nonmajor enterprise fund, were not available from other auditors in time for inclusion in this report. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

Discretely Presented Component Units – The following entities meet the criteria for discretely presented component units of the county. They are reported in separate columns in the government-wide financial 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 does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Complete financial statements of the Marion County Emergency

Communications District can be obtained from its administrative office at the following address:

Administrative Office:

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the Statement of Activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the business-type activities of the primary government of Marion County consist of the Marion County Conservation Commission whose financial statements were not available from other auditors in time for inclusion in this report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Marion County School Department component unit only reports governmental activities in the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Marion County issues all debt for the discretely presented Marion County School Department. No debt issues were contributed by the county to the School Department during the year ended June 30, 2010.

Separate financial statements are provided for governmental funds and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary funds financial statements, except for agency funds, which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of Marion County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary; however, as previously mentioned, the proprietary fund was not available from other auditors at the date of 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 (except for agency funds, which have no measurement focus) and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 types:

Capital Projects Fund – The Education Capital Projects Fund accounts for building projects for a higher education facility for use by the citizens of Marion County and the surrounding area.

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, the city school system’s share of educational revenues, 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.

The discretely presented Marion County School Department reports the following major governmental funds:

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

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

Additionally, the Marion County School Department reports the following fund type:

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

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

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

D. 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; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

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

2. Receivables and Payables

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 3.29 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. Inventories

Inventories of the discretely presented Marion County School Department are recorded at cost, determined on the first-in, first-out method.

4. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$10,000 or more and an estimated useful life of more than three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Property, plant, equipment, and infrastructure of the primary government and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	25-40
Other Capital Assets	5-15
Infrastructure:	
Roads	5-20
Bridges	40

5. 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. Vacation pay is accrued when incurred in the county's government-wide financial statements. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements. It is Marion County's policy to pay a separated employee a maximum of ten days accrued vacation leave.

The general policy of the discretely presented Marion County School Department does not allow for the accumulation of vacation days beyond year-end. Any accumulated vacation days at the end of the school year are converted to sick leave. All professional personnel of the School Department are allowed to accumulate unlimited sick leave days. All other employees are allowed to accumulate one day of sick leave for each month employed during the school year. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

In the fund financial statements, 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.

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

7. Net Assets and Fund Equity

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

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

On the government-wide Statement of Net Assets (Exhibit A), the account Restricted for General Purposes for the primary government consists of various restrictions totaling \$325,011, with the primary restrictions being for: (1) alcohol and drug treatment (\$151,831); (2) computer systems for various offices (\$140,377); (3) sexual offender registration (\$9,805); and (4) drug court (\$16,403). For the discretely presented School Department, the account balance in Restricted for General Purposes (\$103,103) consists primarily of restrictions for technology (\$75,395) and the daycare program (\$22,607).

As of June 30, 2010, Marion County had \$36,695,000 in outstanding debt for capital purposes for the discretely presented Marion County School Department. In accordance with state statutes, certain county school debt proceeds must be shared with other public school systems in the county (Richard City School System) based on an average daily

attendance proration. This debt is a liability of Marion County, but the capital assets acquired are reported in the financial statements of the School Department and the Richard City School System. Therefore, Marion County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

In the fund financial statements, 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.

8. Prior-period Adjustment

Net assets of the discretely presented Marion County School Department were restated \$4,033 from the prior year because the liability for other postemployment benefits as of July 1, 2009, was overstated.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Assets

Primary Government

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Assets.

Discretely Presented Marion County School Department

Exhibit I-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Assets.

B. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities

Primary Government

Exhibit C-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide Statement of Activities.

Discretely Presented Marion County School Department

Exhibit I-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide Statement of Activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

The budgetary level of control is at the major category level established by the County 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 Discretely Presented Marion County School Department had Deposits That Were Exposed to Custodial Credit Risk

At June 30, 2010, the School Department's brokerage firm was holding investments of \$539,144 for the discretely presented Marion County School Department's Private Purpose Trust Fund, which were exposed to 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.

C. **Cash Shortages – Current Year**

On August 25, 2010, our office issued a special report on the Marion County Election Office for the period July 1, 2003, through March 31, 2010. This report disclosed that the cash shortage resulted from 107 warrants being improperly issued to 34 individuals totaling \$27,170.93 for work that was not performed. This report is available at www.tn.gov/comptroller. On October 4, 2010, Ms. Holly Henegar, administrator of elections, was indicted by the Marion County Grand Jury.

On October 20, 2010, our office issued a special report on the Halletown Volunteer Fire Department (HVFD) for the period January 1, 2005, through April 12, 2010. This report disclosed that the cash shortage resulted from checks written on HVFD bank accounts to pay personal expenses of Mr. Billy Joe Henegar, the secretary/treasurer (\$92,620.25), together with \$2,203.66 in cash withheld from bank deposits of private donations and a county contribution. Mr. Henegar remitted personal funds totaling \$7,800 to the HVFD leaving a cash shortage balance of \$87,203.91 at April 12, 2010. This report is available at www.tn.gov/comptroller. On October 4, 2010, Mr. Billy Joe Henegar was indicted by the Marion County Grand Jury.

IV. **DETAILED NOTES ON ALL FUNDS**

A. **Deposits and Investments**

Marion County and the Marion County School Department (excluding the Private Purpose Trust Fund) 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 balance sheets or statements of net assets 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; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; 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 Comptroller's Office 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 fair value of the securities on the day of purchase.

Investment Balances. As of June 30, 2010, Marion County had the following investments carried at fair value. All the investments are nonpooled investments held by the School Department's Private Purpose Trust Fund.

Investment	Maturities	Fair Value
School Private Purpose Trust Fund:		
Nonpooled Investments:		
SunTrust Bank - U.S. Certificates of Deposit	3-20-15	\$ 47,644
Corporate Bonds - Bellsouth	11-15-12	64,325
Corporate Bonds - Public Service Co.	3-1-13	65,266
Corporate Bonds - JP Morgan Chase & Co.	3-1-15	63,757
Corporate Bonds - Verizon Communications	2-15-16	78,401
Corporate Bonds - General Electric	2-15-12	106,274
Corporate Bonds - Johnson & Johnson	7-15-18	<u>113,477</u>
Total		<u>\$ 539,144</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. 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
SunTrust Bank - U.S. Certificates of Deposit	A2	BBB+
Corporate Bonds - Bellsouth	A2	A
Corporate Bonds - Public Service Co.	A2	A
Corporate Bonds - JP Morgan Chase & Co.	Aa3	A+
Corporate Bonds - Verizon Communications	A3	A
Corporate Bonds - General Electric	Aa2	AA+
Corporate Bonds - Johnson & Johnson	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.

The nonpooled investments (\$539,144) represent the entire investments of the School Department's Private Purpose Trust Fund. These investments are

as follows: SunTrust Bank – U.S. Certificates of Deposit (nine percent), Corporate Bonds - Bellsouth (12 percent), Corporate Bonds - Public Service Co. (12 percent), Corporate Bonds - JP Morgan Chase and Co. (12 percent), Corporate Bonds - Verizon (14 percent), Corporate Bonds - General Electric (20 percent), and Corporate Bonds - Johnson & Johnson (21 percent).

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 \$539,144 for all of the investments in corporate bonds because the related securities are uninsured, unregistered, and held by the 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. Capital Assets

Capital assets activity for the year ended June 30, 2010, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Capital Assets Not Depreciated:				
Land	\$ 937,359	\$ 1,638,474	\$ 0	\$ 2,575,833
Construction in Progress	0	502,122	0	502,122
Total Capital Assets Not Depreciated	\$ 937,359	\$ 2,140,596	\$ 0	\$ 3,077,955
Capital Assets Depreciated:				
Buildings and Improvements	\$ 10,067,094	\$ 703,609	\$ 0	\$ 10,770,703
Infrastructure	25,152,237	370,638	0	25,522,875
Other Capital Assets	3,064,132	299,076	(345,604)	3,017,604
Total Capital Assets Depreciated	\$ 38,283,463	\$ 1,373,323	\$ (345,604)	\$ 39,311,182

Governmental Activities (Cont.):

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 2,997,795	\$ 258,086	\$ 0	\$ 3,255,881
Infrastructure	18,298,932	477,916	0	18,776,848
Other Capital Assets	2,393,525	183,203	(286,607)	2,290,121
Total Accumulated Depreciation	\$ 23,690,252	\$ 919,205	\$ (286,607)	\$ 24,322,850
Total Capital Assets Depreciated, Net	\$ 14,593,211	\$ 454,118	\$ (58,997)	\$ 14,988,332
Governmental Activities Capital Assets, Net	\$ 15,530,570	\$ 2,594,714	\$ (58,997)	\$ 18,066,287

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 80,507
Public Safety	269,358
Public Health and Welfare	22,878
Other Operations	1,144
Highways/Public Works	545,318
Total Depreciation Expense - Governmental Activities	\$ 919,205

Discretely Presented Marion County School Department

Governmental Activities:

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Capital Assets Not Depreciated:				
Land	\$ 1,133,836	\$ 0	\$ 0	\$ 1,133,836
Total Capital Assets Not Depreciated	\$ 1,133,836	\$ 0	\$ 0	\$ 1,133,836

Governmental Activities (Cont.):

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Capital Assets				
Depreciated:				
Buildings and				
Improvements	\$ 58,916,681	\$ 0	\$ 0	\$ 58,916,681
Other Capital Assets	306,920	93,092	(42,500)	357,512
Total Capital Assets				
Depreciated	<u>\$ 59,223,601</u>	<u>\$ 93,092</u>	<u>\$ (42,500)</u>	<u>\$ 59,274,193</u>
Less Accumulated				
Depreciated For:				
Buildings and				
Improvements	\$ 13,059,374	\$ 1,400,449	\$ 0	\$ 14,459,823
Other Capital Assets	155,003	20,667	(8,606)	167,064
Total Accumulated				
Depreciation	<u>\$ 13,214,377</u>	<u>\$ 1,421,116</u>	<u>\$ (8,606)</u>	<u>\$ 14,626,887</u>
Total Capital Assets				
Depreciated, Net	<u>\$ 46,009,224</u>	<u>\$ (1,328,024)</u>	<u>\$ (33,894)</u>	<u>\$ 44,647,306</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 47,143,060</u>	<u>\$ (1,328,024)</u>	<u>\$ (33,894)</u>	<u>\$ 45,781,142</u>

Depreciation expense was charged to functions of the discretely presented Marion County School Department as follows:

Governmental Activities:

Instruction	\$ 1,410,477
Support Services	6,050
Operation of Non-Instructional Services	<u>4,589</u>
Total Depreciation Expense -	
Governmental Activities	<u><u>\$ 1,421,116</u></u>

C. Insurance Recoveries

During the year, Marion County had a theft of small tools and a four-wheeler plus damage to a vehicle. Insurance recovery of \$23,808 was used to replace the tools and four-wheeler and to repair the damage to the vehicle.

D. Construction Commitments

At June 30, 2010, the county had uncompleted construction contracts of approximately \$285,079 for airport projects. Funding for the airport projects is expected to be received from state grants.

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2010, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 26,943
Nonmajor governmental	General	133

These balances 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.

A portion of the receivable in the General Fund totaling \$20,728 was in transit from the Drug Control Fund at June 30, 2010.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2010, consisted of the following amounts:

Primary Government

<u>Transfers Out</u>	<u>Transfers In</u>	
	Highway/ Public Works Fund	Nonmajor Governmental Fund
General Fund	\$ 10,000	\$ 65,000

Discretely Presented Marion County School Department

<u>Transfer Out</u>	<u>Transfer In</u>
	General Purpose School Fund
Nonmajor governmental fund	\$ 193,547

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.

F. Capital Lease

On November 15, 2007, Marion County entered into a three-year lease-purchase agreement for Sheriff's Department vehicles. The terms of the agreement require total lease payments of \$63,350 plus interest of 6.1 percent. Title to the vehicles transfers to Marion County at the end of the lease period. The lease payments are made from the General Fund.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2010, were as follows:

Year Ending June 30	Governmental Funds
2011	\$ 7,679
Total Minimum Lease Payments	\$ 7,679
Less: Amount Representing Interest	(96)
Present Value of Minimum Lease Payments	\$ 7,583

G. Long-term Debt

Primary Government

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 25 years for bonds and up to five years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds included in long-term debt as of June 30, 2010, will be retired from the General Debt Service, Education Debt Service, and Rural Debt Service funds. All capital outlay notes included in long-term debt as of June 30, 2010, will be retired from the General Fund.

General obligation bonds, capital outlay notes, the capital lease outstanding as of June 30, 2010, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-10
General Obligation Bonds	1.2 to 5%	\$ 28,590,000	\$ 24,010,000
General Obligation Bonds - Refunding	3.5 to 5	22,405,000	20,565,000
Capital Outlay Notes	2.125 to 3.5	436,000	315,386
Capital Lease	6.1	63,350	7,583

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2010, including interest payments, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2011	\$ 117,901	\$ 7,701	\$ 125,602
2012	120,994	4,608	125,602
2013	76,491	1,684	78,175
Total	<u>\$ 315,386</u>	<u>\$ 13,993</u>	<u>\$ 329,379</u>

Year Ending June 30	Bonds		
	Principal	Interest	Total
2011	\$ 1,765,000	\$ 1,963,206	\$ 3,728,206
2012	1,870,000	1,883,619	3,753,619
2013	1,940,000	1,805,860	3,745,860
2014	2,020,000	1,723,978	3,743,978
2015	2,095,000	1,637,739	3,732,739
2016-2020	11,880,000	6,798,953	18,678,953
2021-2025	13,130,000	3,922,716	17,052,716
2026-2030	8,425,000	1,457,768	9,882,768
2031	1,450,000	65,250	1,515,250
Total	<u>\$ 44,575,000</u>	<u>\$ 21,259,089</u>	<u>\$ 65,834,089</u>

There is \$6,235,846 available in the debt service funds to service general long-term debt. Bonded debt per capita totaled \$1,605, based on the 2000 federal census. Debt per capita, including bonds, notes, and the capital lease totaled \$1,616, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Lease
Balance, July 1, 2009	\$ 42,435,000	\$ 162,718	\$ 29,436
Additions	3,675,000	2,286,000	0
Deductions	(1,535,000)	(2,133,332)	(21,853)
Balance, June 30, 2010	<u>\$ 44,575,000</u>	<u>\$ 315,386</u>	<u>\$ 7,583</u>
Balance Due Within One Year	<u>\$ 1,765,000</u>	<u>\$ 117,901</u>	<u>\$ 7,583</u>

	Landfill Postclosure Care Costs	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2009	\$ 81,675	\$ 64,545	\$ 19,627
Additions	6,405	114,486	71,046
Deductions	0	(117,398)	(9,439)
Balance, June 30, 2010	<u>\$ 88,080</u>	<u>\$ 61,633</u>	<u>\$ 81,234</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 58,554</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 45,128,916
Less: Balance Due Within One Year	(1,949,038)
Add: Unamortized Premium on Debt	<u>16,867</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 43,196,745</u>

Compensated absences will be paid from the employing funds, primarily the General Fund. Landfill postclosure care costs will be paid from the Solid Waste/Sanitation Fund.

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, 2010, the following outstanding bond is considered defeased:

	<u>Amount</u>
2001 Rural School	\$ 2,390,000

Discretely Presented Marion County School Department

Capital Outlay Notes

Marion County issues capital outlay notes for the School Department 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, 2010, for governmental activities are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-10</u>
Capital Outlay Notes	0 to 4.55%	\$ 590,000	\$ 323,698

The annual requirements to amortize all notes outstanding as of June 30, 2010, including interest payments, are presented in the following table:

Year Ending June 30	Notes		
	Principal	Interest	Total
2011	\$ 49,694	\$ 13,454	\$ 63,148
2012	42,585	11,564	54,149
2013	44,564	9,585	54,149
2014	46,634	7,515	54,149
2015	48,801	5,348	54,149
2016-2017	91,420	3,840	95,260
Total	\$ 323,698	\$ 51,306	\$ 375,004

Debt per capita totaled \$12, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

Governmental Activities:

	Notes	Other Postemployment Benefits
Balance, July 1, 2009	\$ 371,586	\$ 401,381
Prior-period Adjustment	0	(4,033)
Additions	0	260,944
Deductions	(47,888)	(282,789)
Balance, June 30, 2010	\$ 323,698	\$ 375,503
Balance Due Within One Year	\$ 49,694	\$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 699,201
Less: Balance Due Within One Year	(49,694)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	\$ 649,507

H. On-Behalf Payments - Discretely Presented Marion County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Marion County School Department. These payments are

made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2010, were \$123,479 and \$30,443, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

I. Short-term Debt

Marion County issued tax anticipation notes of \$600,000 from the Rural Debt Service Fund in advance of property tax collections and deposited the proceeds in the General Fund. These notes were necessary because funds were not available to meet obligations coming due before current tax collections. Short-term debt activity for the year ended June 30, 2010, was as follows:

	Balance			Balance
	7-1-09	Issued	Paid	6-30-10
Tax Anticipation Note	\$ 0	\$ 600,000	\$ (600,000)	\$ 0

V. OTHER INFORMATION

A. Risk Management

Primary Government

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

The county (excluding the Highway Department) participates in the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The county pays an annual premium to the TN-RMT for workers' compensation insurance coverage. The

creation of the TN-RMT 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 participates in 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 (TCA), 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.

Discretely Presented Marion County School Department

The School Department participates in the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Government Tort Liability Act to provide governmental insurance coverage. The School Department pays an annual premium to the TN-RMT for its general liability, property, and casualty insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

The School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, TCA, all local education agencies are eligible to participate. The LEGIF 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. Section 8-27-303, TCA, provides for the LEGIF to be self-sustaining through member premiums.

B. Risk Financing Activities

Marion County and several other counties, cities, and local government entities were members of the Local Government Insurance Cooperative (LOGIC) for workers' compensation insurance for one or more policy years in 1996-97, 1997-98, and 1999-2000. LOGIC obtained excess coverage insurance from Reliance Insurance Company for claims that exceeded specific amounts. Reliance Insurance Company is now insolvent and is being liquidated in the State of Pennsylvania. The insolvency of Reliance Insurance Company has left the LOGIC members exposed to significant claim liabilities for their

policy years. In 2003, the LOGIC board of directors assessed its members certain amounts for each member's share of outstanding claims unpaid by Reliance Insurance Company. In 2010, the LOGIC board of directors made a second assessment of its members. Marion County's share of this second assessment totaled \$21,684.

C. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments became effective for the year ended June 30, 2010.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets. Intangible assets have three characteristics: lack of physical substance; nonfinancial in nature; and a useful life that extends beyond a single reporting period. Assets that have these characteristics and are identifiable to the government should be recorded as capital assets and amortized over their useful lives. Easements, water rights, patents, and computer software are examples of intangible assets that should be recognized under GASB Statement No. 51. Marion County and the Marion County School Department had no assets that met the definition of intangible assets at June 30, 2010. However, it is reasonably expected that Marion County and the School Department may acquire intangible assets in subsequent years.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by county governments. Derivative instruments are financial arrangements used by governments as investments; hedges against identified financial risks; or to lower the costs of borrowings. Interest rate swaps and locks, options, swaptions, forward contracts, and futures contracts are among the commonly used types of derivatives mentioned in GASB Statement No. 53. Derivative instruments associated with fluctuating financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. For the same reasons, derivative instruments can expose governments to significant risks and liabilities. The requirements of GASB Statement No. 53 are intended to help users of financial information evaluate the effectiveness and associated risks involved with Marion County's derivative transactions. GASB Statement No. 53 requires most derivatives to be reported at fair value in the Statement of Net Assets. Changes in fair value for derivative instruments that are intended for investment purposes or that are reported like investment derivative instruments because of ineffectiveness are reported as investment revenues in the Statement of Activities. Alternatively, the changes in fair value of derivative instruments that are classified as hedging (i.e., effective) derivative instruments are reported in the Statement of Net Assets as deferrals. Marion County had not participated in derivative transactions at

June 30, 2010. However, it is reasonably expected that Marion County may enter into derivative transactions in subsequent years.

D. Subsequent Events

On August 31, 2010, Howell Moss left the Office of County Mayor and was succeeded by David Kirk, David Kirk left the Office of Trustee and was succeeded by Sue Blevins, and Evelyn Griffith left the Office of Circuit and General Sessions Courts Clerk and was succeeded by Lonna Henderson.

On September 7, 2010, the county's Rural Debt Service Fund issued a \$600,000 tax anticipation note to the General Fund for temporary operating funds.

On November 10, 2010, County Mayor David Kirk died. Robert Eugene Hargis, Chairman of the County Commission, served as interim county mayor from November 11, 2010, until December 20, 2010. On December 20, 2010, the County Commission appointed current Highway Supervisor John Graham as County Mayor. Therefore, on December 20, 2010, John Graham left the Office of Highway Supervisor, and the County Commission appointed Neil Webb as interim highway supervisor.

On December 7, 2010, the county's Rural Debt Service Fund issued a \$400,000 tax anticipation note to the General Fund for temporary operating funds.

On January 6, 2011, Marion County issued a refunding school bond for \$13,045,000 to refinance the Rural School Refunding Bond, Series 2001.

E. 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.

F. Landfill Closure/Postclosure Care Costs

Marion County has an active permit on file with the state Department of Environment and Conservation for a sanitary landfill. The county has provided financial assurances for estimated closure and postclosure liabilities as required by the State of Tennessee. These financial assurances are on file with the Department of Environment and Conservation.

State and federal laws and regulations require Marion County to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an

operating expense in each period based on landfill capacity used as of each balance sheet date.

Marion County contracted with Solid Waste Disposal, Inc., a private company, to operate the county's landfill. This contract requires Solid Waste Disposal, Inc., to be responsible for all closure costs of the landfill; therefore, the county's government-wide financial statements do not reflect amounts for estimated closure costs of the sanitary landfill. Marion County is contingently liable for all closure costs estimated to be \$275,249 based on the use of 32 percent of the estimated capacity of the landfill. Marion County is liable for all postclosure costs. The \$88,080 reported as postclosure care liability at June 30, 2010, represents amounts based on what it would cost to perform all postclosure care in 2010. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

G. 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, Grundy, Marion, Rhea, and Sequatchie counties; and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including 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, 2010.

Marion County does not have an equity interest in the above-noted joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

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

H. 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.

I. 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 at www.tn.gov/treasury/tcrs/PS/.

Funding Policy

Marion County requires employees to contribute five percent of their earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2010, was 5.33 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, 2010, Marion County's annual pension cost of \$461,389 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the

July 1, 2007, 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 postretirement 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, 2007, was eight years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-10	\$461,389	100%	\$0
6-30-09	437,344	100	0
6-30-08	369,949	100	0

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 91.25 percent funded. The actuarial accrued liability for benefits was \$19 million, and the actuarial value of assets was \$17.34 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.66 million. The covered payroll (annual payroll of active employees covered by the plan) was \$8.23 million, and the ratio of the UAAL to the covered payroll was 20.23 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The TCRS uses the frozen entry age actuarial cost method to calculate the annual required contribution. Effective July 1, 2009, the TCRS reestablished the unfunded accrued liabilities for all groups.

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 www.tn.gov/treasury/tcrs/Schools.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Marion County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2010, was 6.42 percent of annual covered payroll. The employer contribution requirement for the 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, 2010, 2009, and 2008, were \$960,728, \$932,932, and \$890,581, respectively, equal to the required contributions for each year.

J. Other Postemployment Benefits (OPEB)

Plan Description

Marion County and the Marion County School Department participate in the state-administered Local Government Group Insurance Plan and the Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-207, Tennessee Code Annotated (TCA), for local governments and Section 8-27-302, TCA, for teachers. Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tn.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employer in the plan develops a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants, however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. Marion County retirees' contributions vary depending on the insurance options they select, ranging from \$400 to \$610 per month towards their insurance. School Department retirees' contributions vary depending on the insurance options they select, ranging from \$466 to \$1,314 per month towards their insurance. During the year ended June 30, 2010, the county and the discretely presented School Department contributed \$9,439 and \$282,789, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Government Group Plan	Local Education Group Plan
ARC	\$ 71,000	\$ 260,000
Interest on the NPO	883	17,881
Adjustment to the ARC	(837)	(16,937)
Annual OPEB cost	\$ 71,046	\$ 260,944
Amount of contribution	(9,439)	(282,789)
Increase/decrease in NPO	\$ 61,607	\$ (21,845)
Net OPEB obligation, 7-1-09	19,627	401,381
Prior-period adjustment	0	(4,033)
Net OPEB obligation, 6-30-10	\$ 81,234	\$ 375,503

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-08	Local Government Group	\$ 21,306	53%	\$ 10,112
6-30-09	"	20,568	54	19,627
6-30-10	"	71,046	13	81,234
6-30-08	Local Education Group	407,612	52	197,529
6-30-09	"	381,055	47	397,348
6-30-10	"	260,944	108	375,503

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, was as follows:

	Local Government Group Plan	Local Education Group Plan
Actuarial valuation date	7-1-09	7-1-09
Actuarial accrued liability (AAL)	\$ 535,000	\$ 2,373,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 535,000	\$ 2,373,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 2,994,121	\$ 15,352,362
UAAL as a % of covered payroll	17.87%	15.46%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2009, actuarial valuation, the projected unit credit actuarial cost method was used and the actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses). The annual healthcare cost trend rate for the Local Education Group Plan was four percent for fiscal year 2010. The trend will rise to ten percent in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The annual health care cost trend rate for the Local Government Group Plan was three percent for fiscal year 2010. The trend will rise to ten percent in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

K. 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 \$10,000 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 24, 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.

Office of Director of Schools

Purchasing procedures for the School Department are governed by purchasing laws applicable to the schools as set forth in Section 49-2-203, TCA, 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.

VI. OTHER NOTES – DISCRETELY PRESENTED MARION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

A. Summary of Significant Accounting Policies

Organization

Marion County 9-1-1 Emergency Communications District is a governmental entity organized pursuant to Chapter 867 of the 1984 Tennessee Public Acts (“The Emergency Communications District Law”), which was enacted to establish local emergency telephone service and to provide for the funding of such services.

Financial Reporting Entity

The district is a component unit of Marion County, Tennessee. The Marion County Board of Commissioners appoints the district’s board of directors, appropriates funds for the operation and maintenance of the district, and approves long-term debt issued by the district.

Basis of Accounting

The district is a governmental unit, subject to accounting directives issued by the Governmental Accounting Standards Board (GASB), and anticipates recovering the cost of its services in a manner similar to a private business enterprise. Therefore, the district uses the flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual method of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred. Operating revenues are those that result from the activities of the district, including telephone service charges and state allocations and operational funding. Revenue from other sources is considered nonoperating.

In addition to GASB pronouncements, the district is subject to all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The district does not follow FASB pronouncements issued subsequent to November 30, 1989.

Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Accounts Receivable

Accounts receivable for telephone service charges and other is reported at the outstanding principal amount. All recorded amounts are considered to be collectible; therefore no allowance for uncollectibles is recorded.

Capital Assets

The district capitalizes significant purchases of capital assets, which are recorded at cost. Depreciation is provided over the estimated useful lives of the individual assets by the straight-line method.

Depreciation expense for the year ended June 30, 2010, was \$41,523.

Cash

For purposes of these financial statements, cash includes cash in banks and certificates of deposit with an original maturity date of 90 days or less.

B. Budgetary Control

The district's board approves an annual budget based upon anticipated revenues and estimated operating expenses. In accordance with the level of control established by the Tennessee Comptroller of the Treasury, operating expenses may not exceed the amount budgeted in each line item. Budgeted expenses may be amended, as needed, to meet changing needs.

C. Compensated Absences

The district has only one employee whose accrued vacation must be taken by the last day of the fiscal year; therefore, there is no unused vacation time available at June 30, 2010. The employee is provided 96 hours of annual sick

time, which may be accumulated up to 90 hours; because unused sick time is nonvesting and is not paid upon termination, no liability is recorded.

D. Changes in Capital Assets

Changes in capital assets for the year ended June 30, 2010, are as follows:

	Balance 7-1-09	Additions	Deletions	Balance 6-30-10
Assets:				
Furniture and Fixtures	\$ 10,046	\$ 0	\$ 0	\$ 10,046
Office Equipment	14,531	180	0	14,711
Vehicles	20,983	0	0	20,983
Communication Equipment	442,434	43,523	0	485,957
Projects in Progress	69,570	76,453	(144,759)	1,264
Total Assets	\$ 557,564	\$ 120,156	\$ (144,759)	\$ 532,961
Accumulated Depreciation:				
Furniture and Fixtures	\$ 7,353	\$ 577	\$ (839)	\$ 7,091
Office Equipment	6,318	2,519	(900)	7,937
Vehicles	6,645	4,197	0	10,842
Communication Equipment	299,025	35,968	0	334,993
Total Accumulated Depreciation	\$ 319,341	\$ 43,261	\$ (1,739)	\$ 360,863
Net Capital Assets	\$ 238,223	\$ 76,895	\$ (143,020)	\$ 172,098

E. Retirement Plan

The district provides a defined contribution money purchase pension plan for all full-time employees who have one year of continuous service. No employee contributions are required. The district contributes three percent of eligible compensation, subject to amendment to the plan as approved by the district's board. The "six-year graded" vesting schedule is used. Retirement expense included in salaries and benefits was \$1,491. Plan assets are maintained by an outside trustee. Each employee directs the investments of his individual account.

F. Commitment for Provider Services

For the year ending June 30, 2010, BellSouth was the district's provider of certain public safety answering point equipment and software. A previous five-year agreement ended in April, 2009, and is continuing on a month-to-month basis. The provider service fee is based on the number of

access lines and is subject to change. For the year ended June 30, 2010, the expense related to this agreement was \$62,160.

There are no future commitments as of the date this report was available for release.

G. Operating Leases

The district leases its office facilities, including utilities, on a month-to-month basis from the Town of Kimball for \$200 per month. Rent expense for the year was \$2,400.

The district leases antenna and transmittal space for \$250 per month under a 20-year agreement expiring in July 2013. The agreement provides for annual, negotiated increases, based on increases in the lessor’s costs of operating and maintaining the rental site. Rent expense was \$289 per month for July 1, 2009, through June 30, 2010, for a total cost of \$3,469.

Future lease commitments, based on the amount currently paid, are as follows:

Year Ending June 30	Amount
2011	\$ 3,642
2012	3,825
2013	4,016
2014	<u>351</u>
Total	<u><u>\$ 11,834</u></u>

The district leases office equipment under a 48-month lease expiring October 2013, with monthly rent of \$99 plus some additional charges for excess usage. Rent expense for the year was \$855. Future commitments are \$1,188 annually through June 30, 2013, with \$396 due in the year ending June 30, 2014.

H. Cash and Investments

The district reports its cash and investments in accordance with GASB Statement No. 40, “Deposit and Investment Risk Disclosures.” This statement eliminated or modified portions of the disclosures previously required by GASB Statement No. 3. GASB Statement No. 40 is designed to improve financial reporting of deposit and investment risks.

At June 30, 2010, the district’s cash and investments consisted of the following:

	Weighted Average Maturity (Years)	Cost Basis
Cash in Demand Deposit Accounts	\$ 0.00	\$ 166,501
Certificates of Deposit	0.45	374,510
Total	<u>\$ 0.31</u>	<u>\$ 541,011</u>

Interest Rate Risk – As a means of limiting its exposure to losses resulting from rising interest rates, the district’s usual policy is to invest in certificates of three years or less. The exposure to interest rate changes is presented using the weighted average maturity method. Its policy is to limit exposure to interest rate risk by requiring sufficient liquidity in the investment portfolio. The district’s investments experienced no significant fluctuations in fair value during the year.

Custodial Credit Risk – The district’s policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105 percent of the value of the uninsured deposits. The deposits must be covered by federal deposit insurance or the Tennessee Bank Collateral Pool, by collateral held by the district’s agent in the district’s name, or by Federal Reserve banks acting as third-party agents. State statutes also authorize the types of investments in which the district may participate. The district limits its investments to certificates of deposit with local banks.

Credit Risk – The district’s policies are designed to maximize its earnings, while protecting the security and providing maximum liquidity, in accordance with all applicable state laws.

At June 30, 2010, investments in certificates of deposit consisted of the following:

Financial Institution	Type of Instrument	Interest	Amount
First Volunteer Bank	Certificate	.85 %	\$ 103,077
First Jackson Bank	Certificate	1.70	105,344
Peoples State Bank	Certificate	1.00	102,785
Citizens Tri-County Bank	Certificate	1.35	<u>63,304</u>
Total			<u>\$ 374,510</u>

I. Risk Management

The district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The district is insured, subject to specified limits, for risks of these types of losses, including workers' compensation, general liability, personal property, and errors and omissions through the Tennessee Municipal League Risk Management Pool. Premiums are based on the district's individual claims history as well as the claims history of the entire pool.

There have been no settlements in excess of insurance coverage during the three most recent fiscal years.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Marion County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 General Fund
 For the Year Ended June 30, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)		Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	Original	Final	
Revenues								
Local Taxes	\$ 4,150,249	\$ 0	\$ 0	\$ 4,150,249	\$ 4,095,787	\$ 4,023,787	\$ 4,095,787	\$ 54,462
Licenses and Permits	137,975	0	0	137,975	113,000	113,000	113,000	24,975
Fines, Forfeitures, and Penalties	112,003	0	0	112,003	126,850	126,850	126,850	(14,847)
Charges for Current Services	118,110	0	0	118,110	112,800	112,800	112,800	5,310
Other Local Revenues	384,300	0	0	384,300	608,759	452,919	452,919	(68,619)
Fees Received from County Officials	848,741	0	0	848,741	878,000	878,000	878,000	(29,259)
State of Tennessee	1,421,159	0	0	1,421,159	1,933,873	2,733,211	2,733,211	(1,312,052)
Federal Government	770,963	0	0	770,963	195,397	1,205,279	1,205,279	(434,316)
Other Governments and Citizens Groups	168,262	0	0	168,262	220,000	221,000	221,000	(52,738)
Total Revenues	\$ 8,111,762	\$ 0	\$ 0	\$ 8,111,762	\$ 8,212,466	\$ 9,938,846	\$ 9,938,846	\$ (1,827,084)
Expenditures								
General Government								
County Commission	\$ 93,202	\$ 0	\$ 0	\$ 93,202	\$ 84,944	\$ 94,019	\$ 84,944	\$ 817
Board of Equalization	6,595	0	0	6,595	1,280	6,595	6,595	0
Beer Board	2,700	0	0	2,700	2,700	2,700	2,700	0
Budget and Finance Committee	3,225	0	0	3,225	3,675	3,675	3,675	450
County Mayor/Executive	160,461	0	0	160,461	164,582	165,726	165,726	5,265
Election Commission	196,351	0	0	196,351	201,959	213,490	213,490	17,139
Register of Deeds	157,677	0	0	157,677	163,827	164,327	164,327	6,650
Development	1,522,188	0	0	1,522,188	1,520,071	1,522,188	1,522,188	0
Building	115,765	0	0	115,765	118,213	119,513	119,513	3,748
County Buildings	446,424	0	0	446,424	496,679	497,679	497,679	51,255
Other General Administration	77,174	0	0	77,174	78,857	87,357	87,357	10,183

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures		Budgeted Amounts Original	Final	Variance with Final Budget - Positive (Negative)
				(Budgetary Basis)				
<u>Expenditures (Cont.)</u>								
<u>Finance</u>								
Property Assessor's Office	\$ 179,864	\$ 0	\$ 0	\$ 179,864	\$ 198,002	\$ 198,502	\$ 18,638	
Reappraisal Program	67,446	0	0	67,446	63,144	74,053	6,607	
County Trustee's Office	20,914	0	0	20,914	20,218	22,710	1,796	
County Clerk's Office	17,543	0	0	17,543	16,543	17,543	0	
Administration of Justice								
Circuit Court	368,300	0	0	368,300	362,489	369,150	850	
General Sessions Court	103,635	0	0	103,635	102,833	103,833	198	
Chancery Court	151,622	0	0	151,622	144,509	151,661	39	
Juvenile Court	750,606	0	0	750,606	166,078	805,865	55,259	
Public Safety								
Sheriff's Department	1,887,400	0	0	1,887,400	1,622,384	1,952,286	64,886	
Jail	791,239	0	0	791,239	846,695	859,795	68,556	
Fire Prevention and Control	193,862	0	0	193,862	193,862	193,862	0	
Civil Defense	7,000	0	0	7,000	157,000	157,000	150,000	
Rescue Squad	10,000	0	0	10,000	10,000	10,000	0	
Public Health and Welfare								
Local Health Center	237,310	0	0	237,310	251,800	251,800	14,490	
Ambulance/Emergency Medical Services	180,000	0	0	180,000	180,000	180,000	0	
Alcohol and Drug Programs	6,295	0	0	6,295	6,400	6,400	105	
Other Local Health Services	94,855	0	0	94,855	97,900	98,300	3,445	
Sanitation Education/Information	44,817	0	0	44,817	46,264	46,264	1,447	
<u>Social, Cultural, and Recreational Services</u>								
Libraries	132,832	0	0	132,832	132,832	132,832	0	
Parks and Fair Boards	18,225	0	0	18,225	23,505	23,505	5,280	

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Social, Cultural, and Recreational Services (Cont.)</u>							
Other Social, Cultural, and Recreational	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,500	\$ 10,500	\$ 10,500
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	46,653	0	0	46,653	46,613	48,554	1,901
Soil Conservation	28,511	0	0	28,511	28,937	28,937	426
<u>Other Operations</u>							
Industrial Development	8,616	0	0	8,616	8,616	8,616	0
Other Economic and Community Development	418,181	0	0	418,181	454,602	954,602	536,421
Airport	983,553	(53,010)	285,079	1,215,622	992,105	1,502,842	287,220
Veterans' Services	8,996	0	0	8,996	9,028	9,028	32
Other Charges	337,331	0	0	337,331	469,000	489,817	152,486
Employee Benefits	703,350	0	0	703,350	750,000	750,000	46,650
Miscellaneous	5,953	0	0	5,953	0	5,953	0
Total Expenditures	\$ 10,586,671	\$ (53,010)	\$ 285,079	\$ 10,818,740	\$ 10,248,646	\$ 12,341,479	\$ 1,522,739
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,474,909)	\$ 53,010	\$ (285,079)	\$ (2,706,978)	\$ (2,036,180)	\$ (2,402,633)	\$ (304,345)
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 2,286,000	\$ 0	\$ 0	\$ 2,286,000	\$ 1,500,000	\$ 2,286,000	\$ 0
Proceeds from Sale of Capital Assets	6,250	0	0	6,250	0	4,000	2,250
Insurance Recovery	0	0	0	0	20,000	18,359	(18,359)
Transfers Out	(75,000)	0	0	(75,000)	(90,000)	(90,000)	15,000
Total Other Financing Sources (Uses)	\$ 2,217,250	\$ 0	\$ 0	\$ 2,217,250	\$ 1,430,000	\$ 2,218,359	\$ (1,109)
Net Change in Fund Balance Fund Balance, July 1, 2009	\$ (257,659)	\$ 53,010	\$ (285,079)	\$ (489,728)	\$ (606,180)	\$ (184,274)	\$ (305,454)
	1,249,797	(53,010)	0	1,196,787	1,154,452	1,154,452	42,335
Fund Balance, June 30, 2010	\$ 992,138	\$ 0	\$ (285,079)	\$ 707,059	\$ 548,272	\$ 970,178	\$ (263,119)

Exhibit E-2

Marion County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 4,346	\$ 20,000	\$ 4,193	\$ 153
Charges for Current Services	103,340	125,000	103,215	125
Other Local Revenues	1,327	7,500	1,327	0
State of Tennessee	1,883,134	2,592,631	1,842,950	40,184
Total Revenues	<u>\$ 1,992,147</u>	<u>\$ 2,745,131</u>	<u>\$ 1,951,685</u>	<u>\$ 40,462</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 259,424	\$ 248,302	\$ 262,758	\$ 3,334
Highway and Bridge Maintenance	969,674	936,000	1,022,804	53,130
Operation and Maintenance of Equipment	298,660	285,000	312,196	13,536
Other Charges	54,784	56,540	56,574	1,790
Employee Benefits	363,492	379,975	385,807	22,315
Capital Outlay	201,215	1,210,792	283,024	81,809
Total Expenditures	<u>\$ 2,147,249</u>	<u>\$ 3,116,609</u>	<u>\$ 2,323,163</u>	<u>\$ 175,914</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (155,102)</u>	<u>\$ (371,478)</u>	<u>\$ (371,478)</u>	<u>\$ 216,376</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	\$ (145,102)	\$ (361,478)	\$ (361,478)	\$ 216,376
Fund Balance, July 1, 2009	<u>748,575</u>	<u>725,028</u>	<u>725,028</u>	<u>23,547</u>
Fund Balance, June 30, 2010	<u>\$ 603,473</u>	<u>\$ 363,550</u>	<u>\$ 363,550</u>	<u>\$ 239,923</u>

Exhibit E-3

Marion County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Marion County School Department
June 30, 2010

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-09	\$ 17,340	\$ 19,002	\$ 1,662	91.25 %	\$ 8,229	20.2 %
7-1-07	16,300	16,683	383	97.7	7,318	5.23

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the frozen entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the frozen entry age actuarial cost method was a change made during the 2007 actuarial valuation; therefore, only the two most recent valuations are presented.

Exhibit E-4

Marion County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and the Discretely Presented Marion County School Department
June 30, 2010

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date*	Actuarial Value of Assets (a)	Actuarial		Unfunded AAL (UAAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Liability (AAL)				
Local Government Group	7-1-07	\$ 0	\$ 159	\$ 159	159	0 %	\$ 1,907	8.34 %
"	7-1-09	0	535	535	535	0	2,994	17.87
Local Education Group	7-1-07	0	3,354	3,354	3,354	0	15,290	21.94
"	7-1-09	0	2,373	2,373	2,373	0	15,352	15.46

* Data for three actuarial valuations will be presented when available.

MARION COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2010

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 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 County 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 Marion 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.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Courthouse and Jail Maintenance Fund – The Courthouse and Jail Maintenance Fund is used to account for a special tax levied by private act on litigation.

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

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

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.

Education Debt Service Fund – The Education Debt Service fund is used to account for the retirement of bonds issued for the construction and renovation of schools.

Capital Projects Fund

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

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for building projects for a higher education facility for use by the citizens of Marion County and the surrounding area.

Exhibit F-1

Marion County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2010

	Special Revenue Funds							Total	Capital Projects Fund	Education Capital Projects	Total Nonmajor Governmental Funds		
	Courtthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Consti- tional Officers - Fees	Total	Debt Service Fund						Education Capital Projects	
						0 \$	0 \$					0 \$	0 \$
Cash	0	0	0	105,009	105,009	0	0	0	0	105,009			
Equity in Pooled Cash and Investments	12,587	109,270	162,652	0	284,509	1,098,531	1,570,000	1,570,000	0	2,953,040			
Accounts Receivable	0	0	0	214	214	1,448	4,633	4,633	0	6,295			
Due from Other Governments	0	79,668	2,879	0	82,547	242,224	0	0	0	324,771			
Due from Other Funds	0	0	133	0	133	0	0	0	0	133			
Total Assets	12,587	188,938	165,664	105,223	472,412	1,342,203	1,574,633	1,574,633	0	3,389,248			

ASSETS

Cash
 Equity in Pooled Cash and Investments
 Accounts Receivable
 Due from Other Governments
 Due from Other Funds

Total Assets

LIABILITIES AND FUND BALANCES

Liabilities

Accounts Payable	0	89,905	0	0	89,905	0	0	0	0	89,905
Due to Other Funds	0	0	5,395	820	6,215	0	0	0	0	6,215
Other Deferred Revenues	0	35,415	0	0	35,415	127,584	0	0	0	162,999
Total Liabilities	0	125,320	5,395	820	131,535	127,584	0	0	0	259,119

Fund Balances

Unreserved	12,587	63,618	160,269	104,403	340,877	1,214,619	1,574,633	1,574,633	0	3,130,129
Total Fund Balances	12,587	63,618	160,269	104,403	340,877	1,214,619	1,574,633	1,574,633	0	3,130,129
Total Liabilities and Fund Balances	12,587	188,938	165,664	105,223	472,412	1,342,203	1,574,633	1,574,633	0	3,389,248

Total Liabilities and Fund Balances

Exhibit F-2

Marion County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue Funds							Total	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Debt Service Fund		Capital Projects				
					Education	Debt Service					
<u>Revenues</u>											
Local Taxes	\$ 8,291	\$ 287,756	\$ 0	\$ 0	\$ 296,047	\$ 1,355,392	\$ 0	\$ 0	\$ 1,651,439		
Fines, Forfeitures, and Penalties	0	0	78,518	0	78,518	0	0	0	78,518		
Charges for Current Services	0	10,284	0	364,427	374,711	0	0	0	374,711		
Other Local Revenues	0	0	0	0	0	28,304	4,633	0	32,937		
State of Tennessee	0	181,211	0	0	181,211	0	0	0	181,211		
Total Revenues	\$ 8,291	\$ 479,251	\$ 78,518	\$ 364,427	\$ 930,487	\$ 1,383,696	\$ 4,633	\$ 0	\$ 2,318,816		
<u>Expenditures</u>											
Current:											
General Government	\$ 5,124	\$ 0	\$ 0	\$ 0	\$ 5,124	\$ 0	\$ 0	\$ 0	\$ 5,124		
Finance	0	0	0	375,826	375,826	0	0	0	375,826		
Public Safety	0	0	68,009	0	68,009	0	0	0	68,009		
Public Health and Welfare	0	517,293	0	0	517,293	0	0	0	517,293		
Other Operations	84	4,654	930	0	5,668	13,842	0	0	19,510		
Debt Service:											
Principal on Debt	0	0	0	0	0	475,000	0	0	475,000		
Interest on Debt	0	0	0	0	0	860,450	0	0	860,450		
Total Expenditures	\$ 5,208	\$ 521,947	\$ 68,939	\$ 375,826	\$ 971,920	\$ 1,349,292	\$ 0	\$ 0	\$ 2,321,212		
Excess (Deficiency) of Revenues Over Expenditures	\$ 3,083	\$ (42,696)	\$ 9,579	\$ (11,399)	\$ (41,433)	\$ 34,404	\$ 4,633	\$ (2,396)	\$ (2,396)		
<u>Other Financing Sources (Uses)</u>											
Bonds Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,570,000	\$ 0	\$ 1,570,000		
Insurance Recovery	0	7,650	16,158	0	23,808	0	0	0	23,808		
Transfers In	0	65,000	0	0	65,000	0	0	0	65,000		
Total Other Financing Sources (Uses)	\$ 0	\$ 72,650	\$ 16,158	\$ 0	\$ 88,808	\$ 0	\$ 1,570,000	\$ 0	\$ 1,658,808		
Net Change in Fund Balances	\$ 3,083	\$ 29,954	\$ 25,737	\$ (11,399)	\$ 47,375	\$ 34,404	\$ 1,574,633	\$ 0	\$ 1,656,412		
Fund Balance, July 1, 2009	9,504	33,664	134,532	115,802	293,502	1,180,215	0	0	1,473,717		
Fund Balance, June 30, 2010	\$ 12,587	\$ 63,618	\$ 160,269	\$ 104,403	\$ 340,877	\$ 1,214,619	\$ 1,574,633	\$ 0	\$ 3,130,129		

Exhibit F-3

Marion County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Courthouse and Jail Maintenance Fund
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 8,291	\$ 9,500	\$ 9,500	\$ (1,209)
Total Revenues	\$ 8,291	\$ 9,500	\$ 9,500	\$ (1,209)
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 5,124	\$ 10,000	\$ 10,000	\$ 4,876
<u>Other Operations</u>				
Other Charges	84	100	100	16
Total Expenditures	\$ 5,208	\$ 10,100	\$ 10,100	\$ 4,892
Excess (Deficiency) of Revenues Over Expenditures	\$ 3,083	\$ (600)	\$ (600)	\$ 3,683
Net Change in Fund Balance	\$ 3,083	\$ (600)	\$ (600)	\$ 3,683
Fund Balance, July 1, 2009	9,504	9,505	9,505	(1)
Fund Balance, June 30, 2010	\$ 12,587	\$ 8,905	\$ 8,905	\$ 3,682

Exhibit F-4

Marion County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 287,756	\$ 290,000	\$ 290,000	\$ (2,244)
Charges for Current Services	10,284	14,000	14,000	(3,716)
State of Tennessee	181,211	156,145	156,145	25,066
Total Revenues	<u>\$ 479,251</u>	<u>\$ 460,145</u>	<u>\$ 460,145</u>	<u>\$ 19,106</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Convenience Centers	\$ 514,830	\$ 544,102	\$ 551,752	\$ 36,922
Other Waste Collection	2,463	21,145	21,145	18,682
<u>Other Operations</u>				
Other Charges	4,654	5,000	5,000	346
Total Expenditures	<u>\$ 521,947</u>	<u>\$ 570,247</u>	<u>\$ 577,897</u>	<u>\$ 55,950</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (42,696)</u>	<u>\$ (110,102)</u>	<u>\$ (117,752)</u>	<u>\$ 75,056</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 7,650	\$ 0	\$ 7,650	\$ 0
Transfers In	65,000	80,000	80,000	(15,000)
Total Other Financing Sources (Uses)	<u>\$ 72,650</u>	<u>\$ 80,000</u>	<u>\$ 87,650</u>	<u>\$ (15,000)</u>
Net Change in Fund Balance	\$ 29,954	\$ (30,102)	\$ (30,102)	\$ 60,056
Fund Balance, July 1, 2009	<u>33,664</u>	<u>32,787</u>	<u>32,787</u>	<u>877</u>
Fund Balance, June 30, 2010	<u>\$ 63,618</u>	<u>\$ 2,685</u>	<u>\$ 2,685</u>	<u>\$ 60,933</u>

Exhibit F-5

Marion County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 78,518	\$ 40,000	\$ 41,500	\$ 37,018
Other Local Revenues	0	1,000	1,000	(1,000)
State of Tennessee	0	2,000	2,000	(2,000)
Other Governments and Citizens Groups	0	4,000	4,000	(4,000)
Total Revenues	<u>\$ 78,518</u>	<u>\$ 47,000</u>	<u>\$ 48,500</u>	<u>\$ 30,018</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 68,009	\$ 66,300	\$ 68,009	\$ 0
<u>Other Operations</u>				
Other Charges	930	500	1,000	70
Total Expenditures	<u>\$ 68,939</u>	<u>\$ 66,800</u>	<u>\$ 69,009</u>	<u>\$ 70</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 9,579</u>	<u>\$ (19,800)</u>	<u>\$ (20,509)</u>	<u>\$ 30,088</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 16,158	\$ 0	\$ 0	\$ 16,158
Total Other Financing Sources (Uses)	<u>\$ 16,158</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,158</u>
Net Change in Fund Balance	\$ 25,737	\$ (19,800)	\$ (20,509)	\$ 46,246
Fund Balance, July 1, 2009	134,532	136,644	136,644	(2,112)
Fund Balance, June 30, 2010	<u>\$ 160,269</u>	<u>\$ 116,844</u>	<u>\$ 116,135</u>	<u>\$ 44,134</u>

Exhibit F-6

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,355,392	\$ 1,400,000	\$ 1,400,000	\$ (44,608)
Other Local Revenues	28,304	35,000	35,000	(6,696)
Total Revenues	<u>\$ 1,383,696</u>	<u>\$ 1,435,000</u>	<u>\$ 1,435,000</u>	<u>\$ (51,304)</u>
<u>Expenditures</u>				
<u>Other Operations</u>				
Other Charges	\$ 13,842	\$ 15,000	\$ 15,000	\$ 1,158
<u>Principal on Debt</u>				
Education	475,000	475,000	475,000	0
<u>Interest on Debt</u>				
Education	860,450	860,450	860,450	0
Total Expenditures	<u>\$ 1,349,292</u>	<u>\$ 1,350,450</u>	<u>\$ 1,350,450</u>	<u>\$ 1,158</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 34,404</u>	<u>\$ 84,550</u>	<u>\$ 84,550</u>	<u>\$ (50,146)</u>
Net Change in Fund Balance	\$ 34,404	\$ 84,550	\$ 84,550	\$ (50,146)
Fund Balance, July 1, 2009	<u>1,180,215</u>	<u>1,182,492</u>	<u>1,182,492</u>	<u>(2,277)</u>
Fund Balance, June 30, 2010	<u>\$ 1,214,619</u>	<u>\$ 1,267,042</u>	<u>\$ 1,267,042</u>	<u>\$ (52,423)</u>

Major Governmental Funds

Debt Service Funds

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

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

Rural Debt Service Fund – The Rural Debt Service Fund is used to account for the retirement of bonds issued for the construction and renovation of the county's rural schools.

Exhibit G-1

Marion County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 520,957	\$ 497,955	\$ 498,955	\$ 22,002
Total Revenues	\$ 520,957	\$ 497,955	\$ 498,955	\$ 22,002
<u>Expenditures</u>				
<u>Other Operations</u>				
Other Charges	\$ 10,289	\$ 11,000	\$ 12,000	\$ 1,711
<u>Principal on Debt</u>				
General Government	2,191,572	155,000	2,191,573	1
<u>Interest on Debt</u>				
General Government	196,853	173,055	196,853	0
<u>Other Debt Service</u>				
General Government	61,754	1,000	62,754	1,000
Total Expenditures	\$ 2,460,468	\$ 340,055	\$ 2,463,180	\$ 2,712
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,939,511)	\$ 157,900	\$ (1,964,225)	\$ 24,714
<u>Other Financing Sources (Uses)</u>				
Bonds Issued	\$ 2,105,000	\$ 0	\$ 2,105,001	\$ (1)
Premiums on Debt Issued	17,124	0	17,124	0
Total Other Financing Sources (Uses)	\$ 2,122,124	\$ 0	\$ 2,122,125	\$ (1)
Net Change in Fund Balance	\$ 182,613	\$ 157,900	\$ 157,900	\$ 24,713
Fund Balance, July 1, 2009	1,532,145	1,529,704	1,529,704	2,441
Fund Balance, June 30, 2010	\$ 1,714,758	\$ 1,687,604	\$ 1,687,604	\$ 27,154

Exhibit G-2

Marion County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Rural Debt Service Fund
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,361,494	\$ 1,304,505	\$ 1,304,505	\$ 56,989
Other Governments and Citizens Groups	841,336	0	841,336	0
Total Revenues	\$ 2,202,830	\$ 1,304,505	\$ 2,145,841	\$ 56,989
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 905,000	\$ 905,000	\$ 905,000	\$ 0
<u>Interest on Debt</u>				
Education	877,556	877,556	877,556	0
<u>Other Debt Service</u>				
Education	28,594	32,500	32,500	3,906
Total Expenditures	\$ 1,811,150	\$ 1,815,056	\$ 1,815,056	\$ 3,906
Excess (Deficiency) of Revenues Over Expenditures	\$ 391,680	\$ (510,551)	\$ 330,785	\$ 60,895
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 841,336	\$ 0	\$ 0
Total Other Financing Sources (Uses)	\$ 0	\$ 841,336	\$ 0	\$ 0
Net Change in Fund Balance	\$ 391,680	\$ 330,785	\$ 330,785	\$ 60,895
Fund Balance, July 1, 2009	2,914,789	2,919,480	2,919,480	(4,691)
Fund Balance, June 30, 2010	\$ 3,306,469	\$ 3,250,265	\$ 3,250,265	\$ 56,204

Fiduciary Funds

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

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

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

City School ADA - Richard City Fund – The City School ADA - Richard City Fund is used to account for the Richard City School System's 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.

Marion County, Tennessee
 Combining Statement of Fiduciary Assets and Liabilities
 Fiduciary Funds
 June 30, 2010

	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	\$ 833,640	\$ 0	\$ 0	\$ 833,640
Equity in Pooled Cash and Investments	0	51	45,822	0	46,777	0	92,650
Accounts Receivable	0	0	184	19,128	50	0	19,362
Due from Other Governments	492,778	0	35,841	0	5,826	0	534,445
Property Taxes Receivable	0	25,193	376,507	0	0	0	401,700
Allowance for Uncollectible Property Taxes	0	(1,507)	(22,017)	0	0	0	(23,524)
Total Assets	\$ 492,778	\$ 23,737	\$ 436,337	\$ 852,768	\$ 52,653	\$ 1,858,273	\$ 1,858,273
<u>LIABILITIES</u>							
Due to Other Taxing Units	\$ 492,778	\$ 23,737	\$ 436,337	\$ 0	\$ 0	\$ 0	\$ 952,852
Due to Litigants, Heirs, and Others	0	0	0	852,768	0	0	852,768
Due to Joint Ventures	0	0	0	0	52,653	0	52,653
Total Liabilities	\$ 492,778	\$ 23,737	\$ 436,337	\$ 852,768	\$ 52,653	\$ 1,858,273	\$ 1,858,273

Exhibit H-2

Marion County, Tennessee
Combining Statements of Changes in Assets and Liabilities -
All Agency Funds
For the Year Ended June 30, 2010

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 2,754,390	\$ 2,754,390	\$ 0
Due from Other Governments	478,524	492,778	478,524	492,778
Total Assets	\$ 478,524	\$ 3,247,168	\$ 3,232,914	\$ 492,778
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 478,524	\$ 3,247,168	\$ 3,232,914	\$ 492,778
Total Liabilities	\$ 478,524	\$ 3,247,168	\$ 3,232,914	\$ 492,778
<u>Special School District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 18	\$ 21,896	\$ 21,863	\$ 51
Taxes Receivable	24,071	25,193	24,071	25,193
Allowance for Uncollectible Taxes	(1,214)	(1,507)	(1,214)	(1,507)
Total Assets	\$ 22,875	\$ 45,582	\$ 44,720	\$ 23,737
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 22,875	\$ 45,582	\$ 44,720	\$ 23,737
Total Liabilities	\$ 22,875	\$ 45,582	\$ 44,720	\$ 23,737
<u>City School ADA - Richard City Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 22,171	\$ 543,416	\$ 519,765	\$ 45,822
Accounts Receivable	186	184	186	184
Due from Other Governments	33,625	35,841	33,625	35,841
Taxes Receivable	337,800	376,507	337,800	376,507
Allowance for Uncollectible Taxes	(16,703)	(22,017)	(16,703)	(22,017)
Total Assets	\$ 377,079	\$ 933,931	\$ 874,673	\$ 436,337
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 377,079	\$ 933,931	\$ 874,673	\$ 436,337
Total Liabilities	\$ 377,079	\$ 933,931	\$ 874,673	\$ 436,337

(Continued)

Exhibit H-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 921,161	\$ 5,345,108	\$ 5,432,629	\$ 833,640
Accounts Receivables	0	19,128	0	19,128
Total Assets	\$ 921,161	\$ 5,364,236	\$ 5,432,629	\$ 852,768
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 921,161	\$ 5,364,236	\$ 5,432,629	\$ 852,768
Total Liabilities	\$ 921,161	\$ 5,364,236	\$ 5,432,629	\$ 852,768
<u>Judicial District Drug Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 57,308	\$ 113,440	\$ 123,971	\$ 46,777
Accounts Receivables	0	50	0	50
Due from Other Governments	0	5,826	0	5,826
Total Assets	\$ 57,308	\$ 119,316	\$ 123,971	\$ 52,653
<u>Liabilities</u>				
Due to Joint Ventures	\$ 57,308	\$ 119,316	\$ 123,971	\$ 52,653
Total Liabilities	\$ 57,308	\$ 119,316	\$ 123,971	\$ 52,653
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 921,161	\$ 5,345,108	\$ 5,432,629	\$ 833,640
Equity in Pooled Cash and Investments	79,497	3,433,142	3,419,989	92,650
Accounts Receivable	186	19,362	186	19,362
Due from Other Governments	512,149	534,445	512,149	534,445
Taxes Receivable	361,871	401,700	361,871	401,700
Allowance for Uncollectible Taxes	(17,917)	(23,524)	(17,917)	(23,524)
Total Assets	\$ 1,856,947	\$ 9,710,233	\$ 9,708,907	\$ 1,858,273
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 878,478	\$ 4,226,681	\$ 4,152,307	\$ 952,852
Due to Litigants, Heirs, and Others	921,161	5,364,236	5,432,629	852,768
Due to Joint Ventures	57,308	119,316	123,971	52,653
Total Liabilities	\$ 1,856,947	\$ 9,710,233	\$ 9,708,907	\$ 1,858,273

Marion County School Department

This section presents combining and individual fund financial statements for the Marion County School Department, a discretely presented component unit. The Marion County School Department uses a General Fund, two Special Revenue Funds, and a Private Purpose Trust Fund.

General Purpose School Fund – The General Purpose School Fund is used to account for general operations of the School Department.

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

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

Private Purpose Trust Fund – The Private Purpose Trust Fund is used to account for two scholarships. One is for graduates of the Whitwell Middle School and one is for graduating seniors planning to major in education.

Exhibit I-1

Marion County, Tennessee
Statement of Activities
Discretely Presented Marion County School Department
For the Year Ended June 30, 2010

Functions/Programs	Program Revenues			Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:								
Instruction	\$ 19,820,020	\$ 211,877	\$ 2,838,802	\$ 0	\$ 0	\$ 0	\$ (16,769,341)	
Support Services	10,961,443	1,050	119,182	0	0	0	(10,841,211)	
Operation of Non-Instructional Services	3,004,152	835,864	1,491,497	28,920	28,920	0	(647,871)	
Interest on Long-term Debt	15,261	0	0	0	0	0	(15,261)	
Other Debt Service	841,336	0	0	0	0	0	(841,336)	
Total Governmental Activities	\$ 34,642,212	\$ 1,048,791	\$ 4,449,481	\$ 28,920	\$ 28,920	\$ 0	\$ (29,115,020)	
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes							\$ 4,694,693	
Local Option Sales Taxes							2,850,168	
Hotel/Motel Tax							11,638	
Wholesale Beer Tax							113,258	
Other Local Taxes							1,331	
Grants and Contributions Not Restricted to Specific Programs							20,034,048	
Unrestricted Investment Earnings							26,728	
Miscellaneous							66,543	
Total General Revenues							\$ 27,798,407	
Change in Net Assets							\$ (1,316,613)	
Net Assets, July 1, 2009							50,284,728	
Prior-period Adjustment							4,033	
Net Assets, June 30, 2010							\$ 48,972,148	

Exhibit I-2

Marion County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Marion County School Department
June 30, 2010

	Major Funds		Nonmajor	Total
	General Purpose School	Central Cafeteria	Fund School Federal Projects	
<u>ASSETS</u>				
Cash	\$ 0	\$ 41,339	\$ 0	\$ 41,339
Equity in Pooled Cash and Investments	2,278,683	943,959	6,413	3,229,055
Inventories	0	86,647	0	86,647
Accounts Receivable	25,064	0	0	25,064
Due from Other Governments	530,721	0	1,940	532,661
Property Taxes Receivable	5,418,312	0	0	5,418,312
Allowance for Uncollectible Property Taxes	(316,839)	0	0	(316,839)
Total Assets	<u>\$ 7,935,941</u>	<u>\$ 1,071,945</u>	<u>\$ 8,353</u>	<u>\$ 9,016,239</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 178,143	\$ 79,771	\$ 0	\$ 257,914
Accrued Payroll	57,237	0	0	57,237
Deferred Revenue - Current Property Taxes	4,810,881	0	0	4,810,881
Deferred Revenue - Delinquent Property Taxes	254,646	0	0	254,646
Other Deferred Revenues	268,413	0	0	268,413
Total Liabilities	<u>\$ 5,569,320</u>	<u>\$ 79,771</u>	<u>\$ 0</u>	<u>\$ 5,649,091</u>
<u>Fund Balances</u>				
Reserved for Inventory	\$ 0	\$ 86,647	\$ 0	\$ 86,647
Other Local Education Reserves	22,607	0	0	22,607
Reserved for Career Ladder - Extended Contract	456	0	0	456
Reserved for Career Ladder Program	4,645	0	0	4,645
Reserved for Technology	75,395	0	0	75,395
Reserved for Title I Grants to Local Education Agencies	0	0	4,144	4,144
Reserved for Special Education - Grants to States	0	0	4,209	4,209
Unreserved, Reported In:				
General Fund	2,263,518	0	0	2,263,518
Special Revenue Funds	0	905,527	0	905,527
Total Fund Balances	<u>\$ 2,366,621</u>	<u>\$ 992,174</u>	<u>\$ 8,353</u>	<u>\$ 3,367,148</u>
Total Liabilities and Fund Balances	<u>\$ 7,935,941</u>	<u>\$ 1,071,945</u>	<u>\$ 8,353</u>	<u>\$ 9,016,239</u>

Exhibit I-3

Marion County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
Discretely Presented Marion County School Department
June 30, 2010

Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$	3,367,148
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,133,836	
Add: buildings and improvements net of accumulated depreciation		44,456,858	
Add: other capital assets net of accumulated depreciation		<u>190,448</u>	45,781,142
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(323,698)	
Less: other postemployment benefits liability		<u>(375,503)</u>	(699,201)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>523,059</u>
Net assets of governmental activities (Exhibit A)			<u><u>\$ 48,972,148</u></u>

Exhibit I-4

Marion County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Marion County School Department
For the Year Ended June 30, 2010

	Major Funds		Nonmajor	Total
	General Purpose School	Central Cafeteria	Fund School Federal Projects	
<u>Revenues</u>				
Local Taxes	\$ 7,819,798	\$ 0	\$ 0	\$ 7,819,798
Licenses and Permits	2,272	0	0	2,272
Charges for Current Services	211,877	835,864	0	1,047,741
Other Local Revenues	65,311	26,728	0	92,039
State of Tennessee	19,737,146	23,007	0	19,760,153
Federal Government	321,683	1,497,410	2,820,561	4,639,654
Total Revenues	<u>\$ 28,158,087</u>	<u>\$ 2,383,009</u>	<u>\$ 2,820,561</u>	<u>\$ 33,361,657</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 16,912,705	\$ 0	\$ 1,564,326	\$ 18,477,031
Support Services	9,874,038	0	1,075,354	10,949,392
Operation of Non-Instructional Services	653,529	2,374,126	0	3,027,655
Capital Outlay	25,357	0	0	25,357
Debt Service:				
Principal on Debt	47,888	0	0	47,888
Interest on Debt	15,261	0	0	15,261
Other Debt Service	841,336	0	0	841,336
Total Expenditures	<u>\$ 28,370,114</u>	<u>\$ 2,374,126</u>	<u>\$ 2,639,680</u>	<u>\$ 33,383,920</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>\$ (212,027)</u>	<u>\$ 8,883</u>	<u>\$ 180,881</u>	<u>\$ (22,263)</u>
<u>Other Financing Sources (Uses)</u>				
Proceeds from Sale of Capital Assets	\$ 49,000	\$ 0	\$ 0	\$ 49,000
Transfers In	193,547	0	0	193,547
Transfers Out	0	0	(193,547)	(193,547)
Total Other Financing Sources (Uses)	<u>\$ 242,547</u>	<u>\$ 0</u>	<u>\$ (193,547)</u>	<u>\$ 49,000</u>
Net Change in Fund Balances				
Fund Balance, July 1, 2009	\$ 2,336,101	\$ 983,291	\$ (12,666)	\$ 3,340,411
Fund Balance, June 30, 2010	<u>\$ 2,366,621</u>	<u>\$ 992,174</u>	<u>\$ 8,353</u>	<u>\$ 3,367,148</u>

Exhibit I-5

Marion County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Marion County School Department
For the Year Ended June 30, 2010

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit I-4)		\$ 26,737
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 93,092	
Less: current-year depreciation expense	<u>(1,421,116)</u>	(1,328,024)
<p>(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.</p>		
Less: proceeds from the sale of capital assets	\$ (49,000)	
Add: gain on disposal of capital assets	<u>15,106</u>	(33,894)
<p>(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2010	\$ 523,059	
Less: deferred delinquent property taxes and other deferred June 30, 2009	<u>(574,224)</u>	(51,165)
<p>(4) The issuance of long-term debt (e.g., bonds, notes, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:</p>		
Add: principal payments on notes		47,888
<p>(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Change in other postemployment benefits liability		<u>21,845</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (1,316,613)</u>

Exhibit I-6

Marion County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Marion County School Department
General Purpose School Fund
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 7,819,798	\$ 7,758,600	\$ 7,758,600	\$ 61,198
Licenses and Permits	2,272	2,505	2,505	(233)
Charges for Current Services	211,877	227,672	227,672	(15,795)
Other Local Revenues	65,311	157,675	170,500	(105,189)
State of Tennessee	19,737,146	19,399,749	19,683,448	53,698
Federal Government	321,683	380,223	350,252	(28,569)
Total Revenues	<u>\$ 28,158,087</u>	<u>\$ 27,926,424</u>	<u>\$ 28,192,977</u>	<u>\$ (34,890)</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 12,849,133	\$ 12,935,878	\$ 13,067,898	\$ 218,765
Alternative Instruction Program	101,800	103,758	103,758	1,958
Special Education Program	2,308,497	2,393,528	2,361,557	53,060
Vocational Education Program	1,446,550	1,472,648	1,473,098	26,548
Adult Education Program	206,725	224,382	224,382	17,657
<u>Support Services</u>				
Attendance	112,462	114,940	114,940	2,478
Health Services	329,395	361,845	361,845	32,450
Other Student Support	618,227	673,499	675,049	56,822
Regular Instruction Program	860,547	906,652	906,652	46,105
Special Education Program	130,320	136,652	138,652	8,332
Vocational Education Program	96,021	100,502	98,502	2,481
Adult Programs	115,387	117,118	117,118	1,731
Other Programs	153,922	0	153,922	0
Board of Education	385,763	411,000	411,000	25,237
Director of Schools	271,611	314,205	314,205	42,594
Office of the Principal	1,709,904	1,811,375	1,811,375	101,471
Fiscal Services	277,763	288,672	288,672	10,909
Human Services/Personnel	124,353	129,534	129,534	5,181
Operation of Plant	2,444,642	2,988,205	2,988,205	543,563
Maintenance of Plant	816,703	996,805	996,805	180,102
Transportation	1,011,258	1,032,640	1,032,640	21,382
Central and Other	415,760	485,572	496,154	80,394
<u>Operation of Non-Instructional Services</u>				
Community Services	297,541	345,562	345,562	48,021
Early Childhood Education	355,988	369,332	369,332	13,344
<u>Capital Outlay</u>				
Regular Capital Outlay	25,357	26,752	26,752	1,395

(Continued)

Exhibit I-6

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Principal on Debt</u>				
Education	\$ 47,888	\$ 455,779	\$ 47,888	\$ 0
<u>Interest on Debt</u>				
Education	15,261	448,706	15,261	0
<u>Other Debt Service</u>				
Education	841,336	0	841,336	0
Total Expenditures	<u>\$ 28,370,114</u>	<u>\$ 29,645,541</u>	<u>\$ 29,912,094</u>	<u>\$ 1,541,980</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (212,027)	\$ (1,719,117)	\$ (1,719,117)	\$ 1,507,090
<u>Other Financing Sources (Uses)</u>				
Proceeds from Sale of Capital Assets	\$ 49,000	\$ 0	\$ 0	\$ 49,000
Transfers In	193,547	230,131	230,131	(36,584)
Total Other Financing Sources (Uses)	<u>\$ 242,547</u>	<u>\$ 230,131</u>	<u>\$ 230,131</u>	<u>\$ 12,416</u>
Net Change in Fund Balance	\$ 30,520	\$ (1,488,986)	\$ (1,488,986)	\$ 1,519,506
Fund Balance, July 1, 2009	<u>2,336,101</u>	<u>2,328,968</u>	<u>2,328,968</u>	<u>7,133</u>
Fund Balance, June 30, 2010	<u>\$ 2,366,621</u>	<u>\$ 839,982</u>	<u>\$ 839,982</u>	<u>\$ 1,526,639</u>

Exhibit I-7

Marion County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Marion County School Department
School Federal Projects Fund
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 2,820,561	\$ 3,731,035	\$ 3,732,757	\$ (912,196)
Total Revenues	\$ 2,820,561	\$ 3,731,035	\$ 3,732,757	\$ (912,196)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 842,752	\$ 819,111	\$ 885,613	\$ 42,861
Special Education Program	660,578	1,188,589	1,188,588	528,010
Vocational Education Program	60,996	57,655	60,996	0
<u>Support Services</u>				
Other Student Support	170,136	506,902	405,564	235,428
Regular Instruction Program	340,162	233,031	394,298	54,136
Special Education Program	463,866	499,352	499,352	35,486
Vocational Education Program	2,436	2,520	2,436	0
Office of the Principal	0	115,697	0	0
Transportation	98,754	103,415	103,415	4,661
Total Expenditures	\$ 2,639,680	\$ 3,526,272	\$ 3,540,262	\$ 900,582
Excess (Deficiency) of Revenues Over Expenditures	\$ 180,881	\$ 204,763	\$ 192,495	\$ (11,614)
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (193,547)	\$ (225,782)	\$ (213,512)	\$ 19,965
Total Other Financing Sources (Uses)	\$ (193,547)	\$ (225,782)	\$ (213,512)	\$ 19,965
Net Change in Fund Balance	\$ (12,666)	\$ (21,019)	\$ (21,017)	\$ 8,351
Fund Balance, July 1, 2009	21,019	21,019	21,019	0
Fund Balance, June 30, 2010	\$ 8,353	\$ 0	\$ 2	\$ 8,351

Exhibit I-8

Marion County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Marion County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 835,864	\$ 894,000	\$ 894,000	\$ (58,136)
Other Local Revenues	26,728	26,000	26,000	728
State of Tennessee	23,007	23,100	23,100	(93)
Federal Government	1,497,410	1,365,700	1,365,700	131,710
Total Revenues	<u>\$ 2,383,009</u>	<u>\$ 2,308,800</u>	<u>\$ 2,308,800</u>	<u>\$ 74,209</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	<u>\$ 2,374,126</u>	<u>\$ 2,539,301</u>	<u>\$ 2,539,301</u>	<u>\$ 165,175</u>
Total Expenditures	<u>\$ 2,374,126</u>	<u>\$ 2,539,301</u>	<u>\$ 2,539,301</u>	<u>\$ 165,175</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 8,883</u>	<u>\$ (230,501)</u>	<u>\$ (230,501)</u>	<u>\$ 239,384</u>
Net Change in Fund Balance	\$ 8,883	\$ (230,501)	\$ (230,501)	239,384
Fund Balance, July 1, 2009	<u>983,291</u>	<u>983,291</u>	<u>983,291</u>	<u>0</u>
Fund Balance, June 30, 2010	<u>\$ 992,174</u>	<u>\$ 752,790</u>	<u>\$ 752,790</u>	<u>\$ 239,384</u>

Exhibit I-9

Marion County, Tennessee
Statement of Fiduciary Net Assets
Discretely Presented Marion County School Department
Fiduciary Fund
June 30, 2010

	Other Trust Fund
	<u>Private Purpose Trust Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash in Bank	\$ 72,309
Equity in Pooled Cash and Investments	8,666
Investments	539,144
Accrued Interest Receivable	<u>8,351</u>
Total Assets	<u>\$ 628,470</u>
<u>NET ASSETS</u>	
Funds Held in Trust for Scholarships	<u>\$ 628,470</u>
Total Net Assets	<u><u>\$ 628,470</u></u>

Exhibit I-10

Marion County, Tennessee
Statement of Changes in Fiduciary Net Assets
Discretely Presented Marion County School Department
Fiduciary Fund
For the Year Ended June 30, 2010

	Other Trust Fund
	<u>Private Purpose Trust Fund</u>
<u>ADDITIONS</u>	
Contributions and Gifts	\$ 100
Investment Income	41,969
Total Additions	<u>\$ 42,069</u>
<u>DEDUCTIONS</u>	
Scholarship Disbursements	\$ 12,000
Trustee's Commission	544
Total Deductions	<u>\$ 12,544</u>
Change in Net Assets	\$ 29,525
Net Assets, July 1, 2009	<u>598,945</u>
Net Assets, June 30, 2010	<u><u>\$ 628,470</u></u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

Marion County, Tennessee
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds
Primary Government and Discretely Presented Marion County School Department
For the Year Ended June 30, 2010

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-09	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-10
<u>PRIMARY GOVERNMENT</u>								
<u>NOTES PAYABLE</u>								
Payable through General Fund								
Election Commission Building	\$ 200,000	3.5%	2-11-08	2-20-13	\$ 162,718	\$ 0	\$ 38,606	\$ 124,112
Sheriff's Vehicles	236,000	2.125	11-16-09	11-15-12	0	236,000	44,726	191,274
Total Payable through General Fund					\$ 162,718	\$ 236,000	\$ 83,332	\$ 315,386
Payable through General Debt Service Fund								
Education and Vocation Building (1)	1,500,000	2.4	8-19-09	3-31-10	0	1,500,000	1,500,000	0
Payable through General Fund and General Debt Service Fund								
General Use Property (1) (2)	550,000	3.69	9-30-09	3-31-10	0	550,000	550,000	0
Total Notes Payable					\$ 162,718	\$ 2,286,000	\$ 2,133,332	\$ 315,386
<u>CAPITAL LEASES PAYABLE</u>								
Payable through General Fund								
Sheriff's Vehicles	63,350	6.1	11-15-07	10-15-10	\$ 29,436	\$ 0	\$ 21,853	\$ 7,583
Total Capital Leases Payable					\$ 29,436	\$ 0	\$ 21,853	\$ 7,583
<u>BONDS PAYABLE</u>								
Payable through General Debt Service Fund								
General Obligation Refunding Bonds, 2005 Series	4,460,000	3.5 to 4.2	7-1-05	4-1-29	\$ 4,360,000	\$ 0	\$ 155,000	\$ 4,205,000
General Obligation Bonds, Series 2010	3,675,000	2.5 to 4	3-31-10	4-1-30	0	3,675,000	0	3,675,000
Total Payable through General Debt Service Fund					\$ 4,360,000	\$ 3,675,000	\$ 155,000	\$ 7,880,000
Payable through Education Debt Service Fund								
General Obligation Bonds, 2006 Series	19,500,000	4 to 4.5	5-31-06	6-1-31	\$ 19,050,000	\$ 0	\$ 475,000	\$ 18,575,000

(Continued)

Exhibit J-1

Marion County, Tennessee
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds
Primary Government and Discretely Presented Marion County School Department (Cont.)

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-09	Issued During Period	Paid and/or	
							Matured During Period	Outstanding 6-30-10
<u>PRIMARY GOVERNMENT (CONT.)</u>								
<u>BONDS PAYABLE (CONT.)</u>								
<u>Payable through Rural Debt Service Fund</u>								
Rural School Bonds, Series 2001	\$ 3,250,000	4.35 to 5%	7-1-01	4-1-11	\$ 215,000	0	\$ 105,000	\$ 110,000
Rural School Refunding Bonds, Series 2001	15,385,000	4 to 5	8-1-01	4-1-24	14,560,000	0	700,000	13,860,000
Rural School Bonds, Series 2003	2,165,000	1.2 to 4	7-16-03	5-1-23	1,735,000	0	85,000	1,650,000
Rural School Refunding Bonds, Series 2005	2,560,000	3.5 to 4.2	7-1-05	4-1-25	2,515,000	0	15,000	2,500,000
Total Payable through Rural Debt Service					\$ 19,025,000	0	\$ 905,000	\$ 18,120,000
Total Bonds Payable					\$ 42,435,000	\$ 3,675,000	\$ 1,535,000	\$ 44,575,000
<u>DISCRETELY PRESENTED MARION</u>								
<u>COUNTY SCHOOL DEPARTMENT</u>								
<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	\$ 18,000	0	\$ 9,000	\$ 9,000
South Pittsburg High School HVAC	500,000	4.55	5-16-05	3-16-17	353,586	0	38,888	314,698
Total Notes Payable					\$ 371,586	0	\$ 47,888	\$ 323,698

(1) Debt fully or partially retired with proceeds from the General Obligation Bonds, Series 2010.
(2) Amounts retired from the General and General Debt Service funds totaled \$13,428 and \$536,572, respectively.

Exhibit J-2

Marion County, Tennessee
Schedule of Long-term Debt Requirements by Year
Primary Government and Discretely Presented Marion County School Department

PRIMARY GOVERNMENT

Year Ending June 30	Notes		
	Principal	Interest	Total
2011	\$ 117,901	\$ 7,701	\$ 125,602
2012	120,994	4,608	125,602
2013	76,491	1,684	78,175
Total	\$ 315,386	\$ 13,993	\$ 329,379

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2011	\$ 7,583	\$ 96	\$ 7,679
Total	\$ 7,583	\$ 96	\$ 7,679

Year Ending June 30	Bonds		
	Principal	Interest	Total
2011	\$ 1,765,000	\$ 1,963,206	\$ 3,728,206
2012	1,870,000	1,883,619	3,753,619
2013	1,940,000	1,805,860	3,745,860
2014	2,020,000	1,723,978	3,743,978
2015	2,095,000	1,637,739	3,732,739
2016	2,190,000	1,552,824	3,742,824
2017	2,275,000	1,462,131	3,737,131
2018	2,380,000	1,366,136	3,746,136
2019	2,465,000	1,262,946	3,727,946
2020	2,570,000	1,154,916	3,724,916
2021	2,685,000	1,040,281	3,725,281
2022	2,840,000	920,248	3,760,248
2023	2,975,000	791,457	3,766,457
2024	2,935,000	655,547	3,590,547

(Continued)

Exhibit J-2

Marion County, Tennessee
Schedule of Long-term Debt Requirements by Year
Primary Government and Discretely Presented Marion County School Department (Cont.)

PRIMARY GOVERNMENT (CONT.)

Year Ending June 30	Bonds (Cont.)		
	Principal	Interest	Total
2025	\$ 1,695,000	\$ 515,183	\$ 2,210,183
2026	1,545,000	436,325	1,981,325
2027	1,640,000	368,600	2,008,600
2028	1,760,000	296,700	2,056,700
2029	1,855,000	219,018	2,074,018
2030	1,625,000	137,125	1,762,125
2031	1,450,000	65,250	1,515,250
Total	\$ 44,575,000	\$ 21,259,089	\$ 65,834,089

DISCRETELY PRESENTED MARION
COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Notes		
	Principal	Interest	Total
2011	\$ 49,694	\$ 13,454	\$ 63,148
2012	42,585	11,564	54,149
2013	44,564	9,585	54,149
2014	46,634	7,515	54,149
2015	48,801	5,348	54,149
2016	51,068	3,081	54,149
2017	40,352	759	41,111
Total	\$ 323,698	\$ 51,306	\$ 375,004

Exhibit J-3

Marion County, Tennessee
Schedule of Investments
Discretely Presented Marion County School Department
June 30, 2010

<u>Fund and Type</u>	<u>Amount</u>
<u>Private Purpose Trust Fund</u>	
SunTrust Bank - U.S. Certificates of Deposit	\$ 47,644
Corporate Bonds - Bellsouth	64,325
Corporate Bonds - Public Service Co.	65,266
Corporate Bonds - JP Morgan Chase & Co.	63,757
Corporate Bonds - Verizon Communications	78,401
Corporate Bonds - General Electric	106,274
Corporate Bonds - Johnson & Johnson	<u>113,477</u>
Total Investments	<u>\$ 539,144</u>

Exhibit J-4

Marion County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Marion County School Department
For the Year Ended June 30, 2010

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	Highway/Public Works	Bridge construction	\$ 10,000
General	Solid Waste/Sanitation	Operations	65,000
Total Transfers Primary Government			<u>\$ 75,000</u>
<u>DISCRETELY PRESENTED MARION</u> <u>COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 74,027
School Federal Projects	General Purpose School	Salary reimbursements	119,520
Total Transfers Discretely Presented Marion County School Department			<u>\$ 193,547</u>

Exhibit J-5

Marion County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Marion County School Department
For the Year Ended June 30, 2010

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u> , and County Commission	\$ 80,594 (1)	\$ 50,000	RLI Insurance
Highway Supervisor	Section 8-24-102, <u>TCA</u> , and County Commission	67,927 (2)	100,000	"
Director of Schools	State Board of Education and County Commission	78,004 (3)	50,000	"
Trustee	County Board of Education	61,751	921,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	61,751	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	61,751	50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	61,751	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	61,751	50,000	"
Register	Section 8-24-102, <u>TCA</u>	61,751	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	67,927 (4)	25,000	"
Employee Blanket Bond Coverage:				
Public Employee Dishonesty - County Departments (excluding Highway Department)			150,000	Local Government Property & Casualty Fund
Public Employee Dishonesty - Highway Department			10,000	C.N.A. Surety
Public Employee Dishonesty - School Department			150,000	Tennessee Risk Management Trust

- (1) Includes a local salary supplement of \$9,272.
- (2) Does not include a local salary supplement of \$1,800.
- (3) Includes a chief executive officer training supplement of \$1,000.
- (4) Does not include a law enforcement training supplement of \$600.

Marion County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2010

	Special Revenue Funds					
	General	Courthouse and Jail Maintenance	Solid Waste/ Sanitation	Drug Control	Constituti- tional Officers - Fees	Highway/ Public Works
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 3,368,599	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Trustee's Collections - Prior Year	211,458	0	0	0	0	0
Circuit/Clerk & Master Collections - Prior Years	163,002	0	0	0	0	0
Interest and Penalty	39,308	0	0	0	0	0
Payments in-Lieu-of Taxes - T.V.A.	25,142	0	0	0	0	0
Payments in-Lieu-of Taxes - Local Utilities	7,825	0	0	0	0	0
Payments in-Lieu-of Taxes - Other	212	0	0	0	0	0
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	287,756	0	0	0
Litigation Tax - General	94,630	0	0	0	0	0
Litigation Tax - Special Purpose	2,493	8,291	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	19,960	0	0	0	0	0
Business Tax	215,492	0	0	0	0	0
Mineral Severance Tax	0	0	0	0	0	4,346
<u>Statutory Local Taxes</u>						
Interstate Telecommunications Tax	2,128	0	0	0	0	0
Total Local Taxes	\$ 4,150,249	\$ 8,291	\$ 287,756	\$ 0	\$ 0	\$ 4,346
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 85,969	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Permits</u>						
Beer Permits	2,200	0	0	0	0	0
Building Permits	49,806	0	0	0	0	0
Total Licenses and Permits	\$ 137,975	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 12,624	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	8,384	0	0	0	0	0

(Continued)

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

	Special Revenue Funds					
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constituti- tional Officers - Fees	Highway / Public Works
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Circuit Court (Cont.)</u>						
Drug Control Fines	\$ 0	\$ 0	\$ 0	\$ 21,264	\$ 0	\$ 0
Jail Fees	671	0	0	0	0	0
DUI Treatment Fines	1,264	0	0	0	0	0
<u>Criminal Court</u>						
Data Entry Fee - Criminal Court	733	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	30,278	0	0	0	0	0
Officers Costs	32,325	0	0	0	0	0
Game and Fish Fines	955	0	0	0	0	0
Drug Court Fees	3,805	0	0	0	0	0
Jail Fees	4,870	0	0	0	0	0
DUI Treatment Fines	8,127	0	0	0	0	0
Data Entry Fee - General Sessions Court	7,272	0	0	0	0	0
<u>Juvenile Court</u>						
Fines	379	0	0	0	0	0
<u>Chancery Court</u>						
Officers Costs	44	0	0	0	0	0
Data Entry Fee - Chancery Court	272	0	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	0	0	0	57,254	0	0
Total Fines, Forfeitures, and Penalties	\$ 112,003	\$ 0	\$ 0	\$ 78,518	\$ 0	\$ 0
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Work Release Charges for Board	\$ 1,714	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other General Service Charges	0	0	0	0	0	103,340
<u>Fees</u>						
Airport Fees	85,224	0	0	0	0	0
Copy Fees	675	0	0	0	0	0
Telephone Commissions	7,539	0	0	0	0	0

(Continued)

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

	Special Revenue Funds					
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Charges for Current Services (Cont.)</u>						
<u>Fees (Cont.)</u>						
Vending Machine Collections	\$ 5,573	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Constitutional Officers' Fees and Commissions	0	0	0	0	364,427	0
Data Processing Fee - Register	9,292	0	0	0	0	0
Data Processing Fee - Sheriff	3,745	0	0	0	0	0
Sexual Offender Registration Fees - Sheriff	3,138	0	0	0	0	0
Data Processing Fee - County Clerk	1,210	0	0	0	0	0
<u>Other Charges for Services</u>						
Other Charges for Services	0	0	10,284	0	0	0
Total Charges for Current Services	\$ 118,110	\$ 0	\$ 10,284	\$ 0	\$ 364,427	\$ 103,340
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 193,649	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	146,038	0	0	0	0	0
Commissary Sales	5,608	0	0	0	0	0
Sale of Recycled Materials	1,938	0	0	0	0	0
Miscellaneous Refunds	30,692	0	0	0	0	1,327
<u>Nonrecurring Items</u>						
Damages Recovered from Individuals	875	0	0	0	0	0
<u>Other Local Revenues</u>						
Other Local Revenues	5,500	0	0	0	0	0
Total Other Local Revenues	\$ 384,300	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,327
<u>Fees Received from County Officials</u>						
<u>Excess Fees</u>						
County Clerk	\$ 52,914	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Trustee	236,593	0	0	0	0	0
<u>Fees in-Lieu-of Salary</u>						
Circuit Court Clerk	132,885	0	0	0	0	0
General Sessions Court Clerk	210,211	0	0	0	0	0

(Continued)

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

	Special Revenue Funds					
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Fees Received from County Officials (Cont.)</u>						
<u>Fees in-Lieu-of Salary (Cont.)</u>						
Clerk and Master	\$ 99,380	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Register	106,021	0	0	0	0	0
Sheriff	10,549	0	0	0	0	0
Other Officials	188	0	0	0	0	0
Total Fees Received from County Officials	\$ 848,741	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 13,750	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Airport Maintenance Program	16,000	0	0	0	0	0
State Reappraisal Grant	9,985	0	0	0	0	0
On-Behalf Contributions for OPEB	644	0	0	0	0	0
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	11,400	0	0	0	0	0
<u>Health and Welfare Grants</u>						
Health Department Programs	168,682	0	0	0	0	0
<u>Public Works Grants</u>						
State Aid Program	0	0	0	0	0	136,005
Litter Program	31,254	0	0	0	0	0
<u>Other State Revenues</u>						
Income Tax	128,041	0	0	0	0	0
Beer Tax	17,777	0	0	0	0	0
Alcoholic Beverage Tax	50,800	0	0	0	0	0
Mixed Drink Tax	1,848	0	0	0	0	0
State Revenue Sharing - T.V.A.	309,497	0	154,748	0	0	0
Contracted Prisoner Boarding	170,590	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,724,822
Petroleum Special Tax	0	0	0	0	0	22,307
Registrar's Salary Supplement	16,380	0	0	0	0	0
Other State Grants	471,670	0	26,463	0	0	0

(Continued)

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

	Special Revenue Funds					
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works
<u>State of Tennessee (Cont.)</u>						
<u>Other State Revenues (Cont.)</u>						
Other State Revenues	\$ 2,841	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total State of Tennessee	\$ 1,421,159	\$ 0	\$ 181,211	\$ 0	\$ 0	\$ 1,883,134
<u>Federal Government</u>						
<u>Federal Through State</u>						
Community Development	\$ 159,434	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Law Enforcement Grants	23,405	0	0	0	0	0
Other Federal through State	562,692	0	0	0	0	0
<u>Direct Federal Revenue</u>						
Other Direct Federal Revenue	25,432	0	0	0	0	0
Total Federal Government	\$ 770,963	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 1,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contracted Services	165,567	0	0	0	0	0
<u>Citizens Groups</u>						
Donations	1,195	0	0	0	0	0
Total Other Governments and Citizens Groups	\$ 168,262	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Total</u>	\$ 8,111,762	\$ 8,291	\$ 479,251	\$ 78,518	\$ 364,427	\$ 1,992,147

(Continued)

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

	Debt Service Funds				Capital Projects Fund		Total
	General Debt Service		Rural Debt Service		Education Capital Projects		
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 462,952	\$ 1,209,535	\$ 0	\$ 0	\$ 0	\$ 5,041,086	
Trustee's Collections - Prior Year	26,519	69,351	0	0	0	307,328	
Circuit/Clerk & Master Collections - Prior Years	21,694	56,786	0	0	0	241,482	
Interest and Penalty	5,256	13,763	0	0	0	58,327	
Payments in-Lieu-of Taxes - T.V.A.	3,437	9,138	0	0	0	37,717	
Payments in-Lieu-of Taxes - Local Utilities	1,070	2,844	0	0	0	11,739	
Payments in-Lieu-of Taxes - Other	29	77	0	0	0	318	
<u>County Local Option Taxes</u>							
Local Option Sales Tax	0	0	1,355,392	0	0	1,643,148	
Litigation Tax - General	0	0	0	0	0	94,630	
Litigation Tax - Special Purpose	0	0	0	0	0	10,784	
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	19,960	
Business Tax	0	0	0	0	0	215,492	
Mineral Severance Tax	0	0	0	0	0	4,346	
<u>Statutory Local Taxes</u>							
Interstate Telecommunications Tax	0	0	0	0	0	2,128	
Total Local Taxes	\$ 520,957	\$ 1,361,494	\$ 1,355,392	\$ 0	\$ 0	\$ 7,688,485	
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Cable TV Franchise	0	0	0	0	0	85,969	
<u>Permits</u>							
Beer Permits	0	0	0	0	0	2,200	
Building Permits	0	0	0	0	0	49,806	
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 137,975	
<u>Fines, Forfeitures, and Penalties</u>							
<u>Circuit Court</u>							
Fines	0	0	0	0	0	12,624	
Officers Costs	0	0	0	0	0	8,384	

(Continued)

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

	Debt Service Funds				Capital Projects Fund		Total
	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	\$ 0	21,264
Jail Fees	0	0	0	0	0	0	671
DUI Treatment Fines	0	0	0	0	0	0	1,264
<u>Criminal Court</u>							
Data Entry Fee - Criminal Court	0	0	0	0	0	0	733
<u>General Sessions Court</u>							
Fines	0	0	0	0	0	0	30,278
Officers Costs	0	0	0	0	0	0	32,325
Game and Fish Fines	0	0	0	0	0	0	955
Drug Court Fees	0	0	0	0	0	0	3,805
Jail Fees	0	0	0	0	0	0	4,870
DUI Treatment Fines	0	0	0	0	0	0	8,127
Data Entry Fee - General Sessions Court	0	0	0	0	0	0	7,272
<u>Juvenile Court</u>							
Fines	0	0	0	0	0	0	379
<u>Chancery Court</u>							
Officers Costs	0	0	0	0	0	0	44
Data Entry Fee - Chancery Court	0	0	0	0	0	0	272
<u>Other Fines, Forfeitures, and Penalties</u>							
Proceeds from Confiscated Property	0	0	0	0	0	0	57,254
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	190,521
<u>Charges for Current Services</u>							
<u>General Service Charges</u>							
Work Release Charges for Board	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,714
Other General Service Charges	0	0	0	0	0	0	103,340
<u>Fees</u>							
Airport Fees	0	0	0	0	0	0	85,224
Copy Fees	0	0	0	0	0	0	675
Telephone Commissions	0	0	0	0	0	0	7,539

(Continued)

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

	Debt Service Funds				Capital Projects Fund		Total
	General Debt Service	Rural Debt Service		Education Debt Service			
<u>Charges for Current Services (Cont.)</u>							
<u>Fees (Cont.)</u>							
Vending Machine Collections	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	5,573
Constitutional Officers' Fees and Commissions	0	0	0	0	0	0	364,427
Data Processing Fee - Register	0	0	0	0	0	0	9,292
Data Processing Fee - Sheriff	0	0	0	0	0	0	3,745
Sexual Offender Registration Fees - Sheriff	0	0	0	0	0	0	3,138
Data Processing Fee - County Clerk	0	0	0	0	0	0	1,210
<u>Other Charges for Services</u>							
Other Charges for Services	0	0	0	0	0	0	10,284
Total Charges for Current Services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 596,161
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 0	\$ 0	\$ 0	\$ 28,304	\$ 4,633	\$ 0	226,586
Lease/Rentals	0	0	0	0	0	0	146,038
Commissary Sales	0	0	0	0	0	0	5,608
Sale of Recycled Materials	0	0	0	0	0	0	1,938
Miscellaneous Refunds	0	0	0	0	0	0	32,019
<u>Nonrecurring Items</u>							
Damages Recovered from Individuals	0	0	0	0	0	0	875
<u>Other Local Revenues</u>							
Other Local Revenues	0	0	0	0	0	0	5,500
Total Other Local Revenues	\$ 0	\$ 0	\$ 0	\$ 28,304	\$ 4,633	\$ 0	\$ 418,564
<u>Fees Received from County Officials</u>							
<u>Excess Fees</u>							
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	52,914
Trustee	0	0	0	0	0	0	236,593
<u>Fees in-Lieu-of Salary</u>							
Circuit Court Clerk	0	0	0	0	0	0	132,885
General Sessions Court Clerk	0	0	0	0	0	0	210,211

(Continued)

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

	Debt Service Funds				Capital Projects Fund		Total
	General Debt Service	Rural Debt Service		Education Debt Service			
<u>Fees Received from County Officials (Cont.)</u>							
<u>Fees in-Lieu-of Salary (Cont.)</u>							
Clerk and Master	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 99,380
Register	0	0	0	0	0	0	106,021
Sheriff	0	0	0	0	0	0	10,549
Other Officials	0	0	0	0	0	0	188
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 848,741
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,750
Airport Maintenance Program	0	0	0	0	0	0	16,000
State Reappraisal Grant	0	0	0	0	0	0	9,985
On-Behalf Contributions for OPEB	0	0	0	0	0	0	644
Public Safety Grants							
Law Enforcement Training Programs	0	0	0	0	0	0	11,400
Health and Welfare Grants							
Health Department Programs	0	0	0	0	0	0	168,682
Public Works Grants							
State Aid Program	0	0	0	0	0	0	136,005
Litter Program	0	0	0	0	0	0	31,254
<u>Other State Revenues</u>							
Income Tax	0	0	0	0	0	0	128,041
Beer Tax	0	0	0	0	0	0	17,777
Alcoholic Beverage Tax	0	0	0	0	0	0	50,800
Mixed Drink Tax	0	0	0	0	0	0	1,848
State Revenue Sharing - T.V.A.	0	0	0	0	0	0	464,245
Contracted Prisoner Boarding	0	0	0	0	0	0	170,590
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	1,724,822
Petroleum Special Tax	0	0	0	0	0	0	22,307
Registrar's Salary Supplement	0	0	0	0	0	0	16,380
Other State Grants	0	0	0	0	0	0	498,133

(Continued)

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

	Debt Service Funds				Capital Projects Fund		Total
	General Debt Service	Rural Debt Service	Education Debt Service	Education Capital Projects			
				Education Debt Service	Education Capital Projects		
State of Tennessee (Cont.)							
Other State Revenues (Cont.)	\$ 0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	2,841
Total State of Tennessee	\$ 0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	3,485,504
Federal Government							
Federal Through State							
Community Development	\$ 0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	159,434
Law Enforcement Grants	0	0	0	0	0	0	23,405
Other Federal through State	0	0	0	0	0	0	562,692
Direct Federal Revenue							
Other Direct Federal Revenue	0	0	0	0	0	0	25,432
Total Federal Government	\$ 0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	770,963
Other Governments and Citizens Groups							
Other Governments							
Contributions	\$ 0 \$	841,336 \$	0 \$	0 \$	0 \$	0 \$	842,836
Contracted Services	0	0	0	0	0	0	165,567
Citizens Groups							
Donations	0	0	0	0	0	0	1,195
Total Other Governments and Citizens Groups	\$ 0 \$	841,336 \$	0 \$	0 \$	0 \$	0 \$	1,009,598
Total	\$ 520,957 \$	2,202,830 \$	1,383,696 \$	4,633 \$	15,146,512		

Exhibit J-7

Marion County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Marion County School Department
For the Year Ended June 30, 2010

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 4,209,462	\$ 0	\$ 0	\$ 4,209,462
Trustee's Collections - Prior Year	279,702	0	0	279,702
Circuit/Clerk & Master Collections - Prior Years	197,915	0	0	197,915
Interest and Penalty	48,220	0	0	48,220
Payments in-Lieu-of Taxes - T.V.A.	31,506	0	0	31,506
Payments in-Lieu-of Taxes - Local Utilities	9,816	0	0	9,816
Payments in-Lieu-of Taxes - Other	379	0	0	379
<u>County Local Option Taxes</u>				
Local Option Sales Tax	2,850,532	0	0	2,850,532
Hotel/Motel Tax	11,638	0	0	11,638
<u>Statutory Local Taxes</u>				
Bank Excise Tax	66,039	0	0	66,039
Wholesale Beer Tax	113,258	0	0	113,258
Interstate Telecommunications Tax	1,331	0	0	1,331
Total Local Taxes	\$ 7,819,798	\$ 0	\$ 0	\$ 7,819,798
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 2,272	\$ 0	\$ 0	\$ 2,272
Total Licenses and Permits	\$ 2,272	\$ 0	\$ 0	\$ 2,272
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Summer School	\$ 6,705	\$ 0	\$ 0	\$ 6,705
Tuition - Out-of-State Systems	3,000	0	0	3,000
Lunch Payments - Children	0	0	384,644	384,644
Lunch Payments - Adults	0	0	51,047	51,047
Income from Breakfast	0	0	36,551	36,551
A la carte Sales	0	0	363,622	363,622
Receipts from Individual Schools	2,783	0	0	2,783
Community Service Fees - Children	192,309	0	0	192,309
TBI Criminal Background Fees	7,080	0	0	7,080
Total Charges for Current Services	\$ 211,877	\$ 0	\$ 835,864	\$ 1,047,741
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 26,728	\$ 26,728
Lease/Rentals	1,050	0	0	1,050
Miscellaneous Refunds	51,033	0	0	51,033
<u>Nonrecurring Items</u>				
Contributions and Gifts	12,825	0	0	12,825
<u>Other Local Revenues</u>				
Other Local Revenues	403	0	0	403
Total Other Local Revenues	\$ 65,311	\$ 0	\$ 26,728	\$ 92,039

(Continued)

Exhibit J-7

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 153,922	\$ 0	\$ 0	\$ 153,922
<u>State Education Funds</u>				
Basic Education Program	17,446,400	0	0	17,446,400
Basic Education Program - ARRA	756,600	0	0	756,600
School Food Service	0	0	23,007	23,007
Driver Education	10,244	0	0	10,244
Other State Education Funds	387,094	0	0	387,094
Coordinated School Health - ARRA	95,000	0	0	95,000
Statewide Student Management System (SSMS) - ARRA	10,582	0	0	10,582
Career Ladder Program	198,104	0	0	198,104
Other Vocational	24,500	0	0	24,500
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	641,100	0	0	641,100
Safe Schools - ARRA	13,600	0	0	13,600
Total State of Tennessee	\$ 19,737,146	\$ 0	\$ 23,007	\$ 19,760,153
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,033,714	\$ 1,033,714
USDA - Commodities	0	0	120,564	120,564
Breakfast	0	0	314,212	314,212
USDA Food Service Equipment Grant - ARRA	0	0	28,920	28,920
Adult Education State Grant Program	99,450	0	0	99,450
Vocational Education - Basic Grants to States	0	76,338	0	76,338
Title I Grants to Local Education Agencies	0	1,090,131	0	1,090,131
Special Education - Grants to States	99,982	1,339,708	0	1,439,690
Special Education Preschool Grants	0	43,386	0	43,386
Safe and Drug-free Schools - State Grants	0	23,829	0	23,829
Eisenhower Professional Development State Grants	0	247,169	0	247,169
Other Federal through State	122,251	0	0	122,251
Total Federal Government	\$ 321,683	\$ 2,820,561	\$ 1,497,410	\$ 4,639,654
Total	\$ 28,158,087	\$ 2,820,561	\$ 2,383,009	\$ 33,361,657

Exhibit J-8

Marion County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2010

General Fund

General Government

County Commission

Board and Committee Members Fees	\$ 33,975	
Dues and Memberships	2,666	
Legal Services	52,519	
Legal Notices, Recording, and Court Costs	4,042	
Total County Commission		\$ 93,202

Board of Equalization

Board and Committee Members Fees	\$ 6,595	
Total Board of Equalization		6,595

Beer Board

Board and Committee Members Fees	\$ 2,700	
Total Beer Board		2,700

Budget and Finance Committee

Board and Committee Members Fees	\$ 3,225	
Total Budget and Finance Committee		3,225

County Mayor/Executive

County Official/Administrative Officer	\$ 80,594	
Accountants/Bookkeepers	28,417	
Secretary(ies)	28,417	
Other Salaries and Wages	6,273	
On-Behalf Payments to OPEB	644	
Dues and Memberships	2,067	
Maintenance and Repair Services - Equipment	5,124	
Maintenance and Repair Services - Vehicles	1,865	
Postal Charges	366	
Travel	545	
Gasoline	741	
Office Supplies	2,130	
Office Equipment	3,278	
Total County Mayor/Executive		160,461

Election Commission

County Official/Administrative Officer	\$ 49,933
Deputy(ies)	21,832
Part-time Personnel	11,530
Overtime Pay	430
Election Commission	5,300

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Election Workers	\$	25,077	
Contracts with Private Agencies		20,172	
Postal Charges		3,743	
Printing, Stationery, and Forms		7,274	
Travel		6,191	
Other Supplies and Materials		18	
Other Charges		550	
Principal on Notes		38,606	
Interest on Notes		5,695	
Total Election Commission			\$ 196,351

Register of Deeds

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		29,498	
Clerical Personnel		28,417	
Other Salaries and Wages		28,417	
Dues and Memberships		593	
Operating Lease Payments		6,762	
Postal Charges		328	
Office Supplies		1,371	
Office Equipment		540	
Total Register of Deeds			157,677

Development

Contracts with Government Agencies	\$	20,000	
Land		1,502,188	
Total Development			1,522,188

Building

Supervisor/Director	\$	52,640	
Clerical Personnel		28,417	
Part-time Personnel		2,800	
Other Salaries and Wages		6,835	
In-Service Training		795	
Advertising		990	
Communication		89	
Contracts with Government Agencies		9,250	
Dues and Memberships		230	
Legal Notices, Recording, and Court Costs		94	
Postal Charges		69	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

General Government (Cont.)

Building (Cont.)

Travel	\$	9,218	
Office Supplies		3,812	
Premiums on Corporate Surety Bonds		263	
Refunds		263	
Total Building			\$ 115,765

County Buildings

Custodial Personnel	\$	39,179	
Other Salaries and Wages		2,252	
Maintenance and Repair Services - Equipment		55,543	
Other Contracted Services		25,455	
Utilities		215,657	
Other Supplies and Materials		103,721	
Office Equipment		4,617	
Total County Buildings			446,424

Other General Administration

Maintenance Personnel	\$	37,940	
Overtime Pay		13,331	
Other Salaries and Wages		19,673	
Communication		420	
Travel		5,810	
Total Other General Administration			77,174

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	61,751	
Secretary(ies)		28,417	
Clerical Personnel		28,417	
Other Salaries and Wages		28,417	
Audit Services		7,210	
Dues and Memberships		20	
Legal Notices, Recording, and Court Costs		75	
Postal Charges		488	
Travel		2,804	
Office Supplies		2,265	
Office Equipment		20,000	
Total Property Assessor's Office			179,864

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program

Clerical Personnel	\$	13,633	
Part-time Personnel		2,446	
Other Salaries and Wages		28,417	
Postal Charges		8,857	
Travel		3,184	
Other Contracted Services		10,909	
Total Reappraisal Program			\$ 67,446

County Trustee's Office

Dues and Memberships	\$	468	
Legal Notices, Recording, and Court Costs		114	
Maintenance and Repair Services - Equipment		7,448	
Postal Charges		5,746	
Office Supplies		2,457	
Refunds		2,492	
Office Equipment		2,189	
Total County Trustee's Office			20,914

County Clerk's Office

Dues and Memberships	\$	468	
Maintenance and Repair Services - Equipment		12,199	
Postal Charges		2,685	
Office Supplies		1,591	
Office Equipment		600	
Total County Clerk's Office			17,543

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		232,401	
Other Salaries and Wages		25,598	
Jury and Witness Expense		9,284	
Dues and Memberships		468	
Operating Lease Payments		26,400	
Maintenance and Repair Services - Equipment		1,554	
Postal Charges		1,596	
Office Supplies		4,228	
Other Charges		1,920	
Office Equipment		3,100	
Total Circuit Court			368,300

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court

Judge(s)	\$	96,433	
Travel		2,656	
Other Contracted Services		1,000	
Library Books/Media		3,503	
Uniforms		43	
Total General Sessions Court			\$ 103,635

Chancery Court

County Official/Administrative Officer	\$	61,751	
Accountants/Bookkeepers		28,253	
Part-time Personnel		6,998	
Other Salaries and Wages		27,802	
Dues and Memberships		468	
Legal Notices, Recording, and Court Costs		698	
Maintenance and Repair Services - Equipment		8,863	
Postal Charges		6,980	
Office Supplies		3,657	
Refunds		6,152	
Total Chancery Court			151,622

Juvenile Court

Judge(s)	\$	57,860	
Assistant(s)		30,535	
Probation Officer(s)		28,417	
Clerical Personnel		13,285	
Overtime Pay		11,370	
Other Salaries and Wages		14,833	
Communication		228	
Postal Charges		12	
Travel		5,155	
Other Contracted Services		3,494	
Instructional Supplies and Materials		3,971	
Office Supplies		2,458	
Principal on Notes		13,428	
Interest on Notes		8,771	
Building Purchases		556,789	
Total Juvenile Court			750,606

(Continued)

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

General Fund (Cont.)

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	67,927	
Deputy(ies)		593,657	
Investigator(s)		33,102	
Accountants/Bookkeepers		6,740	
Salary Supplements		11,400	
Dispatchers/Radio Operators		282,652	
Attendants		53,538	
Part-time Personnel		11,352	
Overtime Pay		146,179	
Other Salaries and Wages		102,052	
In-Service Training		8,714	
Operating Lease Payments		29,808	
Maintenance and Repair Services - Equipment		1,250	
Postal Charges		208	
Rentals		2,680	
Other Contracted Services		1,259	
Gasoline		95,648	
Office Supplies		12,317	
Tires and Tubes		3,166	
Uniforms		2,345	
Vehicle Parts		42,835	
Other Charges		6,927	
Principal on Notes		44,726	
Interest on Notes		2,700	
Principal on Capital Leases		21,853	
Interest on Capital Leases		1,191	
Communication Equipment		7,506	
Law Enforcement Equipment		13,510	
Motor Vehicles		259,600	
Office Equipment		20,558	
Total Sheriff's Department			\$ 1,887,400

Jail

Guards	\$	373,361
Cafeteria Personnel		48,798
Overtime Pay		60,167
Other Salaries and Wages		15,679
In-Service Training		1,768
Medical and Dental Services		184,679
Food Supplies		68,888

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Office Supplies	\$ 7,859	
Prisoners Clothing	5,008	
Uniforms	1,104	
Other Charges	<u>23,928</u>	
Total Jail		\$ 791,239

Fire Prevention and Control

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

Civil Defense

Contributions	<u>\$ 7,000</u>	
Total Civil Defense		7,000

Rescue Squad

Contributions	<u>\$ 10,000</u>	
Total Rescue Squad		10,000

Public Health and Welfare

Local Health Center

Other Fringe Benefits	\$ 80	
Contributions	74,645	
Other Contracted Services	<u>162,585</u>	
Total Local Health Center		237,310

Ambulance/Emergency Medical Services

Ambulance Services	<u>\$ 180,000</u>	
Total Ambulance/Emergency Medical Services		180,000

Alcohol and Drug Programs

Other Salaries and Wages	\$ 2,400	
Other Supplies and Materials	<u>3,895</u>	
Total Alcohol and Drug Programs		6,295

Other Local Health Services

Contracts with Other Public Agencies	\$ 74,400	
Pauper Burials	1,600	
Veterinary Services	400	
Other Contracted Services	<u>18,455</u>	
Total Other Local Health Services		94,855

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Education/Information

Guards	\$	14,050	
Clerical Personnel		19,693	
Travel		3,604	
Gasoline		1,011	
Instructional Supplies and Materials		5,484	
Library Books/Media		900	
Other Supplies and Materials		75	
Total Sanitation Education/Information			\$ 44,817

Social, Cultural, and Recreational Services

Libraries

Contributions	\$	132,832	
Total Libraries			132,832

Parks and Fair Boards

Custodial Personnel	\$	18,000	
Contributions		225	
Total Parks and Fair Boards			18,225

Agriculture and Natural Resources

Agriculture Extension Service

Contributions	\$	45,313	
Office Supplies		40	
Office Equipment		1,300	
Total Agriculture Extension Service			46,653

Soil Conservation

Clerical Personnel	\$	28,417	
Office Supplies		94	
Total Soil Conservation			28,511

Other Operations

Industrial Development

Dues and Memberships	\$	8,616	
Total Industrial Development			8,616

Other Economic and Community Development

Other Contracted Services	\$	400	
Water and Sewer		174,504	
Other Charges		243,277	
Total Other Economic and Community Development			418,181

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Airport

Supervisor/Director	\$	29,598	
Temporary Personnel		9,343	
Other Fringe Benefits		4,830	
Dues and Memberships		39	
Travel		918	
Fuel Oil		55,167	
Office Supplies		725	
Utilities		8,505	
Liability Insurance		2,685	
Other Charges		2,111	
Airport Improvement		26,103	
Other Construction		843,529	
Total Airport			\$ 983,553

Veterans' Services

Supervisor/Director	\$	5,928	
Contributions		3,000	
Other Charges		68	
Total Veterans' Services			8,996

Other Charges

Audit Services	\$	8,333	
Postal Charges		32,365	
Office Supplies		8,170	
Building and Contents Insurance		20,144	
Liability Insurance		56,470	
Trustee's Commission		100,171	
Vehicle and Equipment Insurance		30,240	
Workers' Compensation Insurance		80,468	
Other Charges		970	
Total Other Charges			337,331

Employee Benefits

Social Security	\$	261,399	
State Retirement		184,631	
Employee and Dependent Insurance		250,011	
Unemployment Compensation		7,309	
Total Employee Benefits			703,350

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous

Refunds	\$ 5,953	
Total Miscellaneous		\$ 5,953

Total General Fund \$ 10,586,671

Courthouse and Jail Maintenance Fund

General Government

County Buildings

Maintenance and Repair Services - Buildings	\$ 5,124	
Total County Buildings		\$ 5,124

Other Operations

Other Charges

Trustee's Commission	\$ 84	
Total Other Charges		84

Total Courthouse and Jail Maintenance Fund 5,208

Solid Waste/Sanitation Fund

Public Health and Welfare

Convenience Centers

Truck Drivers	\$ 51,617	
Part-time Personnel	149,906	
Other Salaries and Wages	6,468	
Social Security	14,622	
Unemployment Compensation	1,123	
Maintenance and Repair Services - Equipment	950	
Matching Share	8,000	
Disposal Fees	225,705	
Diesel Fuel	11,917	
Tires and Tubes	4,453	
Uniforms	1,307	
Utilities	16,556	
Gravel and Chert	1,568	
Other Supplies and Materials	4,735	
Refunds	7,650	
Other Charges	8,253	
Total Convenience Centers		\$ 514,830

(Continued)

Exhibit J-8

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Other Waste Collection

Tires and Tubes	\$ 2,463	
Total Other Waste Collection		\$ 2,463

Other Operations

Other Charges

Trustee's Commission	\$ 4,654	
Total Other Charges		<u>4,654</u>

Total Solid Waste/Sanitation Fund \$ 521,947

Drug Control Fund

Public Safety

Drug Enforcement

Accountants/Bookkeepers	\$ 3,000	
Secretary(ies)	3,000	
Overtime Pay	18,207	
Social Security	1,862	
Confidential Drug Enforcement Payments	16,000	
Veterinary Services	336	
Animal Food and Supplies	526	
Law Enforcement Supplies	4,470	
Law Enforcement Equipment	5,753	
Motor Vehicles	<u>14,855</u>	
Total Drug Enforcement		\$ 68,009

Other Operations

Other Charges

Trustee's Commission	\$ 930	
Total Other Charges		<u>930</u>

Total Drug Control Fund 68,939

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$ 167,353	
Total County Trustee's Office		\$ 167,353

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 208,473	
Total County Clerk's Office		<u>208,473</u>

Total Constitutional Officers - Fees Fund 375,826

(Continued)

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	67,927	
Assistant(s)		88,205	
Accountants/Bookkeepers		68,593	
Salary Supplements		1,800	
Communication		8,663	
Data Processing Services		4,587	
Dues and Memberships		3,664	
Evaluation and Testing		1,575	
Legal Notices, Recording, and Court Costs		19	
Maintenance and Repair Services - Office Equipment		906	
Postal Charges		396	
Travel		839	
Other Contracted Services		3,325	
Office Supplies		1,344	
Other Charges		<u>7,581</u>	
Total Administration			\$ 259,424

Highway and Bridge Maintenance

Foremen	\$	59,202	
Equipment Operators		71,327	
Truck Drivers		235,050	
Laborers		199,268	
Operating Lease Payments		1,000	
Rentals		1,023	
Other Contracted Services		2,400	
Asphalt - Cold Mix		1,082	
Asphalt - Hot Mix		256,446	
Asphalt - Liquid		43,399	
Crushed Stone		57,189	
Pipe - Metal		15,272	
Road Signs		5,213	
Salt		15,904	
Sand		1,579	
Other Supplies and Materials		<u>4,320</u>	
Total Highway and Bridge Maintenance			969,674

Operation and Maintenance of Equipment

Mechanic(s)	\$	68,919	
Nightwatchmen		33,302	
Other Contracted Services		1,600	

(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Diesel Fuel	\$	51,482	
Equipment and Machinery Parts		69,091	
Garage Supplies		10,223	
Gasoline		42,893	
Lubricants		6,544	
Propane Gas		1,840	
Tires and Tubes		12,766	
Total Operation and Maintenance of Equipment			\$ 298,660

Other Charges

Electricity	\$	7,632	
Water and Sewer		177	
Building and Contents Insurance		1,130	
Liability Insurance		3,980	
Trustee's Commission		17,442	
Vehicle and Equipment Insurance		24,423	
Total Other Charges			54,784

Employee Benefits

Social Security	\$	68,114	
State Retirement		46,206	
Employee and Dependent Insurance		188,154	
Unemployment Compensation		70	
Workers' Compensation Insurance		60,948	
Total Employee Benefits			363,492

Capital Outlay

Building Improvements	\$	757	
Communication Equipment		3,383	
Maintenance Equipment		1,427	
Office Equipment		1,615	
State Aid Projects		193,168	
Other Construction		865	
Total Capital Outlay			201,215

Total Highway/Public Works Fund \$ 2,147,249

(Continued)

Exhibit J-8

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

General Debt Service Fund

Other Operations

Other Charges

Trustee's Commission	\$ 10,289	
Total Other Charges		\$ 10,289

Principal on Debt

General Government

Principal on Bonds	\$ 155,000	
Principal on Notes	<u>2,036,572</u>	
Total General Government		2,191,572

Interest on Debt

General Government

Interest on Bonds	\$ 173,055	
Interest on Notes	<u>23,798</u>	
Total General Government		196,853

Other Debt Service

General Government

Underwriter's Discount	\$ 18,615	
Other Debt Issuance Charges	<u>43,139</u>	
Total General Government		<u>61,754</u>

Total General Debt Service Fund \$ 2,460,468

Rural Debt Service Fund

Principal on Debt

Education

Principal on Bonds	\$ 905,000	
Total Education		\$ 905,000

Interest on Debt

Education

Interest on Bonds	\$ 877,556	
Total Education		877,556

Other Debt Service

Education

Trustee's Commission	\$ 26,902	
Other Charges	<u>1,692</u>	
Total Education		<u>28,594</u>

Total Rural Debt Service Fund 1,811,150

(Continued)

Exhibit J-8

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

<u>Education Debt Service Fund</u>		
<u>Other Operations</u>		
<u>Other Charges</u>		
Trustee's Commission	\$ 13,842	
Total Other Charges		\$ 13,842
 <u>Principal on Debt</u>		
<u>Education</u>		
Principal on Bonds	\$ 475,000	
Total Education		475,000
 <u>Interest on Debt</u>		
<u>Education</u>		
Interest on Bonds	\$ 860,450	
Total Education		<u>860,450</u>
Total Education Debt Service Fund		<u>\$ 1,349,292</u>
Total Governmental Funds - Primary Government		<u>\$ 19,326,750</u>

Exhibit J-9

Marion County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Marion County School Department
For the Year Ended June 30, 2010

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 8,769,101	
Career Ladder Program	109,675	
Career Ladder Extended Contracts	62,346	
Homebound Teachers	16,446	
Educational Assistants	311,168	
Other Salaries and Wages	94,605	
Certified Substitute Teachers	22,380	
Non-certified Substitute Teachers	203,627	
Social Security	565,967	
State Retirement	593,117	
Medical Insurance	1,411,767	
Employer Medicare	133,087	
Other Contracted Services	6,300	
Instructional Supplies and Materials	53,000	
Textbooks	307,451	
Other Supplies and Materials	151,560	
Other Charges	2,550	
Regular Instruction Equipment	34,986	
Total Regular Instruction Program		\$ 12,849,133

Alternative Instruction Program

Teachers	\$ 74,315	
Social Security	4,512	
State Retirement	4,771	
Medical Insurance	10,914	
Employer Medicare	1,055	
Other Contracted Services	360	
Instructional Supplies and Materials	900	
Other Supplies and Materials	3,596	
Other Equipment	1,377	
Total Alternative Instruction Program		101,800

Special Education Program

Teachers	\$ 1,116,709
Career Ladder Program	11,965
Homebound Teachers	13,092
Educational Assistants	198,824
Speech Pathologist	104,870
Certified Substitute Teachers	578

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Non-certified Substitute Teachers	\$	33,418	
Social Security		86,600	
State Retirement		90,469	
Medical Insurance		323,307	
Employer Medicare		20,280	
Contracts with Private Agencies		26,695	
Other Contracted Services		202,630	
Instructional Supplies and Materials		5,400	
Other Supplies and Materials		47,947	
Special Education Equipment		25,713	
Total Special Education Program			\$ 2,308,497

Vocational Education Program

Teachers	\$	905,235	
Career Ladder Program		11,000	
Certified Substitute Teachers		330	
Non-certified Substitute Teachers		13,608	
Social Security		54,952	
State Retirement		58,883	
Medical Insurance		141,228	
Employer Medicare		12,852	
Maintenance and Repair Services - Equipment		1,079	
Other Contracted Services		11,449	
Instructional Supplies and Materials		8,765	
Textbooks		23,025	
Other Supplies and Materials		38,712	
Other Charges		196	
Vocational Instruction Equipment		165,236	
Total Vocational Education Program			1,446,550

Adult Education Program

Teachers	\$	128,838	
Career Ladder Program		2,000	
Other Salaries and Wages		13,623	
Social Security		7,687	
State Retirement		8,122	
Medical Insurance		20,503	
Employer Medicare		2,025	
Other Contracted Services		2,054	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Adult Education Program (Cont.)

Instructional Supplies and Materials	\$ 15,553	
Other Supplies and Materials	3,780	
Other Charges	540	
Other Equipment	2,000	
Total Adult Education Program		\$ 206,725

Support Services

Attendance

Supervisor/Director	\$ 58,354	
Career Ladder Program	850	
Social Workers	27,434	
Social Security	5,184	
State Retirement	5,263	
Medical Insurance	10,534	
Employer Medicare	1,212	
Travel	2,470	
Other Supplies and Materials	1,161	
Total Attendance		112,462

Health Services

Medical Personnel	\$ 114,720	
Other Salaries and Wages	112,977	
Social Security	13,359	
State Retirement	10,622	
Medical Insurance	37,145	
Employer Medicare	3,124	
Maintenance and Repair Services - Equipment	378	
Postal Charges	54	
Travel	5,727	
Other Contracted Services	6,362	
Drugs and Medical Supplies	1,863	
Other Supplies and Materials	4,635	
Other Charges	4,956	
Health Equipment	13,473	
Total Health Services		329,395

Other Student Support

Career Ladder Program	\$ 2,000	
Guidance Personnel	390,858	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Clerical Personnel	\$	20,960	
Other Salaries and Wages		6,735	
Social Security		25,031	
State Retirement		26,466	
Medical Insurance		57,640	
Employer Medicare		5,914	
Evaluation and Testing		73,329	
Travel		3,447	
Other Contracted Services		695	
Other Supplies and Materials		383	
In Service/Staff Development		4,769	
Total Other Student Support			\$ 618,227

Regular Instruction Program

Supervisor/Director	\$	137,976	
Career Ladder Program		10,000	
Librarians		414,935	
Secretary(ies)		27,154	
Social Security		34,810	
State Retirement		37,545	
Medical Insurance		68,710	
Employer Medicare		8,141	
Travel		8,769	
Other Contracted Services		4,386	
Library Books/Media		74,277	
Other Supplies and Materials		424	
In Service/Staff Development		16,336	
Other Charges		17,084	
Total Regular Instruction Program			860,547

Special Education Program

Supervisor/Director	\$	66,060	
Career Ladder Program		5,000	
Social Security		4,389	
State Retirement		4,562	
Medical Insurance		5,694	
Employer Medicare		1,026	
Maintenance and Repair Services - Equipment		431	
Travel		16,967	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Other Contracted Services	\$	1,013	
Other Supplies and Materials		9,012	
In Service/Staff Development		14,124	
Other Equipment		2,042	
Total Special Education Program			\$ 130,320

Vocational Education Program

Supervisor/Director	\$	71,316	
Career Ladder Program		1,000	
Social Security		4,181	
State Retirement		4,643	
Medical Insurance		9,943	
Employer Medicare		978	
Travel		1,821	
Other Supplies and Materials		367	
In Service/Staff Development		1,736	
Other Charges		36	
Total Vocational Education Program			96,021

Adult Programs

Supervisor/Director	\$	64,404	
Career Ladder Program		1,000	
Other Salaries and Wages		25,740	
Social Security		5,266	
State Retirement		5,571	
Medical Insurance		9,943	
Employer Medicare		1,232	
Travel		1,543	
In Service/Staff Development		688	
Total Adult Programs			115,387

Other Programs

On-Behalf Payments to OPEB	\$	153,922	
Total Other Programs			153,922

Board of Education

Board and Committee Members Fees	\$	17,925	
Social Security		1,111	
Unemployment Compensation		24,624	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Employer Medicare	\$	260	
Audit Services		5,500	
Dues and Memberships		10,370	
Legal Services		54,709	
Travel		12,971	
Trustee's Commission		185,234	
Workers' Compensation Insurance		63,323	
Criminal Investigation of Applicants - TBI		7,620	
Other Charges		2,116	
Total Board of Education			\$ 385,763

Director of Schools

County Official/Administrative Officer	\$	77,004	
Career Ladder Program		1,000	
Secretary(ies)		33,382	
Clerical Personnel		26,352	
Social Security		8,275	
State Retirement		8,192	
Medical Insurance		19,616	
Employer Medicare		1,935	
Communication		50,303	
Dues and Memberships		1,094	
Maintenance and Repair Services - Equipment		12,133	
Postal Charges		2,607	
Travel		12,584	
Other Contracted Services		12,965	
Office Supplies		4,169	
Total Director of Schools			271,611

Office of the Principal

Principals	\$	570,777	
Career Ladder Program		17,800	
Assistant Principals		349,484	
Secretary(ies)		353,098	
Other Salaries and Wages		1,637	
Social Security		77,046	
State Retirement		79,145	
Medical Insurance		227,828	
Employer Medicare		18,019	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Other Contracted Services	\$ 15,070	
Total Office of the Principal		\$ 1,709,904

Fiscal Services

Supervisor/Director	\$ 71,838	
Accountants/Bookkeepers	116,002	
Other Salaries and Wages	12,954	
Social Security	12,398	
State Retirement	10,702	
Medical Insurance	26,574	
Employer Medicare	2,900	
Data Processing Services	6,651	
Dues and Memberships	974	
Maintenance and Repair Services - Equipment	80	
Travel	3,306	
Data Processing Supplies	4,414	
Office Supplies	3,394	
Other Charges	408	
Administration Equipment	5,168	
Total Fiscal Services		277,763

Human Services/Personnel

Supervisor/Director	\$ 68,172	
Secretary(ies)	23,952	
Social Security	5,391	
State Retirement	5,653	
Medical Insurance	14,335	
Employer Medicare	1,261	
Travel	1,250	
Office Supplies	3,469	
Other Equipment	870	
Total Human Services/Personnel		124,353

Operation of Plant

Custodial Personnel	\$ 497,138	
Social Security	30,137	
State Retirement	23,807	
Medical Insurance	141,750	
Employer Medicare	7,048	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Disposal Fees	\$	33,910	
Other Contracted Services		17,246	
Custodial Supplies		205,951	
Electricity		976,417	
Natural Gas		240,352	
Water and Sewer		82,305	
Other Supplies and Materials		20,048	
Building and Contents Insurance		167,133	
Other Charges		1,400	
Total Operation of Plant			\$ 2,444,642

Maintenance of Plant

Maintenance Personnel	\$	207,258	
Social Security		12,704	
State Retirement		10,540	
Medical Insurance		32,895	
Employer Medicare		2,971	
Maintenance and Repair Services - Buildings		254,260	
Maintenance and Repair Services - Equipment		53,104	
Maintenance and Repair Services - Vehicles		3,456	
Other Contracted Services		44,290	
Other Supplies and Materials		157,493	
Other Charges		797	
Administration Equipment		26,988	
Maintenance Equipment		9,947	
Total Maintenance of Plant			816,703

Transportation

Supervisor/Director	\$	10,298	
Bus Drivers		2,649	
Social Security		770	
State Retirement		750	
Medical Insurance		854	
Employer Medicare		180	
Contracts with Parents		17,610	
Contracts with Vehicle Owners		924,660	
Maintenance and Repair Services - Vehicles		2,264	
Travel		1,647	
Other Contracted Services		1,105	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Diesel Fuel	\$ 32,219	
Other Supplies and Materials	971	
Transportation Equipment	15,281	
Total Transportation		\$ 1,011,258

Central and Other

Supervisor/Director	\$ 56,760	
Other Salaries and Wages	96,297	
Social Security	8,877	
State Retirement	8,158	
Medical Insurance	18,230	
Employer Medicare	2,076	
Travel	1,124	
Other Contracted Services	132,370	
Office Supplies	1,135	
Other Supplies and Materials	37,227	
In Service/Staff Development	9,127	
Other Equipment	44,379	
Total Central and Other		415,760

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$ 10,575	
Teachers	38,270	
Part-time Personnel	3,059	
Other Salaries and Wages	159,024	
Social Security	12,203	
State Retirement	12,198	
Medical Insurance	5,959	
Employer Medicare	3,007	
Travel	2,035	
Other Contracted Services	3,240	
Food Supplies	2,926	
Instructional Supplies and Materials	25,754	
Other Supplies and Materials	10,366	
In Service/Staff Development	3,659	
Other Charges	5,266	
Total Community Services		297,541

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education

Teachers	\$ 153,100	
Educational Assistants	80,764	
Non-certified Substitute Teachers	2,475	
Social Security	13,458	
State Retirement	14,134	
Medical Insurance	70,698	
Employer Medicare	3,147	
Other Fringe Benefits	851	
Other Contracted Services	3,188	
Instructional Supplies and Materials	12,051	
In Service/Staff Development	<u>2,122</u>	
Total Early Childhood Education		\$ 355,988

Capital Outlay

Regular Capital Outlay

Other Capital Outlay	\$ 25,357	
Total Regular Capital Outlay		25,357

Principal on Debt

Education

Principal on Notes	\$ 47,888	
Total Education		47,888

Interest on Debt

Education

Interest on Notes	\$ 15,261	
Total Education		15,261

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 841,336	
Total Education		<u>841,336</u>

Total General Purpose School Fund \$ 28,370,114

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 302,890	
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(Continued)

Exhibit J-9

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Educational Assistants	\$	120,350	
Non-certified Substitute Teachers		2,282	
Social Security		25,389	
State Retirement		25,860	
Medical Insurance		97,200	
Employer Medicare		5,937	
Other Fringe Benefits		1,516	
Other Contracted Services		2,521	
Instructional Supplies and Materials		53,272	
Regular Instruction Equipment		205,535	
Total Regular Instruction Program			\$ 842,752

Special Education Program

Teachers	\$	37,836	
Educational Assistants		330,846	
Speech Pathologist		200	
Other Salaries and Wages		24,420	
Social Security		22,796	
State Retirement		21,309	
Medical Insurance		142,880	
Employer Medicare		5,331	
Other Fringe Benefits		8,990	
Other Contracted Services		793	
Other Supplies and Materials		50,370	
Special Education Equipment		14,807	
Total Special Education Program			660,578

Vocational Education Program

Other Contracted Services	\$	9,585	
Other Supplies and Materials		9,335	
Vocational Instruction Equipment		42,076	
Total Vocational Education Program			60,996

Support Services

Other Student Support

Other Salaries and Wages	\$	119,896	
Social Security		7,435	
State Retirement		7,699	
Medical Insurance		8,587	

(Continued)

Exhibit J-9

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Employer Medicare	\$	1,739	
Other Fringe Benefits		44	
Travel		5,395	
Other Contracted Services		5,920	
In Service/Staff Development		680	
Other Charges		12,741	
Total Other Student Support			\$ 170,136

Regular Instruction Program

Supervisor/Director	\$	67,836	
Secretary(ies)		22,440	
Other Salaries and Wages		103,239	
In-Service Training		2,380	
Social Security		11,433	
State Retirement		12,332	
Medical Insurance		29,208	
Employer Medicare		2,674	
Other Fringe Benefits		706	
Travel		2,915	
Other Contracted Services		4,417	
Other Supplies and Materials		4,579	
In Service/Staff Development		70,931	
Other Charges		1,682	
Other Equipment		3,390	
Total Regular Instruction Program			340,162

Special Education Program

Psychological Personnel	\$	161,201	
Secretary(ies)		20,040	
Other Salaries and Wages		178,031	
Social Security		21,518	
State Retirement		22,330	
Medical Insurance		36,960	
Employer Medicare		5,032	
Other Fringe Benefits		2,196	
In Service/Staff Development		16,558	
Total Special Education Program			463,866

(Continued)

Exhibit J-9

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Vocational Education Program

In Service/Staff Development	\$ 1,471	
Other Charges	965	
Total Vocational Education Program	\$ 2,436	

Transportation

Other Salaries and Wages	\$ 16,505	
Social Security	1,023	
State Retirement	880	
Medical Insurance	14,335	
Employer Medicare	239	
Other Fringe Benefits	772	
Transportation Equipment	65,000	
Total Transportation	98,754	

Total School Federal Projects Fund \$ 2,639,680

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 68,502	
Accountants/Bookkeepers	31,899	
Cafeteria Personnel	672,063	
Other Salaries and Wages	26,628	
Social Security	48,059	
State Retirement	39,621	
Medical Insurance	181,293	
Employer Medicare	11,250	
Other Fringe Benefits	18,240	
Communication	7,780	
Travel	4,418	
Other Contracted Services	131,812	
Food Preparation Supplies	67,742	
Food Supplies	775,117	
USDA - Commodities	120,564	
Other Supplies and Materials	15,051	
Trustee's Commission	265	
In Service/Staff Development	9,063	
Other Charges	10,919	
Food Service Equipment	133,840	
Total Food Service	\$ 2,374,126	

Total Central Cafeteria Fund 2,374,126

Total Governmental Funds - School Department \$ 33,383,920

Exhibit J-10

Marion County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balances - City Agency Funds
For the Year Ended June 30, 2010

	Cities Sales Tax Fund	Special School District Fund	City School ADA - Richard City Fund	Total
<u>Cash Receipts</u>				
Current Property Taxes	\$ 0	\$ 20,615	\$ 293,089	\$ 313,704
Trustee's Collections - Prior Years	0	1,094	18,437	19,531
Circuit/Clerk and Master Collections - Prior Years	0	0	13,992	13,992
Interest and Penalty	0	187	3,350	3,537
Payments in-Lieu-of Taxes - T.V.A.	0	0	2,225	2,225
Payments in-Lieu-of Taxes - Local Utilities	0	0	682	682
Payments in-Lieu-of Taxes - Other	0	0	27	27
Local Option Sales Tax	2,754,390	0	198,021	2,952,411
Hotel/Motel Tax	0	0	817	817
Bank Excise Tax	0	0	4,589	4,589
Wholesale Beer Tax	0	0	7,934	7,934
Interstate Telecommunications Tax	0	0	92	92
Marriage Licenses	0	0	161	161
Total Cash Receipts	\$ 2,754,390	\$ 21,896	\$ 543,416	\$ 3,319,702
<u>Cash Disbursements</u>				
Remittance of Revenues Collected	\$ 2,726,846	\$ 21,427	\$ 511,360	\$ 3,259,633
Trustee's Commission	27,544	436	8,405	36,385
Total Cash Disbursements	\$ 2,754,390	\$ 21,863	\$ 519,765	\$ 3,296,018
Excess of Cash Receipts Over (Under)				
Cash Disbursements	\$ 0	\$ 33	\$ 23,651	\$ 23,684
Cash Balance, July 1, 2009	0	18	22,171	22,189
Cash Balance, June 30, 2010	\$ 0	\$ 51	\$ 45,822	\$ 45,873

SINGLE AUDIT SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841

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

February 14, 2011

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Marion County, Tennessee, as of and for the year ended June 30, 2010, which collectively comprise a portion of Marion County's basic financial statements and have issued our report thereon dated February 14, 2011. Our report on the business-type activities was adverse and our report on the aggregate remaining fund information was qualified due to not including the financial statements of the Marion County Conservation Commission, which were not available from other auditors as of the date of this report. Our report includes a reference to other auditors. 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. Other auditors audited the financial statements of the Marion County Emergency Communications District as described in our report on Marion County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marion County'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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Marion County's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting: 10.01(A), 10.02, 10.03, 10.06, 10.07, 10.09, 10.11, 10.12(B,C), 10.13, and 10.16. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

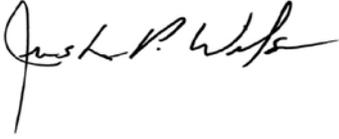
As part of obtaining reasonable assurance about whether Marion County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items: 10.01(B), 10.04, 10.05, 10.08, 10.10, 10.12(A), 10.14, and 10.15.

We also noted certain matters that we reported to management of Marion County in separate communications.

Marion County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Marion County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the county mayor, County Commission, highway supervisor, director of schools, 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, appearing to read "Justin P. Wilson". The signature is written in a cursive style with a prominent vertical stroke at the beginning.

Justin P. Wilson
Comptroller of the Treasury

JPW/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 37243-1402
PHONE (615) 401-7841

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

February 14, 2011

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Marion County 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 its major federal programs for the year ended June 30, 2010. Marion County'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 its major federal programs is the responsibility of Marion County's management. Our responsibility is to express an opinion on Marion County'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 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 compliance with those requirements.

In our opinion, Marion County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and are described in the accompanying Schedule of Findings and Questioned Costs as items 10.05 and 10.17.

Internal Control Over Compliance

The management of Marion County 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 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 10.07 and 10.18. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

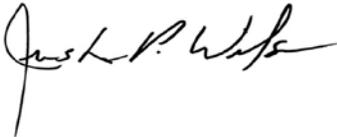
Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Marion County as of and for the year ended June 30, 2010, and have issued our report thereon dated February 14, 2011. Our report on the business-type activities was adverse and our report on the aggregate remaining fund information was qualified due to not including the financial statements of the Marion County Conservation Commission, which were not available from other auditors as of the date of this report. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Marion County'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.

Marion County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Marion County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the county mayor, County Commission, highway supervisor, director of schools, 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,



Justin P. Wilson
Comptroller of the Treasury

JPW/sb

Marion County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For Year Ended June 30, 2010

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:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ 120,564 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	314,212
National School Lunch Program	10.555	N/A	1,033,714 (3)
Child Nutrition Discretionary Limited Availability (ARRA)			28,920
Total U.S. Department of Agriculture			\$ 1,497,410
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	(4)	\$ 328,485
Passed-through State Housing Development Agency:			
Home Investment Partnerships Program	14.239	HM-08-30	64,225
Total U.S. Department of Housing and Urban Development			\$ 392,710
U.S. Department of Justice:			
Direct Program:			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG)			
Program/Grants to Units of Local Government	16.804	N/A	\$ 21,032
Passed-through Tennessee Bureau of Investigation:			
Edward Byrne Memorial State and Local Law Enforcement			
Assistance Discretionary Grants Program	16.580	(2)	24,364 (5)
Passed-through State Office of Criminal Justice Programs:			
Edward Byrne Memorial State and Local Law Enforcement			
Assistance Discretionary Grants Program	16.580	Z-06-027486-02	4,813 (5)
Edward Byrne Memorial Justice Assistance Grants Program	16.738	4042	66,205
Total U.S. Department of Justice			\$ 116,414
U.S. Department of Labor:			
Passed-through Workforce Solutions:			
WIA Youth Activities	17.259	(2)	\$ 12,000
Total U.S. Department of Labor			\$ 12,000
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Airport Improvement Program	20.106	Z-08-20-0634-00	\$ 329,416
Total U.S. Department of Transportation			\$ 329,416
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	(2)	\$ 99,450
Passed-through State Department of Education:			
Title I Cluster:			
Title I Grants to Local Education Agencies	84.010	N/A	885,197
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	220,959

(Continued)

Marion County, Tennessee

Schedule of Expenditures of Federal Awards and State Grants (1) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Education (Cont.):			
Passed-through State Department of Education (Cont.):			
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	\$ 983,045
Special Education - Preschool Grants	84.173	N/A	34,873
Special Education - Grants to States, Recovery Act	84.391	N/A	452,436
Special Education - Preschool Grants, Recovery Act	84.392	N/A	8,513
Career and Technical Education - Basic Grants to States	84.048	N/A	76,338
Safe and Drug-free Schools and Communities - State Grants	84.186	N/A	23,828
Twenty-first Century Community Learning Centers	84.287	N/A	122,251
Improving Teacher Quality State Grants	84.367	(2)	248,020
State Fiscal Stabilization Fund Cluster:			
State Fiscal Stabilization Fund (SFSF) - Education			
State Grants, Recovery Act	84.394	(2)	756,600
State Fiscal Stabilization Fund (SFSF) - Government			
Services, Recovery Act	84.397	(2)	119,182
Total U.S. Department of Education			\$ 4,030,692
Total Expenditures of Federal Awards			\$ 6,378,642

State Grants		Contract Number	
Adult Education - State Department of Education	N/A	(2)	\$ 27,095
Airport Maintenance Program - State Department of Transportation	N/A	(2)	16,000
Apron Taxilane Project - State Department of Transportation	N/A	Z-08-20-0619-00	223,976
Airport Improvement Project - State Department of Transportation	N/A	Z-09-214013-00	243,707
Health Department Grant - State Department of Health	N/A	Z-10-219835-00	168,682
Jobs for Tennessee Graduates - State Department of Education	N/A	(2)	12,500
Juvenile Services Program - State Department of Children's Services	N/A	(2)	13,750
Litter Grant - State Department of Transportation	N/A	Z-09-212776-00	31,254
Governor's Highway Grant - State Department of Transportation	N/A	K8-10-74	3,987
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	9,985
Voluntary Pre-K for Tennessee - State Department of Education	N/A	(2)	355,988
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-08-213002-02	26,463
Total State Grants			\$ 1,133,387

CFDA - Catalog of Federal Domestic Assistance

N/A - Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total for CFDA No. 10.555 is \$1,154,278.
- (4) GG-08-25665-00: \$169,051; GG-08-28589-00: \$159,434.
- (5) Total for CFDA No. 16.580 is \$29,177.

Marion County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2010

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, for the year ended June 30, 2009, which have not been corrected.

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.01(B)	188	Competitive bids were not solicited

OFFICE OF DIRECTOR OF SCHOOLS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.02	188	The extended school and summer camp programs did not deposit funds within three days of collection

OFFICE OF TRUSTEE

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.03	189	Excess fees were not reported and paid to the county in compliance with state statutes

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.04	189	The courts software did not have adequate application controls

OFFICE OF SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.05	190	Profits from the commissary operations were not remitted to the county monthly

OTHER FINDING

Finding Number	Page Number	Subject
09.08	191	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

MARION COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2010

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the business-type activities is adverse. Our report on the aggregate remaining fund information is qualified. Our report on the governmental activities, the aggregate discretely presented component units, and each major fund is unqualified.
2. The audit of the financial statements of Marion County disclosed significant deficiencies in internal control. None of these deficiencies was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that were material to the financial statements.
4. The audit disclosed one significant deficiency in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed two findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555); the Community Development Block Grants/State's Program (CFDA No. 14.228); the Airport Improvement Program (CFDA No. 20.106), the Title I Cluster: Title I Grants to Local Educational Agencies and Title I Grants to Local Educational Agencies, Recovery Act (CFDA Nos. 84.010 and 84.389); the Special Education Cluster: Special Education – Grants to States, Special Education – Preschool Grants, Special Education – Grants to States, and Recovery Act, Special Education – Preschool Grants, Recovery Act (CFDA Nos. 84.027, 84.173, 84.391, and 84.392); and the State Fiscal Stabilization Cluster: State Fiscal Stabilization Funds (SFSF) – Education State Grants, Recovery Act and State Fiscal Stabilization Funds (SFSF) – Governmental Services, Recovery Act (CFDA Nos. 84.394 and 84.397) 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 did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The director of schools provided written responses on certain findings, which are paraphrased in this report.

OFFICE OF COUNTY MAYOR

FINDING 10.01 **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**

(A. – Internal Control – Significant Deficiency Under Government Auditing Standards; B. – Noncompliance Under Government Auditing Standards)

Our examination of purchasing procedures revealed the following deficiencies.

- A. In some instances, invoices were paid without documentation that goods had been received and/or services had been rendered. This deficiency can be attributed to the lack of management oversight. This practice weakens controls over the purchasing process and increases the risks of paying for something that was never received.
- B. Competitive bids were not solicited for 11 vehicles purchased for the Sheriff's Department totaling \$259,600. Section 5-14-204, Tennessee Code Annotated, provides for all purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids. This deficiency can be attributed to management incorrectly assuming that the vendor selling the vehicles was on the state bid list and the failure of management to correct the finding noted in the prior-year audit report. The failure to solicit competitive bids could result in the county paying more than the most competitive price.

RECOMMENDATION

To strengthen internal controls over the purchasing process, the office should maintain documentation that goods have been received or services have been rendered before invoices are paid. Also, competitive bids should be solicited for all purchases exceeding \$10,000 as required by state statute. When a vendor claims to be on the state bid list, officials should confirm that the vendor is in fact on the state bid list prior to making the purchase.

FINDING 10.02 **A CASH SHORTAGE OF \$27,170.93 EXISTED IN THE MARION COUNTY ELECTION OFFICE AT MARCH 31, 2010**

(Internal Control – Significant Deficiency Under Government Auditing Standards)

On August 25, 2010, our office issued a special report on the Marion County Election Office for the period July 1, 2003, through March 31, 2010. This report disclosed that a cash shortage resulted from 107 warrants being improperly issued to 34 individuals totaling \$27,170.93 for

work that was not performed. This report is available at www.tn.gov/comptroller. On October 4, 2010, Marion County Administrator of Elections Ms. Holly Henegar was indicted by the Marion County Grand Jury for misappropriation of funds.

FINDING 10.03 **A CASH SHORTAGE OF \$87,023.91 EXISTED IN THE HALETOWN VOLUNTEER FIRE DEPARTMENT AT APRIL 12, 2010**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

On October 20, 2010, our office issued a special report on the Haletown Volunteer Fire Department (HVFD) for the period January 1, 2005, through April 12, 2010. This report disclosed that a cash shortage resulted from checks written on HVFD bank accounts to pay personal expenses of Mr. Billy Joe Henegar, the secretary/treasurer (\$92,620.25), together with \$2,203.66 cash withheld from bank deposits of private donations and a county contribution. Mr. Henegar remitted personal funds totaling \$7,800 to the HVFD leaving a cash shortage balance of \$87,203.91 at April 12, 2010. This report is available at www.tn.gov/comptroller. On October 4, 2010, Mr. Billy Joe Henegar was indicted by the Marion County Grand Jury.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 10.04 **THE EXTENDED SCHOOL AND SUMMER CAMP PROGRAMS HAD ACCOUNTING DEFICIENCIES**
(Noncompliance Under Government Auditing Standards)

The Marion County School Department operates extended school and summer camp programs with their financial transactions channeled through the General Purpose School Fund. Our examination revealed the following accounting deficiencies:

- A. The extended school and summer camp programs did not deposit some funds to the bank account within three days of collection as required by Section 5-8-207, Tennessee Code Annotated (TCA). During the period under examination, as many as nine days lapsed between the date funds were received and the date funds were deposited to the bank. This deficiency exists due to the failure of management to correct the finding noted in the prior-year audit report. The delay in depositing funds not only violates state statute but also weakens internal controls over collections and increases the risks for fraud and misappropriation.
- B. The extended school and summer camp programs used generic receipts that did not display the official name of the Marion County School Department. Section 9-2-103, TCA, requires that official prenumbered receipts be issued for all collections. The use of generic receipts increases the risk that collections may not be accounted for properly.

RECOMMENDATION

The extended school and summer camp programs should ensure that all funds are deposited to the bank account within three days of collection as required by state statute. Also, the extended school and summer camp programs should issue official prenumbered receipts that clearly reflect the name of the Marion County School Department.

FINDING 10.05 **COMPETITIVE BIDS WERE NOT PROPERLY SOLICITED FOR AN OVEN HOOD**
(Noncompliance Under Government Auditing Standards and OMB Circular A-133)

The director of schools did not solicit competitive bids through newspaper advertisement for the purchase and installation of an oven hood costing \$104,000. Instead, he directly solicited bids from vendors. School Department purchasing procedures are governed by purchasing laws applicable to the schools as set forth in Section 49-2-203, Tennessee Code Annotated, which requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$10,000. This deficiency exists because the director decided in February 2010, that the purchase and installation of the oven hood was an emergency purchase; however, the purchase of the oven hood was not made until June 2010, four months later.

RECOMMENDATION

Competitive bids should be solicited through newspaper advertisement for all purchases exceeding \$10,000.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

We agree. In the future, school board policy on purchasing will be followed.

FINDING 10.06 **THE OFFICE HAD DEFICIENCIES IN THE USE OF CREDIT CARDS**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Our examination of credit card transactions revealed the following deficiencies. These deficiencies are the result of management's failure to implement adequate internal control procedures over credit card transactions.

- A. The School Department had credit cards available for employees to use for certain purchases. However, the Board of Education had not adopted written guidelines governing the use of these cards.

- B. When we initially reviewed credit card transactions, officials could not support 41 charges totaling \$11,090. Subsequently, officials found supporting documentation on five of the 41 transactions totaling \$481. Most of these credit card transactions appear to be travel related expenses for hotels, restaurants, and fuel.

RECOMMENDATION

The Board of Education should adopt written guidelines governing the use of credit cards. These guidelines should identify those who are entitled to use the credit cards and the purposes for which the credit cards can be used. This policy should also require that documentation for the credit card charges be presented before payment is made to the credit card vendor or travel reimbursement to the employee.

FINDING 10.07 **THE FOOD SERVICE DEPARTMENT ISSUED SOME PURCHASE ORDERS AFTER PURCHASES WERE MADE**
(Internal Control – Significant Deficiency Under Government Auditing Standards and OMB Circular A-133)

In several instances, purchase orders for the Food Service Department were issued after purchases were made. This practice defeats the purpose of the purchase order and makes it an approval of payment rather than an approval of the purchase. This deficiency is the result of management's failure to implement adequate internal control procedures over purchasing.

RECOMMENDATION

To strengthen internal controls over purchasing procedures and to document purchasing commitments, the office should issue purchase orders for all applicable purchases before the purchases are made.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

We agree. Management will implement adequate internal controls over purchases. Purchase orders will be issued prior to purchases being made.

OFFICE OF TRUSTEE

FINDING 10.08 **EXCESS FEES WERE NOT REPORTED AND PAID TO THE COUNTY IN COMPLIANCE WITH STATE STATUTE**
(Noncompliance Under Government Auditing Standards)

The trustee did not report and pay excess fees to the county in compliance with Section 8-22-104, Tennessee Code Annotated. This statute requires excess fees to be reported and paid to the county quarterly and permits the trustee to retain sufficient fees to operate the office for three months. During the year, excess fees totaling \$236,593 were reported and paid

to the county. However, excess fees retained exceeded three months operating expenses by amounts ranging from \$8,312 to \$23,547 at the end of the four reporting periods. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

The trustee should report and pay excess fees to the county in compliance with state statute.

FINDING 10.09 **THE TRUSTEE DID NOT ACCURATELY PRORATE SOME COLLECTIONS**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Our examination revealed the following deficiencies in prorating certain collections. These deficiencies are the result of a lack of management oversight:

- A. The trustee did not accurately prorate local option sales tax collections between the county school system and the Richard City School District. These prorations are based on the current weighted full-time equivalent average daily attendance (ADA) proration. This ADA proration takes into account the average daily student population for each school system. The trustee received the final ADA proration numbers for the fiscal year and posted an adjustment; however, the ADA adjustment was posted incorrectly. The incorrect adjustment resulted in excess collections totaling \$21,885 being credited to the General Purpose School Fund and a corresponding underpayment to the Richard City School District at June 30, 2010. The financial statements of this report properly reflect the sales tax prorations as of June 30, 2010.

- B. The trustee posted state beer tax and alcoholic beverage tax collections into incorrect revenue codes. The effect of these errors allocated state beer taxes and alcoholic beverage taxes into incorrect funds, which resulted in excess collections totaling \$17,983 being credited to the General Purpose School Fund and \$1,372 being credited to the Cities School ADA - Richard City Fund; and a corresponding underpayment totaling \$19,355 to the General Fund at June 30, 2010. The financial statements of this report properly reflect the state beer tax and the alcoholic beverage tax prorations as of June 30, 2010.

RECOMMENDATION

The trustee should ensure that applicable collections are accurately prorated and posted to the correct funds.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 10.10 **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES**

(Noncompliance Under Government Auditing Standards)

System backups were rotated off-site monthly instead of weekly as required by Section 10-7-121, Tennessee Code Annotated. This statute provides that records required to be retained by any government official may be maintained on a computer or removable storage media as long as certain standards are met. One of these standards requires that all data generated and stored within the computer system be copied to storage media daily, and media more than one week old should be stored at an off-site location. This deficiency is the result of management's failure to implement adequate disaster recovery planning procedures. In the event of a disaster, backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process. Proper system backup procedures were implemented in June 2010.

RECOMMENDATION

Management should ensure backups are rotated off-site on a weekly basis.

FINDING 10.11 **THE COURTS' SOFTWARE DID NOT HAVE ADEQUATE APPLICATION CONTROLS**

(Internal Control – Significant Deficiency Under Government Auditing Standards)

The courts' software application did not provide a record of changes to previously issued receipts. Users had the capability to change information on receipts, leaving no evidence of the original receipt. Sound business practices dictate that proper application controls be implemented. Since the vendor did not design the system with these controls, inappropriate system activity could occur. This deficiency can also be attributed to the failure of management to correct the finding noted in the prior-year audit report.

RECOMMENDATION

Management should contact the software vendor concerning the addition of controls to the courts' software application that would provide an audit trail for any changes to receipt information. These controls would help to ensure the reliability and integrity of the information maintained by the system.

OFFICE OF CLERK AND MASTER

FINDING 10.12 THE OFFICE HAD DEFICIENCIES IN MAINTAINING AND RECONCILING THE EXECUTION DOCKETS

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

Our examination of the execution docket trial balances revealed the following deficiencies in the maintenance of the dockets in the office. These deficiencies are the result of a lack of management oversight and are considered significant deficiencies that increase the risk of fraud and abuse and the risk that errors will not be discovered and corrected in a timely manner:

- A. At June 30, 2010, the clerk and master had prepared trial balances of execution docket cause balances as required by Section 18-2-103, Tennessee Code Annotated (TCA). However, these trial balances did not reconcile with cash journal accounts by \$33,317. Consequently, we were unable to determine if the clerk had complied with the provisions of the Unclaimed Property Act, Section 66-29-110, TCA. This statute provides that any funds held by the court for more than one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer’s Office.
- B. The docket trial balances were not reconciled with general ledger accounts on a monthly basis. As a result, errors on the docket trial balances were not detected and corrected timely.
- C. We discovered 26 cases totaling \$15,206 where the court had ordered a final disposition in each case, but the office had not processed the orders.

RECOMMENDATION

Execution docket trial balances should be reconciled with general ledger accounts monthly. Any funds held by the court for one year and unclaimed by the owner are considered abandoned and should be reported and paid to the state Treasurer’s Office in compliance with state statute. The clerk and master should process the 26 cases where the final court ordered disposition has not been processed.

FINDING 10.13 DEFICIENCIES WERE NOTED IN THE MAINTENANCE OF ACCOUNTING RECORDS

(Internal Control – Significant Deficiency Under Government Auditing Standards)

Our examination of accounting records revealed the following deficiencies in the maintenance of accounting records in the office. These deficiencies are the result of a lack of management

oversight and are considered significant deficiencies that increase the risk of fraud and abuse and the risk that errors will not be discovered and corrected in a timely manner.

- A. Employees of the office did not reconcile bank statements with general ledger accounts for the period November 2009 through June 2010. These bank statements were reconciled on September 30, 2010, by personnel of the company that provides computer support to the office.
- B. The clerk's annual financial report did not accurately reflect the operations of the office. Operations and year-end balances were determined by substantive testing and alternative auditing procedures. During our examination, we discovered numerous accounting errors. These errors included receipts that were voided that should not have been voided (\$4,892); some checks that were voided from the wrong general ledger accounts (\$4,122); a short-term investment that was incorrectly deleted from the accounting records (\$32,876); deposits not posted to the accounting records (\$4,293); and other errors resulting in the overpayment of fines, fees, and commissions to the county trustee (\$19,105). Adjustments for these errors were presented to the clerk and master for his approval and have been correctly reflected in the financial statements of this report.

RECOMMENDATION

Bank statements should be reconciled with the general ledger monthly, and any errors discovered should be corrected promptly. The accounting records and the annual financial report should accurately reflect all operations of the office. The official and employees of the office should review accounting records on a current basis to minimize errors and make corrections in a timely manner.

FINDING 10.14 **IMPROPER PROCEDURES WERE USED TO DISBURSE FUNDS** (Noncompliance Under Government Auditing Standards)

During the year under examination, 13 cashier's checks were used to disburse \$1,446 to various individuals, businesses, and other county offices from the official checking account. Section 5-8-207, Tennessee Code Annotated, requires disbursements to be made by official prenumbered checks drawn on the official bank account. These deficiencies are the result of a lack of management oversight. We also noted during the period July 1, 2010, through October 29, 2010, that 15 cashier's checks were used to disburse \$3,792 to various individuals, businesses, and other county offices from the official checking account.

RECOMMENDATION

All disbursements should be made by official prenumbered checks drawn on the official bank account as required by state statute.

OFFICE OF SHERIFF

FINDING 10.15 **PROFITS FROM COMMISSARY OPERATIONS WERE NOT REMITTED TO THE COUNTY MONTHLY
(Noncompliance Under Government Auditing Standards)**

Profits from commissary operations were not remitted to the county trustee monthly. The state attorney general opined in November 1989 (Attorney General Opinion U89-143), that profits earned from commissary operations are local revenue and should be administered as any other local revenue. Section 8-24-103, Tennessee Code Annotated provides that all funds earned by the Sheriff's Department should be reported to the county monthly. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

The sheriff should remit commissions earned on the commissary operations to the county trustee monthly.

OTHER FINDING AND RECOMMENDATION

FINDING 10.16 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE SCHOOL FOOD SERVICE DEPARTMENT AND IN THE OFFICES OF COUNTY MAYOR, HIGHWAY SUPERVISOR, 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 of the School Food Service Department and in the Offices of County Mayor, Highway Supervisor, 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. Accounting standards provide that internal controls be designed to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this deficiency exists because management failed to correct the finding noted in the prior-year audit report.

RECOMMENDATION

Officials should segregate duties to the extent possible using available resources.

BEST PRACTICES

The Division of County Audit strongly believes that the items noted below are best practices that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Marion County.

ITEM 1. **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAS NOT BEEN ADOPTED**

Marion County does not have a central system of accounting, budgeting, and purchasing. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort. We recommend the adoption of 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.

ITEM 2. **MARION COUNTY HAS NOT ESTABLISHED AN AUDIT COMMITTEE**

Marion County does not have an Audit Committee. An Audit Committee can assist the County Commission by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and being responsible for monitoring management's plans to address various risks. County officials should establish an Audit Committee as a best practice.

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

Federal Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Agriculture Passed-through State Department of Agriculture: School Breakfast Program National School Lunch Program	10.17	10.553 10.555	<u>Circular A-133</u> Section 500(c)(3)	Noncompliance - See Finding 10.05 Competitive bids were not properly solicited for an oven hood	\$ 104,010
School Breakfast Program National School Lunch Program	10.18	10.553 10.555	<u>Circular A-133</u> Section 500(d)(3)	Significant Deficiency in Internal Control See Finding 10.07 - The Food Service Department issued some purchase orders after the purchases were made	0

**MARION COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2010**

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

Office of Director of Schools – Corrective Action Plan for Current-Year's Findings

FINDINGS 10.05 and 10.17

Contact person:	Mark Griffith
Corrective action planned:	In the future, we will adhere to the school board policy on purchasing.
Anticipated completion date:	2010-11

FINDINGS 10.07 and 10.18

Contact person:	Mark Griffith
Corrective action planned:	Management will implement adequate internal controls over purchases. Purchase orders will be issued prior to purchases being made.
Anticipated completion date:	2010-11